# Medical Disposables & Supplies Limited

Financial Statements

March 31, 2016

# Contents

Mair Russell
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Jamaica, West Indies

# Independent auditors' report

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, 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising 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 controls 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 auditor considers internal controls 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 controls. 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.

Mair Russell
Grant Thornton

# Independent auditors' report (cont'd)

To the Members of
Medical Disposables & Supplies Limited

### 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, 2016, and of its financial performance, changes in equity 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 24, 2016

Mair Russell Grant Thornton
Chartered Accountants

# Statement of financial position as at March 31, 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | (5) | **472,823,205** | 349,964,693 |
| Intangible assets | (6) | **2,357,135** | 1,662,477 |
| | | **475,180,340** | 351,627,170 |
| **Current assets** | | | |
| Inventories | (7) | **287,124,748** | 266,401,044 |
| Trade and other receivables | (8) | **301,140,431** | 259,239,500 |
| Prepayments | | **5,448,864** | 6,130,791 |
| Cash and short-term deposits | (9) | **50,486,935** | 72,944,208 |
| Taxation recoverable | | **2,316,112** | - |
| | | **646,517,090** | 604,715,543 |
| **Total assets** | | **1,121,697,430** | 956,342,713 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | (10) | **107,835,764** | 107,835,764 |
| Revaluation reserve | (11) | **35,613,267** | 35,613,267 |
| Retained profits | | **344,563,841** | 259,013,343 |
| **Total equity** | | **488,012,872** | 402,462,374 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | (12) | **190,296,137** | 242,600,872 |
| | | **190,296,137** | 242,600,872 |
| **Current liabilities** | | | |
| Bank overdraft | (13) | **21,582,115** | 22,761,304 |
| Trade and other payables | (14) | **316,309,695** | 221,456,505 |
| Current portion of borrowings | (12) | **105,496,611** | 56,895,560 |
| Income tax payable | | **-** | 10,166,098 |
| | | **443,388,421** | 311,279,467 |
| **Total liabilities** | | **633,684,558** | 553,880,339 |
| **Total equity and liabilities** | | **1,121,697,430** | 956,342,713 |

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

Approved for issue by the Board of Directors on May 24, 2016 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, 2016

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Revenue** | (4c) | **1,327,249,471** | 1,158,720,962 |
| Cost of sales | | **(977,021,426)** | (860,624,282) |
| **Gross profit** | | **350,228,045** | 298,096,680 |
| Other income | (15) | **1,020,180** | 4,330,554 |
| Administrative expenses | | **(158,382,977)** | (146,175,671) |
| Selling and promotional costs | | **(51,190,581)** | (41,825,123) |
| Other operating expenses | | **(10,198,454)** | (10,676,338) |
| Depreciation | | **(10,722,218)** | (8,175,433) |
| Operating profit | | **120,753,995** | 95,574,669 |
| Finance income | (16) | **1,106,753** | 4,034,504 |
| Gain on disposal of property, plant and equipment | | **-** | 300,000 |
| Finance cost | (16) | **(23,509,349)** | (14,536,283) |
| Loss on foreign exchange | | **(965,030)** | (744,065) |
| **Profit before tax** | (17) | **97,386,369** | 84,628,825 |
| Income tax expense | (18) | **(1,309,555)** | (60,000) |
| **Profit for the year** | | **96,076,814** | 84,568,825 |
| **Total comprehensive income for the year** | | **96,076,814** | 84,568,825 |
| **Earnings Per Share** | (19) | **0.37** | 0.32 |

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, 2016

| | Share Capital $ | Revaluation Reserve $ | Retained Profits $ | Total $ |
|---|---|---|---|---|
| **Balance at April 1, 2014** | 107,835,764 | 35,613,267 | 184,970,834 | 328,419,865 |
| Dividends (Note 20) | - | - | (10,526,316) | (10,526,316) |
| Transactions with owners | - | - | (10,526,316) | (10,526,316) |
| Profit for the year 2015 being total comprehensive income | - | - | 84,568,825 | 84,568,825 |
| **Balance at March 31, 2015** | 107,835,764 | 35,613,267 | 259,013,343 | 402,462,374 |
| Dividends (Note 20) | - | - | (10,526,316) | (10,526,316) |
| Transactions with owners | - | - | (10,526,316) | (10,526,316) |
| Profit for the year 2016 being total comprehensive income | **-** | **-** | **96,076,814** | **96,076,814** |
| **Balance at March 31, 2016** | **107,835,764** | **35,613,267** | **344,563,841** | **488,012,872** |

