



Mair Russell

Grant Thornton

Medical Disposables & Supplies Limited

Financial Statements

March 31, 2018



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Independent auditor's report

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Jamaica, West Indies

To the Members of
Medical Disposables & Supplies Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Medical Disposables & Supplies Limited (“the Company”) which comprise the statement of financial position as at March 31, 2018, 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 to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgement; were of most significance in our audit of the financial statements of the current period. These matters are addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined that there are no key audit matters to communicate in our report.

Other information

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

Chartered Accountants.

Independent auditor's report (cont'd)

To the Members of
Medical Disposables & Supplies Limited

Report on the Audit of the Financial Statements

Other information (cont'd)

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

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

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

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report (cont'd)

To the Members of
Medical Disposables & Supplies Limited

Report on the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe the matter in our auditors' report unless law or

Independent auditor's report (cont'd)

To the Members of
Medical Disposables & Supplies Limited

Report on the Audit of the Financial Statements

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

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The Engagement Partner on the audit resulting in this independent auditor's report is Ms. Karen Lewis.

Kingston, Jamaica

May 28, 2018


Chartered Accountants


Statement of financial position


March 31, 2018

	Note	2018 \$	2017 \$
Assets			
Non-current assets			
Property, plant and equipment	(5)	510,244,320	484,497,095
Intangible assets	(6)	2,650,724	2,603,561
		<u>512,895,044</u>	<u>487,100,656</u>
Current assets			
Inventories	(7)	543,782,120	369,382,694
Trade and other receivables	(8)	382,565,648	324,624,837
Prepayments		3,454,256	5,579,130
Taxation recoverable		2,334,720	2,334,564
Cash and short-term deposits	(9)	29,405,495	25,225,310
		<u>961,542,239</u>	<u>727,146,535</u>
Total assets		<u>1,474,437,283</u>	<u>1,214,247,191</u>
Equity and liabilities			
Equity			
Share capital	(10)	107,835,764	107,835,764
Revaluation reserve	(11)	48,198,190	48,198,190
Retained profits		517,095,066	407,505,519
Total equity		<u>673,129,020</u>	<u>563,539,473</u>
Liabilities			
Non-current liabilities			
Borrowings	(12)	169,535,183	201,339,829
		<u>169,535,183</u>	<u>201,339,829</u>
Current liabilities			
Bank overdraft	(9 & 13)	138,201	31,000,391
Short term borrowings	(12)	125,000,000	50,000,000
Other loans	(12)	10,000,000	10,000,000
Current portion of borrowings	(12)	31,975,089	31,934,940
Trade and other payables	(14)	464,659,790	326,432,558
		<u>631,773,080</u>	<u>449,367,889</u>
Total liabilities		<u>801,308,263</u>	<u>650,707,718</u>
Total equity and liabilities		<u>1,474,437,283</u>	<u>1,214,247,191</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 28, 2018 and signed on its behalf by:

) Director
Winston Boothe

) Director
Kurt Boothe

Statement of profit or loss and other comprehensive income

Year ended March 31, 2018

	Note	2018 \$	2017 \$
Revenue	(4c)	2,045,443,487	1,714,019,129
Cost of sales		(1,583,920,694)	(1,303,288,753)
Gross profit		461,522,793	410,730,376
Other income	(15)	4,384,040	4,268,152
Administrative expenses	(16)	(171,086,430)	(152,221,210)
Selling and promotional costs	(16)	(127,848,306)	(102,582,344)
Other operating expenses	(16)	(2,117,196)	(2,478,264)
Depreciation and amortisation		(23,052,275)	(22,134,714)
Operating profit		141,802,626	135,581,996
Finance income	(18)	23,204	95,404
Finance cost	(18)	(35,309,807)	(34,300,839)
Gain on disposal of property, plant and equipment		484,580	-
Gain/(loss) on foreign exchange		2,648,944	(743,304)
Profit before tax		109,649,547	100,633,257
Income tax expense	(19)	(60,000)	(60,000)
Profit for the year		109,589,547	100,573,257
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of land and buildings		-	12,584,923
		-	12,584,923
Total comprehensive income for the year		109,589,547	113,158,180
Earnings per share	(20)	0.42	0.38

