



Medical Disposables & Supplies Limited

Financial Statements

March 31, 2020

Medical Disposables & Supplies Limited

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Independent auditor's report

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, 2020, 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, 2020, 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, 2020 trade and other receivables after allowance for expected credit losses of \$9,765,606 amounted to \$529,404,611 or 30% 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.

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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 are described in more detail in Note 25 to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included, amongst others:

- Ensuring compliance with IFRS 9, we evaluated the techniques and methodologies used by the company in order to assess expected credit losses.
- Evaluated the information of economic parameters included in the forward-looking information.
- Tested the accuracy of the ECL calculation.
- Tested subsequent collection from selected overdue customer assets.
- Assessed the adequacy of the disclosures in the financial statements.
- 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.

Based on the work performed, managements ECL calculations were not unreasonable.

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

July 15, 2020



HLB Mair Russell
Chartered Accountants

Medical Disposables & Supplies Limited

Statement of financial position

March 31, 2020

	Note	2020 \$	2019 \$
Assets			
Non-current assets			
Property, plant and equipment	(3)	611,071,709	557,723,750
Right of use asset	(4)	2,184,182	-
Intangible assets	(5)	1,157,886	1,792,313
		<u>614,413,777</u>	<u>559,516,063</u>
Current assets			
Inventories	(6)	571,600,120	647,955,332
Trade and other receivables	(7)	529,404,611	390,206,586
Prepayments		6,810,967	10,621,009
Taxation recoverable		2,340,447	2,337,129
Cash and short-term deposits	(8)	17,914,911	38,279,922
		<u>1,128,071,056</u>	<u>1,089,399,978</u>
Total assets		<u>1,742,484,833</u>	<u>1,648,916,041</u>
Equity and liabilities			
Equity			
Share capital	(9)	107,835,764	107,835,764
Revaluation reserve	(10)	117,135,199	48,198,190
Retained profits		608,787,503	603,178,188
Total equity		<u>833,758,466</u>	<u>759,212,142</u>
Liabilities			
Non-current liabilities			
Lease liability	(4)	493,778	-
Borrowings	(11)	91,863,805	126,583,691
Deferred tax liabilities	(12)	2,419,746	6,836,034
		<u>94,777,329</u>	<u>133,419,725</u>
Current liabilities			
Lease liability	(4)	1,611,499	-
Bank overdraft	(13)	141,800,495	204,610
Current portion of borrowings	(11)	40,126,127	42,314,357
Short term borrowings	(11)	259,750,000	245,346,138
Other loans	(11)	-	10,000,000
Trade and other payables	(14)	365,353,854	454,701,255
Income tax payable		5,307,063	3,717,814
		<u>813,949,038</u>	<u>756,284,174</u>
Total liabilities		<u>908,726,367</u>	<u>889,703,899</u>
Total equity and liabilities		<u>1,742,484,833</u>	<u>1,648,916,041</u>

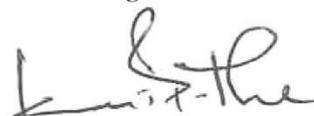
The notes on the accompanying pages form an integral part of these financial statements.

Approved for issue by the Board of Directors on July 15, 2020 and signed on its behalf by:



Director

Winston Boothe



Director

Kurt Boothe

Medical Disposables & Supplies Limited

Statement of profit or loss and Other comprehensive income

Year ended March 31, 2020

	Note	2020 \$	2019 \$
Revenue		2,481,141,479	2,221,895,285
Cost of sales	(16)	(1,922,211,921)	(1,673,385,401)
Gross profit		558,929,558	548,509,884
Other income	(15)	5,645,110	5,458,992
Administrative expenses	(16)	(244,240,744)	(194,817,586)
Selling and promotional costs	(16)	(184,651,373)	(145,095,528)
Impairment of financial assets		(7,594,269)	(2,052,419)
Depreciation and amortisation	(16)	(29,343,036)	(25,380,120)
Operating profit		98,745,246	186,623,223
Finance income	(17)	2,848,993	20,993
Finance costs	(17)	(48,135,334)	(41,547,833)
Gain on disposal of property, plant and equipment		1,500,833	1,505,500
Loss on foreign exchange		(19,482,279)	(23,255,775)
Profit before tax		35,477,459	123,346,108
Income tax expense	(18)	(920,775)	(10,583,848)
Profit for the year		34,556,684	112,762,260
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of land and buildings		68,937,009	-
		68,937,009	-
Total comprehensive income for the year		103,493,693	112,762,260
Earnings per share	(19)	0.13	0.43

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

Medical Disposables & Supplies Limited

Statement of changes in equity

Year ended March 31, 2020

	Share Capital \$	Revaluation Reserve \$	Retained Profits \$	Total \$
Balance at March 31, 2018	107,835,764	48,198,190	517,095,066	673,129,020
Adjustment from the adoption of IFRS 9	-	-	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 20)	-	-	(27,368,421)	(27,368,421)
Transactions with owners	-	-	(27,368,421)	(27,368,421)
Profit for the year 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
Dividends (Note 20)	-	-	(28,947,369)	(28,947,369)
Transaction with owners	-	-	(28,947,369)	(28,947,369)
Profit for the year being total comprehensive income for the year	-	-	34,556,684	34,556,684
Other comprehensive income	-	68,937,009	-	68,937,009
Total comprehensive income	-	68,937,009	34,556,684	103,493,693
Balance at March 31, 2020	107,835,764	117,135,199	608,787,503	833,758,466

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

Medical Disposables & Supplies Limited

Statement of cash flows

Year ended March 31, 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities:			
Profit before tax		35,477,459	123,346,108
Adjustments for:			
Depreciation and amortisation		29,343,036	25,380,120
Interest expense	(17)	47,965,363	41,547,833
Adoption of IFRS9		-	689,283
Interest income	(17)	(2,848,993)	(20,993)
Gain on disposal of property, plant, and equipment		(1,500,833)	(1,505,500)
		<u>108,436,032</u>	<u>189,436,851</u>
Decrease/(increase) in inventories		76,355,212	(104,173,212)
Increase in trade and other receivables		(139,198,025)	(33,977,230)
Decrease/(increase) in prepayments		3,810,042	(7,166,753)
(Decrease)/increase in trade and other payables		(89,347,401)	16,377,757
Cash (used in)/generated from operations		<u>(39,944,140)</u>	<u>60,497,413</u>
Interest paid		(47,699,839)	(41,547,833)
Income taxes paid		(3,717,815)	(30,000)
Net cash (used in)/provided by operating activities		<u>(91,361,794)</u>	<u>18,919,580</u>
Cash flows from investing activities:			
Interest received (net of withholding tax)		2,845,674	18,583
Purchase of property, plant and equipment	(3)	(19,098,798)	(72,213,138)
Proceeds from disposal of property, plant and equipment		8,700,000	1,717,500
Purchase of intangible asset	(5)	(127,837)	-
Net cash used in investing activities		<u>(7,680,961)</u>	<u>(70,477,055)</u>
Cash flows from financing activities:			
Proceeds from borrowings		259,750,000	394,096,138
Repayment of borrowings		(282,254,254)	(306,362,224)
Repayment of other loan		(10,000,000)	-
Lease repayment		(1,466,518)	-
Dividends paid		(28,947,369)	(27,368,421)
Net cash (used in)/provided by financing activities		<u>(62,918,141)</u>	<u>60,365,493</u>
Net (decrease)/increase in cash and cash equivalents		<u>(161,960,896)</u>	<u>8,808,018</u>
Cash and cash equivalents at beginning of year		<u>38,075,312</u>	<u>29,267,294</u>
Cash and cash equivalents at end of year	(8)	<u>(123,885,584)</u>	<u>38,075,312</u>

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

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

1. General information and nature of operation

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. Summary of significant accounting policies

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

a Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Changes in accounting policies

New and revised standards that are effective during the current year

Certain new standards, interpretations and amendments 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 16 'Leases' (effective for annual periods beginning on or after January 1, 2019)

IFRS 16, Leases replaces IAS 17, Leases, and the related interpretations, (IFRIC 4, 'Determining whether an arrangement contains a lease', SIC 15, 'Operating leases – incentives', and SIC 27, 'Evaluating the substance of transactions involving the legal form of a lease').