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

# Statement of cash flows for the year ended March 31, 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit before tax | | **97,386,369** | 84,628,825 |
| Adjustments for: | | | |
| Depreciation and amortisation | (5&6) | **10,722,218** | 8,175,433 |
| Interest expense | (16) | **23,509,349** | 14,536,283 |
| Interest income | (16) | **(1,106,753)** | (4,034,504) |
| Gain on disposal of property, plant and equipment | | **-** | (300,000) |
| Loss on foreign exchange - other loans | | **2,080,230** | 1,644,430 |
| | | **132,591,413** | 104,650,467 |
| Increase in inventories | | **(20,723,704)** | (67,093,635) |
| Increase in trade and other receivables | | **(41,900,931)** | (32,593,532) |
| Decrease/(increase) in prepayments | | **681,927** | (5,483,491) |
| Increase in trade and other payables | | **94,853,190** | 69,585,740 |
| **Cash generated from operations** | | **165,501,895** | 69,065,549 |
| Income taxes paid | | **(13,527,170)** | (10,316,350) |
| **Net cash provided by operating activities** | | **151,974,725** | 58,749,199 |
| **Cash flows from investing activities:** | | | |
| Additions to property, plant and equipment | (5) | **(133,389,634)** | (262,923,587) |
| Addition to intangible assets | (6) | **(885,754)** | (597,915) |
| Proceeds from disposal of property, plant and equipment | | **-** | 300,000 |
| Interest received (net of withholding tax) | | **842,158** | 3,018,319 |
| **Net cash used in investing activities** | | **(133,433,230)** | (260,203,183) |
| **Cash flows from financing activities:** | | | |
| Proceeds from borrowings | | **100,000,000** | 305,000,000 |
| Repayment of borrowings | | **(105,783,914)** | (80,840,006) |
| Interest paid | | **(23,509,349)** | (14,536,283) |
| Dividends paid | | **(10,526,316)** | (10,526,316) |
| **Net cash (used in)/provided by financing activities** | | **(39,819,579)** | 199,097,395 |
| **Net decrease in cash and cash equivalents** | | **(21,278,084)** | (2,356,589) |
| **Cash and cash equivalents at beginning of year** | | **50,182,904** | 52,539,493 |
| **Cash and cash equivalents at end of year** | (9) | **28,904,820** | 50,182,904 |

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

# Notes to the financial statements
# March 31, 2016

## 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 83 Hagley Park Road, Kingston 10, Jamaica.

The main activity during the year was the sale of pharmaceutical, medical and other supplies.

## 2. 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 comply with the relevant provisions of the Jamaican Companies Act.

## 3. Changes in accounting policies

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

Certain new and amended standards and interpretations to existing standards have been published and became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that none will have a material impact on the company.

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

At the date of approval 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 are 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, 2016. 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 its chapters have been published and they can comprehensively assess the impact of all changes.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2017. The company's management has not yet assessed the impact of IFRS 15 on these financial statements.

*IFRS 16 Leases (effective for annual reporting period beginning on or after January 1, 2019)*

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Annual Improvements**

The Annual Improvements 2010 – 2012, 2011 – 2013 and 2012 -2014 made several minor amendments to a number of IFRSs. The Annual Improvements are effective for various periods beginning on or after January 1, 2014 to January 1, 2016. There was no material impact and management does not anticipate a material impact on the company's financial statements from these Amendments which are effective and those that are to become effective.

## 4. Summary of significant accounting policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

### a. Property, plant and equipment

(i) Property, plant and equipment are carried at cost or fair value less accumulated depreciation and impairment losses.

