



Medical Disposables & Supplies Limited

Financial Statements

March 31, 2019

Contents

	Page
Independent auditor's report	1- 4
Financial Statements	
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9

Independent auditor's report

MAIR RUSSELL GRANT THORNTON

Kingston:
3 Houghton Avenue
Kingston 10, Jamaica

T 1 876 926 2020/ 926 2022
F 1 876 754 3196
E mrgt.kingston@jm.gt.com

Montego Bay:
56 Market Street
Montego Bay
St. James Jamaica.

T 1 876 952 2891/952 0798
F 1 876 971 5836
E mrgt.mobay@jm.gt.com

www.granthornton.com.jm

To the Members of
Medical Disposables & Supplies Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Medical Disposables & Supplies Limited (“the Company”) which comprise the statement of financial position as at March 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2019, 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. The matter was 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.

Allowance for expected credit losses

As at March 31, 2019 trade and other receivables after allowance for expected credit losses of \$12,206,445 amounted to \$390,206,586 or 23.7% of the total assets. We consider the measurement of expected credit losses a key audit matter as the determination is based on management’s judgement and subject to significant uncertainty.

Chartered Accountants.

Mair Russell Grant Thornton (MRGT) is a partnership registered in Jamaica. Registered Office: 3 Houghton Avenue Kingston 10, Jamaica. MRGT is a member firm of Grant Thornton International Limited (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. Please see granthornton.co.global for further details.

Partners:
Sixto P. Coy
Karen A. Lewis

twitter.com/GrantThornton

Independent auditor's report (cont'd)

To the Members of
Medical Disposables & Supplies Limited

Report on the Audit of the Financial Statements (cont'd)

Allowance for expected credit losses (cont'd)

The principles for determining expected credit losses are described in the summary of significant accounting policies. The management of credit risk and the review for impairment have been described in more details in (Note 27b) to the financial statements.

How our audit address the key audit matter

Our audit procedures included, amongst others:

- To ensure compliance with IFRS 9, we evaluated the techniques and methodologies used by the company in order to assess expected credit losses.
- Evaluate the information of economic parameters included in the forward looking information.
- Testing the accuracy of the ECL calculation.
- Testing subsequent collection from selected overdue customer assets.
- Assess the adequacy of the disclosure in the financial statements.

In addition, we assessed and validated the inputs used and assumptions applied in determining the loss rates which are integral to the provision matrix used in determining the expected credit losses for trade receivables.

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.

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

Independent auditor's report (cont'd)

To the Members of
Medical Disposables & Supplies Limited

Report on the Audit of the Financial Statements (cont'd)

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.

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.

Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Independent auditor's report (cont'd)

To the Members of
Medical Disposables & Supplies Limited

Report on the Audit of the Financial Statements (cont'd)

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

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

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been 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 Mr. Sixto P. Coy.

Kingston, Jamaica

May 27, 2019


Chartered Accountants

Statement of financial position

March 31, 2019

	Note	2019 \$	(Restated) 2018 \$
Assets			
Non-current assets			
Property, plant and equipment	(5)	557,723,750	510,244,320
Intangible assets	(6)	1,792,313	2,650,724
		<u>559,516,063</u>	<u>512,895,044</u>
Current assets			
Inventories	(7)	647,955,332	543,782,120
Trade and other receivables	(8)	390,206,586	356,229,356
Prepayments		10,621,009	3,454,256
Taxation recoverable		2,337,129	2,334,720
Cash and short-term deposits	(9)	38,279,922	29,405,495
		<u>1,089,399,978</u>	<u>935,205,947</u>
Total assets		<u>1,648,916,041</u>	<u>1,448,100,991</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		603,178,188	517,095,066
Total equity		<u>759,212,142</u>	<u>673,129,020</u>
Liabilities			
Non-current liabilities			
Borrowings	(12)	126,583,691	169,535,183
Deferred tax liabilities	(13)	6,836,034	-
		<u>133,419,725</u>	<u>169,535,183</u>
Current liabilities			
Bank overdraft	(14)	204,610	138,201
Current portion of borrowings	(12)	42,314,357	31,975,089
Short term borrowings	(12)	245,346,138	125,000,000
Other loans	(12)	10,000,000	10,000,000
Trade and other payables	(15)	454,701,255	438,323,498
Income tax payable		3,717,814	-
		<u>756,284,174</u>	<u>605,436,788</u>
Total liabilities		<u>889,703,899</u>	<u>774,971,971</u>
Total equity and liabilities		<u>1,648,916,041</u>	<u>1,448,100,991</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 27, 2019 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, 2019

