LASCO MANUFACTURING LIMITED

FINANCIAL STATEMENTS

31 MARCH 2018

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31 MARCH 2018

I N D E X

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
Lasco Manufacturing Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Lasco Manufacturing Limited set out on pages 6 to 42, which comprise the statement of financial position at 31 March 2018, and 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 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of 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 *Auditors' 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Manufacturing Limited

Key audit matters (cont'd)

Key audit matter	How our audit addressed the Key audit matter
Impairment of trade receivables See notes 3(m)(ii), 5(c)(ii) and 16 to the financial statements for management's related policies and disclosures. At 31 March 2018, trade receivables, net of provision for impairment losses represented \$1.46 billion or 19% of the total assets of the company. \$1.33 billion of trade receivables is due from Lasco Distributors Limited, a related company of which only \$10 million is over 30 days. Impairment provisions of \$43.18 million has been recognized in relation to other customers.	Our audit procedures included an assessment of the underlying assumptions on which the company's credit policy is made and included: • Testing of company's recording and ageing of trade receivables. • Evaluating the adequacy of the provision for impairment recognized in the profit or loss by assessing management's assumptions used. • Testing subsequent receipts for customer's accounts. We selected a sample of trade receivable balances where a provision for impairment of trade receivables was recognized and understood the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements we verified whether balances were overdue, the customers' historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures.

Other Information

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Manufacturing Limited

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Manufacturing Limited

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

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

- 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 auditors' 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 auditors' 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 achieves fair presentation.

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 to 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 these matters in our auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Manufacturing Limited

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 kept, 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 auditors' report is Sonia McFarlane.

BDO

Chartered Accountants

28 May 2018

LASCO MANUFACTURING LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2018

	Note	2018 $'000	2017 $'000
REVENUE	6	6,659,891	6,951,627
COST OF SALES		(4,220,241)	(4,391,467)
GROSS PROFIT		2,439,650	2,560,160
Other operating income	7	3,406	1,656
		2,443,056	2,561,816
EXPENSES:			
Administrative and other expenses		(1,281,218)	(1,162,737)
Selling and promotion expenses		(300,565)	(330,415)
	8	(1,581,783)	(1,493,152)
OPERATING PROFIT		861,273	1,068,664
Finance costs	10	(132,179)	(157,816)
PROFIT BEFORE TAXATION		729,094	910,848
Taxation	11	(168,538)	(203,594)
NET PROFIT		560,556	707,254
OTHER COMPREHENSIVE INCOME:			
Item that will or may not be reclassified to profit or loss –			
Share option plan	21(b)	55,392	-
TOTAL COMPREHENSIVE INCOME		615,948	707,254
EARNINGS PER STOCK UNIT	12		
Basic		13.71¢	17.30¢
Diluted		13.66¢	17.30¢

LASCO MANUFACTURING LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2018

	Note	2018 $'000	2017 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	4,696,223	4,570,391
Investment property	14	25,711	25,711
		4,721,934	4,596,102
CURRENT ASSETS:			
Inventories	15	838,206	630,633
Receivables	16	1,868,203	1,506,253
Tax recoverable		1,290	1,060
Related companies	17	4,247	4,273
Directors' current account	17	2,837	3,215
Short term investments	18	91,640	93,308
Cash and bank balances	19	194,797	240,455
		3,001,220	2,479,197
		7,723,154	7,075,299
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	20	324,890	305,298
Other reserve	21(c)	89,045	43,095
Retained earnings		4,509,018	4,091,512
		4,922,953	4,439,905
NON-CURRENT LIABILITIES:			
Deferred taxation	22	533,379	407,688
Long term loans	23	926,631	1,001,211
		1,460,010	1,408,899
CURRENT LIABILITIES:			
Payables	24	584,393	743,233
Related companies	17	6,004	51,610
Bank overdraft	19	375,357	140,023
Current portion of long term loans	23	334,789	265,566
Taxation		39,648	26,063
		1,340,191	1,226,495
		7,723,154	7,075,299

Approved for issue by the Board of Directors on 28 May 2018 and signed on its behalf by:

Hon. Lascelles A. Chin, O.J, C.D, LLD (Hon. Causa)
Chairman

James Rawle
Director

LASCO MANUFACTURING LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2018

	Note	Share Capital $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 APRIL 2016		305,298	43,095	3,506,872	3,855,265
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	707,254	707,254
TRANSACTIONS WITH OWNERS					
Dividends	25	-	-	(122,614)	(122,614)
BALANCE AT 31 MARCH 2017		305,298	43,095	4,091,512	4,439,905
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	560,556	560,556
Other comprehensive income		-	55,392	-	55,392
		-	55,392	560,556	615,948
TRANSACTIONS WITH OWNERS					
Issue of shares	20	10,150	-	-	10,150
Transfer from other reserves	21(c)	9,442	(9,442)	-	-
Dividends	25	-	-	(143,050)	(143,050)
		19,592	(9,442)	(143,050)	(132,900)
BALANCE AT 31 MARCH 2018		324,890	89,045	4,509,018	4,922,953

LASCO MANUFACTURING LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2018

	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	560,556	707,254
Items not affecting cash resources:		
Depreciation	215,762	176,738
Effect of exchange rate translation	14,330	1,858
Interest income	(1,527)	(1,420)
Stock options – value of services expensed	55,392	-
Loss on disposal of property, plant and equipment	8	3,650
Interest expense	132,179	157,816
Taxation expense	168,538	203,594
	1,145,238	1,249,490
Changes in operating assets and liabilities:		
Inventories	(213,547)	175,376
Receivables	(355,953)	688,511
Related companies	(45,580)	46,861
Taxation recoverable	(230)	(373)
Payables	(163,815)	(4,645)
Directors' current account	378	206
	366,491	2,155,426
Taxation paid	(29,262)	(27,365)
Cash provided by operating activities	337,229	2,128,061
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	1,522	1,491
Short term investments	1,668	(5,039)
Purchase of property, plant and equipment	(341,602)	(1,276,104)
Proceeds from disposal of property, plant and equipment	-	19,505
Cash used in investing activities	(338,412)	(1,260,147)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(126,471)	(157,816)
Loan received	258,796	19,364
Loan paid	(264,153)	(241,529)
Dividends paid	(143,050)	(122,614)
Issue of shares	10,150	-
Cash used in financing activities	(264,728)	(502,595)
(Decrease)/increase in cash and cash equivalents	(265,911)	365,319
Exchange loss on foreign cash balances	(15,081)	(149)
Cash and cash equivalents at beginning of year	100,432	(264,738)
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 19)	(180,560)	100,432

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

   (a) Lasco Manufacturing Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 27 Red Hills Road, Kingston 10 and it currently operates from premises at White Marl, St. Catherine. The company is listed on the Junior Market of the Jamaica Stock Exchange.

   (b) The principal activities of the company are the manufacturing of soy based products, juice drinks, water and packaging of milk based products. Distribution of these products is done in the local market.

2. **REPORTING CURRENCY:**

   Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

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

   (a) **Basis of preparation**

   These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention. They are also prepared in accordance with requirements of the Jamaican Companies Act.

   The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

   New, revised and amended standards and interpretations that became effective during the year

   Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The adoption of those new standards and amendments did not have any impact on the company's financial statements.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issued but not yet effective and which the company has not early adopted.

Those which management considered may be relevant to the company are as follows:

IFRS 9 'Financial Instruments' (effective for periods beginning on or after 1 January 2018)

The company is required to adopt IFRS 9, *Financial Instruments* from 1 January 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on preliminary assessment, the company does not believe that the new classification requirements will have a material impact. However, the company is still in the process of its assessment and the final impact has not yet been determined.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

(i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
(ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

IFRS 9 'Financial Instruments' (effective for periods beginning on or after 1 January 2018) (cont'd)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The management has not yet completed their assessment of the financial impact which this standard will have on the financial statements on adoption.

IFRS 15 'Revenue from Contracts with Customers' (effective for periods beginning on or after 1 January 2018)

The company is required to adopt IFRS 15, *Revenue from Contracts with Customers* from 1 January 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13, *Customer Loyalty Programmes.*

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

Management has assessed that the main impact of this standard is in respect of revenue and commission income. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of revenue. However, management has not yet completed its assessment and the financial impact has not yet been determined.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

Annual Improvements (2014 – 2016), (effective for annual periods beginning on or after 1 January 2018). These amendments include changes from 2014 – 2016 cycle of the annual improvements project, that effect the following standards: IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. The adoption of these amendments will have no significant impact on the company as the company does not have interests in entities classified as held-for-sale.