(ii) 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 valuators once every (5) years, unless market-based factors indicate a material change in fair value. 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.

Land and building purchased during the previous financial year is carried at cost. Cost comprises acquisition price including construction cost and borrowing costs capitalised.

(iii) 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 following useful lives are applied:

| | |
|---|---|
| Furniture, fixtures and equipment | 10 – 20% |
| Computers | 20% |
| Motor vehicles | 20% |
| Buildings | 2.5% |

(iv) 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 pharmaceuticals and supplies plus applicable charges; net realisable value is based upon estimated selling price less cost to sell.

### 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 accepts undisputed delivery of the goods.

### d Finance and other Income

Finance and other income comprise interest earned on short-term investments and miscellaneous income. Income is recognised on the basis of agreements in place or when it has been transferred to the third parties.

### e 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.

### f Cash and cash equivalents

The above comprise cash on hand and demand deposits together with other short-term highly liquid investments maturing within ninety (90) days from the date of acquisition that are readily convertible in known amounts of cash and bank overdraft.

### g 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 the 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.

### h 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.

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 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, which 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'.

i Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

**Borrowings costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

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 is 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.

### l Equity, reserves and dividend payments

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.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved by the shareholders prior to the reporting date.

### m Leases

**Finance 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.

**Operating Leases**

All other leases are treated as operating leases. Where the company is a lessee, payments under operating leases are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

n Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

o Comparative information

Certain prior year figures have been restated to conform to current year's presentation.

p Significant management judgement in applying accounting policies and estimation

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 require 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 18). 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.

(iii) Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the valuation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### q Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income on an accrual basis using the effective interest method.

### r Short-term employee benefits

Short-term employee benefits including holiday entitlement are current liabilities included in accruals, measured at the undiscounted amount that the company expects to pay as a result of the unused entitlement.

### s Operating segments

The company has two operating segments, pharmaceutical, medical and other supplies. However, the revenue from the sale of these other items is not considered material and therefore no segment reporting is disclosed in these financial statements.

## 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, 2016 can be analysed as follows:

| | Land $ | Buildings $ | Leasehold Improvement $ | Furniture Fixtures and Equipment $ | Computers $ | Motor Vehicles $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | |
| Balance at April 1, 2015 | 39,000,000 | 282,371,903 | 2,164,756 | 18,864,977 | 4,005,406 | 28,557,136 | 374,964,178 |
| Additions | - | 89,331,401 | 661,653 | 40,348,745 | 3,047,835 | - | 133,389,634 |
| Transfer | - | - | - | 29,305 | (29,305) | - | - |
| **Balance at March 31, 2016** | **39,000,000** | **371,703,304** | **2,826,409** | **59,243,027** | **7,023,936** | **28,557,136** | **508,353,812** |
| **Depreciation** | | | | | | | |
| Balance at April 1, 2015 | - | (1,212,500) | (491,136) | (8,828,383) | (3,873,906) | (10,593,560) | (24,999,485) |
| Depreciation | - | (3,232,521) | (114,377) | (2,593,329) | (416,572) | (4,174,323) | (10,531,122) |
| **Balance at March 31, 2016** | **-** | **(4,445,021)** | **(605,513)** | **(11,421,712)** | **(4,290,478)** | **(14,767,883)** | **(35,530,607)** |
| **Carrying amount at March 31, 2016** | **39,000,000** | **367,258,283** | **2,220,896** | **47,821,315** | **2,733,458** | **13,789,253** | **472,823,205** |

i Land and buildings located at 85 Hagley Park Road, Kingston 10, were revalued by independent valuators, David Thwaites and Associates, Chartered Valuation Surveyors, on May 21, 2014. The resulting increase in valuation has been credited to revaluation reserve in equity.

ii Under the cost model, the carrying amount of revalued land and buildings at 85 Hagley Park Road, Kingston 10, at reporting date would be $31,126,891 (2015 - $32,045,091).

iii Land, building and certain motor vehicles have been pledged as security for loans received from a financial institution (Note 12 (i) &(ii)).