It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. The Company applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after January 1, 2019. For contracts entered into before January 1, 2019, the Company has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts. Lessee accounting and transitional impact IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Company is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

The adoption of the standard had no material impact on the Company's financial statements.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

a Basis of preparation (cont'd)

New and revised standards that are effective during the current year (cont'd)

IFRIC 23 'Uncertainty over Income Tax Treatment'

The interpretation addresses the accounting for income taxes, when tax treatments involve uncertainty in the application of IAS 12. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The adoption of the interpretation had no impact on the Company's financial statements.

- Annual improvement 2015-2017, (effective for annual periods beginning on or after January 1, 2019).

This amendment includes minor changes to:

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

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, interpretations and amendments to existing standards have been issued which are mandatory for the Company's accompanying accounting periods beginning on or after January 1, 2019 or later periods, but were not effective at the statement of financial position date. The Company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- Amendment to IFRS 3 'Business Combination' (effective for annual periods beginning on or after January 1, 2020). This amendment revises the definition of a business.
- Amendment to IAS 1 and IAS 8, (effective for annual periods beginning on or after January 1, 2020).

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

b. 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.

c 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.

d 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.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

e 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.

f 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.

g 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.

h 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.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

i Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Company's financial assets comprise investments, cash and bank balances and receivables.

Financial liabilities

The Company's financial liabilities comprise payables and due to related parties.

(i) 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 and derecognised when the contractual rights to receive cash flows from the financial assets expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

(ii) Classification and measurement of financial assets

At initial recognition, the company measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial assets.

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are the three measurement categories for debt instruments under IFRS 9:

- Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured

at amortised cost. Interest income from these financial assets using the effective interest rate method is included in other operating income together with foreign exchange gains and losses. Any gain or loss on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as a separate line item in the statement of profit or loss.

- Fair value through other comprehensive income (FVOCI) - Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial is included in other operating income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating income and impairment expenses are presented as a separate line item in the statement of profit or loss.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

i Financial instruments (cont'd)

Equity instruments

The company subsequently measures all equity investments at fair value. The company's management has elected to present fair value gains or losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

- Fair value through profit or loss (FVPL) - Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

(iv) Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its financial instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In applying this forward-looking approach, a distinction is between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credited quality since initial recognition and whose credit risk is not low ("Stage 2").

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For loan, trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Financial liabilities

The Company's financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. At the end of the reporting period, the following items were classified as financial liabilities: payables, borrowings, due to related parties and due to shareholders.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

j 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.

k 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.

l 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 2(iv). 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.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

m 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.

n Leases

As described in Note 4, the Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from January 1, 2019

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- the Company has the right to obtain substantially all of the economic benefits from use of identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

n Leases (cont'd)

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

o 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.

p 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.

q 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.

r 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 22).

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

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

2. Summary of significant accounting policies (cont'd)

s Use of estimates and judgments

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

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) Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

(ii) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management basis its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