IFRIC 23, 'Uncertainty over income tax treatments',(effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainity over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainity over a tax treatments. The adoption of this standard is not expected to have a significant impact on the company.

(b) **Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss.

(c) **Property, plant and equipment**

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Property, plant and equipment (cont'd)**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on all other items of property, plant and equipment is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

Buildings	40 years
Furniture and fixtures	10 years
Machinery and equipment	10 to 20 years
Computer equipment	5 years
Motor vehicles	5 years
Leasehold improvements	5 years

(d) **Investment property**

Investment property is initially recognized at cost and subsequently carried at fair value with changes in the carrying value recognized in the statement of comprehensive income.

Fair value is determined every three years by an independent registered valuer, and in each of the two intervening years by the directors. Fair value is based on current prices in an active market for similar properties in the same location and condition.

(e) **Inventories**

Inventories are stated at the lower of cost and fair value less costs to sell. Cost is determined as follows:

Finished goods	-	Cost of product plus all indirect costs to bring the item to a saleable condition.
Raw material	-	Cost of product plus duty and related cost in bringing the inventories to their present location.
Goods-in-transit	-	Cost of goods converted at the year end exchange rate.

Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(f) **Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(g) **Revenue recognition**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Interest income is recognized in the income statement for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

(h) **Impairment of non-current assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

(i) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs Incurred. Borrowings are subsequently stated at amortized cost.

Borrowing costs incurred for the construction of the qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(j) **Current and deferred income taxes**

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

(k) **Trade and other payables**

Trade payables are stated at amortized cost.

(l) **Employee benefits**

(i) Defined contribution plan

The company operates a defined contribution pension plan which is funded by employees' contribution of 5% of salary and employer's contribution of 5%. Once the contributions have been paid, the company has no further obligations. Contributions are charged to the statement of profit or loss, in the year to which they relate.

(ii) Profit-sharing and bonus plan

The company recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's stockholders after certain adjustments. The company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(l) **Employee benefits (cont'd)**

(iii) Other employee benefits

Employee entitlement to annual leave and other benefits are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and other benefits as a result of services rendered by employees up to the end of the reporting period.

(iv) Share-based compensation

The company operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, with corresponding increase in equity, over the period in which the employee becomes vested to the company. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At the end of each reporting period, the company revises its estimates of the number of options that are expected to become exercisable.

It recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The fair value of employee stock options is measured using a Black-Scholes-Merton formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviours), expected dividends, and the risk-free interest rate (based on treasury bill rates). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(m) **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

(i) **Classification**

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(m) **Financial instruments (cont'd)**

Financial assets (cont'd)

(i) **Classification (cont'd)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset.

The company's loans and receivables comprise trade and other receivables, due from related companies, short term investments and cash and bank balances. They are included in current assets.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of three months or less, and bank overdraft.

(ii) **Recognition and Measurement**

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less provision for impairment.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss.

LASCO MANUFACTURING LIMITED

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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(m) **Financial instruments (cont'd)**

Financial assets (cont'd)

(ii) **Recognition and Measurement (cont'd)**

For loans and receivables, impairment provisions are recognized when there is objective evidence that the company will not collect all of the amounts due under the terms receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables which are reported net, such provisions are recorded in a separate provision account with the loss being recognized in profit or loss. On confirmation that the trade receivable is uncollectible, it is written off against the associated provision. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. At the reporting date, the following were classified as financial liabilities: long term loans, due to related companies, bank overdraft and payables.

(n) **Segment reporting**

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 entity's Chief Operation Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

(o) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognized as a deduction from equity.

(p) **Other receivables**

Other receivables are stated at amortized cost less impairment losses, if any.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(q) **Dividend distribution**

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. In the case of interim dividends, this is recognized when declared by the directors.

Dividend for the year that are declared after the reporting date are dealt with in the subsequent events note.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) **Critical judgements in applying the company's accounting policies**

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) **Key sources of estimation uncertainty**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Income taxes**

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(b) **Key sources of estimation uncertainty (cont'd)**

(ii) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in statement of income through impairment or adjusted depreciation provisions.