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

| | Land<br>$ | Buildings<br>$ | Leasehold Improvement<br>$ | Furniture Fixtures and Equipment<br>$ | Computers<br>$ | Motor Vehicles<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | |
| Balance at April 1, 2014 | 24,000,000 | 48,500,000 | 2,164,756 | 16,045,470 | 3,591,697 | 19,048,668 | 113,350,591 |
| Additions | 15,000,000 | 233,871,903 | - | 2,819,507 | 413,709 | 10,818,468 | 262,923,587 |
| Disposal | - | - | - | - | - | (1,310,000) | (1,310,000) |
| **Balance at March 31, 2015** | 39,000,000 | 282,371,903 | 2,164,756 | 18,864,977 | 4,005,406 | 28,557,136 | 374,964,178 |
| **Depreciation** | | | | | | | |
| Balance at April 1, 2014 | - | - | (382,898) | (6,901,809) | (3,115,274) | (8,625,215) | (19,025,196) |
| Depreciation | - | (1,212,500) | (108,238) | (1,926,574) | (758,632) | (3,278,345) | (7,284,289) |
| Eliminated on disposal | - | - | - | - | - | 1,310,000 | 1,310,000 |
| **Balance at March 31, 2015** | - | (1,212,500) | (491,136) | (8,828,383) | (3,873,906) | (10,593,560) | (24,999,485) |
| **Carrying amount at March 31, 2015** | 39,000,000 | 281,159,403 | 1,673,620 | 10,036,594 | 131,500 | 17,963,576 | 349,964,693 |

## 6. Intangible assets – software

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

| | Acquired Software $ | Total $ |
|---|---|---|
| **Gross carrying amount** | | |
| Balance at April 1, 2015 | **4,455,722** | **4,455,722** |
| Addition | 885,754 | 885,754 |
| **Balance at March 31, 2016** | **5,341,476** | **5,341,476** |
| **Amortisation** | | |
| Balance at April 1, 2015 | **(2,793,245)** | **(2,793,245)** |
| Charge for year | (191,096) | (191,096) |
| **Balance at March 31, 2016** | **(2,984,341)** | **(2,984,341)** |
| **Carrying amount at March 31, 2016** | **2,357,135** | **2,357,135** |

| | Acquired Software $ | Total $ |
|---|---|---|
| **Gross carrying amount** | | |
| Balance at April 1, 2014 | 3,857,807 | 3,857,807 |
| Addition | 597,915 | 597,915 |
| **Balance at March 31, 2015** | 4,455,722 | 4,455,722 |
| **Amortisation** | | |
| Balance at April 1, 2014 | (1,902,101) | (1,902,101) |
| Charge for year | (891,144) | (891,144) |
| **Balance at March 31, 2015** | (2,793,245) | (2,793,245) |
| **Carrying amount at March 31, 2015** | 1,662,477 | 1,662,477 |

## 7. Inventories

| | **2016 $** | 2015 $ |
|---|---|---|
| Pharmaceuticals | **206,128,238** | 176,656,157 |
| Medical and other supplies | **43,586,483** | 35,533,191 |
| Goods in transit | **37,410,027** | 55,124,382 |
| | **287,124,748** | 267,313,730 |
| Less: provision for obsolete inventory | **-** | (912,686) |
| **Total** | **287,124,748** | 266,401,044 |

The cost of inventories recognised as an expense during the year was $977,021,426 (2015 - $860,624,282). This includes $1,466,319 (2015 - $2,482,874) in respect of expired items and write-downs to net realisable value.

## 8. Trade and other receivables

| | **2016 $** | 2015 $ |
|---|---|---|
| Trade | **286,826,238** | 251,286,735 |
| Less: Specific provision for doubtful debts | **(24,957,201)** | (14,697,004) |
| | **261,869,037** | 236,589,731 |
| Other | **39,271,394** | 22,649,769 |
| **Total** | **301,140,431** | 259,239,500 |

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

Bad debt specific provision is as follows:

| | **2016** **$** | 2015 $ |
|---|---|---|
| Balance at beginning of year | **14,697,004** | 6,589,710 |
| Receivables recovered during the year | **(3,655,666)** | (253,667) |
| Increase in provision during the year | **14,312,820** | 11,205,302 |
| Receivables written off during the year | **(396,957)** | (2,844,341) |
| **Balance at end of year** | **24,957,201** | 14,697,004 |

