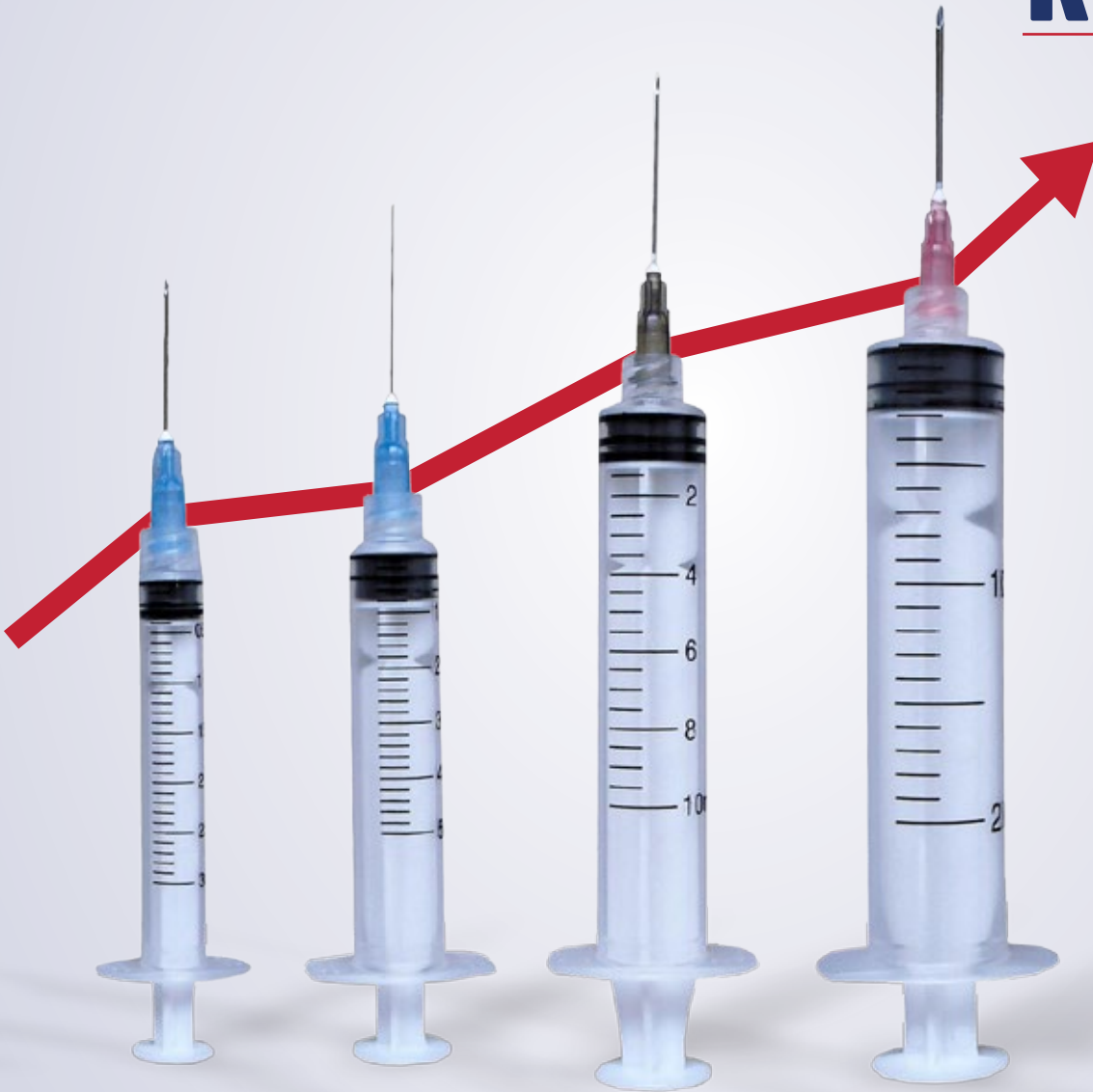


# 2014

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# ANNUAL REPORT

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**MDS**

MEDICAL DISPOSABLES  
& SUPPLIES LIMITED

QUALITY · VALUE · SERVICE

# OUR VISION

*Our vision is to be the most efficient, customer centric and profitable distributor in the Caribbean region.*

# OUR MISSION

*Beat the Best*

# OUR VALUES

- *Fulfilled Employees*
- *Premium Service*
- *Quality Assurance*
- *Delighted Customers*
- *Contented Affiliates*
- *Social Responsibility*



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# CHAIRMAN'S STATEMENT

*The financial year ended March 31, 2014 has been another year of growth and positive financial performance for Medical Disposables & Supplies Limited (MDS), notwithstanding the challenging economic environment which characterised the Jamaican business sector as a whole.*

Revenue for the period amounted to \$912.97 million which generated pre-tax profits of \$70.28 million. After taking into account Corporate Income Tax of \$13.73 million, Net Profit recorded for the year was \$56.55 million, resulting in earnings per stock unit of \$0.51.

During the financial year MDS experienced a significant change in its ownership and financial structure as the company successfully navigated an Initial Public Offering (IPO) and listed on the Junior Market of the Jamaica Stock Exchange on December 24, 2013.

The funds raised in the IPO have assisted with the retirement of debt as well as the provision of working capital to meet the expansion in business activity.

At the same time MDS was fortunate to have benefitted from the oversight of a newly formed Board of highly competent and experienced Directors, as MDS made the transition from a family owned and operated Company to a more formalised Corporate Structure.



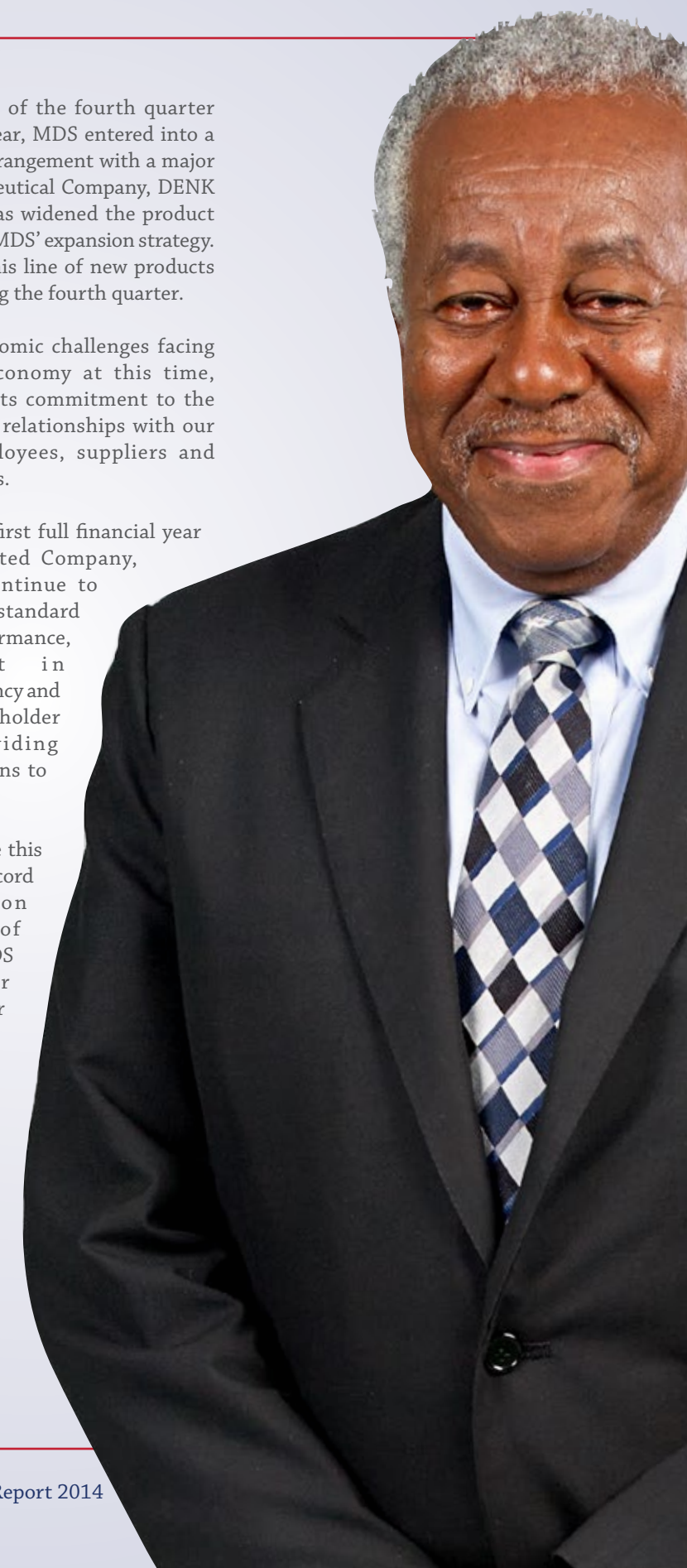
**WINSTON BOOTHE**  
CHAIRMAN

At the beginning of the fourth quarter of the financial year, MDS entered into a co-distribution arrangement with a major German Pharmaceutical Company, DENK Pharma, which has widened the product range in line with MDS' expansion strategy. Distribution of this line of new products commenced during the fourth quarter.

Despite the economic challenges facing the Jamaican economy at this time, MDS maintains its commitment to the strengthening of relationships with our customers, employees, suppliers and other stakeholders.

As we begin the first full financial year as a publicly listed Company, we pledge to continue to maintain a high standard of financial performance, improvement in operational efficiency and to increase shareholder value by providing appropriate returns to our shareholders.

Finally, let me use this opportunity to record my appreciation to the Board of Directors, the MDS Team and our Customers for their support during the past year.





# ...AND THE STORY CONTINUES

**1999** After 11 years of service at Cari-Med Limited, with Mr. Glen Christian as Mentor, Myrtis Boothe establishes MDS Ltd in 1999 and commences trading in 2000 primarily with medical supplies and disposable items. Single-handedly, she manages the purchasing, sales, and delivery functions with all operations being effected through her mobile device and from her car. She extends her services to the parishes of Kingston & St. Andrew and nearby areas.



The Company rents a small section of a building on Westminister Road to house its inventory. Shortly thereafter, the first sales representative is recruited.

**2001** Positive growth and expansion plans for a pharmaceutical range of products fuels the need for a new facility. The Company acquires a building in The Domes Business Complex on Hagley Park Road. This larger facility, accompanied by greater overheads, helps spark strategic thoughts on expansion of the product portfolio and client base.

The Company gains consumer sub-distributorships for other established companies, including Johnson & Johnson. As a reseller of consumer goods, MDS now focuses on niche markets and capitalizes on down-the-trade opportunities. This provides a competitive advantage in accounts that prefer purchasing in more manageable quantities. This innovation helps to build the name of the Company in the industry and the client base increases due to customer recommendations. It also allows MDS to provide a wider portfolio of product offerings to the market.

MDS acquires a second adjoining unit in the Domes Business Complex.

**2003** MDS begins island-wide distribution.

**2009** As part of the efforts to diversify the business, a pharmaceutical partner is sought for portfolio expansion. MDS is contracted to co-distribute the line of vaccines manufactured by GlaxoSmithKline (GSK), one of the world's largest pharmaceutical companies.

**2010** Dr. Reddy's Laboratories (DRL), one of the largest pharmaceutical businesses headquartered in India, appoints MDS as co-distributor of their DRL Pharmaceutical line in the Jamaican market.



A third adjoining unit in the Domes Business Complex is acquired by MDS to accommodate the growing inventory.

**2011** GSK appoints MDS as co-distributor of their pharmaceutical line.

**2012** With a growing reputation in the industry as a David among Goliaths, the Company is more recognised in the eyes of suppliers. Supreme Chemicals Limited appoints MDS as a distributor of their Bunny's line of products.

**2013** An additional unit in the Domes Business Complex is leased to house the overflow of inventory.

MDS Ltd is listed on the Jamaica Stock Exchange Junior Market on December 24, 2013.

**2014** DENK Pharma announces partnership with MDS, appointing the Company as co-distributor of their German manufactured off-patent pharmaceutical line of products.

MDS closes its financial year with a 44-member strong team.

An additional unit in the Domes Business Complex is leased.



Investors' Briefing held at the Jamaica Pegasus on December 3, 2013



The Listing of MDS on the Junior Market at the Jamaica Stock Exchange on December 24, 2013



Pharmaceutical Society of Jamaica 2014 Annual Retreat at the Sunset Jamaica Grande Resort, Ocho Rios



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Medical Disposables & Supplies Limited will be held on Tuesday, September 30, 2014 at 10:00 a.m. at the Courtleigh Hotel & Suites, 85 Knutsford Boulevard, Kingston 5, to consider, and if thought fit, pass the following resolutions:

**1. RECEIPT OF AUDITED ACCOUNTS**

THAT the Audited Accounts for the financial year ended March 31, 2014, together with the Reports of the Directors and Auditors thereon be and are hereby adopted.

**2. RETIREMENT AND RE-APPOINTMENT OF DIRECTORS BY ROTATION**

THAT the following Directors of the Board who, being the longest serving have retired by rotation prior to the reading of the resolution in accordance with the Articles of Incorporation of the Company, and, being eligible, have consented to be re-appointed and to act on re-appointment:

- (a) Mr. Winston Boothe  
(Non-Executive Chairman)
- (b) Mrs. Myrtis Boothe  
(Managing Director)

**3. RE-APPOINTMENT OF DIRECTORS APPOINTED TO FILL CASUAL VACANCIES**

TO reappoint the following Directors of the Board who, each having been appointed to fill a casual vacancy and having resigned prior to reading of this resolution in accordance with the Articles of Incorporation of the Company and, being eligible, have consented to be re-appointed and to act on re-appointment:

- (a) Dr Vincent Lawrence  
(Non-Executive)
- (b) Dr Dahlia McDaniel  
(Non – Executive)
- (c) Mrs. Sandra Glasgow  
(Non-Executive & Mentor)

**4. DIRECTORS' REMUNERATION**

THAT the Board be and is hereby approved to fix and agree the remuneration of the Directors.

**5. RE-APPOINTMENT AND REMUNERATION OF AUDITORS**

THAT Mair Russell Grant Thornton who have consented to continue as the auditors of the Company be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Board of Directors.