(iii) **Net realizable value of inventories**

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. The estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

5. **FINANCIAL RISK MANAGEMENT:**

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the company is exposed to risks that that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

LASCO MANUFACTURING LIMITED

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) **Principal financial instruments**

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Receivables
- Cash and bank balances
- Payables
- Long term loans
- Bank overdraft
- Short term investments
- Related companies

(b) **Financial instruments by category**

Financial assets

	Loans and receivables	
	2018	2017
	$'000	$'000
Cash and bank balances	194,797	240,455
Short term investments	91,640	93,308
Receivables	1,478,465	1,327,286
Due from related companies	4,247	4,273
Total financial assets	1,769,149	1,665,322

Financial liabilities

	Financial liabilities at amortized cost	
	2018	2017
	$'000	$'000
Payables	456,847	608,408
Bank overdraft	375,357	140,023
Long term loans	1,261,420	1,266,777
Due to related companies	6,004	51,610
Total financial liabilities	2,099,628	2,066,818

LASCO MANUFACTURING LIMITED

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors**

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives monthly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) **Market risk**

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from transactions for sales, purchases and US Dollar denominated investments. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currencies positions. The company further manages this risk by maximising foreign currency earnings.

Concentration of currency risk

The company's exposure to foreign currency risk was as follows:

	2018 $'000	2017 $'000
Cash and bank balances	97,643	238,911
Short term investments	91,640	93,308
Receivables	170,902	134,991
Payables	(360,949)	(512,381)
	(764)	(45,171)

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank, accounts receivable balances and accounts payable balances, and adjusts their translation at the year-end for 4% (2017 – 6%) depreciation and a 2% (2017 – 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2018	Effect on Profit before Tax 31 March 2018 $'000	% Change in Currency Rate 2017	Effect on Profit before Tax 31 March 2017 $'000
Currency:				
USD	+2	15	+1	452
USD	-4	(31)	-6	(2,710)

Price risk

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. As the company does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Floating rate instruments expose the company to cash flow interest rate risk, whereas fixed rate instruments expose the company to fair value interest rate risk.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Cash flow and fair value interest rate risk (cont'd)

The company is primarily exposed to cash flow interest rate risk on its variable rate borrowings. The company analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

Short term investments, fixed deposits and borrowings are the only interest bearing assets and liabilities respectively, within the company. The company's short term investments and fixed deposits are due to mature and re-price respectively, within three months to one year of the reporting date and the company's borrowings are fixed for a period and then revised.

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings. A 1% increase/1% decrease (2017 – 1% increase/1% decrease) in interest rates on Jamaican dollar borrowings would result in a $12,614,000 decrease/increase (2017 - $12,668,000 decrease/increase) in profit before tax for the company.

(ii) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, short term investments, due from related companies and cash and bank balances.

Trade receivables

Revenue transactions in respect of the company's primary operations are done on a credit basis. The company has policies in place to ensure that sales are made to customers with an appropriate credit history.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(ii) **Credit risk (cont'd)**

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

The aging of trade receivables is:

	2018 $'000	2017 $'000
0-30 days	1,427,770	1,229,519
31-60 days	3,361	297
Over 60 days	75,305	78,691
	1,506,436	1,308,507

Trade receivables that are past due but not impaired

At as 31 March 2018, trade receivables of $75,305,000 (2017 - $78,691,000) were past due but not impaired. These relate to customers for whom there is no recent history of default.

Trade receivables that are past due and impaired

At as 31 March 2018, trade receivables of $43,177,000 (2017 - $35,083,000) that were impaired. The amount of the provision was $43,177,000 (2017 – $35,083,000). These receivables were aged over 60 days.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(ii) **Credit risk (cont'd)**

Trade receivables that are past due and impaired

Movements on the provision for impairment of trade receivables are as follows:

	2018 $'000	2017 $'000
At 1 April	35,083	30,083
Provision for impairment	8,295	5,000
Bad debts recovered previously provided for	(201)	-
At 31 March	43,177	35,083

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Impairment estimates have been adjusted based on actual collection patterns.