## 9. Cash and cash equivalents

| | **Interest Rate % p.a.** | **2016** **$** | 2015 $ |
|---|---|---|---|
| **Cash and short-term deposits:** | | | |
| Bank and cash: | | | |
| Petty Cash | | **30,000** | 30,000 |
| - J$ Current account | | **13,450,837** | 5,860,482 |
| - US$ Savings account (US$69,827- (2015 – US$235,164)) | 0.20 | **8,497,999** | 26,988,850 |
| Sterling savings account (£321 - (2015 - £320.42)) | 0.25 | **55,389** | 54,203 |
| **Cash at bank and in hand** | | **22,034,225** | 32,933,535 |
| Short-term deposits | 2.0 - 2.85 | **28,452,710** | 40,010,673 |
| **Total cash and short-term deposits** | | **50,486,935** | 72,944,208 |
| Less: Bank overdraft (Note 13) | | **(21,582,115)** | (22,761,304) |
| **Total cash and cash equivalents** | | **28,904,820** | 50,182,904 |

Included in cash and cash equivalents is $7,957,190 (2015 - $6,529,919) which represents amounts held for a major supplier (Note 14).

## 10. Share capital

| | **2016** **$** | 2015 $ |
|---|---|---|
| Authorised: | | |
| 408,000,000 ordinary shares (2015 - 408,000,000) | | |
| Stated capital | | |
| Issued and fully paid: | | |
| 263,157,895 ordinary shares | **107,835,764** | 107,835,764 |
| **Balance at end of the year** | **107,835,764** | 107,835,764 |

## 11. Revaluation reserve

| | **2016** **$** | 2015 $ |
|---|---|---|
| Balance at beginning of year representing: | | |
| Unrealised surplus arising on the revaluation of certain fixed assets – Land | **10,386,942** | 10,386,942 |
| – Building | **25,226,325** | 25,226,325 |
| **Balance at end of year** | **35,613,267** | 35,613,267 |

## 12. Borrowings

| | 2016 $ | 2015 $ |
|---|---|---|
| Loans – | | |
| i Bank of Nova Scotia (BNS) – Non-revolving loan | **199,282,748** | 205,066,662 |
| ii Bank of Nova Scotia – Revolving loan | **50,000,000** | 50,000,000 |
| iii Other | **46,510,000** | 44,429,770 |
| | **295,792,748** | 299,496,432 |
| Less: Current portion | **105,496,611** | 56,895,560 |
| **Total** | **190,296,137** | 242,600,872 |

i (a) A loan of $1.7 million was 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. The loan is to be fully repaid on November 29, 2016.

(b) A loan of $5 million was received September 29, 2014 towards the purchase of a 2014 Mercedes Benz to be repaid over a period of sixty (60) months, amortising over one hundred and twenty (120) months. Interest is fixed at a rate of nine point five percent (9.5%) per annum for a period of twenty four (24) months which commenced September 29, 2014; thereafter the rate of interest will be ten point five percent (10.5%) per annum. The loan will mature on September 29, 2019, when full repayment is expected.

(c) A loan of $200 million was received January 2, 2015 towards the purchase of commercial real estate. The loan is for a period of sixty (60) months with twelve (12) months moratorium on principal payments. Interest is fixed at a rate of ten point three percent (10.3%) per annum for a period of thirty six (36) months which commenced January 2, 2015; thereafter the rate of interest will be The Weighted Average Treasury Bill Yield (WATBY) plus three percent (3%) per annum. The loan repayment is to commence twelve months after drawdown and will mature sixty (60) months after drawdown, when the loan is to be fully repaid.

ii The revolving loans bear interest at a rate of twelve percent (12%) per annum and mature within 180 days from the loan drawdown date.

Bank loans and overdraft 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 $79,554,000.