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

Statement of changes in equity

Year ended March 31, 2018

	Share Capital \$	Revaluation Reserve \$	Retained Profits \$	Total \$
Balance at April 1, 2016	107,835,764	35,613,267	344,563,841	488,012,872
Dividends (Note 21)	-	-	(37,631,579)	(37,631,579)
Transactions with owners	-	-	(37,631,579)	(37,631,579)
Profit for the year	-	-	100,573,257	100,573,257
Other comprehensive income for the year	-	12,584,923	-	12,584,923
Total comprehensive income for the year	-	12,584,923	100,573,257	113,158,180
Balance at March 31, 2017	107,835,764	48,198,190	407,505,519	563,539,473
Profit for the year 2018 being total comprehensive income for the year	-	-	109,589,547	109,589,547
Balance at March 31, 2018	107,835,764	48,198,190	517,095,066	673,129,020

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

Statement of cash flows

Year ended March 31, 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities:			
Profit before tax		109,649,547	100,633,257
Adjustments for:			
Depreciation and amortisation	(5&6)	23,052,275	22,134,714
Interest expense	(18)	35,309,807	34,300,839
Interest income	(18)	(23,204)	(95,404)
Gain on disposal of property, plant and equipment		(484,580)	-
Loss on foreign exchange - other loans		-	1,313,998
		167,503,845	158,287,404
Increase in inventories		(174,399,426)	(82,257,946)
Increase in trade and other receivables		(57,940,811)	(23,484,406)
Decrease/(increase) in prepayments		2,124,874	(130,266)
Increase in trade and other payables		137,969,732	10,122,863
Cash generated from operations		75,258,214	62,537,649
Interest paid		(35,052,307)	(34,300,839)
Income taxes paid		(60,000)	(60,000)
Net cash provided by operating activities		40,145,907	28,176,810
Cash flows from investing activities:			
Interest received (net of withholding tax)		23,048	76,952
Additions to property, plant and equipment	(5)	(48,414,335)	(19,484,975)
Proceeds on disposal of property, plant and equipment		875,500	-
Addition to intangible asset	(6)	(823,248)	(1,985,132)
Net cash used in investing activities		(48,339,035)	(21,393,155)
Cash flows from financing activities:			
Proceeds from borrowings		268,750,000	161,870,000
Repayment of borrowings		(225,514,497)	(129,191,977)
Repayment of other loans		-	(36,510,000)
Dividends paid		-	(37,631,579)
Net cash provided by/(used in) financing activities		43,235,503	(41,463,556)
Net increase/(decrease) in cash and cash equivalents		35,042,375	(34,679,901)
Cash and cash equivalents at beginning of year		(5,775,081)	28,904,820
Cash and cash equivalents at end of year	(9)	29,267,294	(5,775,081)

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

Notes to the financial statements

March 31, 2018

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 have been prepared on the historical cost and accruals bases.

3. Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after January 1, 2017

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 determined that the following will have an impact on the company.

Disclosure Initiative (Amendments to IAS 7)

The amendments to IAS 7 'Statements of Cash Flows', effective 1 January 2017, require the company to provide disclosures about the changes in liabilities from financing activities. The company categorises those changes into changes arising from cash flows and non-cash changes with further sub-categories as required by IAS 7.

Standards, amendments and interpretations issued but not yet effective and have not been adopted early by the company

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. Information on those expected to be relevant to the company's financial statements are provided below.

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 may be relevant to the company's financial statements are provided below:

IFRS 9 'Financial Instruments' which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instrument from IAS 39, the criteria for classification into the appropriate measurement bases for financial assets – amortised, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement categories are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

At the date of transition, the company is permitted to make a one-time irrevocable reassessment of its fair value through profit or loss designations or its financial assets and liabilities. The company is currently evaluating the extent to which it will apply these designations to its financial instruments upon transition.

The expected credit loss model is more forward looking and will require the use of reasonable and supportable forecasts of future economic conditions to determine increases in credit risk and measurement of expected credit losses. It may also result in an increase in the total level of impairment allowance as all financial assets will be assessed for impairment, and the population size will be greater than that for financial assets with objective evidence of impairment under IAS 39.