3. 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, 2020 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, 2019	486,785,829	9,711,641	2,826,409	93,175,150	10,370,281	37,941,320	640,810,630
Additions	-	-	-	734,342	2,327,940	16,036,514	19,098,798
Transfers	12,538,050	(9,711,641)	(2,826,409)	-	-	-	-
Disposal	-	-	-	-	-	(10,750,000)	(10,750,000)
Revaluation increase	40,676,121	-	-	-	-	-	40,676,121
Balance at March 31, 2020	540,000,000	-	-	93,909,492	12,698,221	43,227,834	689,835,549
Depreciation							
Balance at April 1, 2019	(18,138,611)	-	(1,029,473)	(33,204,007)	(6,956,696)	(23,758,093)	(83,086,880)
Charge for the year	(10,643,514)	-	(141,320)	(9,528,007)	(1,573,528)	(5,602,313)	(27,488,682)
Transfers	(1,170,793)	-	1,170,793	-	-	-	-
Eliminated on disposal	-	-	-	-	-	3,550,833	3,550,833
Eliminated on revaluation	28,260,889	-	-	-	-	-	28,260,889
Balance at March 31, 2020	(1,692,029)	-	-	(42,732,014)	(8,530,224)	(25,809,573)	(78,763,840)
Carrying amount at March 31, 2020	538,307,971	-	-	51,177,478	4,167,997	17,418,261	611,071,709

- i Land and buildings were revalued by independent valuers, David Thwaites and Associates, Chartered Valuation Surveyors, on February 25, 2020, February 27, 2020 and February 29, 2020. The resulting increase in valuation has been debited to revaluation reserve in equity.
- ii Under the cost model, the carrying amount of revalued land and buildings at reporting date would be \$331,088,175 (2019 - \$303,127,383).
- iii Land and buildings have been pledged as security for loans received from a financial institution (Note 11).

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

3. 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, 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, 2018	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, 2019	(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

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

4. Leases

The company leased premises at 85 Hagley Park Road, for a period of 28 months with an option to renew.

The lease was previously classified as an operating lease under IAS 17.

Information about the lease for which the company is a lessee is presented below:

(a) **Right of use asset**

	Buildings \$
Adoption of IFRS 16 at April 1, 2019	3,276,273
Amortisation charged for the year	(1,092,091)
Balance at March 31, 2020	2,184,182

(b) **Lease liability**

	Buildings \$
Maturity analysis – contractual	
Less than one year	1,760,445
two to five years	539,417
	2,299,862
Less: Future interest	(194,585)
	2,105,277

(c) **Amounts recognised in profit or loss**

	\$
Amortisation charged on right-of-use asset	1,092,091
Interest expense on lease liability	295,524
	1,387,615

(d) **Amounts recognised in the statement of cash flow**

	\$
Total cash outflow for lease	1,466,518

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

5. Intangible assets

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

	Acquired Software \$	Total \$
Gross carrying amount		
Balance at April 1, 2019	8,149,857	8,149,857
Addition	127,837	127,837
Balance at March 31, 2020	8,277,694	8,277,694
Amortisation		
Balance at April 1, 2019	(6,357,544)	(6,357,544)
Charge for the year	(762,264)	(762,264)
Balance at March 31, 2020	(7,119,808)	(7,119,808)
Carrying amount at March 31, 2020	1,157,886	1,157,886

	Acquired Software \$	Total \$
Gross carrying amount		
Balance at April 1, 2018	8,149,857	8,149,857
Balance at March 31, 2019	8,149,857	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

6. Inventories

	2020 \$	2019 \$
Pharmaceuticals	356,061,992	397,591,894
Medical and other supplies	175,250,810	121,381,772
Goods in transit	40,287,318	128,981,666
Total	571,600,120	647,955,332

The cost of inventories recognised as an expense during the year was \$1,922,211,921 (2019 - \$1,673,385,401). This includes \$22,637,218 (2019 - \$4,367,358) in respect of expired items and write-downs to net realisable value.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

7. Trade and other receivables

	2020 \$	2019 \$
Trade	460,294,667	340,011,678
Less: Allowance for expected credit loss	(9,765,606)	(12,206,445)
	<u>450,529,061</u>	<u>327,805,233</u>
Other	78,875,550	62,401,353
Total	<u>529,404,611</u>	<u>390,206,586</u>

The average credit period on sale of goods is 30 – 60 days. The Company provides for approximately 75% of trade receivables over 365 days based on management's experience, as the Company consistently collects on average 30% of debts over 365 days.