- All Risk Peril Insurance policy totalling $226,000,000 including buildings and machinery, equipment and inventory which are located at units 25, 26, and 27 at 85 Hagley Park Road, Kingston 10 to expire May 7, 2016.

- 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.

- Bill of sale over 2014 Mercedes Benz sedan motor vehicle stamped to cover $5,000,000.

- Comprehensive insurance over 2014 Mercedes Benz sedan motor vehicle in the amount of $11,495,000 endorsed in favour of the bank.

- Legal Mortgage stamped for $210,000,000 over commercial property at 83 Hagley Park Road, Kingston 10, registered at Volume 1066 Folio 337 and Volume 1066 Folio 338 with an appraised value of $230,000,000.

- All Risk Peril Insurance policy over property located at 83 Hagley Park Road, Kingston 10.

- Joint and several guarantees of directors limited to $200,000,000.

iii This represents loans from third parties of J$10,000,000 and US$300,000 (J$36,510,000) that are unsecured and bear interest at rates of ten point three percent (10.3%) and ten percent (10%) per annum, respectively.

The loan amounting to J$10,000,000 has no fixed repayment term.

The loan amounting to US$300,000 is to be replaced as follows:

- US$100,000 to be repaid on or before July 31, 2016.

- US$200,000 to be repaid on or before February 28, 2017

## 13. Bank overdraft

The company has an overdraft facility of $70,000,000 which bears interest at fifteen point seven five percent (15.75%) per annum. The securities held are disclosed at Note 12.

## 14. Trade and other payables

| | **2016 $** | 2015 $ |
|---|---|---|
| Trade | **266,654,250** | 191,251,200 |
| Accruals | **12,115,885** | 7,117,201 |
| Interest accrued | **257,500** | 375,000 |
| Other | **37,282,060** | 22,713,104 |
| **Total** | **316,309,695** | 221,456,505 |

Included in other payables is $7,957,190 (2015 - $6,529,919) which represents balances held for a major supplier. The amount is represented by balance included in the company's cash and cash equivalents (Note 9).

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

## 15. Other income

| | **2016 $** | 2015 $ |
|---|---|---|
| (i) Warehousing service fee | **1,020,180** | - |
| (ii) Occupancy fee | - | 4,330,554 |
| **Total** | **1,020,180** | 4,330,554 |

(i) During the year the company entered into a Warehousing Service Agreement with a supplier to provide warehousing services and other ancillary services for their customers at a cost of US$2,800 per month.

(ii) Occupancy fee represents fees collected for two months from the previous occupants of the property that the company acquired during the prior year.

## 16. Finance income and finance cost

Finance income comprises:

| | 2016 $ | 2015 $ |
|---|---|---|
| Interest income on financial assets measured at amortised cost | **1,106,753** | 4,034,504 |
| **Total** | **1,106,753** | 4,034,504 |

Finance cost comprises:

| | 2016 $ | 2015 $ |
|---|---|---|
| Interest expense for borrowings measured at amortised cost | **23,509,349** | 14,536,283 |
| **Total** | **23,509,349** | 14,536,283 |

## 17. Profit before tax

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

| | 2016 $ | 2015 $ |
|---|---|---|
| Directors' emoluments - | | |
| Fees | **1,625,000** | 1,510,000 |
| Management remuneration | **20,070,856** | 19,211,538 |
| Depreciation and amortisation | **10,722,218** | 8,175,433 |
| Auditors' remuneration - current | **2,454,932** | 2,080,000 |
| - prior | **-** | 422,815 |
| Interest income | **(1,106,753)** | (4,034,504) |
| Interest expense | **23,509,349** | 14,536,283 |
| Loss on foreign exchange | **965,030** | 744,065 |

## 18. 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. However, the Minister of Finance amended the Income Tax Act requiring all companies, with the exception of charities and individuals with gross revenue below $5 million, to pay a Minimum Business Tax of $60,000.

i Income tax adjusted for tax purposes and computed at the tax rate of 25% comprise:

| | **2016 $** | 2015 $ |
|---|---|---|
| Current tax | **-** | - |
| Minimum Business Tax | **60,000** | 60,000 |
| Deferred | **-** | - |
| Prior year adjustment | **1,249,555** | - |
| **Total** | **1,309,555** | 60,000 |