	Note	2019 \$	2018 \$
Revenue	(4c)	2,221,895,285	2,045,443,487
Cost of sales		(1,673,385,401)	(1,583,920,694)
Gross profit		548,509,884	461,522,793
Other income	(16)	5,458,992	4,384,040
Administrative expenses	(17)	(194,817,586)	(171,086,430)
Selling and promotional costs	(17)	(145,095,528)	(127,848,306)
Impairment loss on financial assets		(2,052,419)	(2,117,196)
Depreciation and amortisation		(25,380,120)	(23,052,275)
Operating profit		186,623,223	141,802,626
Finance income	(18)	20,993	23,204
Finance cost	(18)	(41,547,833)	(35,309,807)
Gain on disposal of property, plant and equipment		1,505,500	484,580
(Loss)/gain on foreign exchange		(23,255,775)	2,648,944
Profit before tax		123,346,108	109,649,547
Income tax expense	(19)	(10,583,848)	(60,000)
Profit for the year		112,762,260	109,589,547
Total comprehensive income for the year		112,762,260	109,589,547
Earnings per share	(20)	0.43	0.42

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

Statement of changes in equity

Year ended March 31, 2019

	Share Capital \$	Revaluation Reserve \$	Retained Profits \$	Total \$
Balance at April 1, 2017	107,835,764	48,198,190	407,505,519	563,539,473
Profit for the year	-	-	109,589,547	109,589,547
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
Adjustment from the adoption of IFRS9	-	-	689,283	689,283
Restated balances as at April 1, 2018	107,835,764	48,198,190	517,784,349	673,818,303
Dividends (Note 21)	-	-	(27,368,421)	(27,368,421)
Transaction with owners	-	-	(27,368,421)	(27,368,421)
Profit for the year	-	-	112,762,260	112,762,260
being total comprehensive income for the year	-	-	112,762,260	112,762,260
Balance at March 31, 2019	107,835,764	48,198,190	603,178,188	759,212,142

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

Statement of cash flows

Year ended March 31, 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities:			
Profit before tax		123,346,108	109,649,547
Adjustments for:			
Depreciation and amortisation	(5&6)	25,380,120	23,052,275
Interest expense	(18)	41,547,833	35,309,807
Adoption of IFRS9		689,283	-
Interest income	(18)	(20,993)	(23,204)
Gain on disposal of property, plant and equipment		(1,505,500)	(484,580)
		189,436,851	167,503,845
Increase in inventories		(104,173,212)	(174,399,426)
Increase in trade and other receivables		(33,977,230)	(57,940,811)
(Increase) /decrease in prepayments		(7,166,753)	2,124,874
Increase in trade and other payables		16,377,757	137,969,732
Cash generated from operations		60,497,413	75,258,214
Interest paid		(41,547,833)	(35,052,307)
Income taxes paid		(30,000)	(60,000)
Net cash provided by operating activities		18,919,580	40,145,907
Cash flows from investing activities:			
Interest received (net of withholding tax)		18,583	23,048
Purchase of property, plant and equipment	(5)	(72,213,138)	(48,414,335)
Proceeds from disposal of property, plant and equipment		1,717,500	875,500
Purchase of intangible asset	(6)	-	(823,248)
Net cash used in investing activities		(70,477,055)	(48,339,035)
Cash flows from financing activities:			
Proceeds from borrowings		394,096,138	268,750,000
Repayment of borrowings		(306,362,224)	(225,514,497)
Dividends paid		(27,368,421)	-
Net cash provided by financing activities		60,365,493	43,235,503
Net increase in cash and cash equivalents		8,808,018	35,042,375
Cash and cash equivalents at beginning of year		29,267,294	(5,775,081)
Cash and cash equivalents at end of year	(9)	38,075,312	29,267,294

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

Notes to the financial statements

March 31, 2019

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, 2018

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.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments' Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the company has applied transitional relief and opted not to restate prior periods.