BY ORDER OF THE BOARD



**KURT BOOTHE**  
COMPANY SECRETARY

**NOTE:** A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed and if it is used it should be completed in accordance with the instructions on the form and returned so as to reach the Company's Registrar at the address shown on the form not less than forty-eight (48) hours before the time fixed for the meeting.

# DIRECTORS' REPORT

*The Directors of Medical Disposables & Supplies Limited are pleased to present their report for the 12 months ending March 31, 2014.*

**FINANCIAL RESULTS**

The Statement of Comprehensive Income shows pre-tax profits of \$70.2M and post-tax profits of \$56.5M from revenues of \$912.9M. Further details of these results, as well as the prior 12 month performance are outlined in the Management Discussion and Analysis and Financial Statements which are included as part of this Annual Report.

**DIRECTORS**

The Directors of the Company as at March 31, 2014 are:

- Mr. Winston Boothe  
*Chairman*
- Dr. Vincent Lawrence  
*Non-Executive*
- Mrs. Sandra Glasgow  
*Non-Executive*
- Dr. Dahlia McDaniel  
*Non-Executive*
- Mrs. Myrtis Boothe  
*Managing Director*
- Mr. Kurt Boothe  
*General Manager*
- Miss Nikeisha Boothe  
*Senior Marketing Executive*

The Directors to retire by rotation in accordance with the Articles of Incorporation are: Mr. Winston Boothe and Mrs. Myrtis Boothe, but being eligible, will offer themselves for re-election.

Directors being confirmed, who were originally appointed to fill casual vacancies, are: Dr Vincent Lawrence, Dr Dahlia McDaniel and Mrs. Sandra Glasgow.

**AUDITORS**

The auditors of the Company, Mair Russell Grant Thornton, of 3 Houghton Avenue, Kingston 10, have conveyed their willingness to continue in office as Auditors of the Company until the next Annual General Meeting.

We wish to thank all our customers, employees, agents and shareholders for their continued support and contribution to the Company's performance.

Dated this 14th day of July, 2014  
FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



**Kurt Boothe**  
COMPANY SECRETARY



# OUR DIRECTORS



**MISS NIKEISHA BOOTHE**  
Senior Marketing Executive



**DR. DAHLIA MCDANIEL**  
Non-Executive Director



**MR. WINSTON BOOTHE**  
Chairman



**DR. VINCENT LAWRENCE**  
Non-Executive Director



**MRS. SANDRA GLASGOW**  
Non-Executive Director



**MR. KURT BOOTHE**  
General Manager



**MRS. MYRTIS BOOTHE**  
Managing Director



# DIRECTORS' PROFILE



## **WINSTON BOOTHE, B.Sc.**

*Chairman*

With over 30 years of experience as a corporate executive, Mr. Boothe offers an impressive business acumen, financial expertise and an expansive network in the business realm. He is an immediate past Senior Vice President of the Port Authority of Jamaica where he served for 19 years until September 2013, shouldering responsibilities in the areas of Corporate Planning, Finance, Administration, Operations and Information Services. Prior to this, Mr. Boothe held the post of Group VP of the Jamaica Broilers Group of Companies. He has served as a Director of the Petroleum Corporation of Jamaica, Port Authority of Jamaica, Jamaica International Free Zone Development Limited, Master Blend Feeds and the Wortley Home for Girls. Mr. Boothe is an honours graduate of the University of the West Indies with a Bachelor's degree in Economics & Business Administration.

*Mr. Winston Boothe is a member of the Audit & Compliance Committee and a member of the Compensation Committee.*

## **DR. THE HON. VINCENT**

### **M. LAWRENCE**

O.J., Ph.D., D.Sc., P.Eng., M.Sc., B.Sc.

*Non-Executive Director*

During his over 40 years of experience as a civil and geotechnical engineer, Dr. Vincent Lawrence has become widely recognized as a skilled negotiator who has played a pivotal role in the engineering community and has exhibited a strong commitment to national service. He is a registered Professional Engineer in Jamaica and Ontario, a member of the Jamaican Institute of Management and a Fellow of the American Society of Civil Engineers. Dr. Lawrence is currently the Executive Chairman of Jentech Consultants Limited, Chairman of the Clarendon Alumina Production Limited Board and Chairman of the Financial Board of the Diocese of Jamaica and the Cayman Islands. He holds a Bachelor of Science Degree with honours from the University of the West Indies and earned the title of Doctor through the Queen's University, Canada.

*Dr. Vincent Lawrence is the Independent Chairman of the Compensation Committee and an Independent member of the Audit & Compliance Committee.*

## **SANDRA GLASGOW, B.Sc., M.B.A.**

*Non-Executive Director*

Mrs. Sandra Glasgow is the founder and Managing Director of BizTactics Limited, a privately held consulting company focused on nurturing growth-aspiring Caribbean firms and promoting best-in-class corporate governance. Prior to this, Mrs. Glasgow paved an impressive expanse of professional achievements, successfully executing roles at a number of highly esteemed organisations, including that of Chief Executive Officer at the Private Sector Organisation of Jamaica and her decade long affiliation with the University of Technology. As a Non-Executive Independent Director of the National Commercial Bank since 2002, Mrs. Glasgow chairs the Corporate Governance Committee, and sits as an independent director on the Executive Committee, the Audit Committee, the Risk Committee and the Compensation Committee. She is also Mentor to Caribbean Producers Jamaica Limited. Mrs Glasgow has been the recipient of two degrees at the University of the West Indies - a Bachelor of Science with majors in Zoology and Applied Botany as well as a Master of Business Administration.

*Mrs. Glasgow serves in the capacities of Independent Chairman of the Audit Committee, Independent member of the Compensation Committee and Mentor to the Board.*

## **DR. DAHLIA McDANIEL**

*Non-Executive Director*

Dr. McDaniel adds an essential dimension to the MDS Board through her strong command of the pharmaceutical industry from both academia and business perspectives. Her contagious fervour for the discipline helps to ensure output of the highest standard with an outlook supported by intelligent industry specific applications. Dr. McDaniel is a registered pharmacist for over 23 years with a Doctorate of Public Health in the field of Pharmacology from the University of London, owner of two thriving pharmacies and a proprietor of a medical clinic. She currently sits on the Pharmacy Council of Jamaica, the body responsible for the regulation of pharmacists, pharmaceutical students, pharmacy owners and authorised sellers of poisons in accordance with The Pharmacy Act (1966).

*Dr. McDaniel is an Independent member of the Audit & Compliance and the Compensation Committees.*

## **MYRTIS BOOTHE**

*Executive Director*

Mrs. Myrtis Boothe is the founder and Managing Director of MDS Limited. Her over 35 years of passionate and extensive medical experience provides great value to the organisation through her immense product knowledge, first-hand understanding of the inner workings of health institutions, expansive industry network and her keen dedication to providing service excellence in patient care. She is a registered nurse by profession, and natural leader whose business instincts were honed through an 11-year management career at one of the country's leading companies in the industry.

## **KURT BOOTHE, M.B.A.**

*Executive Director & Company Secretary*

Kurt Boothe's financial acumen, intimate familiarity with best practices exercised beyond our shores and openness to the application of modern solutions to business challenges is a welcomed addition to the skill sets of the Company. Mr. Boothe is an outgoing Non-Executive Director of the Petroleum Company of Jamaica with responsibility for Marketing. He holds a Bachelor's degree in Business Administration and an M.B.A. with a concentration in Entrepreneurship from the Wayne Huizenga School of Business at Nova Southeastern University in

Fort Lauderdale, Florida. While residing in Florida, Mr. Boothe developed his proficiency in Finance as part of the American Express Financial Advisors team (Florida) and as Portfolio Administrator with the Private Client Group of Franklin Templeton Investments Inc. He also spent time in Property Valuation Consulting services and independent real estate investments.

## **NIKEISHA BOOTHE, M.B.A.**

*Executive Director*

Miss Boothe graduated with honours from the University of Miami, where she earned a B.A. in International Marketing and Finance. She furthered her studies at the Mona School of Business (University of the West Indies), where she received an M.B.A. with a concentration in Marketing. Her roles as Marketing Executive at Dunlop Corbin Communications – a full-service marketing and advertising agency – and Brand Manager at Restaurant Associates Limited (franchise holders for Popeyes and Burger King in Jamaica) have provided her with an in-depth knowledge in advertising, media, production, public relations, event planning, consumer behaviour, budget management and financial marketing.



## SHAREHOLDINGS OF DIRECTORS

As at March 31, 2014

| Name            | No. Of Units |
|-----------------|--------------|
| Winston Boothe  | 50,000,000   |
| Myrtis Boothe   | 50,000,000   |
| Kurt Boothe     | 50,000,000   |
| Nikeisha Boothe | 50,000,000   |
| Dahlia McDaniel | 546,000      |

## SHAREHOLDINGS OF SENIOR MANAGERS

As at March 31, 2014

| Name            | No. Of Units |
|-----------------|--------------|
| Kurt Boothe     | 50,000,000   |
| Myrtis Boothe   | 50,000,000   |
| Nikeisha Boothe | 50,000,000   |
| Lenworth Murray | 163,000      |
| Janice Pitter*  | 87,000       |
| Gerard Whyte    | 54,000       |

\* Includes shareholdings for connected parties

## TOP TEN SHAREHOLDERS

As at March 31, 2014

| Name                             | No. Of Units |
|----------------------------------|--------------|
| Winston Boothe                   | 50,000,000   |
| Myrtis Boothe                    | 50,000,000   |
| Kurt Boothe                      | 50,000,000   |
| Nikeisha Boothe                  | 50,000,000   |
| Mayberry West Indies Limited     | 9,082,808    |
| Mayberry Managed Clients Account | 6,470,947    |
| Apex Pharmacy                    | 3,496,926    |
| Bamboo Group Holdings            | 3,350,631    |
| Catherine Adella Peart           | 2,931,050    |
| Manwei International Ltd.        | 1,627,274    |

# CORPORATE DATA



## DIRECTORS

### CHAIRMAN

Mr. Winston Boothe

### EXECUTIVES

Mrs. Myrtis Boothe  
Miss Nikeisha Boothe

### NON-EXECUTIVES

Dr. Vincent Lawrence  
Mrs. Sandra Glasgow  
Dr. Dahlia McDaniel

### SECRETARY

Mr. Kurt Boothe

## SENIOR OFFICERS

Mrs. Myrtis Boothe – Managing Director  
Mr. Kurt Boothe – General Manager  
Miss Nikeisha Boothe – Senior Marketing Executive  
Ms. Janice Pitter – Financial Controller  
Mr. Gerard Whyte – Business Development & Client Relations Manager  
Mr. Lenworth Murray – Trade Manager  
Mr. Ian Carrington – Sales Supervisor

## ATTORNEYS-AT-LAW

### PATTERSON MAIR HAMILTON

63 – 67 Knutsford Boulevard  
Kingston 5, Jamaica W.I.

## BANKERS

### BANK OF NOVA SCOTIA JAMAICA LTD

Scotia Centre Branch  
Cnr. Duke & Port Royal Streets  
Kingston

### NATIONAL COMMERCIAL BANK

90-94 Slipe Road  
Kingston 5

## AUDITOR

### MAIR RUSSELL GRANT THORNTON

3 Houghton Avenue  
Kingston 10

## REGISTRAR & TRANSFER AGENT

### JAMAICA CENTRAL SECURITIES DEPOSITORY

40 Harbour Street  
Kingston, Jamaica W.I.



## MEDICAL DISPOSABLES & SUPPLIES LIMITED

QUALITY · VALUE · SERVICE

### REGISTERED OFFICE

Unit 26  
The Domes Business Complex  
85 Hagley Park Road  
Kingston 10  
Jamaica, W.I.  
Telephone: (876) 906-9994  
Fax Number: (876) 906-9996  
Email: service@mdsja.com



# CORPORATE GOVERNANCE

*The Board of Directors of Medical Disposables & Supplies Limited is responsible for the Company's Corporate Governance. The Company, listed on the Junior Market of the Jamaica Stock Exchange on December 24, 2013, is in the process of defining a comprehensive corporate governance framework that will adhere to the laws of Jamaica, the Company's Articles of Association, the guidelines issued by the Jamaica Stock Exchange, and other relevant global governance standards. The Board is, however, committed to high standards of governance in order to achieve sustained business growth, enhanced shareholder value and protection of the interests of the Company's customers, employees, suppliers and other stakeholders while ensuring the highest standards of ethics and accountability.*

## Role of the Board

The Company is a distributor of pharmaceuticals, medical disposable supplies and complementary products that support the healthcare industry in Jamaica. Its customers are primarily dispensing pharmacies and hospitals, both privately and government owned and operated.

The Board generally meets on a monthly basis to consider matters of strategic importance as well as matters relating to the operations and performance of the Company.

The Board is currently developing a Charter that will set out the principles for the operation of the Board, delineating its functions vis-à-vis those of the management. A summary of the key functions of the Board that will be included in the Charter is outlined below:

- Approve 3-year rolling strategic plans and budgets
- Approve annual operational plans and budgets
- Monitor executive management performance in the implementation and achievement of strategic and business objectives and financial performance
- Monitor and review the Company's risk management framework, policies and processes
- Appoint and remove the Managing Director and the appointment and removal of executives reporting directly to the Group Managing Director
- Approve the Managing Director's and senior executives' performance targets; monitor performance, set remuneration and manage succession plans
- Approve major operating and capital expenditure and credit facilities in excess of the limits delegated to management

Management is responsible for the execution of approved strategies and for all operational matters.

## Board Composition

As at November 28, 2013, the Board comprised seven directors: three Non-Executive Independent Directors, one Non-Executive Director and three Executive Directors as follows:

- **Winston Boothe** Chairman, Non-Executive Director
- **Sandra A.C. Glasgow** Non-Executive Independent Director and Mentor
- **Dr. the Hon. Vincent Lawrence, O.J.** Non-Executive Independent Director
- **Dr. Dahlia McDaniel** Non-Executive Independent Director
- **Myrtis Boothe** Managing Director, Executive Director
- **Kurt Boothe** General Manager, Executive Director
- **Nikeisha Boothe** Senior Marketing Executive, Executive Director

Each of the Non-Executive Independent Directors brings appropriate business and professional experience, as well as rigour to the deliberations of the Board. The Board considers a director to have met the criteria for independence if he or she:

- does not represent a substantial shareholding
- is not a close relative of a significant shareholder
- does not have an employment relationship with the Company

Details of the Directors' qualifications and experience are set out in the Directors' Profile section of this Annual Report.