Prior year adjustment represents under provision of tax liability for prior years.

ii Reconciliation of theoretical tax charge to effective tax charge:

| | **2016 $** | 2015 $ |
|---|---|---|
| **Profit before tax** | **97,386,369** | 84,628,825 |
| Tax at the applicable tax rate of 25% - (2015 - 25%) | **-** | - |
| Tax effect of expenses not deductible for tax purposes | **-** | - |
| Tax effect of income not subject to tax | **-** | - |
| Tax effect of allowable capital allowances | **-** | - |
| Tax effect of other allowances and charges | **-** | - |
| Minimum Business Tax | **60,000** | 60,000 |
| Prior year adjustment | **1,249,555** | - |
| **Income tax for the year** | **1,309,555** | 60,000 |

## 19. Earnings per share

Basic earnings per share is calculated by dividing profit for the year by the number of ordinary shares in issue 263,157,895 (2015 – 263,157,895).

## 20. Dividends

During the year the company paid final dividends for the financial year 2015 of $10,526,316 to its equity shareholders. This represents a payment of $0.04 (2015 – $0.04) per share, paid on June 19, 2015.

## 21. 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 One Year $** | Two to Five Years $ | Total $ |
|---|---|---|---|
| **2016** | **-** | **-** | **-** |
| 2015 | 3,757,200 | 15,028,800 | 18,786,000 |

Lease expense during the year amounted to $3,663,200 (2015 - $3,757,200). The company terminated its leasing arrangement during the year.

## 22. 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 in the normal course of business, with related parties as follows:

| | **2016 $** | 2015 $ |
|---|---|---|
| Included in trade and other receivables | **1,152,931** | 7,185,579 |

iii Transactions with key management personnel

Transaction with key management includes executive members of the board.

| | **2016 $** | 2015 $ |
|---|---|---|
| Short-term employee benefits – Salaries including bonuses | **20,070,856** | 19,211,538 |
| **Total** | **20,070,856** | 19,211,538 |

iv The statement of profit or loss and other comprehensive income includes other expenses incurred with related parties as follows:

| | **2016 $** | 2015 $ |
|---|---|---|
| Directors' fees | **1,625,000** | 1,510,000 |
| **Total** | **1,625,000** | 1,510,000 |

## 23. Expenses by nature

Total administrative and other operating expenses:

| | 2016 $ | 2015 $ |
|---|---|---|
| Directors' emoluments - | | |
| Fees | **1,625,000** | 1,510,000 |
| Management remuneration | **20,070,856** | 19,211,538 |
| Cost of inventories recognised as expense | **977,021,426** | 860,624,282 |
| Advertising and promotion | **6,882,896** | 4,358,627 |
| Auditors' remuneration – current | **2,454,932** | 2,080,000 |
| – prior | **-** | 422,815 |
| Legal and professional fees | **5,636,794** | 7,137,831 |
| Depreciation and amortisation | **10,722,218** | 8,175,433 |
| Employee benefits (Note 24) | **79,901,039** | 71,788,365 |
| Office rent | **3,663,200** | 3,757,200 |
| Insurance | **5,673,136** | 3,795,627 |
| Utilities | **8,684,342** | 8,193,595 |
| Other expenses | **108,689,166** | 76,421,534 |
| **Total** | **1,231,025,005** | 1,067,476,847 |

## 24. Employee benefits

| | 2016 $ | 2015 $ |
|---|---|---|
| Salaries, wages and related expenses | **74,019,503** | 64,868,639 |
| Medical and other staff benefits | **5,881,536** | 6,919,726 |
| **Total** | **79,901,039** | 71,788,365 |

The average number of employees at year-end was fifty-one (51), (2015 – forty-seven (47)).