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

	2020 \$	2019 \$
Not more than 3 months	301,453,237	214,113,159
More than 3 months but not more than 6 months	116,457,384	84,173,948
More than 6 months but not more than 1 year	22,733,839	13,529,041
More than 1 year	9,884,601	15,989,085
Total	<u>450,529,061</u>	<u>327,805,233</u>

8. Cash and cash equivalents

	Interest Rate % p.a.	2020 \$	2019 \$
Cash and short-term deposits:			
Bank and cash:			
Petty Cash		101,000	101,000
- J\$ Current account		12,978,655	19,221,262
- US\$ Savings account (US\$31,884) (2019 – US\$150,274))	0.01 – 0.05	4,661,161	18,787,247
Sterling savings account (£321) (2019 - £321))	0.05	53,135	52,817
Cash at bank and in hand		<u>17,793,951</u>	<u>38,162,326</u>
Short-term deposits	2.0 - 2.85	120,960	117,596
Total cash and short-term deposits		<u>17,914,911</u>	<u>38,279,922</u>
Less: Bank overdraft (Note 15)		(141,800,495)	(204,610)
Total cash and cash equivalents		<u>(123,885,584)</u>	<u>38,075,312</u>

Included in cash and cash equivalents is \$1,822,317 (2019 - \$5,031,899) which represents amounts held for a major supplier.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

9. Share capital

	2020	2019
	\$	\$
Authorised: 408,000,000 ordinary shares		
Issued shares at no par value 263,157,895 ordinary shares	107,835,764	107,835,764

10. Revaluation reserve

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

	2020	2019
	\$	\$
Balance as at April 1	48,198,190	48,198,190
Surplus arising on revaluation of land and buildings	68,937,009	-
Balance at end of the year	117,135,199	48,198,190

11. Borrowings

	2020	2019
	\$	\$
Non-revolving loans –		
(a) Bank of Nova Scotia (BNS)	131,989,932	168,898,048
Less: Current portion	40,126,127	42,314,357
	91,863,805	126,583,691
Short-term borrowings – revolving loan		
(a) Bank of Nova Scotia (BNS)	259,750,000	125,000,000
(b) Sagicor Bank Jamaica Limited	-	120,346,138
	259,750,000	245,346,138
(c) Other Loans	-	10,000,000

(a) Bank of Nova Scotia (BNS) Non-revolving loans

- 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 7% per annum.
- 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 respectively plus a final payment of \$12,708,530 and \$18,742,250 respectively. Interest on the loan are 4.764% and 7% per annum respectively.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

11. Borrowings (cont'd)

(a) Bank of Nova Scotia (BNS) (cont'd)

Short-terms borrowings – revolving loan

- The revolving loan facility with Bank of Nova Scotia (BNS), bears interest rates between 6.5% and 7% per annum.

The loans and overdraft are secured by:

Demand debenture stamped for an aggregate creating a fixed charge over the assets of the Company's supported by:

- First and second Legal Mortgages stamped an aggregate 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.
- First to third Legal Mortgage over commercial property located at 83 Hagley Park Road, Kingston 10 registered at Volume 1066 Folio 337 and 338 appraised May 24, 2017.

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

(b) Sagicor Bank Jamaica Limited

The Company entered into an unsecured revolving loan facility with Sagicor Bank Jamaica Limited in April 2018. Interest on the loan was 10.5% per annum. The loan was repaid during the year.

(c) Other loans

This represented a loan from a third party which was unsecured. Interest on the loan was at (8.5%) per annum. This loan was repaid during the year.