## Director Induction and Development

On appointment, all Non-Executive Directors receive comprehensive briefing documents that familiarise them with the Company's operations, management and governance structures; including the role and function of the Board and its Committees.

The Mentor provides guidance to the Board on all governance issues and for ensuring that the Directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities.

## Board Committees

In order to provide adequate time for the Board to concentrate on strategy, planning and performance enhancement, the Board has delegated specific duties to two Committees, the Audit and Compliance Committee and the Compensation Committee. Each Committee has its own Terms of Reference, which has been approved by the Board and which defines the respective committees' roles and responsibilities.

## Compensation Committee

The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to:

- key compensation and human resource policies;
- compensation for senior executives, and
- succession and development of senior executives

The Committee has not met, to date.

Members of the Committee are:

- **Hon. Vincent Lawrence, O.J.** Chairman, Non-Executive, Independent Director
- **Sandra A. C. Glasgow** Non-Executive, Independent Director
- **Dr. Dahlia McDaniel** Non-Executive, Independent Director
- **Winston Boothe** Non-Executive Director.

## Audit and Compliance Committee

The Audit and Compliance Committee assists the Board in fulfilling its responsibilities relating to:

- the integrity of the financial statements and announcements to shareholders;
- overseeing the relationship between the Company and its external auditors;
- the review of the Group's internal controls, including financial controls;
- assessment of the effectiveness of the internal audit, compliance and risk management functions;
- the review of the internal and external audit plans and subsequent findings;
- the review of accounting policies, for the approval of the Board
- the review of the external and internal auditors' reports;
- obligations under applicable laws and regulations; and
- the review of the effectiveness of the services provided by the external auditors and other related matters.

The Audit and Compliance Committee did not meet during the financial year, however the Committee met subsequent to the end of the year to consider and recommend to the Board of Directors, the approval of the audited financial statements.

In accordance with the Corporate Governance guidelines issued by the Jamaica Stock Exchange, the Committee comprises a majority of independent directors.

Members of the Committee are:

- **Sandra A. C. Glasgow** Non-Executive, Independent Director
- **Hon. Vincent Lawrence, O.J.** Non-Executive, Independent Director
- **Dr. Dahlia McDaniel** Non-Executive, Independent Director
- **Winston Boothe** Non-Executive Director

The Managing Director, the General Manager, the Chief Financial Officer and members of the external audit team are invited to Committee meetings at the discretion of the Committee.

## Director Remuneration

The Company is of the belief that remuneration to Directors should be reasonable and based on their responsibilities, work, time invested, and the complexity of the business. The remuneration offered to both executive and non-executive Directors is considered to be consistent with the level for companies of comparable size and stage of development. The remuneration is a fixed annual amount and is not linked to the Company's performance or share price.

The Mentor, who is a Board Member, performs special assignments for the Company under contract, in addition to her directorship. Information on remuneration paid to the executive and non-executive members of the Board of Directors in the financial year is presented in note 24 to the financial statements.

## Attendance at Meetings of the Board of Directors

There were two meetings of the Board during the period November 28, 2013 to March 31, 2014. Details of attendance by Directors at these meetings are set out below.

|                                     |   |
|-------------------------------------|---|
| Winston Boothe                      | 2 |
| Myrtis Boothe                       | 2 |
| Kurt Boothe                         | 2 |
| Nikeisha Boothe                     | 2 |
| Sandra Glasgow                      | 2 |
| Dr. the Hon. Vincent Lawrence, O.J. | 1 |
| Dr. Dahlia McDaniel                 | 2 |

  
Sandra A. C. Glasgow, Mentor

# MANAGEMENT DISCUSSION & ANALYSIS

Since incorporation in 1998, MDS Ltd. has enjoyed year over year growth to date. The Company is now recognized as a respectable, service oriented distributor in the healthcare market across the island.

Over the past four (4) years, MDS has made considerable strides by inking distributor agreements with major pharmaceutical manufacturers such as GlaxoSmithKline and Dr. Reddy's Laboratories. Among our portfolio of brands, we are proud of our alliance with local manufacturer Supreme Chemicals, makers of the Bunny's brand. MDS prides itself on giving unwavering focus to each of these partners which has resulted in increased market presence.

Since the IPO in December 2013, MDS was appointed as a distributor for DENK Pharma, a premium off-patent pharmaceutical manufacturer headquartered in Munich, Germany, a move that has served to increase the Company's portfolio of product offerings to the market. The Company also extends focus to expanding its presence in the area of disposable medical supplies, one of its core strengths since inception. To facilitate the current and intended growth, we acquired an additional 3,000 square feet of warehouse space. During the course of the year, we have implemented support systems, such as the strengthening of our internal structure. As part of this process, there has been a recruitment of additional staff at various levels of the organization, including that of supervisory posts. All these efforts have been employed for assurance in effecting our vision for growth. This includes the updating and improvement of IT systems for security, performance and operational intelligence.

Although the economic challenges have brought some difficulties we believe that our input factors employed are sufficient to withstand the economic climate.

MDS looks forward to another successful year of operations and the team is excited about its future prospects.

## OUR FINANCIAL PERFORMANCE HIGHLIGHTS

### PROFIT & LOSS SUMMARY

Highlights of the financial year ended March 31, 2014

|                            |          |
|----------------------------|----------|
| Sales Revenue              | \$913.0M |
| Net Profit                 | \$56.5M  |
| Earnings per Stock Unit    | \$0.51¢  |
| Total Assets               | \$632.4M |
| Total Stockholders' Equity | \$352.4M |

### Revenue

Revenue at the end of the financial year was \$913M which was 16.6% above the similar period in the previous year. The pharmaceuticals category had the highest overall increase of 20%, as the strategic focus on new and wider product offerings resulted in greater market penetration and faster revenue growth.

### Gross Profit

Gross Profit at the end of the financial year was \$236.9M (25.9%) compared with \$185.9M (23.7%) for a similar 12 month period in the previous year. This improvement was due mainly to the product sales mix, higher product margins and consistent review of our selling prices against the background of movements in the exchange rate and other increases in cost.

### Operating Expenses

Operating expenses increased by 27.5% to \$144.9M due to an increase in staff related expenses, information technology services and increased lease expenditure for additional warehouse storage facilities. In preparation for membership on the Junior Market of the Jamaica Stock

Exchange, it became necessary for the Company to ensure that the information technology infrastructure, mainly the Enterprise Resource Planning (ERP) and storage capabilities were much improved to meet all the necessary requirements while safeguarding the database.

### Non-Operating Expenses

Non-operating expenses increased by 19.1% to \$21.7M. This increase was mainly attributable to the devaluation of the local currency, which resulted in the increase in foreign exchange loss by 292.5% to \$5M. Finance costs increased by 9.7% to \$18.7M, however, finance income of \$1.97M, positively supported the overall impact of the non-operating expenses.

### Profit Before Tax

Notwithstanding the increase in operating expenses and the adverse impact of the devaluation of the local currency, profit before tax grew by 30.2% to \$70.3M.

## BALANCE SHEET REVIEW FOR THE YEAR ENDED MARCH 31, 2014

### Total Assets

Total Assets grew by \$181.6M or 40.3% compared to a similar 12 month period in the previous year.

### Fixed Assets

Fixed assets increased by \$46.6M or 40.3% which was driven mainly by a revaluation of land and building from \$59.8M to \$96.5M (an increase of \$36.7M). The revaluation was done by an independent valuator.

### Total Working Capital

Total working capital increased by \$120.7M or 78% as there was an upswing in all aspects of our net working assets to manage the increased levels of operation. Of this increase, inventories accounted for \$34.2M or 20.7% due to the increases in product offerings as well as the need to support the higher level of business activity. This was offset by trade and other payables which increased by \$27.9M or 22.6%. The trade receivables portfolio likewise increased by \$40.5M or 21.7% as the Company increased its sales revenue which resulted from stronger demand for its products.

### Cash & Cash Equivalents

Cash and cash equivalents increased by

\$60.8M or 245.8% which represents a balance from the Initial Public Offering (IPO) placed on deposit to be utilized during the next financial year on the continued expansion of new and existing product offerings.

### Total Shareholders' Equity

Total shareholders' equity increased by \$200.6M or 132.1% compared with a similar 12 month period in the previous year.

Our equity base was strengthened with the increase in share capital due, which arose from the initial offer of shares in the Company which became listed on the Junior Market of the Jamaica Stock Exchange on December 24, 2013. The share capital now stands at \$107.8M from \$20K at March 31, 2013. Retained earnings were \$184.9M which represents 52.5% of total shareholders' equity. Revaluation reserves were \$59.6M, an increase of \$36.7M or 160% due to the increased value of properties owned.





# FINANCIAL HIGHLIGHTS

|  | 2014   | 2013*                          |                              | 2012   | 2011   | 2010   | 2009   |
|--|--------|--------------------------------|------------------------------|--------|--------|--------|--------|
|  | \$'000 | (12 months restated)<br>\$'000 | (3 months audited)<br>\$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

## PROFIT AND LOSS SUMMARY

|                         |         |         |         |         |         |         |         |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|
| Revenue                 | 912,972 | 782,746 | 218,587 | 723,937 | 506,001 | 289,211 | 199,865 |
| Gross Profit            | 236,875 | 185,786 | 54,380  | 177,203 | 152,224 | 75,883  | 65,057  |
| Profit Before Tax       | 70,278  | 53,959  | 19,879  | 49,813  | 30,925  | 7,375   | 19,204  |
| Profit After Tax        | 56,544  | 40,469  | 14,619  | 41,322  | 18,720  | 4,990   | 14,048  |
| EBITDA                  | 93,953  | 76,121  | 25,433  | 71,802  | 46,984  | 17,829  | 26,845  |
| Earnings per share unit | 0.51    | 0.20    | 0.07    | 0.21    | 0.09    | 0.02    | 0.07    |

## BALANCE SHEET

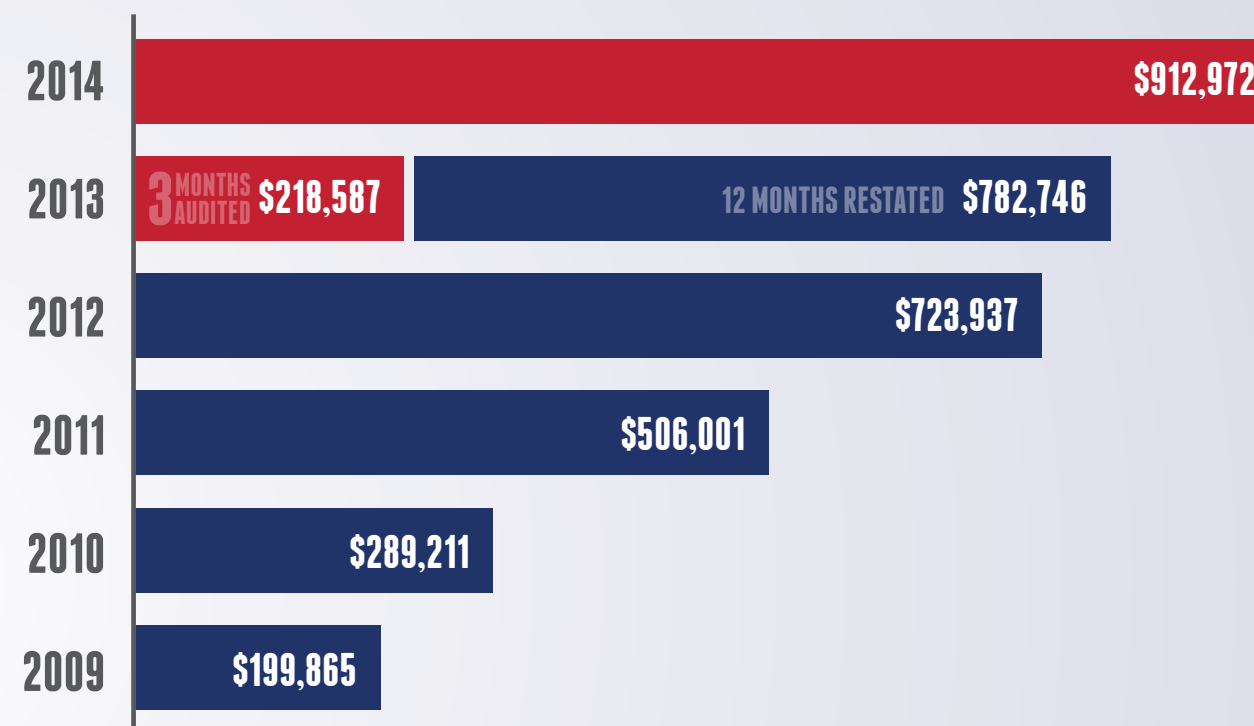
|                      |         |         |         |         |         |         |         |
|----------------------|---------|---------|---------|---------|---------|---------|---------|
| Total Assets         | 632,489 | 450,897 | 450,897 | 422,660 | 319,034 | 232,264 | 132,618 |
| Total Liabilities    | 280,069 | 299,063 | 299,063 | 285,446 | 223,142 | 155,092 | 60,436  |
| Stockholders' Equity | 352,420 | 151,834 | 151,834 | 137,214 | 95,892  | 77,172  | 72,182  |

## IMPORTANT RATIOS

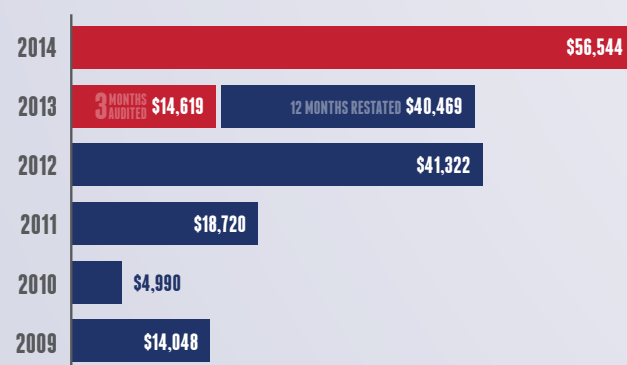
|                     |      |      |      |      |      |      |      |
|---------------------|------|------|------|------|------|------|------|
| Gross profit margin | 26%  | 24%  | 25%  | 24%  | 30%  | 26%  | 33%  |
| Debt to equity      | 21%  | 65%  | 65%  | 55%  | 57%  | 66%  | 35%  |
| Return on equity    | 22%  | 28%  | 10%  | 35%  | 22%  | 7%   | 22%  |
| Current ratio       | 2.16 | 1.70 | 1.70 | 1.55 | 1.44 | 1.40 | 1.78 |

\* the company applied and received permission from Tax Administration Jamaica to change the financial year end from December 31 to March 31. In effecting this change The company was audited for the three month period January 1 to March 31, 2013. As a result of the actual financial performance for the period April 1, 2012 to March 31, 2013 were restated and used for comparative analysis.