(iii) **Liquidity risk**

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The company's liquidity risk management process, as carried out within the company and monitored by the Finance Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis.
(ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
(iii) Maintaining committed lines of credit.
(iv) Optimising cash returns on investments.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(iii) **Liquidity risk (cont'd)**

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
31 March 2018				
Payables	456,847	-	-	456,847
Bank overdraft	375,357	-	-	375,357
Long term loans	431,169	410,493	615,264	1,456,926
Total financial liabilities (contractual maturity dates)	1,263,373	410,493	615,264	2,289,130

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
31 March 2017				
Payables	608,408	-	-	608,408
Bank overdraft	140,023	-	-	140,023
Long term loans	370,678	356,327	792,952	1,519,957
Total financial liabilities (contractual maturity dates)	1,119,109	356,327	792,952	2,268,388

(d) **Capital management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the company is subject.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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6. **REVENUE:**

Revenue represents the price of goods sold after discounts and allowances.

7. **OTHER OPERATING INCOME:**

	2018 $'000	2017 $'000
Interest income	1,528	1,420
Other income	1,878	236
	3,406	1,656

8. **EXPENSES BY NATURE:**

Total administrative, selling and other expenses:

	2018 $'000	2017 $'000
Staff costs (note 9)	507,374	418,995
Directors' fees	8,376	6,315
Auditors' remuneration	5,600	5,250
Legal and professional fees	18,468	19,135
Security	36,852	34,456
Insurance	69,348	71,569
Repairs and maintenance	101,552	137,709
Building rental	4,161	4,699
Advertising and promotion	300,565	330,415
Foreign exchange loss/(gain)	10,531	(21,848)
Travelling and entertainment	48,878	66,074
Depreciation	215,762	176,738
Donations and subscriptions	19,805	28,909
Printing and stationery	7,538	9,543
Bank charges	15,111	4,618
Utilities	168,550	131,425
Bad debts provision	8,094	5,000
Cleaning and sanitation	31,835	49,626
Other operating expenses	3,383	14,524
	1,581,783	1,493,152

Included in other operating expenses are expense categories amounting to less than $3 million.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. **STAFF COSTS:**

	2018 $'000	2017 $'000
Salaries and related costs	296,363	289,517
Directors' remuneration	63,230	56,895
Pension costs	8,798	8,393
Staff welfare	83,591	64,190
Share options – managers	55,392	-
	507,374	418,995

The average number of persons employed by the company during the year was ninety (90), (2017 – ninety one (91)).

Also included in cost of sales is an amount of $185,504,000 (2017 - $177,040,000) representing production workers' staff costs.

10. **FINANCE COSTS:**

	2018 $'000	2017 $'000
Interest expense	132,179	157,816

11. **TAXATION EXPENSE:**

(a) Taxation is computed on the profit for the year, adjusted for tax purposes, and comprises income tax at 25%.

	2018 $'000	2017 $'000
Current taxation	46,957	32,621
(Over)/under provision in prior year	(4,110)	2,326
Deferred taxation (note 22)	125,691	168,647
	168,538	203,594

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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11. TAXATION EXPENSE (CONT'D):

(b) The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2018 $'000	2017 $'000
Profit before taxation	729,094	910,848
Taxation calculated at 25%	182,274	227,712
Adjusted for the effects of:		
Expenses not deducted for tax purposes	97,040	54,451
Net effect of other charges and allowances	(22,349)	(18,113)
Employment tax credit	(41,470)	(27,835)
	215,495	236,215
Adjustment for the effect of tax remission:		
Current tax	(46,957)	(32,621)
Taxation charge in income statement	168,538	203,594

(c) Remission of income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective 12 October 2010. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

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

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

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

12. EARNINGS PER STOCK UNIT:

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the number of ordinary stock units in issue at year-end.

	2018	2017
Net profit attributable to stockholders ($'000)	560,556	707,254
Weighted average number of ordinary stock units ('000)	4,089,163	4,087,130
Basic earnings per stock unit (¢ per share)	13.71	17.30

The diluted earnings per stock unit is calculated by adjusting the number of ordinary stock units in issue at the year end to assume conversion of all dilutive potential ordinary stock units.