12. Deferred tax liability

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

	2020	2019
	\$	\$
Property, plant, and equipment	<u>2,419,746</u>	<u>6,836,034</u>

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

	2020	2019
	\$	\$
Balance at beginning of year	6,836,034	-
(Credit)/charge to tax expense (Note 18)	<u>(4,416,288)</u>	<u>6,836,034</u>
Deferred tax liability	<u><u>2,419,746</u></u>	<u><u>6,836,034</u></u>

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

13. Bank overdraft

- (i) The Company has an overdraft facility with Bank of Nova Scotia which bears interest currently at 9.75% per annum. The securities held are disclosed at Note 11.
- (ii) The Company has an overdraft facility of \$130,000,000 with Sagicor Bank Limited at a rate of 8.5% per annum. The facility is unsecured.

14. Trade and other payables

	2020	2019
	\$	\$
Trade	290,198,574	391,744,913
Accruals	19,056,468	18,822,006
Other	56,098,812	44,134,336
Total	365,353,854	454,701,255

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

15. Other income

	2020	2019
	\$	\$
Warehousing service fee	5,645,110	5,458,992

The Company has a Warehousing Service Agreement with a supplier to provide warehousing and other ancillary services.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

16. Expenses by nature

Total direct, administrative and other operating expenses:

	2020	2019
	\$	\$
Cost of inventories recognised as expense	1,922,211,921	1,673,385,401
Administrative and other expenses		
Directors' remuneration	25,568,595	25,904,352
Directors' fees	1,945,000	2,593,750
Salaries, wages and related expenses (Note 22)	76,345,738	64,000,059
Medical and other staff benefits (Note 22)	12,296,133	9,691,645
Insurance	16,447,601	12,354,640
Legal and professional fees	16,370,678	11,807,321
Motor vehicle expenses	6,531,275	8,363,616
Auditors' remuneration	2,836,775	1,931,781
Utilities	17,608,609	15,512,702
Printing and stationery	7,249,391	6,660,978
Donations	5,395,337	3,160,527
Security	8,216,619	7,488,819
Bank charges	10,379,619	8,295,206
Other administrative expenses	37,049,374	17,052,190
	244,240,744	194,817,586
Selling and promotional costs		
Salaries, wages and related expenses (Note 21)	76,697,372	54,646,140
Travel and accommodation	3,195,503	2,690,785
Postage and courier service	30,922,287	25,892,186
Advertising and promotion	16,810,406	14,857,064
Commission	57,025,805	47,009,353
	184,651,373	145,095,528
Depreciation and amortisation		
Depreciation	27,488,682	24,521,708
Amortisation - intangible asset	762,263	858,412
- right of use asset	1,092,091	-
	29,343,036	25,380,120

17. Finance income and finance cost

Finance income comprises:

	2020	2019
	\$	\$
Interest income on financial assets measured at amortised cost	2,848,993	20,993
Total	2,848,993	20,993

Finance cost comprises:

	2020	2019
	\$	\$
Interest expense for borrowings measured at amortised cost	47,839,810	41,547,833
Interest expense on lease liabilities	295,524	-
Total	48,135,334	41,547,833

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

18. Income tax

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

Years 1 to 5	100%
Years 6 to 10	50%

The 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, 2019.

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

	2020	2019
	\$	\$
Current tax expense	5,337,063	3,747,814
Deferred tax (credit)/expense (Note 12)	(4,416,288)	6,836,034
Total	920,775	10,583,848

- ii Reconciliation of theoretical tax charge to effective tax charge:

	2020	2019
	\$	\$
Profit before tax	35,477,459	123,346,108
Tax at the applicable rate of 25%	8,869,365	30,836,527
Tax effect of expenses not deductible for tax purposes	9,013,335	214,791
Tax effect of income not subject to tax	(375,208)	(188,187)
Tax effect of allowable capital allowances and other charges	(11,279,654)	5,955,417
Remission of tax	(5,307,063)	(26,234,700)
Income tax expense for the year	920,775	10,583,848

19. 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.