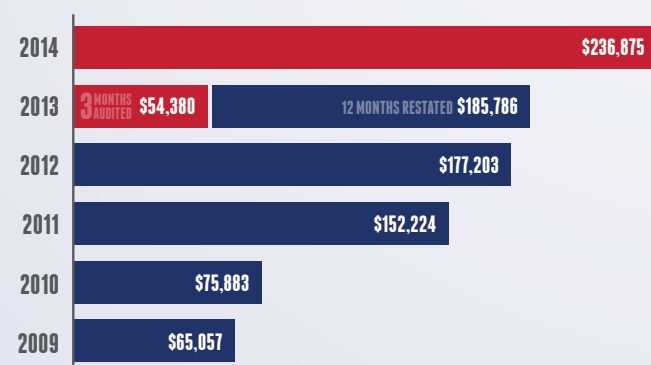
## SALES REVENUE (\$'000)



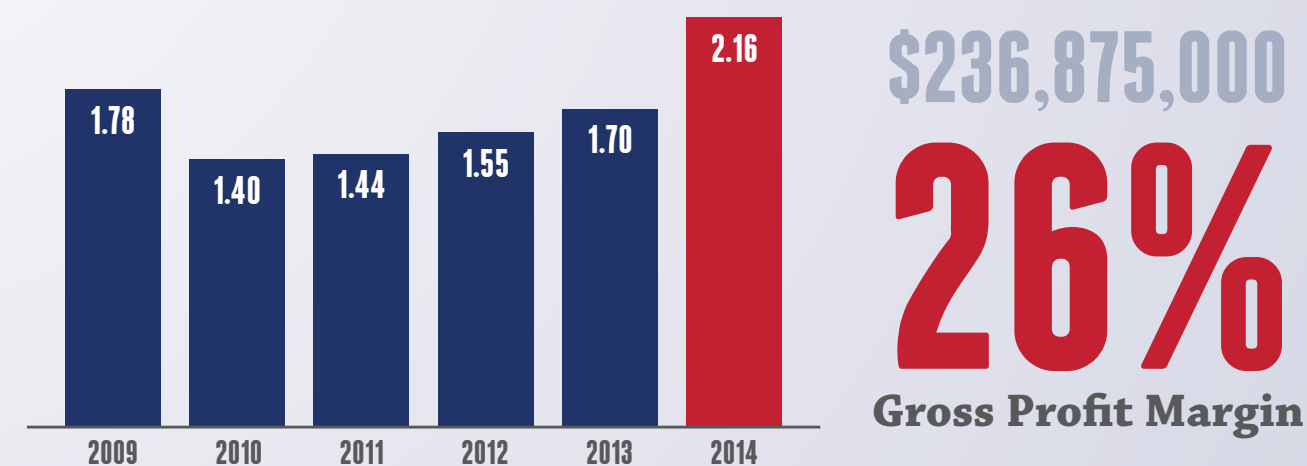
## PROFIT AFTER TAX (\$'000)



## GROSS PROFIT (\$'000)



## CURRENT RATIO



# EXECUTIVE MANAGEMENT



**MYRTIS BOOTHE**  
**Managing Director**  
 Registered Nurse

Mrs. Boothe is the founder of MDS Ltd. and operates as the Managing Director. Her extensive nursing background combined with her managerial experience in medical sales spans almost 50 years. She sits at the helm of the sales department while shouldering responsibility for the strategic planning of the Company and providing complete oversight on MDS' day-to-day operations. In addition, Mrs. Boothe, with her depth of network resources, also maintains a vibrant long-term network of relationships with the Company's partners - suppliers and clients. She continues to be a well-respected stalwart in the field.



**KURT BOOTHE**  
**General Manager**  
 M.B.A. in Entrepreneurship – Nova Southeastern University, Florida

Kurt Boothe joined the MDS team as General Manager in 2006 after garnering over a decade's worth of scholastic and professional experience in the field of Entrepreneurship and Finance in South Florida. His pursuits in the overseas commercial environment provided him professional licensures in Financial Securities with the New York Stock Exchange, the National Association of Securities Dealers and the Florida Department of Insurance. As General Manager, Kurt leads a 44-member team toward the Company's financial goals and objectives and directs the Company's overall operations and administration. He is also responsible for delivering solutions to transform MDS' way of doing business and for improving efficiencies through Information Technology.



**NIKEISHA BOOTHE**  
**Senior Marketing Executive**  
 M.B.A. Marketing – Mona School of Business, University of the West Indies

With a penchant for all things creative, Nikeisha Boothe plunged into the world of Marketing, beginning with her academic pursuits in Florida and culminating with her professional endeavours on local soil in advertising and brand management. As part of the MDS team since 2001, Nikeisha now serves in the capacity of Senior Marketing Executive with responsibility for overall corporate branding, ensuring that the Company's activities encapsulate its vision, values, personality, positioning and image. In addition, she provides oversight for Customer Care, monitors data mining activities and liaises with partner organizations. She brings, to MDS, an understanding of branding, a deep affinity for consumer engagement and a relentless focus on offering customers an interesting and enjoyable experience with the MDS brand.



**GERARD WHYTE**  
**Business Development & Client Relations Manager**  
 B.Sc. Biochemistry & Zoology (honours) – University of the West Indies

A glimpse at Mr. Whyte's resume reveals a career in the pharmaceutical industry dating back to 1980 with a long thread of positions held – Medical Representative, Supervisor and Caribbean District Manager. Prior to joining MDS in 2009, Mr. Whyte was a founding partner in a pharmaceutical distribution firm where he was Director of Sales & Marketing.

As the Business Development & Client Relations Manager of MDS, Mr. Whyte establishes and manages commercial expansion by driving sales activities, exploring leads, partaking in negotiations and playing an integral role in new business acquisition. With relationships being central to the growth of the Company in this business-to-business environment, Gerry also holds the reins in maintaining institutional and client relations.



**LENWORTH MURRAY**  
**Trade Manager**  
 B.Sc. Management Studies – University of the West Indies

Mr. Murray began his longstanding career in the medical field in 1991, entering as Sales Representative and enjoying a number of other capacities, including that of Medical Representative for one of the world's leading branded generic companies and Sales Manager for the North Caribbean Region. His more than 18 years of experience in the pharmaceutical industry and over half-a-decade in the sales field have equipped him with a strong understanding of the world of pharmaceuticals, a robust network base and invaluable sales skills.

Lenworth joined the MDS team as Trade Manager in 2012; a role which designates him responsible for managing sales output, strengthening communication in distribution channels, enhancing customer relationships in the trade, steering on the ground activities in outlets serviced by MDS and promoting the MDS brand and products to target users.



**JANICE PITTER**  
**Financial Controller**  
 FCCA, CA

Ms. Pitter joined MDS in February 2013 after serving a period of nine years at one of the island's oldest and largest retail, manufacturing and distribution companies. While there, her varying capacities included that of Finance Manager and Chief Accountant. These posts were superseded by her 12-year tenure as Audit Senior at BDO Chartered Accountants.

Janice Pitter serves on MDS' executive team as Financial Controller, a role which allows her oversight of the Company's corporate financial strategy and the continued buoyance of the MDS operation in Jamaica. In particular, she integrates her regulatory expertise and financial acumen to streamline procedures related to planning, procurement, investment and accounting.



**IAN CARRINGTON**  
**Sales Supervisor**  
 B.Sc. Biology (honours) – University of the West Indies

Mr. Carrington has enjoyed 14 years in the pharmaceutical industry, often serving in pioneering roles for the firms he has represented. His varying roles as Medical Representative, Business Coordinator, Account Manager and Strategic Planner have made him well-equipped to create a profound footprint on the MDS team through the depth of knowledge gleaned from his broad wealth of experiences.

Mr. Carrington joined the MDS team in 2014 as Sales Supervisor with direct responsibility for the Dr. Reddy's Laboratories (DRL) line. Through keen analysis of the internal and external environments, he guides the DRL-specific sales team to optimise business outcomes. He also manages the development of brand building strategies, product growth approaches and the advancement of consumer relationships.



# HUMAN RESOURCES

*Our success is based on our people*

*Medical Disposables & Supplies Limited (MDS) is committed to the development and well-being of its employees. Our goal is to recruit and retain personnel that possess the competencies, talents and skills required for the Company to implement its strategy. We also find it imperative to ensure that the recruited personnel embody a cultural fit in order to maximise positive outcomes. MDS continues to undergo changes within the organization to further amplify the efficiency and professional interaction of its staff.*

There is nothing more important to our business and its success than our people — those with whom we do business and those who manage all the daily behind-the-scenes functions that make business possible for us — our employees.

## VALUES AT WORK

MDS is guided by a set of core values and principles that each employee is expected to abide by as part of the overall operating framework. These principles embody the pulse of our operations and what we stand for:

- Our aim is to enhance the quality of interactions with our customers every day, everywhere by offering the best experience
- Everywhere in Jamaica and the region, the MDS name represents a promise to its customers that the products are safe and of the highest standard
- We are committed to responsible, reliable customer communication that empowers them to exercise their right to informed choice
- Our success is based on our people:
  - » We treat each other with respect and dignity and expect everyone to promote a sense of personal responsibility
  - » We recruit competent and motivated people who respect our values
  - » We provide equal opportunities for the development and advancement of all staff, and protect their privacy
  - » We do not tolerate any form of harassment or discrimination by our staff

The overarching purpose of the MDS staff policy is to create and maintain a comfortable and professionally stimulating work environment with well-informed and target-oriented employees who are

responsive to the needs of other colleagues, clients and the environment. All of this adds to a supportive working community that values professionalism and best practices.

## TRAINING & DEVELOPMENT

MDS not only encourages the development of skills and professionalism of its employees but also advocates the need for employees to display initiative by taking personal responsibility in the identification of those experiences that will augment their own advancement and growth.

With training being a necessary component in improving internal efficiencies and enriching the transactional and relationship interactions, the Company thought it important to implement a major internal activity in the 2014 financial year toward the achievement of that objective. To this end, a major Customer Service Training exercise led by Service First Limited was executed over the period of a few weeks to ensure that members of the Company were reminded and / or aligned with the standards of excellence required for guiding the MDS experience. This programme has been pivotal in enlightening personnel, refining the way business is carried out by both the individuals and the collective team and it has ultimately served to deepen favourable responses in the trade.



Service Excellence Certification with Maurice Sloley of Service First

## WELL-BEING & SAFETY

MDS makes every effort to create a safe and healthy working environment for its employees. We take into consideration circumstances related to work, such as working conditions and the environment. The Company also aims to prevent work-related illnesses and accidents at work, while maintaining good working and functional ability of all employees.

## INTERNAL ENGAGEMENT PROGRAMMES

By virtue of spending much of our waking hours at work with our colleagues, we find it important to do everything possible to foster a harmonious and gregarious environment and enrich our internal relationships. With this in mind, we have made it a priority to introduce various in-house activities as an effort to energize the spirit of our employees and to ensure that they know they are valued. Two such endeavours include our birthday programme and our recent World Cup prediction game.



Summer Intern Delano Dean, crowned the winner of our 2014 World Cup Prediction Game



Scenes from our 2013 Staff Appreciation Get-together



# CORPORATE SOCIAL RESPONSIBILITY

*“Education is the most powerful weapon which you can use to change the world.”*

NELSON MANDELA

At MDS Ltd., we believe that excellence is not only about the work we do, nor the value we add in the trade. Being excellent goes beyond the confines of our working environs and extends to our community, enriching the lives of others and to being good stewards. We believe in giving back some of the blessings that God has been merciful enough to provide us and working from the consciousness that we all have the responsibility to leave this world better than the way we found it. With such awareness, comes the responsibility to seek understanding of where resources are lacking, where support is needed and identifying the resources we have that can best serve some of these needs. As a result we have directed our energies to our three pillars of passion that, in their own distinct way, can have a profound impact on the productivity of our nation: Health, Education and Sports.

## HEALTH

Health is a natural extension of what we do and the industry of which we are a part, and as such, we find it quite fitting to be involved in related activities. The area of health is extremely important to us on a number of levels. At the heartbeat of this is the infinite amount of passion that MDS’



Myrtis Boothe, Managing Director, blood pressure monitoring at a health fair in Sav-la-mar

founder, Mrs. Boothe, breathed into its genesis and continues to impart to every representative of the Company. In addition to this contagion effect, we recognize that many of the items with which we are involved are essential goods. This means that it impacts the comfort and well-being of individuals and in many instances it can mean the difference between life and death. And further still, is the more macro notion to which we subscribe: “The health of a nation is the wealth of a nation.” For all these reasons, and more, we exert efforts toward making contributions to this vital area of Jamaica’s wealth. All throughout the year, MDS often adopts the role of participant in many industry held health fairs and community based activities hosted by many of our customers. In some of our partnerships, we supply a combination of our time, talent and/or tools of the trade (including product samples, literature and gift baskets). Many

of our most rewarding moments have been derived from hands-on involvement in on-the-ground activities such as blood pressure monitoring and checking of other vitals. In some cases, such engagements have resulted in the identification of individuals who should be patients and in receipt of urgent care. We like to think that many lives have been saved through these efforts.

## EDUCATION & LEADERSHIP

As Nelson Mandela once said “Education is the most powerful weapon which you can use to change the world.” It is this power that has spurred us on to lend our weapon of human resources to fight for the empowerment of our youth and underprivileged through mentorship and leadership.