	2018	2017
Net profit attributable to stockholders ($'000)	560,556	707,254
Weighted average number of ordinary stocks units ('000)	4,089,163	4,087,130
Adjusted for share options ('000)	15,114	-
	4,104,277	4,087,130
Diluted earnings per stock unit (¢ per share)	13.66	17.30

LASCO MANUFACTURING LIMITED

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13. **PROPERTY, PLANT AND EQUIPMENT:**

	Land & Buildings $'000	Machinery & Equipment $'000	Leasehold Improvement $'000	Assets under Construction $'000	Motor Vehicles $'000	Furniture & Fixtures $'000	Computer Equipment & Accessories $'000	Total $'000
At cost:								
1 April 2016	2,146,566	1,509,745	5,277	119,043	29,443	8,716	268,625	4,087,415
Transfer	88,850	326,974	-	(415,824)	-	-	-	-
Reclassification	(25,711)	-	-	-	-	-	-	(25,711)
Additions	22,094	581,078	269	665,023	-	2,400	5,240	1,276,104
Disposal	-	(25,728)	-	-	-	-	-	(25,728)
31 March 2017	2,231,799	2,392,069	5,546	368,242	29,443	11,116	273,865	5,312,080
Additions	363	48,619	1,033	286,718	990	606	3,273	341,602
Disposal	-	(12)	-	-	-	-	-	(12)
31 March 2018	2,232,162	2,440,676	6,579	654,960	30,433	11,722	277,138	5,653,670
Depreciation:								
1 April 2016	89,967	223,188	4,934	-	15,765	5,148	228,522	567,524
Charge for the year	52,763	104,474	357	-	3,109	723	15,312	176,738
Disposal	-	(2,573)	-	-	-	-	-	(2,573)
31 March 2017	142,730	325,089	5,291	-	18,874	5,871	243,834	741,689
Charge for the year	54,647	142,285	205	-	3,258	801	14,566	215,762
Disposal	-	(4)	-	-	-	-	-	(4)
31 March 2018	197,377	467,370	5,496	-	22,132	6,672	258,400	957,447
Net Book Value:								
31 March 2018	2,034,785	1,973,306	1,083	654,960	8,301	5,050	18,738	4,696,223
31 March 2017	2,089,069	2,066,980	255	368,242	10,569	5,245	30,031	4,570,391

Included in land and buildings is a property located at White Marl, St. Catherine which is owned as Tenants in Common in equal shares with a related company.

LASCO MANUFACTURING LIMITED

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14. INVESTMENT PROPERTY:

	2018 $'000	2017 $'000
Investment property	25,711	25,711

(i) During the year expenses in relation to investment property was recognized in profit or loss in the amount of $5,663,000. No income was recognized.

(ii) The market value of investment property based on directors' valuation at the end of the reporting period was US$250,000.

15. INVENTORIES:

	2018 $'000	2017 $'000
Raw materials	724,089	355,241
Finished goods	30,136	82,695
Goods in transit	83,981	192,697
	838,206	630,633

16. RECEIVABLES:

	2018 $'000	2017 $'000
Trade receivables	1,506,436	1,308,507
Provision for doubtful debts	(43,177)	(35,083)
Net trade receivables	1,463,259	1,273,424
Other receivables	404,944	232,829
	1,868,203	1,506,253

17. RELATED PARTY TRANSACTIONS AND BALANCES:

	2018 $'000	2017 $'000
Transactions during the year		
Purchase of goods/foreign currency:		
Lasco Distributors Limited		-
Lasco Financial Services Limited	3,850,260	3,581,517
Sale of goods/services:		
Lasco Distributors Limited	6,053,150	6,849,835
Building rental expense	4,032	3,087

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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17. **RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):**

	2018 $'000	2017 $'000
Loan to related company:		
Lasco Financial Services Limited	125,710	-
The loan was repaid during the year.		
Key management compensation (included in staff costs – note 9):		
Key management includes directors (executive) and senior managers -		
Salaries and other short-term employee benefits	96,403	69,438
Share based payment	53,954	-
Directors' emoluments:		
Fees	8,376	6,315
Management remuneration (included above)	63,230	56,895
Director's loan	4,000	7,461
Year end balances		
With related companies:		
Due from –		
Lasco Properties Limited	107	107
Lasco Foods Limited	4,140	4,140
Lasco Financial Services Limited	-	26
	4,247	4,273
Lasco Distributors Limited (included in trade receivables)	1,329,568	1,210,694
Lasco Financial Services Limited (included in trade receivables)	16	11
Due to –		
Lasco Distributors Limited	2,880	48,486
Lasco Foods Limited	3,124	3,124
	6,004	51,610

LASCO MANUFACTURING LIMITED

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17. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

	2018 $'000	2017 $'000
Due to (cont'd) –		
Lasco Distributors Limited (included in payables)	32,252	24,550

There is a forty five (45) days repayment term of the amounts due to and from related companies.