The adoption of IFRS 9 has impacted the following areas:

- Investment in quoted equity securities previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest. The company did not elect to irrevocably designate any of the equity investment at fair value with changes presented in other comprehensive income. The change in classification did not have an impact on the opening statement of financial position as at April 1, 2018.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

- The impairment of financial assets (trade and other receivables) did not have a material impact on the opening statement of financial position as at April 1, 2018.

On the date of initial application, April 1, 2018, the financial instruments of the company were reclassified as follows:

	Measurement Category		Carrying Amount		
	Original (IAS 39) Category	New IFRS 9 Category	Closing Balance March 31, 2018 (IAS 39)	Adoption of (IFRS 9)	Opening Balance March 31, 2019 (IFRS 9)
Current financial assets:					
Trade and other receivables	Amortised cost	Amortised cost	356,229,356	(689,283)	355,540,073
Cash and short-term deposits	Amortised cost	Amortised cost	29,405,495	-	29,405,495
Total financial assets balances			385,634,851	(689,283)	384,945,568

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at April 1, 2018

	IAS 39 carrying amount March 31, 2018	Reclassification	Remeasurement	IFRS 9 carrying amount April 1, 2018	Retained earnings effect
	\$	\$	\$	\$	\$
Amortised cost	385,634,851	-	(689,283)	384,945,568	(689,283)
Total financial assets balances, reclassification and remeasurement	385,634,851	-	(689,283)	384,945,568	(689,283)

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaces IAS 18 'Revenue', IAS 11 – 'Construction Contracts', and several revenue related interpretations. IFRIC 15 defines a comprehensive framework for determining when and to what extent revenue can be recognised. In accordance with IFRS 15, an entity shall recognise revenue as a monetary amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services in question.

According to the standard, revenue must be allocated to performance obligations based on relative transaction prices. A performance obligation is defined as a promise to transfer goods and/or services to customers. The revenue recognition takes place over time or at a point in time, with the transfer of control as the key criterion. The company's revenue stream, consists of the sale of office pharmaceutical, medical, and other supplies. In the sale of these goods, control of the goods is transferred when the physical possession of the product has been transferred to the customer, which typically occurs at delivery. Application of the standard did not have an impact on the revenue or results of the company.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

IFRIC 22 (effective for annual periods beginning on or after January 1, 2018). The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of non-monetary asset or non-monetary liability relating to advance consideration, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. The entity must determine the transaction date for each payment or receipt of advance consideration, if there

are multiple payments or receipts in advance. The adoption of this interpretation had no impact on the company's financial statements.

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.

New standards, amendments and interpretations not early adopted or listed below have not been disclosed as they are not expected to have a material impact on the company's financial statements.

IFRS 16 'Leases'

IFRS 16 Leases', (effective for annual periods beginning on or after January 1, 2019). In January 2018, 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 for lessees applicable to certain short-term leases and leases of low-value assets. The company is assessing the impact of future adoption of the measurements on its financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatment'

IFRIC 23 (effective for annual periods beginning on or after January 1, 2019). The IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax treatments. The IFRIC (IFRIC 23) explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The company is currently assessing the impact that the interpretation will have on its 2019 financial statements.

Amendments to IFRS 9, Financial Instruments', on prepayment features with negative compensation

Amendments to IFRS 9 (effective for annual period beginning on or after January 1, 2019). This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

The adoption of this amendments is not expected to have an impact on the company.

Annual improvement 2015-2017

Annual improvement 2015-2017 (effective for annual period beginning on or after January 1, 2019). These amendments include minor changes to:

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 'Joint arrangements', - a company does not remeasure its previously held interest in a Joint operation when it obtains Joint control of the business.
- IAS 12, 'Income taxes' a company accounts for all income tax consequences of dividend payments in the same way.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

- IAS 23 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The adoption of these amendments are not expected to have a significant impact on the Company.

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 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.

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

Recognition and derecognition

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.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the company does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. 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.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Financial assets at fair value through other comprehensive income (FVOCI)

The company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset. None of the company's financial assets fall into this category.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead the company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The company applies the simplified approach for trade receivables which is permitted by IFRS 9. The simplified approach requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL.