Now, in our second year of our Corporate Internship Programme which affords us the invaluable opportunity of having a high school student become a part of our



2013 Summer Intern, Kareem Wilson, with Kelly Adams (HR Coordinator)



Mr. Kurt Boothe, General Manager of MDS, delivering a session at the Branson Centre of Entrepreneurship

team during the summer, we continue to find it rewarding beyond measure. Each intern receives a first-hand experience of the inner workings of our organization and is personally led through the process by management. We not only find it important for them to be inculcated about what daily duties to perform, but the reasons which guide why we do it in order to give them a broader view of business processes. Limiting the intern’s experience to the area of operations is insufficient as we pride ourselves on making a personal impact. As such, we ensure one-on-one interactions to discuss real world issues and mull over their career decisions (or confusion), while we impart views on life and offer advice on how to achieve their goals. In a similar manner, we have entered our first year of partnership with the Youth Upliftment Through Employment (YUTE) programme to provide contributions that parallel the Internship Programme.

This past year also saw us as part of the education series at The Branson Centre for Entrepreneurship via our General Manager, Mr. Kurt Boothe, who served as mentorship speaker in their entrepreneurial workshop.

## SPORTS

In Jamaica, it is undeniable that the field of sports is of vital importance to our nation. It is a discipline that has proven to elevate persons from a life of poverty, but even more withstanding is its ability to help build lasting character values such as self-esteem, discipline, determination and hard work - values which are desperately needed in our society.

Through the efforts of our General Manager, Mr. Kurt Boothe, we have assisted in the development of football at the high school level through team management and the provision of vitamin supplements and medical supplies. It is our intention to become even more involved on a wider scale with the passing of time.







Medical Disposables & Supplies Limited

# FINANCIAL STATEMENTS

## MARCH 31, 2014

## Independent auditors' report

**Mair Russell Grant Thornton**

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Kingston 10  
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F + 1 876 754 3196  
E + mrgt.kingston@jm.gt.com

**Montego Bay**  
56 Market Street  
St. James  
T + 1 876 952 0798/952 2891  
F + 1 876 971 5836  
E + mrgt.mobay@jm.gt.com

Jamaica, West Indies

To the Members of  
Medical Disposables & Supplies Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Medical Disposables & Supplies Limited, which comprise the statement of financial position as at March 31, 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### Auditors' Responsibility (Cont'd)

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Medical Disposables & Supplies Limited, as at March 31, 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

### Report on Other Legal and Regulatory Requirements

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 accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner required.

Kingston, Jamaica

May 29, 2014

*Mair Russell Grant Thornton*  
Chartered Accountants



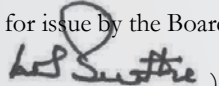
# STATEMENT OF FINANCIAL POSITION

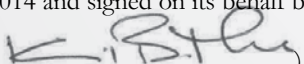
as at March 31, 2014

|                                     | Note | Year ended<br>March 31,<br>2014<br>\$ | Three months<br>March 31,<br>2013<br>\$ |
|-------------------------------------|------|---------------------------------------|---|
| <b>Assets</b>                       |      |                                       |   |
| <b>Non-current assets</b>           |      |                                       |   |
| Property, plant and equipment       | (5)  | 118,325,395                           | 71,037,287                              |
| Intangible assets                   | (6)  | 1,955,706                             | 2,601,350                               |
|                                     |      | <u>120,281,101</u>                    | <u>73,638,637</u>                       |
| <b>Current assets</b>               |      |                                       |   |
| Inventories                         | (7)  | 199,307,409                           | 165,123,684                             |
| Trade and other receivables         | (8)  | 226,645,968                           | 186,170,853                             |
| Prepayments                         |      | 647,300                               | 1,209,154                               |
| Cash and cash equivalents           | (9)  | 85,607,677                            | 24,755,322                              |
|                                     |      | <u>512,208,354</u>                    | <u>377,259,013</u>                      |
| <b>Total assets</b>                 |      | <u><b>632,489,455</b></u>             | <u><b>450,897,650</b></u>               |
| <b>Equity</b>                       |      |                                       |   |
| <b>Capital and reserve</b>          |      |                                       |   |
| Share capital                       | (10) | 107,835,764                           | 20,000                                  |
| Revaluation reserve                 | (11) | 59,613,267                            | 22,906,968                              |
| Retained profits                    |      | 184,970,834                           | 128,906,853                             |
| <b>Total equity</b>                 |      | <u><b>352,419,865</b></u>             | <u><b>151,833,821</b></u>               |
| <b>Liabilities</b>                  |      |                                       |   |
| <b>Non-current liabilities</b>      |      |                                       |   |
| Shareholders' loans                 | (12) | -                                     | 19,778,000                              |
| Owing to directors                  | (13) | -                                     | 28,142,104                              |
| Borrowings                          | (14) | 43,352,008                            | 28,615,590                              |
| Deferred tax liability              | (15) | -                                     | 34,402                                  |
|                                     |      | <u>43,352,008</u>                     | <u>76,570,096</u>                       |
| <b>Current liabilities</b>          |      |                                       |   |
| Bank overdraft                      | (16) | 33,068,184                            | 55,606,779                              |
| Trade and other payables            | (17) | 151,870,765                           | 123,916,310                             |
| Current portion of borrowings       | (14) | 30,340,000                            | 21,834,632                              |
| Income tax payable                  |      | 21,438,633                            | 21,136,012                              |
|                                     |      | <u>236,717,582</u>                    | <u>222,493,733</u>                      |
| <b>Total liabilities</b>            |      | <u><b>280,069,590</b></u>             | <u><b>299,063,829</b></u>               |
| <b>Total equity and liabilities</b> |      | <u><b>632,489,455</b></u>             | <u><b>450,897,650</b></u>               |

The notes on the accompanying pages form an integral part of these financial statements.

Approved for issue by the Board of Directors on May 29, 2014 and signed on its behalf by:

 Director  
Winston Boothe

 Director  
Kurt Boothe

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended March 31, 2014

|   | Note | Year Ended<br>March 31,<br>2014<br>\$ | Three months<br>Ended March 31,<br>2013<br>\$ |
|---|------|---------------------------------------|---|
| <b>Revenue</b>  | (4c) | <b>912,972,019</b>                    | 218,587,417                                   |
| Cost of sales   |      | <u>(676,097,162)</u>                  | <u>(164,207,519)</u>                          |
| <b>Gross profit</b>   |      | <b>236,874,857</b>                    | 54,379,898                                    |
| Administrative expenses   |      | (106,730,927)                         | (20,212,501)                                  |
| Selling and promotional costs   |      | (28,266,591)                          | (8,736,004)                                   |
| Other operating expenses  |      | (4,844,348)                           | (63,344)                                      |
| Depreciation  |      | (5,012,416)                           | (1,168,562)                                   |
| Operating profit  |      | <u>92,020,575</u>                     | <u>24,199,487</u>                             |
| Finance income  | (18) | 1,971,610                             | 23,601  |
| Gain on foreign exchange  |      | -                                     | 41,653  |
| Finance cost  | (18) | (18,663,185)                          | (4,385,229)                                   |
| Loss on foreign exchange  |      | (5,050,938)                           | -   |
| <b>Profit before tax</b>  | (19) | <b>70,278,062</b>                     | 19,879,512                                    |
| Income tax expense  | (20) | (13,734,081)                          | (5,259,987)                                   |
| <b>Profit for the year/period</b>   |      | <u><b>56,543,981</b></u>              | <u>14,619,525</u>                             |
| <b>Other comprehensive income:<br/>Items that will not be reclassified to profit<br/>or loss:</b> |      |                                       |   |
| Revaluation of Building   |      | 36,706,299                            | -   |
| Other comprehensive income for the year   |      | <u>36,706,299</u>                     | <u>-</u>                                      |
| <b>Total comprehensive income for the year</b>  |      | <u><b>93,250,280</b></u>              | <u>14,619,525</u>                             |
| <b>Basic and Diluted Earnings Per Share</b>   | (21) | <u><b>0.51</b></u>                    | <u>0.07</u>                                   |

The notes on the accompanying pages form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2014

|   | Share Capital<br>\$ | Revaluation Reserve<br>\$ | Retained Profits<br>\$ | Total<br>\$        |
|---|---------------------|---------------------------|------------------------|--------------------|
| <b>Balance at December 31, 2012</b>                       | 20,000              | 22,906,968                | 114,287,328            | 137,214,296        |
| <b>Changes in equity 2013</b>                             |                     |                           |                        |                    |
| Profit for the year 2013 being total comprehensive income | -                   | -                         | 14,619,525             | 14,619,525         |
| <b>Balance at March 31, 2013</b>                          | 20,000              | 22,906,968                | 128,906,853            | 151,833,821        |
| <b>Changes in equity 2014</b>                             |                     |                           |                        |                    |
| Issue of shares   | 107,335,764         | -                         | -                      | 107,335,764        |
| Transfer  | 480,000             | -                         | (480,000)              | -                  |
| Transactions with owners                                  | 107,835,764         | 22,906,968                | 128,426,853            | 259,169,585        |
| Profit for the year 2014                                  | -                   | -                         | 56,543,981             | 56,543,981         |
| Other comprehensive income                                | -                   | 36,706,299                | -                      | 36,706,299         |
| Total comprehensive income for the year                   | -                   | 36,706,299                | 56,543,981             | 93,250,280         |
| <b>Balance at March 31, 2014</b>                          | <b>107,835,764</b>  | <b>59,613,267</b>         | <b>184,970,834</b>     | <b>352,419,865</b> |

The notes on the accompanying pages form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

for the year ended March 31, 2014

|  | Note  | Year Ended<br>March 31,<br>2014<br>\$ | Three months<br>Ended March 31,<br>2013<br>\$ |
|--|-------|---------------------------------------|---|
| <b>Cash flows from operating activities:</b>                 |       |                                       |   |
| Profit before tax  |       | 70,278,062                            | 19,879,512                                    |
| Adjustments for:   |       |                                       |   |
| Depreciation and amortisation                                | (5&6) | 5,012,416                             | 1,168,562                                     |
| Interest expense   | (18)  | 18,663,185                            | 4,385,229                                     |
| Interest income  | (18)  | (1,971,610)                           | (23,601)                                      |
| Loss on foreign exchange – shareholders' loans               |       | 3,166,320                             | 1,264,000                                     |
|  |       | <b>95,148,373</b>                     | <b>26,673,702</b>                             |
| Increase in inventories                                      |       | (34,183,725)                          | (10,081,742)                                  |
| Increase in trade and other receivables                      |       | (40,475,115)                          | (24,245,544)                                  |
| Decrease in prepayments                                      |       | 561,854                               | 641,324                                       |
| Decrease in owing to directors                               |       | (28,142,104)                          | -   |
| Increase/(decrease) in trade and other payables              |       | 27,954,455                            | (5,167,717)                                   |
| <b>Cash provided by/(used in) operations</b>                 |       | <b>20,863,738</b>                     | <b>(12,179,977)</b>                           |
| Income taxes paid  |       | (12,978,123)                          | (3,100,000)                                   |
| Interest paid  |       | (18,663,185)                          | (4,010,229)                                   |
| <b>Net cash used in operating activities</b>                 |       | <b>(10,777,570)</b>                   | <b>(19,290,206)</b>                           |
| <b>Cash flows from investing activities:</b>                 |       |                                       |   |
| Additions to property, plant and equipment                   | (5)   | (14,843,651)                          | (118,170)                                     |
| Addition to intangible assets                                | (6)   | (104,931)                             | -   |
| Interest received (net of withholding tax)                   |       | 1,483,872                             | 22,704  |
| <b>Net cash used in investing activities</b>                 |       | <b>(13,464,710)</b>                   | <b>(95,466)</b>                               |
| <b>Cash flows from financing activities:</b>                 |       |                                       |   |
| Proceeds from borrowings                                     |       | 90,000,000                            | 20,000,000                                    |
| Repayment of shareholders' loans                             |       | (22,944,320)                          | -   |
| Issue of shares  |       | 107,335,764                           | -   |
| Repayment of borrowings                                      |       | (66,758,214)                          | (10,410,058)                                  |
| Increase in advances from directors                          |       | -                                     | 12,559,084                                    |
| <b>Net cash provided by financing activities</b>             |       | <b>107,633,230</b>                    | <b>22,149,026</b>                             |
| <b>Net increase in cash and cash equivalents</b>             |       | <b>83,390,950</b>                     | <b>2,763,354</b>                              |
| <b>Cash and cash equivalents at beginning of year/period</b> |       | <b>(30,851,457)</b>                   | <b>(33,614,811)</b>                           |
| <b>Cash and cash equivalents at end of year/period</b>       | (9)   | <b>52,539,493</b>                     | <b>(30,851,457)</b>                           |

The notes on the accompanying pages form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

## 1. Identification and activities

Medical Disposables & Supplies Limited is a limited liability company, and was incorporated under the Laws of Jamaica on November 27, 1998.

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 24, 2013.

The company is domiciled in Jamaica with registered offices located at Shop # 26, The Domes, 85 Hagley Park Road, Kingston 10, Jamaica.

The main activity during the year was the sale of medical supplies.

The company applied and received permission from Tax Administration Jamaica to change their year end from December 31, to March 31.

## 2. Basis of preparation

### (i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared under the historical cost convention, except for certain non-financial assets measured at fair value.

### (ii) Use of estimates and judgements

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements. These estimates are based on historical experience and management's best knowledge of current events and actions. Actual results may differ from these estimates and assumptions.

There were no critical judgements, apart from those involving estimation, that management has made in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

### (i) Depreciation of property, plant and equipment and amortisation of intangible assets.

Depreciation is provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 4(a).

### (ii) Taxation

The company is required to estimate income tax payable to Tax Administration Jamaica on any profit derived from operations (Note 20). This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are included in the statement of financial position. Deferred tax assets and liabilities are measured using the enacted tax rate at the date of that statement of financial position.

If the tax eventually payable or recoverable differs from the amounts originally estimated then the difference will be accounted for in the accounts in the year such determination is made.