## 25. 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 company 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**

| | **2016 US$ J$** | 2015 US$ J$ |
|---|---|---|
| Financial assets | | |
| - Cash and cash equivalents | **69,827** | 235,164 |
| | **69,827** | 235,164 |
| Financial liabilities | | |
| - Trade payables | **(537,976)** | (890,029) |
| - Borrowings | **(300,000)** | (300,000) |
| | **(837,976)** | (1,190,029) |
| **Total net liability** | **(768,149)** | (954,865) |

The above assets/(liabilities) are receivable/payable in United States dollars (US$) and Jamaican Dollars (J$). The exchange rates applicable at the end of the reporting period is J$121.70 to US$1 (2015 – J$114.76 to US$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 Dollar 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 the statement of financial position date.

Effect on results of operations:

If the JA Dollar weakens by 6% (2015 – 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 % | Weakens $ |
|---|---|---|
| **2016** | **6** | **(5,609,024)** |
| 2015 | 10 | (10,958,031) |

If the JA Dollar strengthens against the US Dollar by 1% (2015 – 1%) this would have the following impact:

| | Rate % | Strengthens $ |
|---|---|---|
| **2016** | **1** | **934,838** |
| 2015 | 1 | 1,095,803 |

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.

**Interest rate sensitivity**

Interest rates on the company's short term deposits and certain loans are fixed up to the date of maturity. However, interest rate of two hundred million dollars ($200,000,000) loan facility is fixed for the rest of the applicable loan period the interest rate is 3% plus the Weighted Average Treasury Bill Yield (WATBY) per annum. 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). At the date of the statement of financial position a maximum of $600,000 per commercial bank is insured under the 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:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Trade and other receivables | **296,847,473** | 259,239,500 |
| Cash and cash equivalents | **50,456,935** | 72,802,678 |
| **Total** | **347,304,408** | 332,042,178 |

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

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| Not more than 3 months | **229,807,805** | 228,966,015 |
| More than 3 months but not more than 6 months | **9,599,762** | 14,064,196 |
| More than 6 months but not more than 1 year | **22,461,470** | 12,450,480 |
| More than 1 year | **-** | 3,758,809 |
| **Total** | **261,869,037** | 259,239,500 |

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 | Non current | |
|---|---|---|---|
| | Within12 Months $ | 2 to 5 Years $ | Later than 5 Years $ |
| Borrowings | **105,496,611** | **180,296,137** | **10,000,000** |
| Trade and other payables | **316,309,695** | **-** | **-** |
| **Total** | **421,806,306** | **180,296,137** | **10,000,000** |

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

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.

| | Current | Non current | |
|---|---|---|---|
| | Within12 Months $ | 2 to 5 Years $ | Later than 5 Years $ |
| Borrowings | 56,895,560 | 225,434,207 | 17,166,665 |
| Trade and other payables | 222,476,505 | - | - |
| **Total** | 279,372,065 | 225,434,207 | 17,166,665 |

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

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at March 31, 2016

| **March 31, 2016** | **Level 1 $** | **Level 2 $** | **Level 3 $** | **Total $** |
|---|---|---|---|---|
| Property, plant and equipment | | | | |
| Land and buildings | - | - | 71,287,500 | 71,287,500 |
| **Total** | **-** | **-** | **71,287,500** | **71,287,500** |

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 3).

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.
Land and buildings at 85 Hagley Park Road, Kingston 10, were revalued on May 21, 2014.

## 27. 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:

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Financial assets** | | |
| **Financial assets measured at amortised cost** | | |
| Loans and receivables | | |
| Trade and other receivables | **296,847,473** | 259,239,500 |
| Cash and short-term deposits | **50,486,935** | 72,944,208 |
| **Total** | **347,334,408** | 332,183,708 |
| **Financial liabilities** | | |
| **Financial liabilities measured at amortised cost** | | |
| **Non-current liabilities** | | |
| Borrowings | **190,296,137** | 242,600,872 |
| **Current liabilities** | | |
| Bank overdraft | **21,582,115** | 22,761,304 |
| Trade and other payables | **316,309,695** | 221,456,505 |
| Current portion of borrowings | **105,496,611** | 56,895,560 |
| **Total** | **633,684,558** | 543,714,241 |

## 28. 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 $300 Million, which is 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 polices during the year.

Mair Russell
Grant Thornton

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