	2020	2019
	\$	\$
Net profit attributable to owners	34,556,684	112,762,260
Weighted average number share outstanding	263,157,895	263,157,895
Basic earnings per share	0.13	0.43

20. Dividends

The Company declared a final dividend of \$0.11 per share for the year ended March 31, 2019 to shareholders on record at July 30, 2019 representing a total pay-out of \$28,947,369.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

21. Employee benefits

	2020	2019
	\$	\$
Salaries, wages and related expenses		
- Administrative and other expenses	76,345,738	64,000,059
- Selling and promotional costs	76,697,372	54,646,140
Medical and other staff benefits	12,296,133	9,691,645
Total	165,339,243	128,337,844

The average number of employees at year-end was seventy-one (71), (2019 –sixty-six (66)).

22. Segment reporting

Segment information by divisions are as follows:

	Pharmaceutical	Medical	Consumer	Total
	\$	\$	\$	\$
Revenue	1,751,581,714	440,254,325	289,305,440	2,481,141,479
Less: Cost of sales	1,328,847,539	331,096,808	262,267,574	1,922,211,921
Gross profit	422,734,175	109,157,517	27,037,866	558,929,558

23. 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:

	2020	2019
	\$	\$
Included in trade and other receivables	1,554,639	499,187
Included in trade and other payables	10,133,677	-

ii Transactions with key management personnel

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

	2020	2019
	\$	\$
Short-term employee benefits – Salaries including bonuses	24,568,595	23,310,602
Total	24,568,595	23,310,602

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

	2020	2019
	\$	\$
Sales	13,164,263	10,537,944
Purchases	54,037,998	75,812,676
Directors' fees	1,945,000	2,593,750
Professional fees	-	158,578

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Notes to the financial statements

Year ended March 31, 2020

24. 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

	2020 US\$	2019 US\$
Financial assets		
- Cash and cash equivalents	31,884	150,274
	<u>31,884</u>	<u>150,274</u>
Financial liabilities		
- Trade payables	(855,450)	(1,459,661)
	<u>(855,450)</u>	<u>(1,459,661)</u>
Total net liability	<u>(823,566)</u>	<u>(1,309,387)</u>

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\$133.93 to US\$1 (2019 – J\$125.02 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.

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Notes to the financial statements

Year ended March 31, 2020

24. Risk management policies (cont'd)

a Market risk (cont'd)

i Currency risk (cont'd)

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

Effect on results of operations:

If the JA Dollar weakens by 6% (2019 – 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 \$
2020	6	(4,412,006)
2019	4	(3,737,604)

If the JA Dollar strengthens against the US Dollar by 2% (2019 – 2%) this would have the following impact:

	Rate %	Strengthens \$
2020	2	2,206,003
2019	2	1,868,802

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, 2018.

Medical Disposables & Supplies Limited

Notes to the financial statements

Year ended March 31, 2020

24. Risk management policies (cont'd)

a Market risk (cont'd)

ii Interest rate risk (cont'd)

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 \$
2020	1	(386,688)
2019	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 counter party fails to discharge an obligation to the Company. The Company is exposed 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 institutions.

The Company continuously monitors the credit quality of its 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:

	2020	2019
	\$	\$
Trade and other receivables	529,404,611	390,206,586
Cash and cash equivalent	17,914,911	38,279,922
Total	547,319,522	428,486,508

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Notes to the financial statements

Year ended March 31, 2020

24. Risk management policies (cont'd)

a Credit risk (cont'd)

Trade receivables

The Company applies the 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

Year ended March 31, 2020

24. Risk management policies (cont'd)

a Credit risk (cont'd)

On the above basis, the expected credit loss for the trade receivables as at March 31, 2020 and 2019 were determined as follows:

March 31, 2020

	Trade receivables days past due						Total
	Current	More than 30 days	More than 60 days	More than 90 days	More than 180	Over 365 days	
Expected credit loss rate	0.5%	0.68%	3.93%	8.84%	13.48%	100%	
Gross carrying amount	302,961,898	90,162,414	28,007,144	24,918,916	11,435,091	2,792,204	460,277,667
Lifetime expected credit loss	1,514,809	613,104	1,100,680	2,202,832	1,541,977	2,792,204	9,765,606