## 3. Changes in accounting policies

### i Standards, amendments and interpretations effective during the current period

#### New and revised standards, interpretations and amendments to published standards effective in the current year

Certain new and revised standards, interpretations and amendments to existing standards have been published and became effective during the current financial year. The company has adopted all new and revised standards, interpretations and amendments effective during the year, which are immediately relevant to its operations.

#### IFRS 13 Fair Value Measurement

IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard applies to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures have been extended by IFRS 13 to cover all assets and liabilities within its scope.

#### Amendments to IAS 1 Presentation of Financial Statements

IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2013). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in other comprehensive income such that items of other comprehensive income (OCI) are grouped into two categories: (a) items that will not be reclassified subsequently to surplus or deficit; and (b) items that will be reclassified subsequently to surplus or deficit when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments do not address which items are presented in Other Comprehensive Income.

The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

There are no other IFRS or IFRIC interpretations that are not yet effective, that would be expected to have a material impact on the company.

Management has assessed the relevance of the new standards, amendments and interpretations to existing standards which became effective during the current financial year. Based on the company's operations, management has determined that those standards, amendments and interpretations do not impact its financial statements.

These are:

| <u>Title</u>         | <u>Particulars of Amendments</u>                                   | <u>Effective for annual periods beginning on or after</u> |
|----------------------|--|---|
| Amendments to IFRS 7 | Amendments Related to offsetting of Assets and Liabilities         | January 1, 2013   |
| IFRS 10              | Consolidated Financial Statements                                  | January 1, 2013   |
| IFRS 11              | Joint Arrangements   | January 1, 2013   |
| IFRS 12              | Disclosure of Interests in Other Entities                          | January 1, 2013   |
| IFRS 13              | Fair Value Measurement   | January 1, 2013   |
| IAS 19               | Employee Benefits  | January 1, 2013   |
| IAS 27               | Separate Financial Statements Amendments for Investments Entities  | January 1, 2013   |
| IAS 28               | Amendments related to Investments in Associates and Joint Ventures | January 1, 2013   |

## ii Standards, amendments and interpretations issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the company.

Management anticipates that all relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the company's financial statements is provided below:

### *IFRS 9 Financial Instruments*

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The company's management has yet to assess the impact of this new standard on the company's financial statements. However, management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

## Annual Improvements 2009 – 2011 (the Annual Improvements)

The Annual Improvements 2009 – 2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The Annual Improvements are effective for annual periods beginning on or after January 1, 2013. Management does not anticipate a material impact on the company's financial statements from these Amendments.

Certain other new standards, amendments and interpretations to existing standards have been issued but are not expected to have a material impact on the company's financial statements when they become effective. The standards, amendments and interpretations to existing standards and accounting periods beginning on or after they become effective are as follows:

| <u>Title</u> | <u>Full title of Standard or Interpretation</u>   | <u>Effective for annual periods beginning on or after</u> |
|--------------|---|---|
| IFRS1        | Exemption from the requirements to restate comparative information for IFRS 9                           | January 1, 2015   |
| IFRS 9       | Financial Instruments Classification and Measurement  | January 1, 2015   |
| IFRS 10      | Consolidated Financial Statements (Amendment)   | January 1, 2014   |
| IFRS 12      | Disclosure of Interests in Other Entities (Amendment)   | January 1, 2014   |
| IAS 27       | Separate Financial Statements (Amendment)   | January 1, 2014   |
| IAS 32       | Financial Instruments Presentation - Amendments Relating to offsetting of Assets and Liabilities        | January 1, 2014   |
| IAS 36       | Impairments of Assets Amendments Arising from Recoverable Amounts Disclosures For none Financial Assets | January 1, 2014   |
| IAS 39       | Financial Instruments: Recognition and Measurements Amendments for Novations of Derivatives             | January 1, 2014   |

## 4. Summary of significant accounting policies

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### a Property, plant and equipment

#### (i) Carrying value

Land and buildings are recognised at fair value based on their use at the date of valuation less any subsequent impairment losses. Fair value is determined in valuations carried out by external professional valuers once every (5) years, unless market-based factors indicate a risk of impairment.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in equity under revaluation reserve, unless the carrying amounts of those assets had previously suffered a revaluation decrease or impairment loss which was recognised in profit or loss. To the extent that any decrease had previously been recognised in profit or loss, a revaluation increase reversing the decrease is recognised in profit or loss with the remaining part of the increase recognised in other comprehensive income and accumulated in equity under revaluation reserve.

Downward revaluations of land and buildings are recognised upon revaluation or impairment testing, with the decrease being charged to other comprehensive income to the extent of any surplus in equity relating to this asset and any remaining decrease recognised in profit or loss.

- (ii) Depreciation is charged on assets from the date of acquisition.

Depreciation is provided on the straight line basis at such rates as will write off the cost of various assets over the period of their expected useful lives. The useful lives approximate to ten (10) years for furniture, fixtures and equipment, five (5) years for computers and motor vehicles, and forty (40) years for buildings.

- (iii) Repairs and renewal

The costs of repairs and renewals which do not enhance the value of existing assets are written off to profit or loss as they are incurred.

## **b Inventories**

Inventories are stated at the lower of cost, determined on the average cost basis, and net realisable value. Costs of inventory comprise cost of pharmaceutical and supplies plus applicable charges; net realisable value is based upon estimated selling price.

## **c Revenue recognition**

Revenue arises from the sale of goods. It is measured at the fair value of consideration received or receivable, excluding General Consumption Tax, trade discounts or rebates.

A sale of goods is recognised when the company has transferred to the buyer the significant risk and rewards of ownership, generally when the customer takes undisputed delivery of the goods.

## **d Foreign currency translation**

### *Functional and presentation currency*

The financial statements are prepared and presented in Jamaican dollars, which is the functional currency of the company.

### *Foreign currency translations and balances*

- (i) Foreign currency balances at the end of the reporting period have been translated at rates of exchange ruling at that date.
- (ii) Transactions in foreign currency are converted at rates of exchange ruling at the dates of those transactions.
- (iii) Gains/losses arising from fluctuations in exchange rates are included in profit or loss.

## **e Cash and cash equivalents**

The above represents current and savings account balances and short-term deposits with maturity dates of three (3) months or less, held with financial institutions, and cash on hand maintained by the company net of bank overdraft.

## **f Income tax**

Income tax on the results for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted at statement of financial position date, and any adjustments to tax payable in respect of previous years.

Deferred tax is accounted for using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for taxable differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary difference can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability settled. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

## **g Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

### **Financial assets**

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments; and
- available-for-sale financial assets.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance income', and 'finance costs' except for impairment of trade receivables which is presented within 'other operating expenses'.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. A provision for doubtful debt is recognised when there is an indication that the debt is impaired. Impairment of trade receivables are presented within 'other operating expenses'.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. None of the company's financial assets fall into this category.

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the company has the intention and ability to hold them until maturity. None of the company's financial assets fall into this category.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. None of the company's financial assets fall into this category.

#### **Financial liabilities**

The company's financial liabilities include shareholders' loans, interest-bearing borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

#### **h Owing to directors**

Amounts owing to directors are carried at amortised cost.

#### **i Borrowings**

Borrowings comprise interest-bearing borrowings and trade and other payables and are classified as financial liabilities measured at amortised cost. They are recognised initially at fair value, being their issued proceeds net of transaction costs incurred. Subsequently, borrowings are measured at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Interest charges are recognised in the profit or loss in the period in which they occur.

#### **j Impairment**

The company's property, plant and equipment are subject to impairment testing.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

#### **k Intangible asset – computer software**

Computer software are capitalised on the basis of the costs incurred to acquire and install the specific software.

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4j. The useful lives approximate to five (5) years. The initial amortisation period will commence in the month following capitalisation.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## l Equity

Share capital is determined using the par value of shares that have been issued and any premiums received on the initial issuing of shares. Any transaction costs associated with the issuing of shares are deducted from premiums received.

Revaluation reserve comprises the accumulated surplus arising on the revaluation of property, plant and equipment.

Retained profits include all current and prior period results as disclosed in the statement of comprehensive income.

## m Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequent accounting for assets held under finance lease agreements, that is, depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability.

## 5. Property, plant and equipment comprise:

The carrying amounts for property, plant and equipment for the period included in these financial statements as at March 31, 2014 can be analysed as follows:

|  | Land and buildings | Leasehold improvement | Furniture Fixtures and Equipment | Computers          | Motor Vehicles     | Total               |
|--|--------------------|-----------------------|----------------------------------|--------------------|--------------------|---------------------|
|  | \$                 | \$                    | \$                               | \$                 | \$                 | \$                  |
| <b>Gross carrying amount</b>             |                    |                       |                                  |                    |                    |                     |
| Balance at April 1, 2013                 | 66,779,324         | 2,164,756             | 11,792,153                       | 3,173,205          | 8,876,826          | 92,786,264          |
| Additions                                | -                  | -                     | 4,253,317                        | 418,492            | 10,171,842         | 14,843,651          |
| Increase in valuation                    | 29,720,676         | -                     | -                                | -                  | -                  | 29,720,676          |
| <b>Balance at March 31, 2014</b>         | <b>96,500,000</b>  | <b>2,164,756</b>      | <b>16,045,470</b>                | <b>3,591,697</b>   | <b>19,048,668</b>  | <b>137,350,591</b>  |
| <b>Depreciation</b>                      |                    |                       |                                  |                    |                    |                     |
| Balance at April 1, 2013                 | (5,755,494)        | (284,015)             | (5,642,872)                      | (2,455,305)        | (7,611,291)        | (21,748,977)        |
| Depreciation                             | (1,230,128)        | (98,883)              | (1,258,937)                      | (659,969)          | (1,013,924)        | (4,261,841)         |
| Eliminated on revaluation                | 6,985,622          | -                     | -                                | -                  | -                  | 6,985,622           |
| <b>Balance at March 31, 2014</b>         | <b>-</b>           | <b>(382,898)</b>      | <b>(6,901,809)</b>               | <b>(3,115,274)</b> | <b>(8,625,215)</b> | <b>(19,025,196)</b> |
| <b>Carrying amount at March 31, 2014</b> | <b>96,500,000</b>  | <b>1,781,858</b>      | <b>9,143,661</b>                 | <b>476,423</b>     | <b>10,423,453</b>  | <b>118,325,395</b>  |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 5. Property, plant and equipment comprise (cont'd):

|  | Land and buildings | Leasehold improvement | Furniture Fixtures and Equipment | Computers          | Motor Vehicles     | Total               |
|--|--------------------|-----------------------|----------------------------------|--------------------|--------------------|---------------------|
|  | \$                 | \$                    | \$                               | \$                 | \$                 | \$                  |
| <b>Gross carrying amount</b>             |                    |                       |                                  |                    |                    |                     |
| Balance at January 1, 2013               | 66,779,324         | 2,164,756             | 11,673,983                       | 3,482,417          | 8,876,826          | 92,977,306          |
| Additions                                | -                  | -                     | 118,170                          | -                  | -                  | 118,170             |
| Transfer                                 | -                  | -                     | -                                | (309,212)          | -                  | (309,212)           |
| <b>Balance at March 31, 2013</b>         | <b>66,779,324</b>  | <b>2,164,756</b>      | <b>11,792,153</b>                | <b>3,173,205</b>   | <b>8,876,826</b>   | <b>92,786,264</b>   |
| <b>Depreciation</b>                      |                    |                       |                                  |                    |                    |                     |
| Balance at January 1, 2013               | (5,491,562)        | (215,696)             | (5,349,051)                      | (2,296,645)        | (7,415,105)        | (20,768,059)        |
| Depreciation                             | (263,932)          | (68,319)              | (293,821)                        | (158,660)          | (196,186)          | (980,918)           |
| <b>Balance at March 31, 2013</b>         | <b>(5,755,494)</b> | <b>(284,015)</b>      | <b>(5,642,872)</b>               | <b>(2,455,305)</b> | <b>(7,611,291)</b> | <b>(21,748,977)</b> |
| <b>Carrying amount at March 31, 2013</b> | <b>61,023,830</b>  | <b>1,880,741</b>      | <b>6,149,281</b>                 | <b>717,900</b>     | <b>1,265,535</b>   | <b>71,037,287</b>   |

i Land and buildings were revalued by independent valuers, David Thwaites and Associates, Chartered Valuation Surveyors, on May 21, 2014. Management is of the opinion that these values existed at year-end.

The resulting surplus of \$36,706,299 has been credited to Revaluation Reserve, which is not available for distribution to the shareholders of the company. (Note 11).

ii Under the cost model, the carrying amount of revalued land and buildings at reporting date would be \$32,963,291 (2013 - \$34,643,775).

## 6. Intangible asset – computer software

Details of intangible asset and their carrying amounts are as follows:

|  | Acquired Software  | Total              |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Gross carrying amount</b>             |                    |                    |
| Balance at April 1, 2013                 | 3,752,876          | 3,752,876          |
| Addition                                 | 104,931            | 104,931            |
| <b>Balance at March 31, 2014</b>         | <b>3,857,807</b>   | <b>3,857,807</b>   |
| <b>Amortisation</b>                      |                    |                    |
| Balance at April 1, 2013                 | (1,151,526)        | (1,151,526)        |
| Amortisation                             | (750,575)          | (750,575)          |
| <b>Balance at March 31, 2014</b>         | <b>(1,902,101)</b> | <b>(1,902,101)</b> |
| <b>Carrying amount at March 31, 2014</b> | <b>1,955,706</b>   | <b>1,955,706</b>   |

|  | Acquired Software  | Total              |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Gross carrying amount</b>             |                    |                    |
| Balance at January 1, 2013               | 3,443,664          | 3,443,664          |
| Additions                                | 309,212            | 309,212            |
| <b>Balance at March 31, 2013</b>         | <b>3,752,876</b>   | <b>3,752,876</b>   |
| <b>Amortisation</b>                      |                    |                    |
| Balance at January 1, 2013               | (963,882)          | (963,882)          |
| Amortisation                             | (187,644)          | (187,644)          |
| <b>Balance at March 31, 2013</b>         | <b>(1,151,526)</b> | <b>(1,151,526)</b> |
| <b>Carrying amount at March 31, 2013</b> | <b>2,601,350</b>   | <b>2,601,350</b>   |

## 7. Inventories

|                  | Year Ended March 31, 2014 | Three Months Ended March 31, 2013 |
|------------------|---------------------------|-----------------------------------|
|                  | \$                        | \$                                |
| Consumables      | 10,382,850                | 7,632,482                         |
| Pharmaceuticals  | 96,727,629                | 134,375,655                       |
| Medical supplies | 23,725,443                | 23,115,547                        |
| Goods in transit | 68,471,487                | -                                 |
| <b>Total</b>     | <b>199,307,409</b>        | <b>165,123,684</b>                |

The cost of inventories recognised as an expense during the year was \$676,097,162 (2013 - \$164,207,519). This includes \$1,543,765 (2013 - \$552,176) in respect of damages and write-downs to net realisable value.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 8. Trade and other receivables

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---|---------------------------------------|---|
| Trade                                       | 210,500,818                           | 165,584,815                                   |
| Less: Specific provision for doubtful debts | (6,589,710)                           | (3,385,115)                                   |
|   | <u>203,911,108</u>                    | <u>162,199,700</u>                            |
| Other                                       | 22,734,860                            | 23,971,153                                    |
| <b>Total</b>                                | <u><b>226,645,968</b></u>             | <u><b>186,170,853</b></u>                     |

All amounts are short-term and the carrying value is considered a reasonable approximation of fair value.