The company is still assessing the impact the change in model will have on its 2019 financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15, Revenue from Contracts with Customers, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfer of Assets from Customers and SIC – 31 Revenue – Barter Transactions Involving Advertising Services. It does not apply to insurance contracts, financial instruments or lease contracts, which falls in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer, or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Amendments to IFRS 15, 'Revenue from Contracts with Customers'

IFRS 15 Revenue from Contracts with Customers, (effective for accounting periods beginning on or after January 1, 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

IFRS 16 'Leases'

IFRS 16 Leases', (effective for annual periods beginning on or after January 1, 2019). In January 2017, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. 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. There is an optional exemption or lessees for certain short-term leases of low-value assets. The company is assessing the impact of future adoption of the measurements on its financial statements.

IFRS 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The company currently assessing the impact of future adoption of the amendments on its financial statements.

IFRS 23, 'Uncertainty over income tax treatments' (effective for annual periods beginning on or after 1 January 2019). This Interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The Interpretation had previously clarified that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. The Interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The company does not expect any significant impact from the adoption of this Interpretation.

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 stated at their revalued amounts, being the fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses, if any. Fair values are based on appraisals prepared by external professional valuers once every (3) years, or more frequently, if market factors indicate a material change in fair value. Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and credited to revaluation

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2018

reserve in equity. To the extent that any decrease or impairment loss had previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the increase recognised in other comprehensive income.

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.

- (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 risks 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.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2018

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 assets or cash-generating units 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 19). 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

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the (chief operating decision makers) to make decisions about resources to be allocated to the segments and assess its performance.

The company has two operating segments: pharmaceutical and medical and other supplies.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2018

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, 2018 can be analysed as follows:

	Land and Buildings \$	Construction In Progress \$	Leasehold Improvement \$	Furniture Fixtures and Equipment \$	Computers \$	Motor Vehicles \$	Total \$
Gross carrying amount							
Balance at April 1, 2017	412,200,000	9,645,760	2,826,409	65,244,521	8,144,348	28,557,136	526,618,174
Additions	7,174,271	23,099,260	-	9,319,942	1,367,581	7,453,281	48,414,335
Disposal	-	-	-	-	(215,920)	(3,039,097)	(3,255,017)
Transfer	5,679,406	(5,679,406)	-	(133,123)	133,123	-	-
Balance at March 31, 2018	425,053,677	27,065,614	2,826,409	74,431,340	9,429,132	32,971,320	571,777,492
Depreciation							
Balance at April 1, 2017	-	-	(746,833)	(17,478,148)	(4,555,685)	(19,340,413)	(42,121,079)
Elimination on disposal	-	-	-	-	-	2,864,097	2,864,097
Depreciation	(9,011,281)	-	(141,320)	(6,741,448)	(1,101,385)	(5,280,756)	(22,276,190)
Balance at March 31, 2018	(9,011,281)	-	(888,153)	(24,219,596)	(5,657,070)	(21,757,072)	(61,533,172)
Carrying amount at March 31, 2018	416,042,396	27,065,614	1,938,256	50,211,744	3,772,062	11,214,248	510,244,320

- i Land and buildings were revalued by independent valuers, David Thwaites and Associates, Chartered Valuation Surveyors, on April 21, 2017 and May 24, 2017. 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 reporting date would be \$276,127,579 (2017 - \$270,280,281).
- iii Land, buildings and certain motor vehicles have been pledged as security for loans received from a financial institution (Note 12 (i) &(ii)).

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2018

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

	Land and Buildings \$	Construction In Progress \$	Leasehold Improvement \$	Furniture Fixtures and Equipment \$	Computers \$	Motor Vehicles \$	Total \$
Gross carrying amount							
Balance at April 1, 2016	410,703,304	-	2,826,409	59,243,027	7,023,936	28,557,136	508,353,812
Additions	2,717,309	9,645,760	-	6,001,494	1,120,412	-	19,484,975
Revaluation surplus	12,584,923	-	-	-	-	-	12,584,923
Revaluation adjustment	(13,805,536)	-	-	-	-	-	(13,805,536)
Balance at March 31, 2017	412,200,000	9,645,760	2,826,409	65,244,521	8,144,348	28,557,136	526,618,174
Depreciation							
Balance at April 1, 2016	(4,445,021)	-	(605,513)	(11,421,712)	(4,290,478)	(14,767,883)	(35,530,607)
Revaluation adjustment	13,805,536	-	-	-	-	-	13,805,536
Charge for the year	(9,360,515)	-	(141,320)	(6,056,436)	(265,207)	(4,572,530)	(20,396,008)
Balance at March 31, 2017	-	-	(746,833)	(17,478,148)	(4,555,685)	(19,340,413)	(42,121,079)
Carrying amount at March 31, 2017	412,200,000	9,645,760	2,079,576	47,766,373	3,588,663	9,216,723	484,497,095