With directors and other key management:		
Directors' current account	2,837	3,215

18. SHORT TERM INVESTMENTS:

These represents US$ interest bearing deposits which have been invested for a period of one (1) year at a weighted average interest rate of 0.35% (2017 - 0.90%).

19. CASH AND CASH EQUIVALENTS:

	2018 $'000	2017 $'000
Cash and bank balances –		
Cash at bank and in hand	153,332	198,003
Short term deposits	41,465	42,452
	194,797	240,455
Bank overdraft	(375,357)	(140,023)
	(180,560)	100,432

The bank overdraft is secured as a part of the total security for the loan facility (see note 23).

The weighted average interest rate on short term deposits denominated in United States dollars was 0.05% and 0.00% (2017 – 0.15% and 0.00%) and these deposits mature within 30 days.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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20. **SHARE CAPITAL:**

	2018 $'000	2017 $'000
Authorised -		
4,427,500,000 ordinary shares of no par value		
Stated capital –		
Issued and fully paid –		
4,090,630,000 (2017 - 4,087,130,000) ordinary shares of no par value	324,890	305,298

During the year, the company issued 3,500,000 shares to its directors and managers for cash of $10,150,000. The shares were issued under the company's stock option plan and the fair value of the options exercised during the year was $9,441,000.

21. **OTHER RESERVE:**

Stock Option Reserve

(a) Stock option description and movement:

On 30 September 2013, the company obtained approval from stockholders at its annual general meeting for authorised but unissued shares up to a maximum of 5% of the total number of issued shares of no par value to be set aside for allocation and sale to the directors and key personnel of the company. Consequently, the company has set aside 204,356,000 of the authorised but unissued shares for the stock option plan.

On 11 March 2016, under the rules of the stock option plan, the following allocations were made:

	No. of shares '000
Non-executive directors and professional service provider	26,000

The options were granted at a subscription price of $2.90 and are exercisable over a period of four (4) years, at the end of which time unexercised options will expire. The total grant of each director and the professional service provider vested immediately on the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

No share options were exercised during the year.

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21. **OTHER RESERVE (CONT'D):**

Stock Option Reserve (Cont'd)

(a) Stock option description and movement (cont'd):

On 1 June 2017, under the rules of the stock option plan, the following allocations were made:

	No. of shares '000
Executive director and manager	30,000

The options were granted at a subscription price of $2.90 and are exercisable over a period of four (4) years, at the end of which time unexercised options will expire. The total grant of the director and the manager vested immediately on the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

	2018 '000
Movement on this option:	
Options granted	30,000
Exercised	(3,500)
Forfeited	(9,467)
At 31 March	17,033

(b) Fair value of options granted:

The fair value of options granted determined using the Black-Scholes-Merton valuation model was $43,095,000 in 2016 and $80,931,000 in 2018. The significant inputs into the model were the share price of $3.45 and $4.81 at the grant date, exercise price of $2.90, the risk free interest rate of 5.73% and 6.50%, standard deviation of expected share price returns of 75.12% and 66.44%, the option life of four (4) years and expected dividends of $0.025 and $0.030, respectively. It is expected that these options will be exercised within two (2) years.

The breakdown of the fair value of options granted is as follows:

	$'000
Fair value of options granted	124,026
Expensed in 2016	(43,095)
Expensed in 2018	(55,392)
Forfeited in 2018	(25,539)
Amount to be expensed in future periods	-

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21. **OTHER RESERVE (CONT'D):**

(c) Movement on the share option reserve is as follows:

	2018 $'000	2017 $'000
At 1 April	43,095	-
Fair value of options recognized during the year	80,931	43,095
Fair value of forfeited shares	(25,539)	-
Fair value of options exercised transferred to share capital	(9,442)	-
31 March	89,045	43,095

22. **DEFERRED TAXES:**

Deferred taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	2018 $'000	2017 $'000
Deferred tax liability	(533,379)	(407,688)

The movement in deferred tax is as follows:

	2018 $'000	2017 $'000
Balance at start of year	(407,688)	(239,041)
Charge to profit or loss (note 11)	(125,691)	(168,647)
Balance at end of year	(533,379)	(407,688)

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22. DEFERRED TAXES (CONT'D):

Deferred tax is due to the following temporary differences:

	2018 $'000	2017 $'000
Accelerated capital allowance	(539,411)	(407,630)
Interest receivable	(59)	(58)
Interest payable	1,427	-
Accrued vacation leave	1,081	-
Unrealized foreign exchange losses	3,583	-
	(533,379)	(407,688)

Deferred tax charged to profit or loss comprises the following temporary differences:

	2018 $'000	2017 $'000
Accelerated capital allowance	(131,781)	(168,233)
Interest receivable	(1)	9
Interest payable	1,427	-
Accrued vacation leave	1,081	(423)
Unrealized foreign exchange losses	3,583	-
	(125,691)	(168,647)

23. LONG TERM LOANS:

	2018 $'000	2017 $'000
CIBC FirstCaribbean International (Jamaica) Limited -		
Expansion loan	781,880	970,259
Demand loan	213,227	282,167
Other loan	266,313	14,351
	1,261,420	1,266,777
Less: current portion	(334,789)	(265,566)
	926,631	1,001,211

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23. **LONG TERM LOANS (CONT'D):**

The expansion loan attracted interest at 8.4% per annum which was fixed for a period of three years. The facility was extended by thirty six months to a new maturity date of 31 August 2021. The loan interest was also revised to 8.7% per annum and the loan amortized over seventy seven months.

The demand loan attracts an interest rate of 8.7% per annum for three years. Thereafter, (effective 6 November 2018) either a new fixed rate or a variable rate is to be determined for the remaining tenure of the facility. The demand loan is amortized over sixty months.

The other loan attracts an interest rate of 8.7% per annum which is fixed for three years. Thereafter (effective 6 November 2018) either a new rate or a variable rate is to be determined for the remaining tenure of the facility. The loan is amortized over seventy-two months.

The loans and bank overdraft are secured by the following:

(i) First mortgage issued by Lasco Manufacturing Limited and Lasco Distributors Limited over each mortgagor's interest in commercial property located at White Marl, St. Catherine and registered at Volume 1092 Folio 796 ("White Marl") in the names of the mortgagors and which mortgage is to be issued by each mortgagor to secure:

(a) its indebtedness arising from its borrowing from and other direct liabilities incurred to the bank; and

(b) its indebtedness as guarantor of payment of the other mortgagor's indebtedness to the bank as at (a), such guarantee to be limited in each cases to the value of the mortgagor's interest in White Marl. The said mortgage to be stamped to cover JMD$1.207 billion (with power to upstamp) and to be the principal security intended to secure indebtedness arising from advances to Lasco Manufacturing Limited pursuant to this facility letter as well as advances to Lasco Distributors Limited pursuant to a facility letter of even date hereto, issued to Lasco Distributors Limited and in the case of each company, such other indebtedness as may arise pursuant to other agreements with the bank.

(ii) First debenture over fixed and floating assets of the company.

(iii) Hypothecation of credit balances held, whether in foreign or local currencies or both, being not less than US$1.05 million or equivalent.

(iv) Fire or peril insurance including all risks over building, content (inventories, machinery, equipment) with the interest of the bank noted thereon.

(v) Overdraft lending agreement of JMD$579M.

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24. **PAYABLES:**

	2018 $'000	2017 $'000
Trade payables	409,993	522,247
Other payables and accruals	174,400	220,986
	584,393	743,233

25. **DIVIDENDS:**

	2018 $'000	2017 $'000
In respect of 2017	143,050	-
In respect of 2016	-	122,614

By Round Robin Resolution dated 30 June 2017 dividend payment of $0.035¢ per share was approved by the Board of Directors.

26. **PENSION SCHEME:**

The company operates a defined contribution pension scheme which is administered by BPM Financial Limited and is open to all permanent employees.

The scheme is funded by the company's and employees' contributions. The company's contributions to the scheme are expensed and amounted to $8,798,000 (2017 - $8,392,000) for the year.

27. **CONTINGENT LIABILITIES:**

The company's banker, CIBC FirstCaribbean International (Jamaica) Limited has issued guarantees in favour of third parties totalling $50,000,000 (2017 – $50,000,000).