Bad debt specific provision is as follows:

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---|---------------------------------------|---|
| Balance at beginning of year            | 3,385,114                             | 3,075,514                                     |
| Receivables recovered during the year   | (64,865)                              | -   |
| Increase in provision during the year   | 5,129,015                             | 309,600                                       |
| Receivables written off during the year | (1,859,554)                           | -   |
| <b>Balance at end of year</b>           | <u><b>6,589,710</b></u>               | <u><b>3,385,114</b></u>                       |

## 9. Cash and cash equivalents

|   | Interest rate | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March<br>31, 2013<br>\$ |
|---|---------------|---------------------------------------|---|
|   | % p.a.        |                                       |   |
| <b>Cash and bank balances –</b>                       |               |                                       |   |
| J\$ Current accounts                                  |               | 8,930,956                             | 16,822,606                                    |
| Short-term deposits                                   | 4.2 – 3.95    | 72,052,329                            | 272,865                                       |
| US\$ Savings account (US\$41,539 (2013 – US\$77,331)) | 0.20 – 0.55   | 4,539,553                             | 7,613,242                                     |
| Sterling savings account (£326 - (2013 - £3))         | 0.20          | 58,839                                | 20,609  |
| Petty Cash  |               | 26,000                                | 26,000  |
|   |               | <u>85,607,677</u>                     | <u>24,755,322</u>                             |
| Less: Bank overdraft (Note 16)                        |               | (33,068,184)                          | (55,606,779)                                  |
| <b>Total</b>  |               | <u><b>52,539,493</b></u>              | <u><b>(30,851,457)</b></u>                    |

Included in the cash and cash equivalents is \$5,710,693 (2013 - \$7,691,011) which represents balances held for a major supplier. (Note 17).

## 10. Share capital

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---|---------------------------------------|---|
| Authorised:                                 |                                       |   |
| 408,000,000 ordinary shares (2013 - 20,000) |                                       |   |
| Issued:                                     |                                       |   |
| 263,157,895 ordinary shares (2013 - 20,000) |                                       |   |
| Stated capital                              |                                       |   |
| Issued and fully paid:                      |                                       |   |
| Balance at beginning of the year/period     | <u>20,000</u>                         | 20,000  |
| Transactions during year/period:            |                                       |   |
| Shares issued                               | 116,058,948                           | -   |
| Less: Transaction cost of share issue       | 8,243,184                             | -   |
|   | <u>107,815,764</u>                    | -   |
| <b>Balance at end of the year/period</b>    | <u><b>107,835,764</b></u>             | <u><b>20,000</b></u>                          |

Following a directors meeting on November 28, 2013 and a General Meeting of the company on November 28, 2013, the following steps were approved by written resolution with respect to the capital structure of the company:

- The increase in the authorised share capital of the company by 1 Million ordinary shares from 20,000 ordinary shares to 1,020,000 ordinary shares.
- The allotment of 480,000 bonus ordinary shares pro rata to the holdings of each of the shareholders of the company by capitalising the amount of \$480,000 standing to the credit of the company in reserves and the application of same to paying up such bonus shares in full at the time of their issue.
- The sub-division of each of the 1,020,000 shares into 400 shares each with no par value (in accordance with the Articles of Incorporation and the Act). Therefore, the company's authorised share capital increased from 1,020,000 ordinary shares to 408,000,000, and the issued ordinary shares increased from 500,000 to 200,000,000.
- The remaining 63,157,895 shares were offered to the general public and/or Reserve Share applicants in the invitation.
- The adoption of new Articles of Incorporation in a form suitable for a public company.
- The re-registration of the company as a public company under the provisions of the Jamaican Companies Act, 2004.

On December 24, 2014, the company issued 63,157,895 shares to the public and the shares were listed on the Junior Stock Market of the Jamaica Stock Exchange. (See Note 1).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 11. Revaluation reserve

|  | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|--|---------------------------------------|---|
| Balance at beginning of year/period representing:                          |                                       |   |
| Unrealised surplus arising from revaluation of certain fixed assets – Land | 10,386,942                            | 10,386,942                                    |
| – Building   | 12,520,026                            | 12,520,026                                    |
| Increase in surplus arising from building Transactions during year/period  | 22,906,968                            | 22,906,968                                    |
|  | 36,706,299                            | -   |
| <b>Balance at end of year/period</b>                                       | <b>59,613,267</b>                     | <b>22,906,968</b>                             |

## 12. Shareholders' loans

These represented loans from shareholders, which were to be repaid on or before February 28, 2015. The loans were unsecured with interest payable by monthly instalments of US\$2,200 at the end of each month.

## 13. Owing to directors

This represented advances by directors, which were unsecured, with no fixed repayment terms.

## 14. Borrowings

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---|---------------------------------------|---|
| Loans –                                     |                                       |   |
| i Bank of Nova Scotia – Commercial mortgage | -                                     | 19,203,526                                    |
| ii Bank of Nova Scotia – Non-revolving      | 906,688                               | 1,246,696                                     |
| iii Bank of Nova Scotia – Revolving         | 30,000,000                            | 20,000,000                                    |
| iv Other                                    | 42,785,320                            | 10,000,000                                    |
|   | 73,692,008                            | 50,450,222                                    |
| Less: Current portion                       | 30,340,000                            | 21,834,632                                    |
| <b>Total</b>                                | <b>43,352,008</b>                     | <b>28,615,590</b>                             |

- i This represented a loan of \$22 Million received on September 11, 2010 to be repaid in monthly instalments over a period of 10 years at a fixed interest rate of fifteen point seven five percent (15.75%) per annum for a period of thirty six (36) months (ending September 30, 2014). Thereafter, the bank's lending rate in effect from time to time, (presently 15.75% per annum) subject to revision at anytime.

The loan was fully repaid during the year.

- ii This represents a loan of \$1.7 Million received November 29, 2011 towards the purchase of a 2011 Nissan Urvan Panel Van to be repaid over a period of sixty (60) months. Interest is fixed at a rate of thirteen percent (13%) per annum for a period of twenty four (24) months which commenced November 29, 2011; thereafter the rate payable on the principal balance outstanding from time to time will be at the bank's base lending rate existing at the time.

- iii The loans received during the year bear interest at a rate of twelve percent (12%) per annum and mature within 120 days from the loan draw down date.
- iv This represents loans of J\$10,000,000 and J\$32,785,320 (US\$300,000) that are unsecured and bear interest at rates of fifteen percent (15%) and one percent (1%) per annum respectively. The loan amounting to J\$10,000,000 has no fixed repayment term, while the loan amounting to J\$32,785,320 matures on February 28, 2015.

The Bank of Nova Scotia loans and bank overdraft (Note 16) are secured by:

- Legal Mortgages stamped for an aggregate of \$61,000,000 over Commercial properties at units #25, 26 and 27, located at 85 Hagley Park Road, Kingston 10 registered at volume 1327 Folio 620, Volume 1327 Folio 621 and Volume 1312 Folio 165 respectively, having an aggregate appraised value of \$65,628,000.
- All Risk Peril Insurance policy totalling \$222,378,000 including buildings and machinery, equipment and inventory which are located at unit 25, 26, and 27 to expire May 7, 2014.
- Bill of sale over 2011 Nissan Urvan Panel Van stamped to cover \$1,700,000.
- Comprehensive insurance over 2011 Nissan Urvan Panel Van in the amount of \$2,739,400 endorsed in favour of the bank.
- Postponement Agreement postponing loans to borrower totalling \$15 million in favour of the bank duly signed by the directors.
- Director guarantee limited to \$27,000,000 supported by legal mortgage stamped to cover J\$70,000,000 over the following residential properties:
  - a. First and Second Legal Mortgages over residential property registered at Volume 1232 and Folio 741.
  - b. Second Legal Mortgage over residential property at Volume 1232, Folio 741.
  - c. Second Legal Mortgage over residential property registered at Volume 1128, Folio 115.
  - d. Third Legal Mortgage over residential property registered at Volume 1228, Folio 115.
  - e. Third and fourth Legal Mortgage over residential property registered at Volume 1129.
  - f. Assignment of Fire and Peril Insurance policies totalling \$32,000,000 on the above residential premises to expire August 9, 2014.
- Joint and several guarantees of directors limited to \$59,000,000.



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 15. Deferred tax liability

Deferred tax is calculated on all temporary differences under the liability method using a tax rate of 25% (2013 - 25%). The movement on the deferred tax account is as follows:

|                                      | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|--------------------------------------|---------------------------------------|---|
| Balance at beginning of year/period  | 34,402                                | 280,861                                       |
| Income during the year (Note 20 (i)) | (34,402)                              | (246,459)                                     |
| <b>Balance at end of year/period</b> | <b>-</b>                              | <b>34,402</b>                                 |

Deferred tax liability arose on temporary differences in respect of the following:

|                               | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|-------------------------------|---------------------------------------|---|
| Deferred tax liability on:    |                                       |   |
| Property, plant and equipment | -                                     | 34,402  |
| <b>Deferred tax liability</b> | <b>-</b>                              | <b>34,402</b>                                 |

## 16. Bank overdraft

The company has an overdraft facility of \$50,000,000 which bears interest of fifteen point seven five percent (15.75%). This is secured by guarantee of the Directors.

## 17. Trade and other payables

|                  | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|------------------|---------------------------------------|---|
| Trade            | 131,421,427                           | 92,177,443                                    |
| Accruals         | 2,232,358                             | 15,356,899                                    |
| Interest accrued | 375,000                               | 375,000                                       |
| Other            | 17,841,980                            | 16,006,968                                    |
| <b>Total</b>     | <b>151,870,765</b>                    | <b>123,916,310</b>                            |

Included in other payables is \$5,710,693 (2013 - \$7,691,011) which represents balances held for a major supplier. (Note 9).

All amounts are short-term and the carrying value is considered a reasonable approximation of fair value.

## 18. Finance income and finance cost

Finance income comprises:

|  | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|--|---------------------------------------|---|
| Interest income on financial assets at<br>amortised cost | 1,971,610                             | 23,601  |
| <b>Total</b>   | <b>1,971,610</b>                      | <b>23,601</b>                                 |

Finance cost comprises:

|  | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|--|---------------------------------------|---|
| Interest expense for borrowings at<br>amortised cost | 18,663,185                            | 4,385,229                                     |
| <b>Total</b>   | <b>18,663,185</b>                     | <b>4,385,229</b>                              |

## 19. Profit before tax

Profit before tax is stated after charging/(crediting):

|  | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|--|---------------------------------------|---|
| Directors' emoluments -<br>Management remuneration | 15,589,617                            | 2,898,962                                     |
| Depreciation and amortisation                      | 5,012,416                             | 1,168,562                                     |
| Auditors' remuneration - current                   | 1,570,888                             | 295,000                                       |
| - prior  | -                                     | 5,000   |
| Interest income                                    | (1,971,610)                           | (23,601)                                      |
| Interest expense                                   | 18,663,185                            | 4,385,229                                     |
| Loss/(gain) on foreign exchange (net)              | 5,050,938                             | (41,653)                                      |

## 20. Income tax

The company's shares were listed on the Jamaica Stock Exchange Junior Market (JSE Junior Market) on December 24, 2013. As a result, the company is entitled to a remission of taxes for an allowable period not exceeding ten (10) years from the date of the listing on the JSE Junior Market, provided the shares remain listed for at least fifteen (15) years. The remissions of taxes are applicable as follows:

Years 1 to 5 100%

Years 6 to 10 50%

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

- i Income tax adjusted for tax purposes and computed at the tax rate of 25% (2013- 25%), comprise:

|                               | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|-------------------------------|---------------------------------------|---|
| Current tax                   | 14,268,086                            | 5,506,446                                     |
| Prior year adjustment         | (499,603)                             | -   |
| Deferred tax income (Note 15) | (34,402)                              | (246,459)                                     |
| <b>Total</b>                  | <b>13,734,081</b>                     | <b>5,259,987</b>                              |

Prior year adjustment represents write back of taxation over provided in prior years.

Current tax represents tax charge on pre-listing profit for the nine-month (9) period ended December 31, 2013.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

ii Reconciliation of theoretical tax charge to effective tax charge:

|  | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March<br>31, 2013<br>\$ |
|--|---------------------------------------|---|
| <b>Profit before tax</b>                               | <b>70,278,062</b>                     | <b>19,879,512</b>                             |
| Tax at the applicable tax rate of 25% - (2013 - 25%)   | 17,569,516                            | 4,969,878                                     |
| Tax effect of expenses not deductible for tax Purposes | 1,342,999                             | 734,031                                       |
| Tax effect of income not subject to tax                | (4,392,379)                           | -   |
| Tax effect of allowable capital allowances             | (1,246,192)                           | (789,851)                                     |
| Tax effect of other allowances and charges             | 959,740                               | 345,929                                       |
| Prior year adjustment                                  | (499,603)                             | -   |
| <b>Income tax for the year/period</b>                  | <b>13,734,081</b>                     | <b>5,259,987</b>                              |

## 21. Earnings per share

Earnings per share are calculated by dividing profit for the year by the weighted average number of ordinary shares in issue for the year of 263,157,895 (2013 – 200,000,000).