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2018

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, 2017	7,326,608	7,326,608
Addition	823,248	823,248
Balance at March 31, 2018	8,149,856	8,149,856
Amortisation		
Balance at April 1, 2017	(4,723,047)	(4,723,047)
Charge for year	(776,085)	(776,085)
Balance at March 31, 2018	(5,499,132)	(5,499,132)
Carrying amount at March 31, 2018	2,650,724	2,650,724

	Acquired Software \$	Total \$
Gross carrying amount		
Balance at April 1, 2016	5,341,476	5,341,476
Addition	1,985,132	1,985,132
Balance at March 31, 2017	7,326,608	7,326,608
Amortisation		
Balance at April 1, 2016	(2,984,341)	(2,984,341)
Charge for year	(1,738,706)	(1,738,706)
Balance at March 31, 2017	(4,723,047)	(4,723,047)
Carrying amount at March 31, 2017	2,603,561	2,603,561

7. Inventories

	2018 \$	2017 \$
Pharmaceuticals	380,764,659	269,535,669
Medical and other supplies	61,599,762	60,161,450
Goods in transit	101,417,699	39,685,575
Total	543,782,120	369,382,694

The cost of inventories recognised as an expense during the year was \$1,583,920,694 (2017 - \$1,303,288,753). This includes \$11,016,593 (2017 - \$2,224,293) in respect of expired items and write-downs to net realisable value.

8. Trade and other receivables

	2018 \$	2017 \$
Trade	328,442,538	297,646,263
Less: Specific provision for doubtful debts	(21,202,663)	(24,136,532)
	307,239,875	273,509,731
Other	75,325,773	51,115,106
Total	382,565,648	324,624,837

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

Medical Disposables & Supplies Limited

Notes to the financial statements
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Bad debt specific provision is as follows:

	2018	2017
	\$	\$
Balance at beginning of year	24,136,532	24,957,201
Receivables recovered during the year	(7,378,279)	(5,585,595)
Increase in provision during the year	9,545,475	8,160,275
Receivables written off during the year	(5,101,065)	(3,395,349)
Balance at end of year	21,202,663	24,136,532

9. Cash and cash equivalents

	Interest Rate	2018	2017
	% p.a.	\$	\$
Cash and short-term deposits:			
Bank and cash:			
Petty Cash		65,000	30,000
- J\$ Current account		22,340,103	10,878,393
- US\$ Savings account (US\$54,489)- (2017 - US\$108,670))	0.01 - 0.05	6,828,605	14,155,474
Sterling savings account (£321) - (2017 - £321))	0.05	56,728	50,914
Cash at bank and in hand		29,290,436	25,114,781
Short-term deposits	2.0 - 2.85	115,059	110,529
Total cash and short-term deposits		29,405,495	25,225,310
Less: Bank overdraft (Note 13)		(138,201)	(31,000,391)
Total cash and cash equivalents		29,267,294	(5,775,081)

Included in cash and cash equivalents is \$7,955,290 (2017 - \$8,714,403) which represents amounts held for a major supplier.

10. Share capital

	2018	2017
	\$	\$
Authorised:		
408,000,000 ordinary shares (2018 - 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

	2018	2017
	\$	\$
Balance at beginning of year representing:		
Unrealised surplus arising on the revaluation		
of: - Land	10,386,942	10,386,942
- Buildings	25,226,325	25,226,325
	35,613,267	35,613,267
Surplus on revaluation of land and buildings	12,584,923	12,584,923
Balance at end of year	48,198,190	48,198,190

Medical Disposables & Supplies Limited

Notes to the financial statements
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12. Borrowings

	2018 \$	2017 \$
Loans –		
i Bank of Nova Scotia (BNS) – Non-revolving loan	201,510,272	233,274,769
	201,510,272	233,274,769
Less: Current portion	31,975,089	31,934,940
	169,535,183	201,339,829
ii Short-term borrowings – revolving loan	125,000,000	50,000,000
iii Other Loans	10,000,000	10,000,000

- i (a) 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. Interest is fixed at a rate of eight point five percent (8.5%) per annum for a period of twenty four (24) months to expire April 30, 2018; thereafter the rate will be amended to the Weighted Average Treasury Bill Yield (WATBY) of the most recent six (6) months Bank of Jamaica Treasury Bill tender plus 2.95% per annum, with quarterly resets effective January 1, April 1, July 1 and October 1.