The company established a provision matrix based on historical credit losses adjusted to reflect forward looking macro economic factors affecting the customers ability to settle the amount outstanding.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default.

Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables

The company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 27b for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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 (See note 23).

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.

- (iv) In determining amounts recorded from impairment of trade receivables, the company applies a simplified approach in calculating expected credit losses. The company recognises a loss allowance based on 12 months expected credit losses at each reporting period date and has established a provision matrix based on its historical credit loss experience and adjusted for forward looking microeconomic factors affecting the customers ability to settle the amount outstanding.

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. Results by segments are disclosed in (Note 24).

The company has three operating segments: pharmaceutical, medical and consumer.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

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, 2019 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, 2018	425,053,677	27,065,614	2,826,409	74,431,340	9,429,132	32,971,320	571,777,492
Additions	6,940,570	37,437,609	-	18,743,810	941,149	8,150,000	72,213,138
Disposal	-	-	-	-	-	(3,180,000)	(3,180,000)
Transfer	54,791,582	(54,791,582)	-	-	-	-	-
Balance at March 31, 2019	486,785,829	9,711,641	2,826,409	93,175,150	10,370,281	37,941,320	640,810,630
Depreciation							
Balance at April 1, 2018	(9,011,281)	-	(888,153)	(24,219,596)	(5,657,070)	(21,757,072)	(61,533,172)
Eliminated on disposal	-	-	-	-	-	2,968,000	2,968,000
Charge for the year	(9,127,330)	-	(141,320)	(8,984,411)	(1,299,626)	(4,969,021)	(24,521,708)
Balance at March 31, 2019	(18,138,611)	-	(1,029,473)	(33,204,007)	(6,956,696)	(23,758,093)	(83,086,880)
Carrying amount at March 31, 2019	468,647,218	9,711,641	1,796,936	59,971,143	3,413,585	14,183,227	557,723,750

- 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 \$303,127,383 (2018 - \$276,127,579).
- iii Land and buildings have been pledged as security for loans received from a financial institution (Note 12 (a)).

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

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, 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)
Eliminated on disposal	-	-	-	-	-	2,864,097	2,864,097
Charge for the year	(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

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

6. Intangible assets

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

	Acquired Software \$	Total \$
Gross carrying amount		
Balance at April 1, 2018	8,149,856	8,149,857
Balance at March 31, 2019	8,149,856	8,149,857
Amortisation		
Balance at April 1, 2018	(5,499,132)	(5,499,133)
Charge for the year	(858,412)	(858,411)
Balance at March 31, 2019	(6,357,544)	(6,357,544)
Carrying amount at March 31, 2019	1,792,313	1,792,313

	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 the 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

7. Inventories

	2019 \$	2018 \$
Pharmaceuticals	397,591,894	380,764,659
Medical and other supplies	121,381,772	61,599,762
Goods in transit	128,981,666	101,417,699
Total	647,955,332	543,782,120

The cost of inventories recognised as an expense during the year was \$1,673,385,401 (2018 - \$1,583,920,694). This includes \$5,475,456 (2018 - \$11,825,537) in respect of expired items and write-downs to net realisable value.

8. Trade and other receivables

	2019 \$	2018 \$
Trade	340,011,678	328,442,538
Less: Allowance for expected credit loss	(12,206,445)	(21,202,663)
	327,805,233	307,239,875
Other	62,401,353	48,989,481
Total	390,206,586	356,229,356

The average credit period on sale of goods is 30 – 60 days. The company provides for approximately 70% of trade receivables over 365 days based on management's experience, as the company consistently collects on average 30% of debts over 365 days.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

9. Cash and cash equivalents

	Interest Rate % p.a.	2019 \$	2018 \$
Cash and short-term deposits:			
Bank and cash:			
Petty Cash		101,000	65,000
- J\$ Current account		19,221,262	22,340,103
- US\$ Savings account (US\$150,274)- (2018 – US\$54,489))	0.01 – 0.05	18,787,247	6,828,605
Sterling savings account (£321) - (2018 - £321))	0.05	52,817	56,728
Cash at bank and in hand		38,162,326	29,290,436
Short-term deposits	2.0 - 2.85	117,596	115,059
Total cash and short-term deposits		38,279,922	29,405,495
Less: Bank overdraft (Note 14)		(204,610)	(138,201)
Total cash and cash equivalents		38,075,312	29,267,294

Included in cash and cash equivalents is \$5,031,899 (2018 - \$7,955,290) which represents amounts held for a major supplier.