## 22. Operating lease

The company leases some of its offices under an operating lease. The future minimum lease payments at the end of the reporting period are as follows:

|                | Within<br>One Year<br>\$ | Two to Five<br>Years<br>\$ | Total<br>\$      |
|----------------|--------------------------|----------------------------|------------------|
| Lease payments | 2,950,200                | 1,222,100                  | 4,172,300        |
| <b>Total</b>   | <b>2,950,200</b>         | <b>1,222,100</b>           | <b>4,172,300</b> |

Lease expense during the year was \$2,029,100 (2013 - \$468,000), representing minimum lease payments.

## 23. Related party balances and transactions

i A party is related to the company if:

- a Directly, or indirectly through one or more intermediaries, the party:
  - Is controlled by, or is under common control with the entity;
  - Has an interest in the company that gives it significant influence over the entity; or
  - Has joint control over the company.
- b The party is an associate;
- c The party is a joint venture in which the company is a venturer;
- d The party is a member of the key management personnel of the entity or its parent;
- e The party is a close member of the family of any individual referred to in (a) or (d);
- f The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

- g The party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

ii The statement of financial position includes balances arising with related parties as follows:

|                     | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---------------------|---------------------------------------|---|
| Shareholders' loans | -                                     | 19,778,000                                    |
| Owing to Directors  | -                                     | 28,142,104                                    |

iii The statement of financial position includes balances arising in the normal course of business, with related party as follows:

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---|---------------------------------------|---|
| Included in trade and other receivables | 2,223,113                             | -   |

iv Transactions with key management personnel

Transaction with key management includes members of the board and an executive member.

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---|---------------------------------------|---|
| Short-term employee benefits – Salaries | 15,589,617                            | 2,898,962                                     |
| <b>Total</b>                            | <b>15,589,617</b>                     | <b>2,898,962</b>                              |

## 24. Expenses by nature

Total administrative and other operating expenses:

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---|---------------------------------------|---|
| Directors' emoluments                     | 15,589,617                            | 2,898,962                                     |
| Cost of inventories recognised as expense | 676,097,162                           | 164,207,519                                   |
| Advertising and promotion                 | 3,214,428                             | 272,317                                       |
| Auditors' remuneration – current year     | 1,570,888                             | 295,000                                       |
| – prior year                              | -                                     | 5,000   |
| Legal and professional fees               | 6,181,994                             | 1,527,462                                     |
| Depreciation and amortisation             | 5,012,416                             | 1,168,562                                     |
| Employee benefits (Note 25)               | 45,687,793                            | 9,306,109                                     |
| Other expenses                            | 73,420,759                            | 16,531,859                                    |
| Office rent                               | 2,029,100                             | 468,000                                       |
| Insurance                                 | 3,442,344                             | 652,298                                       |
| Utilities                                 | 7,368,128                             | 1,440,071                                     |
| <b>Total</b>                              | <b>839,614,629</b>                    | <b>198,773,159</b>                            |



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 25. Employee benefits

|                                      | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|--------------------------------------|---------------------------------------|---|
| Salaries, wages and related expenses | 40,055,309                            | 8,278,167                                     |
| Medical and other staff benefits     | 5,632,484                             | 1,027,942                                     |
| <b>Total</b>                         | <b>45,687,793</b>                     | <b>9,306,109</b>                              |

The average number of employees at year-end was forty-two (42), (2013 – forty-one (41)).

## 26. Risk management policies

The company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The company seeks to manage these risks by close monitoring of each class of its financial instruments as follows:

### a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risk, which result from both its operating and investing activities.

#### i Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican Dollar. Foreign currency bank accounts denominated in United States Dollars (US\$) and Great Britain pounds (£) are maintained to minimise these risks.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are described below. The amounts shown are those reported to key management translated into J\$ at the closing rate.

#### Concentrations of currency risk

|                             | 2014<br>US\$<br>J\$ | 2013<br>US\$<br>J\$ | 2013<br>GBP£<br>J\$  |
|-----------------------------|---------------------|---------------------|----------------------|
| Financial asset             |                     |                     |                      |
| Trade and other receivables | -                   | 2,188,337           | -                    |
| - Cash and cash equivalents | 4,539,382           | 7,647,263           | 23,854,765           |
|                             | <b>4,539,382</b>    | <b>9,835,600</b>    | <b>23,854,765</b>    |
| Financial liability         |                     |                     |                      |
| - Shareholders' loan        | -                   | (19,778,000)        | -                    |
| - Trade payables            | (62,297,140)        | (28,140,534)        | (167,824,141)        |
| - Borrowings                | (32,784,000)        | -                   | -                    |
|                             | <b>(95,081,140)</b> | <b>(47,918,534)</b> | <b>(167,824,141)</b> |
| <b>Total liability</b>      | <b>(90,541,758)</b> | <b>(38,082,934)</b> | <b>(143,969,376)</b> |

The above assets/(liabilities) are receivable/payable in United States dollars (US\$) and Great Britain pounds (£). The exchange rates applicable at the end of the reporting period is J\$109.28 to US\$1 (2013 – J\$98.89 to US\$1 and J\$134.44 to £1).

### Foreign currency sensitivity

The following table illustrates the sensitivity of the net result for the year end and equity with regards to the company's financial assets and financial liabilities and US Dollar to Jamaican (JA) Dollar exchange rate. Only movements between the Jamaican Dollar and US Dollars are considered, as these are the two major currencies of the company.

The sensitivity analysis is based on the company's United States dollar financial instruments at statement of financial position date.

Effect on results of operations:

If the JA Dollar weakens by 15% (2013 – 10%) against the US Dollar then this would have the effect of the amounts shown below on the basis that all other variables remain constant.

|             | Rate<br>% | Weakens<br>\$      |
|-------------|-----------|--------------------|
| <b>2014</b> | <b>15</b> | <b>(9,024,176)</b> |
| 2013        | 10        | (3,808,293)        |

If the JA Dollar strengthens against the US Dollar by 1% (2013 – 5%) this would have the following impact:

|             | Rate<br>% | Strengthens<br>\$ |
|-------------|-----------|-------------------|
| <b>2014</b> | <b>1</b>  | <b>905,418</b>    |
| 2013        | 5         | 380,830           |

#### ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The company's cash and cash equivalents are subject to interest rate risk. However, the company attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible.

The company invests excess cash in short-term deposits and maintains interest-earning bank accounts with licensed financial institutions. Short-term deposits are invested for three (3) months or less at fixed interest rates and are not affected by fluctuations in market interest rates up to the dates of maturity. Interest rates on interest-earning bank accounts are not fixed but are subject to fluctuations based on prevailing market rates.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## Interest rate sensitivity

Interest rates on the company's short-term deposits and borrowings are fixed up to the dates of maturity and interest earned from the company's interest-earning bank accounts is immaterial. As such there would be no material impact on the results of the company's operations as a result of fluctuations in interest rates.

### iii Other price risk

Other 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's financial instruments are substantially independent of changes in market prices as they are short-term in nature.

## b Credit risk

The company faces credit risk in respect of its receivables and cash and cash equivalents. However, this risk is controlled by close monitoring of these assets by the company. In addition, cash and cash equivalents are maintained with licensed financial institutions considered to be stable. Savings and current accounts held at commercial banks are insured under the Jamaica Deposit Insurance Scheme (JDIS).

The maximum credit risk faced by the company is limited to the carrying amount of financial assets recognised at the statement of financial position date, as summarised below:

|                             | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March<br>31, 2013<br>\$ |
|-----------------------------|---------------------------------------|---|
| Trade and other receivables | 226,645,968                           | 186,170,853                                   |
| Cash and cash equivalents   | 85,581,677                            | 24,729,322                                    |
| <b>Total</b>                | <b>312,227,645</b>                    | <b>210,900,175</b>                            |

The age of trade and other receivables past due but not impaired is as follows:

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March<br>31, 2013<br>\$ |
|---|---------------------------------------|---|
| Not more than 3 months                        | 129,584,281                           | 86,673,663                                    |
| More than 3 months but not more than 6 months | 35,643,048                            | 11,681,011                                    |
| More than 6 months but not more than 1 year   | 11,618,693                            | 5,910,567                                     |
| More than 1 year                              | 33,654,796                            | 2,507,466                                     |
| <b>Total</b>                                  | <b>210,500,818</b>                    | <b>106,772,707</b>                            |

However, at statement of financial position date a maximum of \$600,000 per Commercial Bank is insured under the JDIS.

The company does not require collateral or other credit enhancements in respect of trade and other receivables.

## c Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its commitments associated with financial liabilities.

The company manages its liquidity risk by carefully monitoring its cash outflow needs for day-to-day business and maintaining an appropriate level of resources in liquid or near liquid form to meet its needs. The company maintains cash and short-term deposits for up to three months or less to meet its liquidity requirements.

The company's financial liabilities comprise borrowings and trade and other payables. These amounts are due as follows:

|                          | Current<br>Within 12<br>Months<br>\$ | Non current<br>2 to 5<br>Years<br>\$ | Later than<br>5 Years<br>\$ |
|--------------------------|--------------------------------------|--------------------------------------|-----------------------------|
| Borrowings               | 30,340,000                           | 33,352,008                           | 10,000,000                  |
| Trade and other payables | 151,870,765                          | -                                    | -                           |
| <b>Total</b>             | <b>182,210,765</b>                   | <b>33,352,008</b>                    | <b>10,000,000</b>           |

This compares to the maturity of the company's financial liabilities in the previous reporting period as follows:

|                          | Current<br>Within 12<br>Months<br>\$ | Non current<br>2 to 5<br>Years<br>\$ | Later than<br>5 Years<br>\$ |
|--------------------------|--------------------------------------|--------------------------------------|-----------------------------|
| Shareholders' loans      | -                                    | 19,778,000                           | -                           |
| Owing to directors       | -                                    | -                                    | 28,142,104                  |
| Borrowings               | 21,834,632                           | 22,934,762                           | 5,680,828                   |
| Trade and other payables | 123,916,310                          | -                                    | -                           |
| <b>Total</b>             | <b>145,750,942</b>                   | <b>42,712,762</b>                    | <b>33,822,932</b>           |

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

## 27. Fair value measurement of non-financial assets

Fair value of the company's land and buildings is estimated based on an appraisal by a professionally qualified valuator. The significant inputs and assumptions are developed in close consultation with management.

Land and buildings (Level 1)

The appraisal was carried out using a market approach that reflects observed prices for market transactions and incorporates adjustments for factors specific to the company's property, including size, location, encumbrances and current use of the property.



## 28. Summary of financial assets and liabilities by category

The carrying amount of the company's financial assets and liabilities recognised at the statement of financial position date may be categorised as follows:

|   | Year Ended<br>March 31,<br>2014<br>\$ | Three Months<br>Ended March 31,<br>2013<br>\$ |
|---|---------------------------------------|---|
| <b>Financial assets</b>                                 |                                       |   |
| <b>Financial assets measured at amortised cost</b>      |                                       |   |
| Loans and receivables                                   |                                       |   |
| Trade and other receivables                             | 226,645,968                           | 186,170,853                                   |
| Cash and cash equivalents                               | 85,607,677                            | 24,755,322                                    |
| <b>Total</b>  | <b>312,253,645</b>                    | <b>210,926,175</b>                            |
| <b>Financial liabilities</b>                            |                                       |   |
| <b>Financial liabilities measured at amortised cost</b> |                                       |   |
| <b>Non-current liabilities</b>                          |                                       |   |
| Shareholders' loans                                     | -                                     | 19,778,000                                    |
| Owing to directors                                      | -                                     | 28,142,104                                    |
| Borrowings  | 43,352,008                            | 28,615,590                                    |
| <b>Current liabilities</b>                              |                                       |   |
| Bank overdraft  | 33,068,184                            | 55,606,779                                    |
| Trade and other payables                                | 151,870,765                           | 123,916,310                                   |
| Current portion of loans                                | 30,340,000                            | 21,834,632                                    |
| <b>Total</b>  | <b>258,630,957</b>                    | <b>277,893,415</b>                            |

## 29. Capital management, policies and procedures

The company's capital management objectives are to ensure the company's ability to continue as a going concern and to sustain future development of the business. The company's Board of Directors reviews the financial position of the company at regular meetings.

The company maintains a minimum tangible net worth of \$50Million, which in line with the covenant included in the terms of the agreement for its borrowings. There are no other externally imposed capital requirements.

There was no change to the company's approach to capital management policies during the year.

# FORM OF PROXY

I/We,

\_\_\_\_\_ [insert name]

of \_\_\_\_\_

\_\_\_\_\_ [address]

being a shareholder(s) of the above-named Company, hereby appoint:

\_\_\_\_\_ [proxy name]

of \_\_\_\_\_

\_\_\_\_\_ [address]

or failing him, \_\_\_\_\_ [alternate proxy]

of \_\_\_\_\_

\_\_\_\_\_ [address]

as my/our proxy to vote for me for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10:00 a.m. on the 30th day of September 2014 at the Courtleigh Hotel & Suites, 85 Knutsford Boulevard, Kingston 5 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Print Name: \_\_\_\_\_ Signature: \_\_\_\_\_

**NOTES:** When completed, this Form of Proxy must be received by the Registrar of the Company, Jamaica Central Securities Depository, 40 Harbour Street, Kingston, Jamaica, W.I. not less than forty-eight (48) hours before the time for holding the meeting. The Proxy Form should bear stamp duty of \$100.00 which may be adhesive and duly cancelled by the persons signing the proxy form. If the appointer is a Corporation, this Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorized in writing

This Form is to be used as instructed. Unless otherwise instructed the Proxy Form will be used as he/she thinks fit. Please tick the appropriate box.

## ORDINARY BUSINESS

|                  | FOR | AGAINST |
|------------------|-----|---------|
| Resolution 1     |     |         |
| Resolution 2 (a) |     |         |
| Resolution 2 (b) |     |         |
| Resolution 3 (a) |     |         |
| Resolution 3 (b) |     |         |
| Resolution 3 (c) |     |         |
| Resolution 4     |     |         |
| Resolution 5     |     |         |

# NOTES

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