The rate will be capped at the Bank's Base lending rate currently fifteen point seven five percent (15.75%) less four percent (4%). The loan will mature on September 29, 2019, when full repayment is expected.

- (b) 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 eight point five percent (8.5%) per annum to expire April 30, 2018. Interest rate will be fixed at ten percent (10%) per annum from May 2018 to maturity. 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.
- (c) Loans of \$25,000,000 and \$36,870,000 were received during the year. The loans are repayable by fifty nine (59) monthly payments of \$208,330 and \$307,250 plus one final payment of \$12,708,530 and \$18,742,250 respectively. The loan repayment is to commence one month after drawdown. Interest on the loan is fixed at a rate of eight point five percent (8.5%) per annum for a period of twenty-four (24) months. Thereafter the Weighted Average Treasury Bill (WATBY) of the most recent (6) months Bank of Jamaica Treasury Bill tender plus 2.95% per annum with quarterly resets effective January 1, April 1, July 1 and October 1. The rate will be capped at the Bank's Base lending rate, currently fifteen point seven five percent (15.75%) less four percent (4%) subject to revision at anytime.
- ii The revolving loans bear interest at rates of nine point five (9.5%) per annum and mature within 180 days from the loan drawdown date.

Bank loans and overdraft are secured by:

- a. Demand debenture stamped for an aggregate of \$434,050,000 creating first charge over fixed and floating assets of the company's supported by:
- First and second Legal Mortgage stamped for an aggregate of \$61,000,000 collateral to debenture over commercial properties of units #25, 26 and 27, located at 85 Hagley Park Road, Kingston 10, registered at Volume 1327 Folios 620 and 621 and

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Notes to the financial statements
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Volume 1312 and Folio 165 in the name of Medical Disposables and Supplies Limited and having an appraised value of \$79,554,000.

- First Legal Mortgage stamped for \$210,000,000 over commercial property located at 83 Hagley Park Road, Kingston 10 registered at Volume 1066 Folio 337 and 338 in the name of Medical Disposables and Supplies Limited with an appraised value of \$290,000,000.
 - Second Legal Mortgage stamped to cover \$75,050,000 over Commercial Property located at 83 Hagley Park Road, Kingston 10, Volume 1066 Folio 337 and 338 and having appraised value of \$290,000,000.
- b. Assignment of All Risk Peril Insurance policy totalling \$593,050,000 held endorsed in favour of the Bank, to cover the replacement of buildings, machinery, equipment and inventory located at Units 25 – 27 at the Domes, 85 Hagley Park Road, Kingston 10 to expire May 7, 2018.
- c. Assignment of policy – Collateral to Composite Debenture in the amount of \$89,000,000.
- d. Bill of sale over 2014 Mercedes Benz Sedan Motor Vehicle stamped to cover \$5,000,000.
- e. Comprehensive insurance over 2014 Mercedes Benz Sedan Motor Vehicle, in the amount of \$11,495,000 endorsed in favour of the bank.
- f. Bill of sale over 2011 Nissan Urvan Panal Van stamped to cover \$1,700,000.
- g. Comprehensive insurance over 2011 Nissan Urvan Panal Van in the amount of \$2,739,400 endorsed in favour of the bank.
- Third Legal Mortgage stamped to cover \$25,000,000 over commercial property located at 83 Hagley park Road, Kingston 10. Volume 1066, Folio 337 and having an appraised value of \$290,000,000.
- iii This represents a loan from a third party of \$10,000,000 which is unsecured and bears interest at rates of ten point three percent (10.3%) per annum.

The loan has no fixed repayment term.

13. Bank overdraft

The company has an overdraft facility of \$125,000,000 which bears interest at the Bank's Base Lending Rate currently fifteen point seven five percent (15.75%) per annum less five point seven five percent (5.75%), being ten percent (10%) per annum. The securities held are disclosed at Note 12.