10. Share capital

	2019 \$	2018 \$
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

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

12. Borrowings

	2019 \$	2018 \$
Non-revolving loans –		
(a) Bank of Nova Scotia (BNS)	168,898,048	201,510,272
	168,898,048	201,510,272
Less: Current portion	42,314,357	31,975,089
	126,583,691	169,535,183
Short-term borrowings – revolving loan		
(a) Bank of Nova Scotia (BNS)	125,000,000	125,000,000
(b) Sagicor Bank Jamaica Limited	120,346,138	-
	245,346,138	125,000,000
(c) Other Loans	10,000,000	10,000,000

(a) Bank of Nova Scotia (BNS)

Non-revolving loans

- 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. However, this was repaid in November 2018.

- 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. Effective February 2019 interest rate was adjusted to seven percent (7%) per annum up 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.
- Loans of \$25,000,000 and \$36,870,000 were received July 2016. 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.

Effective February 2019 interest rate on the loan of \$36, 870,000 was adjusted to seven percent (7%) per annum up to maturity.

Short-terms borrowings – revolving loan

- The revolving loan facility with Bank of Nova Scotia (BNS), is unsecured and bears interest at rates of nine point five percent (9.5%) per annum and mature within 180 days from the loan drawdown date.

The Bank of Nova Scotia (BNS) loans and overdraft are secured by:

Demand debenture stamped for an aggregate of \$470,050,000 creating first charge over fixed and floating assets of the company's supported by:

- First and second Legal Mortgage stamped for an aggregate of \$97,000,000 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 Volume 1312 and Folio 165 in the name of Medical Disposables and Supplies Limited and having an appraised value of \$80,000,000.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

- First Legal Mortgage stamped for \$349,050,000 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 \$332,000,000 at May 24, 2017.

Assignment of All Risk Peril Insurance policy over asset of the company.

(b) Sagicor Bank Jamaica Limited
Short-term borrowings –revolving loans

The company entered into an unsecured revolving loan facility with Sagicor Bank Jamaica Limited not April 2018. Interest rate will be charge for the time being and from time to time minus a spread of 5.9% per annum (the principal rate) equivalent to current effective rate of ten point five percent (10.5%) per annum,

(c) Other loans

This represents a loan from a third party of \$10,000,000 which is unsecured and bears interest at rates of eight point five percent (8.5%) per annum. The loan has no fixed repayment term.

13. Deferred tax liability

Deferred tax is calculated on all temporary differences under the liability method using a tax rate of 25%. The movement on the deferred tax amount is as follows: Finance income comprises:

	2019	2018
	\$	\$
Deferred tax expense (Note 19)	6,836,034	-
Balance at end of year	6,836,034	-

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

	2019	2018
	\$	\$
Deferred tax liability on:		
Property, plant and equipment	6,836,034	-
Deferred tax liability	6,836,034	-

14. Bank overdraft

The company has an overdraft facility of \$175,000,000 which bears interest at the Bank's Base Lending Rate currently fifteen point seven five percent (15.75%) per annum less six point percent (6%), being nine point seven five percent (9.75%) per annum. The securities held are disclosed at Note 12.

15. Trade and other payables

	2019	2018
	\$	\$
Trade	387,190,883	381,109,271
Accruals	18,822,006	17,785,170
Other	48,688,366	39,434,057
Total	454,701,255	438,328,498

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
March 31, 2019

16. Other income

	2019 \$	2018 \$
Warehousing service fee	5,458,992	4,384,040
Total	5,458,992	4,384,040

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\$3,600 (2018 – US\$2800) per month.