March 31, 2019

	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	0.85%	1.10%	1.10%	0.96%	1.24%	82%	
Gross carrying amount	217,201,810	85,113,355	13,679,859	6,239,788	6,683,968	11,092,897	340,011,678
Lifetime expected credit loss	1,843,502	939,407	150,817	59,914	82,651	9,130,154	12,206,445

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Notes to the financial statements

Year ended March 31, 2020

24. Risk management policies (cont'd)

a Credit risk (cont'd)

Trade receivables (cont'd)

The closing balance of the trade and other receivables as at March 31, 2020 reconciles with the trade receivables loss allowance opening balance as follows:

	2020 \$	2019 \$
Loss allowance as at April 1, 2019	12,206,445	21,202,663
Amount restated through opening retained earnings	-	(689,283)
Opening loss allowance at April 1, 2019	<u>12,206,445</u>	<u>20,513,380</u>
Receivables written-off during the year	(606,708)	(9,402,701)
Receivables recovered the during the year	(9,428,400)	(1,252,564)
Loss allowance recognised during the year	<u>7,594,269</u>	<u>2,348,330</u>
	<u><u>9,765,606</u></u>	<u><u>12,206,445</u></u>

b 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, 2020, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current Within 12 Months \$	Non-current 2 to 5 Years \$
Borrowings	40,126,127	91,863,805
Bank overdraft	141,817,495	-
Short-term borrowings	259,750,000	-
Trade and other payables	365,353,854	-
Total	<u><u>807,047,476</u></u>	<u><u>91,863,805</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.

Medical Disposables & Supplies Limited

Notes to the financial statements

March 31, 2020

24. Risk management policies (cont'd)

c Liquidity risk (cont'd)

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	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	764,826,743	153,585,737

25. Fair value measurement

- The Company's financial assets and liabilities are measured at amortised costs, and the fair values for these are disclosed at Note 26.
- 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, 2020.

March 31, 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Property, plant and equipment				
Land and buildings	-	-	538,307,971	538,307,971
Total	-	-	538,307,971	538,307,971

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

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.

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Notes to the financial statements

March 31, 2020

25. Fair value measurement (cont'd)

Land and buildings at 83 and 85 Hagley Park Road, Kingston 10 were revalued on February 25, 2020, February 27, 2020, and February 29, 2020, respectively.

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

	2020 \$
Balance at April 1, 2019	486,785,829
Transfers	11,367,257
Revaluation adjustment	50,798,399
Depreciation	(10,643,514)
Balance at March 31, 2020	538,307,971

26. 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:

	2020 \$	2019 \$
Financial assets measured at amortised cost		
Trade and other receivables	529,404,611	390,206,586
Cash and short-term deposits	17,914,911	38,279,922
Total	547,319,522	428,486,508
Financial liabilities measured at amortised cost		
Non-current liabilities		
Borrowings	131,989,931	126,583,691
Current liabilities		
Bank overdraft	141,800,495	204,610
Current portion of borrowings	-	42,314,357
Short term borrowings	259,750,000	245,346,138
Other loans	-	10,000,000
Trade and other payables	365,353,854	454,701,255
Total	898,894,280	879,150,051

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Notes to the financial statements

March 31, 2020

27. 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.

28. Subsequent event

The spread of the Coronavirus disease (COVID-19) which was declared a global pandemic by the World Health Organization (WHO) on March 11, 2020, and the subsequent health measures instituted by the Government of Jamaica, including stay at home orders and social distancing, have severely impacted the Company's operations. The measures implemented resulted in a significant downturn in commercial activity. Hospitals have cancelled elective surgeries which has affected sales in the Medical Division. Shorter opening hours and reduced demand have triggered a reduction in pharmacy sales. The closure of schools has affected the sales in our Consumer Division. However, the Company is expecting to realise improved earnings as the economy gradually reopens. However, a reasonable estimate of the effect cannot be made at this time.