14. Trade and other payables

	2018	2017
	\$	\$
Trade	407,440,563	276,843,724
Accruals	17,785,170	14,080,089
Other	39,434,057	35,508,745
Total	464,659,790	326,432,558

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

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Notes to the financial statements
March 31, 2018

15. Other income

	2018	2017
	\$	\$
Warehousing service fee	4,384,040	4,268,152
Total	4,384,040	4,268,152

The company entered into a Warehousing Service Agreement with a supplier to provide warehousing and other ancillary services for their customers at a cost of US\$2,800 per month.

16. Expenses by nature

Total administrative and other operating expenses:

	2018	2017
	\$	\$
Cost of inventories recognised as expense	1,583,920,694	1,303,288,753
Administrative and other expenses		
Directors' remuneration	21,302,370	20,456,272
Directors' fees	2,096,250	1,855,000
Salaries, wages and related expenses (Note 17)	55,806,971	53,016,549
Medical and other staff benefits (Note 17)	7,790,477	6,811,261
Insurance	9,375,326	5,860,292
Legal and professional fees	15,129,085	9,790,954
Motor vehicle expenses	9,679,150	8,027,268
Auditors' remuneration	2,862,282	2,642,753
Utilities	12,850,088	11,226,209
Printing and stationery	5,148,355	5,147,078
Donations	3,134,234	2,479,131
Security	6,354,778	3,952,132
Bank charges	8,218,107	8,153,212
Other administrative expenses	11,338,957	12,803,099
	171,086,430	152,221,210
Selling and promotional costs		
Salaries, wages and related expenses (Note 17)	45,180,492	37,085,041
Travel and accommodation	2,342,011	2,027,855
Postage and courier service	23,349,430	16,290,377
Advertising and promotion	13,664,655	10,742,685
Commission	43,311,718	36,436,436
	127,848,306	102,582,344
Other operating expenses		
Bad debt (Net)	2,117,196	2,478,264
	2,117,196	2,478,264

17. Employee benefits

	2018	2017
	\$	\$
Salaries, wages and related expenses		
- Administrative and other expenses	55,806,971	53,016,549
- Selling and promotional costs	45,180,492	37,085,041
Medical and other staff benefits	7,790,477	6,811,261
Total	108,777,940	96,912,851

The average number of employees at year-end was fifty-six (56), (2017 – fifty-two (52)).

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Notes to the financial statements
March 31, 2018

18. Finance income and finance cost

Finance income comprises:

	2018	2017
	\$	\$
Interest income on financial assets measured at amortised cost	23,204	95,404
Total	23,204	95,404

Finance cost comprises:

	2018	2017
	\$	\$
Interest expense for borrowings measured at amortised cost	35,309,807	34,300,839
Total	35,309,807	34,300,839

19. 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:

	2018	2017
	\$	\$
Current tax	-	-
Minimum Business Tax	60,000	60,000
Deferred	-	-
Total	60,000	60,000

ii Reconciliation of theoretical tax charge to effective tax charge:

	2018	2017
	\$	\$
Profit before tax	109,649,547	100,633,257
Tax at the applicable tax rate of 25% - (2017 - 25%)	27,412,387	25,158,314
Tax effect of expenses not deductible for tax purposes	669,783	216,501
Tax effect of income not subject to tax	(121,145)	(64,375)
Tax effect of allowable capital allowances and other charges	7,680,789	(384,091)
Remission of tax	(35,641,814)	(24,926,349)
Minimum Business Tax	60,000	60,000
Income tax for the year	60,000	60,000

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Notes to the financial statements
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20. 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 (2017 – 263,157,895).

21. Dividends

During the prior year the company paid final dividends amounting to \$37, 631,579 to its equity shareholders. This represented a payment of \$0.05 per share.

22. Segment reporting

Segment information for the reporting period are as follows:

	Pharmaceutical \$	Medical & Others \$	Total \$
Revenue	1,514,460,147	530,983,340	2,045,443,487
Less: Cost of sales	(1,147,973,580)	(435,947,114)	(1,583,920,694)
Gross profit	366,486,567	95,036,226	461,522,793

23. 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 \$
2018	1,599,840	533,280	2,133,120
2017	1,333,200	1,333,200	2,666,400

Lease expense during the year amounted to \$1,555,400 (2017 - \$1,333,200). The company entered into a new leasing arrangement during the year.