17. Expenses by nature

Total administrative and other operating expenses:

	2019 \$	2018 \$
Cost of inventories recognised as expense	1,673,385,401	1,583,920,694
Administrative and other expenses		
Directors' remuneration	25,904,352	21,302,370
Directors' fees	2,593,750	2,096,250
Salaries, wages and related expenses (Note 22)	64,000,059	55,806,971
Medical and other staff benefits (Note 22)	9,691,645	7,790,477
Insurance	12,354,640	9,375,326
Legal and professional fees	11,807,321	15,129,085
Motor vehicle expenses	8,363,616	9,679,150
Auditors' remuneration	1,931,781	2,862,282
Utilities	15,512,702	12,850,088
Printing and stationery	6,660,978	5,148,355
Donations	3,160,527	3,134,234
Security	7,488,819	6,354,778
Bank charges	8,295,206	8,218,107
Other administrative expenses	17,052,190	11,338,957
	194,817,586	171,086,430
Selling and promotional costs		
Salaries, wages and related expenses (Note 22)	54,646,140	45,180,492
Travel and accommodation	2,690,785	2,342,011
Postage and courier service	25,892,186	23,349,430
Advertising and promotion	14,857,064	13,664,655
Commission	47,009,353	43,311,718
	145,095,528	127,848,306

18. Finance income and finance cost

Finance income comprises:

	2019 \$	2018 \$
Interest income on financial assets measured at amortised cost	20,993	23,204
Total	20,993	23,204

Finance cost comprises:

	2019 \$	2018 \$
Interest expense for borrowings measured at amortised cost	41,547,833	35,309,807
Total	41,547,833	35,309,807

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

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 company is in its sixth year since being listed on the Jamaican Stock Exchange Junior Market and is now subject to fifty percent (50%) tax remission as of December 24, 2018.

Prior to April 1, 2019 the company was liable for \$60,000 Minimum Business Tax payable in two equal instalments (June and September). However, as of April 1, 2019 the government has abolished the Minimum Business Tax.

i Income tax adjusted for tax purposes and computed at the tax rate of 12.5% comprise:

	2019	2018
	\$	\$
Current tax expense	3,747,814	-
Deferred tax expense (Note 13)	6,836,034	-
Total	10,583,848	60,000

ii Reconciliation of theoretical tax charge to effective tax charge:

	2019	2018
	\$	\$
Profit before tax	123,346,108	109,649,547
Tax at the applicable rate of 25%	30,836,527	27,412,387
Tax effect of expenses not deductible for tax purposes	214,791	669,783
Tax effect of income not subject to tax	(188,187)	(121,145)
Tax effect of allowable capital allowances and other charges	5,955,417	7,680,789
Remission of tax	(26,234,700)	(35,641,814)
Minimum Business Tax	-	60,000
Income tax for the year	10,583,848	60,000

20. Earnings per share

Basic earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary share outstanding during the year.

	2019	2018
Net profit attributable to owners	112,762,260	109,589,547
Weighted average number share outstanding	263,157,895	263,157,895
Basic earnings per share	0.43	0.42

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

21. Dividends

The Company declared a final dividend of \$0.104 per share for the year ended March 31, 2018 to shareholders on record at August 17, 2018 representing a total pay out of \$27,368,421.

22. Employee benefits

	2019 \$	2018 \$
Salaries, wages and related expenses		
- Administrative and other expenses	64,000,059	55,806,971
- Selling and promotional costs	54,646,140	45,180,492
Medical and other staff benefits	9,691,645	7,790,477
Total	128,337,844	108,777,940

The average number of employees at year-end was sixty-six (66), (2018 – fifty-six (56)).

23. Prior year adjustment

Reconciliation of the statement of financial position as at March 31, 2018

Note	As previously stated \$	Effect of Restatements \$	(Restated) 2018 \$
Assets			
Non-current assets			
Property, plant and equipment	510,244,320	-	510,244,320
Intangible assets	2,650,724	-	2,650,724
	512,895,044	-	512,895,044
Current assets			
Inventories	543,782,120	-	543,782,120
Trade and other receivables	382,565,648	(26,336,292)	356,229,356
Prepayments	3,454,256	-	3,454,256
Taxation recoverable	2,334,720	-	2,334,720
Cash and short-term deposits	29,405,495	-	29,405,495
	961,542,239	(26,336,292)	935,205,947
Total assets	1,474,437,283	(26,336,292)	1,448,100,991
Equity and liabilities			
Equity			
Share capital	107,835,764	-	107,835,764
Revaluation reserve	48,198,190	-	48,198,190
Retained profits	517,095,066	-	517,095,066
Total equity	673,129,020	-	673,129,020
Liabilities			
Non-current liabilities			
Borrowings	169,535,183	-	169,535,183
	169,535,183	-	169,535,183
Current liabilities			
Bank overdraft	138,201	-	138,201
Current portion of borrowings	42,314,357	-	31,975,089
Short term borrowings	245,346,138	-	125,000,000
Other loans	10,000,000	-	10,000,000
Trade and other payables	464,659,790	(26,336,292)	438,323,498
	631,773,080	(26,336,292)	605,436,788
Total liabilities	801,308,263	(26,336,292)	774,971,971
Total equity and liabilities	1,474,437,283	(26,336,292)	1,448,100,991

Prior year adjustment represents suppliers credits that were available to be off-set against suppliers' balances, previously included in receivables.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

24. Segment reporting

Segment information for the reporting period are as follows:

	Pharmaceutical \$	Medical \$	Consumer \$	Total \$
Revenue	1,545,181,454	405,452,377	271,261,454	2,221,895,285
Less: Cost of sales	1,140,529,640	298,986,734	233,869,027	1,673,385,401
Gross profit	404,651,814	106,465,643	37,392,427	548,509,884

25. Operating lease

The company leases certain of its office space under an operating lease agreement. The future minimum lease payments at the end of the reporting period are as follows:

	Within One Year \$	Two to Five Years \$	Total \$
2019	533,820	-	533,280
2018	1,599,840	533,280	2,133,120

Lease expense during the year amounted to \$533,280 (2018 - \$1,555,400).

26. Related party balances and transactions

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

	2019 \$	2018 \$
Included in trade and other receivables	499,187	893,469
Included in trade and other payables	-	(113,588)

ii Transactions with key management personnel

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

	2019 \$	2018 \$
Short-term employee benefits – Salaries including bonuses	23,310,602	21,302,370
Total	23,310,602	21,302,370

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

	2019 \$	2018 \$
Sales	10,537,944	10,392,042
Purchases	75,812,676	-
Directors' fees	2,593,750	2,096,250
Professional fees	158,578	259,427

27. 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

	2019 US\$	2018 US\$
Financial assets		
- Cash and cash equivalents	150,274	54,489
	150,274	54,489
Financial liabilities		
- Trade payables	(1,459,661)	(1,291,336)
	(1,459,661)	(1,291,336)
Total net liability	(1,309,387)	(1,236,847)

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\$125.02 to US\$1 (2018 – J\$125.32 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.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

Effect on results of operations:

If the JA Dollar weakens by 4% (2018 – 4%) 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 \$
2019	4	(3,737,604)
2018	4	(6,200,067)

If the JA Dollar strengthens against the US Dollar by 2% (2018 – 2%) this would have the following impact:

	Rate %	Strengthens \$
2019	2	1,868,802
2018	2	3,100,033

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 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, 2019.

The following table shows the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the company's profit before tax:

	Rate %	Effect on profit before tax \$
2019	1	448,559
2018	-1	(448,559)

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

Credit risk is the risk that a counterparty fails to discharge an obligation to the company. The company is expect to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Credit risk management

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with reputable financial institution.

The company continuously monitors the credit quality of as customers. The company's policy is to deal with only credit worthy counterparties. The credit terms range between 15 and 30 days. The credit terms for customers are subject to an internal approval process which considers the credit rating scorecard. The on going credit risk is managed through regular review of aging analysis together with credit limit per customer.

Trade receivables consists of a large number of customers. The company does not require collateral or other credit enhancements in respect of its trade and other receivables.