24. 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

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2018

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:

	2018	2017
	\$	\$
Included in trade and other receivables	893,469	836,171
Included in trade and other payables	(113,588)	-

iii Transactions with key management personnel

Transactions with key management includes remuneration for executive members of the board.

	2018	2017
	\$	\$
Short-term employee benefits – Salaries including bonuses	21,302,370	20,456,272
Total	21,302,370	20,456,272

iv The statement of profit or loss and other comprehensive income includes transactions with companies controlled by Directors, and other key management personnel.

	2018	2017
	\$	\$
Sales	10,106,455	10,392,042
Directors' fees	2,096,250	1,855,000
Professional fees	259,427	953,145

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.

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Concentrations of currency risk

	2018 US\$	2017 US\$
Financial assets		
- Cash and cash equivalents	54,489	108,670
	54,489	108,670
Financial liabilities		
- Trade payables	(1,291,336)	(856,364)
	(1,291,336)	(856,364)
Total net liability	(1,236,847)	(747,694)

The above assets/(liabilities) are receivable/payable in United States dollars (US\$) and Jamaican Dollars (J\$). The exchange rate applicable at the end of the reporting period is J\$125.32 to US\$1 (2017 – J\$128.22 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 4% (2017 – 6%) 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 \$
2018	4	(6,200,067)
2017	6	(5,738,851)

If the JA Dollar strengthens against the US Dollar by 2% (2017 – 1%) this would have the following impact:

	Rate %	Strengthens \$
2018	2	3,100,033
2017	1	956,475

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

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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 loans are fixed up to the date of maturity and interest rates for a period of twenty four (24) months expiring at varying dates beginning April 30, 2018. 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:

	2018	2017
	\$	\$
Trade and other receivables	382,565,648	324,624,837
Cash and cash equivalents	29,340,495	25,195,310
Total	411,906,143	349,820,147

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

	2018	2017
	\$	\$
Not more than 3 months	283,687,850	251,921,602
More than 3 months but not more than 6 months	19,524,378	13,857,116
More than 6 months but not more than 1 year	3,169,441	7,468,111
More than 1 year	858,206	263,902
Total	307,239,875	273,509,731

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.

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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.

As at March 31, 2018, the company's non-derivative financial liabilities have contractually maturities (including interest payments where applicable) as summarised below:

	Current Within 12 Months \$	Non current 2 to 5 Years \$
Borrowings	49,737,330	169,240,810
Bank overdraft	138,201	-
Short-term borrowings	130,547,945	-
Other loans	10,000,000	-
Trade and other payables	464,659,790	-
Total	655,083,266	169,240,810

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.

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

	Current Within 12 Months \$	Non current 2 to 5 Years \$
Borrowings	43,917,273	109,018,248
Bank overdraft	31,000,391	-
Short-term borrowings	51,443,750	-
Other loans	10,000,000	-
Trade and other payables	326,432,558	-
Total	462,793,971	109,018,248

26. Fair value measurement

- i The Company's financial assets and liabilities are measured at amortised costs, and the fair values for these are disclosed at Note 27.
- ii Fair value 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, 2018.

March 31, 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Property, plant and equipment				
Land and buildings	-	-	416,042,396	416,042,396
Total	-	-	416,042,396	416,042,396

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.

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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 April 21, 2017.

Reconciliation of the opening and closing balances of the company's land and buildings:

	2018 \$
Balance at April 1, 2017	412,200,000
Additions	7,174,271
Transfer	5,679,406
Depreciation	(9,011,281)
Balance at March 31, 2018	416,042,396

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:

	2018 \$	2017 \$
Financial assets		
Financial assets measured at amortised cost		
Loans and receivables		
Trade and other receivables	382,565,648	324,624,837
Cash and short-term deposits	29,405,495	25,225,310
Total	411,971,143	349,850,147
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current liabilities		
Borrowings	169,535,183	201,339,829
Current liabilities		
Bank overdraft	138,201	31,000,391
Short term borrowings	125,000,000	50,000,000
Other loans	10,000,000	10,000,000
Current portion of borrowings	31,975,089	31,934,940
Trade and other payables	464,659,790	326,432,558
Total	801,308,263	650,707,718

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 policies during the year.



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