The maximum credit risk faced by the company is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2019	2018
	\$	\$
Trade and other receivables	390,206,586	356,229,356
Cash and cash equivalent	38,279,922	29,405,495
Total	428,486,508	385,634,851

Trade receivables

The company applies IFRS 9 simplified model of recognising lifetime estimated credit losses, for all trade receivables as these items do not have significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales over the last 24 months as well as the corresponding historical losses during the period. The historical rates are adjusted to reflect forward looking macro economic factors affecting the customers ability to settle the amount outstanding. The company has identified gross domestic product (GDP) and inflation rates to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery, failure to make payments within 365 days from the invoice date and failure to engage with the company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

On the above basis, the expected credit loss for the trade receivables as at March 31, 2019 and 2018 were determined as follows:

March 31, 2019

	Trade receivables days past due						Total
	Current	More than 30 days	More than 60 days	More than 90days	More than 180	Over 365 days	
Expected credit loss rate	0.85%	1.10%	1.10%	0.96%	1.24%	74.00%	
Gross carrying amount	217,201,810	85,113,355	13,679,859	6,239,788	6,683,968	12,338,046	341,256,827
Lifetime expected credit loss	1,843,502	939,407	150,817	59,914	82,651	9,130,154	12,206,445

March 31, 2018

	Trade receivables days past due						Total
	Current	More than 30 days	More than 60 days	More than 90 days	More than 180 days	Over 365 days	
Expected credit loss rate	1.80%	2.23%	2.30%	1.90%	2.32%	69.00%	
Gross carrying amount	181,009,172	85,118,281	17,560,396	19,524,378	4,243,552	20,986,757	328,442,538
Lifetime expected credit loss	3,258,568	1,900,110	403,883	371,306	98,651	14,480,863	20,513,380

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

The closing balance of the trade and other receivables as at March 31, 2019 reconciles with the trade receivables loss allowance opening balance as follows:

	2019 \$	2018 \$
Loss allowance as at January 1, calculated under IAS 39	21,202,663	24,136,532
Amount restated through opening retained earnings	(689,283)	-
Opening loss allowance at January 1, 2019	<u>20,513,380</u>	<u>24,136,532</u>
Receivables written-off during the year	(1,252,564)	(5,101,065)
Receivables recovered the during the year	(9,402,701)	(7,378,279)
Loss allowance recognised during the year	<u>2,348,330</u>	<u>9,545,475</u>
	<u><u>12,206,445</u></u>	<u><u>21,202,663</u></u>

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.

As at March 31, 2019, 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	54,574,740	153,585,737
Bank overdraft	204,610	-
Short-term borrowings	245,346,138	-
Other loans	10,000,000	-
Trade and other payables	454,701,255	-
Total	<u><u>764,826,743</u></u>	<u><u>153,585,737</u></u>

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	49,737,330	169,953,183
Bank overdraft	138,201	-
Short-term borrowings	130,547,945	-
Other loans	10,000,000	-
Trade and other payables	438,323,498	-
Total	<u><u>628,746,974</u></u>	<u><u>169,953,183</u></u>

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

28. 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 29.
- 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, 2019.

March 31, 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Property, plant and equipment				
Land and buildings	-	-	468,647,218	468,647,218
Total	-	-	468,647,218	468,647,218

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

Land and buildings (Level 3).

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

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 83 and 85 Hagley Park Road, Kingston 10, were revalued on May 24, 2017 and April 21, 2017 respectively.

29. 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:

	2019 \$	2018 \$
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	390,206,586	356,229,356
Cash and short-term deposits	38,279,922	29,405,495
Total	428,486,508	385,634,851
Financial liabilities		
Financial liabilities measured at amortised cost		
Non-current liabilities		
Borrowings	126,583,691	169,535,183
Current liabilities		
Bank overdraft	204,610	138,201
Current portion of borrowings	42,314,357	31,975,089
Short term borrowings	245,346,138	125,000,000
Other loans	10,000,000	10,000,000
Trade and other payables	454,701,255	438,323,498
Total	879,150,051	774,971,971

Medical Disposables & Supplies Limited

Notes to the financial statements
March 31, 2019

30. Capital commitments

The company entered into an agreement for renovation of offices at 83 Hagley Park Road. The end of the year, the total commitment resulting from this arrangement amounted \$680,000.

31. 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.



Mair Russell

Grant Thornton

www.gtjamaica.com

©2019 Mair Russell Grant Thornton. All rights reserved.

Mair Russell Grant Thornton is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions.