LASCO MANUFACTURING LIMITED

FINANCIAL STATEMENTS

31 MARCH 2016

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I N D E X

BDO

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Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
Kingston 5, Jamaica

INDEPENDENT AUDITORS' REPORT

To the Members of
Lasco Manufacturing Limited

Report on the Financial Statements

We have audited the financial statements of Lasco Manufacturing Limited set out on pages 3 to 39, which comprise the statement of financial position as at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Manufacturing Limited

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Jamaican Companies Act.

Report on additional requirements of 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 and the financial statements are in agreement therewith, and give the information required by the Jamaican Companies Act, in the manner so required.

BDO

Chartered Accountants

26 May 2016

LASCO MANUFACTURING LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2016

	Note	2016 $'000	(Restated) 2015 $'000
REVENUE	6	6,571,742	4,788,583
COST OF SALES		(4,186,868)	(3,365,043)
GROSS PROFIT		2,384,874	1,423,540
Other operating income	7	3,013	16,458
		2,387,887	1,439,998
EXPENSES:			
Administrative and other expenses		(1,104,420)	(555,164)
Selling and promotion expenses		(142,950)	(90,088)
	8	(1,247,370)	(645,252)
OPERATING PROFIT		1,140,517	794,746
Finance costs	10	(157,221)	(125,378)
PROFIT BEFORE TAXATION		983,296	669,368
Taxation	11	(157,098)	(57,007)
NET PROFIT FOR THE YEAR		826,198	612,361
OTHER COMPREHENSIVE INCOME:			
Item that will or may not be reclassified to profit or loss –			
Share option plan	20(b)	43,095	-
TOTAL COMPREHENSIVE INCOME		869,293	612,361
EARNINGS PER STOCK UNIT	12		
Basic		20.21¢	14.98¢
Diluted		20.03¢	14.84¢

LASCO MANUFACTURING LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2016

	Note	2016 $'000	(Restated) 2015 $'000	(Restated) 2014 $'000
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	13	3,519,891	3,396,350	2,942,178
CURRENT ASSETS:				
Inventories	14	806,009	759,421	741,884
Receivables	15	2,198,972	1,131,713	811,932
Tax recoverable		687	309	10,494
Related companies	16	536	3	3,157
Director's current account	16	3,421	13,126	2,377
Short term investments	17	88,269	82,480	77,871
Cash and bank balances	18	237,956	108,127	59,352
		3,335,850	2,095,179	1,707,067
		6,855,741	5,491,529	4,649,245
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	19	305,298	305,298	305,298
Other reserve	20(c)	43,095	-	-
Retained earnings		3,506,872	2,782,852	2,170,491
		3,855,265	3,088,150	2,475,789
NON-CURRENT LIABILITIES:				
Deferred taxation	21	239,041	105,371	48,364
Long term loans	22	1,253,110	958,439	1,301,385
		1,492,151	1,063,810	1,349,749
CURRENT LIABILITIES:				
Payables	23	750,306	655,659	636,092
Related company	16	1,012	704	-
Bank overdraft	18	502,694	340,260	-
Current portion of long term loans	22	235,832	342,946	187,615
Taxation		18,481	-	-
		1,508,325	1,339,569	823,707
		6,855,741	5,491,529	4,649,245

Approved for issue by the Board of Directors on 26 May 2016 and signed on its behalf by:

L A Chin Chairman

Robert Parkins Director

LASCO MANUFACTURING LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2016

	Note	Share Capital $'000	Other Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 APRIL 2014 (As previously stated)		305,298	-	2,218,855	2,524,153
Prior year adjustment	27	-	-	(48,364)	(48,364)
BALANCE AT 1 APRIL 2014 (Restated)		305,298	-	2,170,491	2,475,789
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	612,361	612,361
BALANCE AT 31 MARCH 2015		305,298	-	2,782,852	3,088,150
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	826,198	826,198
Other comprehensive income	20(c)	-	43,095	-	43,095
		-	43,095	826,198	869,293
TRANSACTIONS WITH OWNERS					
Dividends	24	-	-	(102,178)	(102,178)
BALANCE AT 31 MARCH 2016		305,298	43,095	3,506,872	3,855,265

LASCO MANUFACTURING LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2016

	2016 $'000	(Restated) 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	826,198	612,361
Items not affecting cash resources:		
Depreciation	142,488	67,098
Effect of exchange rate translation	(7,360)	(4,840)
Interest income	(1,660)	(208)
Stock options – value of services expensed	43,095	-
Gain on disposal of property, plant and equipment	-	(974)
Interest expense	157,221	125,378
Taxation expense	157,098	57,007
	1,317,080	855,822
Changes in operating assets and liabilities:		
Inventories	(46,588)	(17,537)
Receivables	(1,056,670)	(319,794)
Related companies	(225)	3,858
Taxation recoverable	(378)	10,185
Payables	77,525	16,859
Director's current account	9,705	(10,749)
	300,449	538,644
Taxation paid	(4,947)	-
Cash provided by operating activities	295,502	538,644
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	1,625	221
Short term investments	(5,789)	(4,609)
Purchase of property, plant and equipment	(266,029)	(522,746)
Proceeds from disposal of property, plant and equipment	-	2,450
Cash used in investing activities	(270,193)	(524,684)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(157,221)	(125,378)
Loan received	366,980	141,000
Loan paid	(179,423)	(328,615)
Dividends paid	(102,178)	-
Cash used in financing activities	(71,842)	(312,993)
Net decrease in cash and cash equivalents	(46,533)	(299,033)
Exchange gain on foreign cash balances	13,928	7,548
Cash and cash equivalents at beginning of year	(232,133)	59,352
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 18)	(264,738)	(232,133)

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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 and export markets.

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. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation. 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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Amendments to published standards and interpretations effective in the current year that are relevant to the company's operations

Annual improvements to IFRS, 2010-2012 and 2011-2013 cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1 July 2014. The main amendments applicable to the company are as follows:

- **IAS 16, 'Property, Plant and Equipment',** the standard has been amended to clarify that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- **IAS 24, 'Related Party Disclosures',** has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

- **IFRS 13, 'Fair Value Measurement',** has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9, did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

The amendments did not result in any effect on the company's financial statements.

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company

IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2016), has been amended to clarify or state the following:

- specific single disclosures that are not material do not have to be presented eve if they are the minimum requirement of a standard;

- the order of notes to the financial statements is not prescribed;

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2016), has been amended to clarify or state the following (cont'd):

- line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;

- specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI; and

- the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

IAS 16, 'Property, Plant and Equipment', (effective for annual periods beginning on or after 1 January 2016). The amendment explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

IFRS 7, 'Financial Instruments: Disclosures', (effective for annual periods beginning on or after 1 July 2016), has been amended to clarify when servicing arrangements are the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset – e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

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

IFRS 15, 'Revenue from Contracts with Customers', (effective for annual periods beginning on or after 1 January 2018). It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019), replaces IAS 17 Leases, 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. The new standard eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Leases are now recorded in the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities. The company is currently assessing the impact future adoption of the new standard may have on the financial statements. The company is currently assessing the impact future adoption of the new standard may have on the financial statements.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

Annual improvements to IFRS, 2012-2014 cycle contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1 January 2016. The main amendments applicable to the company are as follows:

- **IAS 34, 'Interim Financial Reporting',** has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed 'elsewhere in the interim financial report' and requires a cross-reference to the information.

- **IFRS 7, 'Financial Instruments: Disclosures',** has been amended to clarify that the additional disclosures required by the amendment to IFRS 7, Disclosures: Offsetting Financial Assets and Financial Liabilities are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, Interim Financial Reporting, require their inclusion.

The directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

(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. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(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.

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 years
Computer equipment	5 years
Motor vehicles	5 years
Leasehold improvements	5 years

(d) **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.

(e) **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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(e) **Provisions (cont'd)**

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 the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(f) **Revenue recognition**

Revenue is recognized in the statement of comprehensive income 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 recognised in the income statement for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

(g) **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.

(h) **Trade receivables**

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(i) **Cash and cash equivalents**

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 maturities of three months or less, net of bank overdraft.

(j) **Borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs Incurred. Borrowings are subsequently stated at amortised 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.

(k) **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.

(l) **Trade and other payables**

Trade payables are stated at amortized cost.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(m) **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.

(i) 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.

(ii) 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 recognised as an expense, with corresponding increase in equity, over the period in which the employee becomes unconditionally entitled to the options. 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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(n) **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.

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 are included in current assets. The company's loans and receivables comprise receivables, cash and bank balances and short term investments.

(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 amortised cost using the effective interest method.

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. Impairment testing of trade receivables is described in note 3(h).

Financial liabilities

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

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(o) **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.

(p) **Share capital**

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

(q) **Other receivables**

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

(r) **Dividend distribution**

Dividend distribution to the company's shareholders is recognised 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 recognised 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 KEY SOURCES OF ESTIMATION UNCERTAINTY:**

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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):**

(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.

(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.

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's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the company and the methods used to measure them.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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

(b) **Financial instruments by category**

Financial assets

	Loans and Receivables	
	2016 $'000	2015 $'000
Cash and bank balances	237,956	108,127
Short term investments	88,269	82,480
Receivables	1,569,244	1,065,273
Total financial assets	1,895,469	1,255,880

Financial liabilities

	Financial liabilities at amortised cost	
	2016 $'000	2015 $'000
Payables	692,626	593,437
Bank overdraft	502,694	340,260
Long term loans	1,488,942	1,301,385
Total financial liabilities	2,684,262	2,235,082

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(c) **Financial instruments not measured at fair value**

Financial instruments not measured at fair value includes cash and bank balances, short term investments, receivables, payables, related company balances, bank overdraft and long term loans.

Due to their short-term nature, the carrying values of cash and bank balances, short term investments, receivables, bank overdraft and payables approximate their fair value.

(d) **Financial instruments measured at fair value**

The company had no financial instruments which were measured at fair value subsequent to initial recognition.

(e) **Financial risk factors**

The Board of Directors 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 provides policies for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investments of excess liquidity.

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**

Currency risk

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

Foreign exchange risk arises from transactions for sales, purchases and US Dollar denominated investments. The company's exposure to foreign currency risk was as follows:

	2016 $'000	2015 $'000
Cash and bank balances	237,175	107,352
Short term investments	88,269	82,480
Receivables	129,579	136,765
Payables	(585,279)	(452,486)
	(130,256)	(125,889)

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(e) **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 payables balances, and adjusts their translation at the year-end for 6% (2015 – 10%) depreciation and a 1% (2015 – 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 2016	Effect on Profit before Tax 31 March 2016 $'000	% Change in Currency Rate 2015	Effect on Profit before Tax 31 March 2015 $'000
Currency:				
USD	+1	1,303	+1	1,259
USD	-6	(7,815)	-10	(12,589)

Exchange rates in terms of Jamaican dollar for US$1 were as follows:

31 March 2016	122.04
31 March 2015	114.49

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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Cash flow and fair value interest rate risk

Cash flow is the risk that the future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk through budgetary measures, ensuring as far as possible that fluctuations in cash flows relating to monetary financial assets and liabilities are matched to mitigate any significant adverse cash flows.

Interest rate sensitivity

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

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.

The company's interest rate risk arises from cash and bank balances, loans and bank overdraft. Loan interest is fixed for a period and then variable, the exposure is not considered to be significant.

(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, due from related companies and cash and bank balances.

Trade receivables

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

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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

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

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

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

	2016 $'000	2015 $'000
0-30 days	1,417,232	1,031,595
31-60 days	8,929	172
61-90 days	141,793	22,827
	1,567,954	1,054,594

Trade receivables that are past due but not impaired

At as 31 March 2016, trade receivables of $119,302,000 (2015 - $22,999,000) were past due but not impaired. These relate to customers for whom there is no recent history of default.

(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 bi-weekly 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

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

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

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

The table below presents the undiscounted cash flows (both interest and principal cash flows) of the company's financial liabilities based on contractual rights and obligations as well as expected maturity.

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	Over 5 Years $'000	Total $'000
31 March 2016					
Payables	692,626	-	-	-	692,626
Bank overdraft	502,694	-	-	-	502,694
Long term loans	356,252	712,504	787,891	-	1,856,647
Total financial liabilities (contractual maturity dates)	1,551,572	712,504	787,891	-	3,051,967
31 March 2015					
Payables	593,437	-	-	-	593,437
Bank overdraft	340,260	-	-	-	340,260
Long term loan	439,573	879,146	182,894	-	1,501,613
Total financial liabilities (contractual maturity dates)	1,373,270	879,146	182,894	-	2,435,310

(f) **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:**

	2016 $'000	2015 $'000
Interest income	1,660	208
Tax refund	-	14,472
Other income	1,353	1,778
	3,013	16,458

8. **EXPENSES BY NATURE:**

Total administrative, selling and other expenses:

	2016 $'000	2015 $'000
Staff costs (note 9)	341,342	209,884
Directors' fees	6,137	5,083
Auditors' remuneration	4,650	4,300
Legal and professional	25,351	27,531
Security	25,046	22,028
Insurance	58,186	51,676
Repairs and maintenance	137,458	16,302
Building rental	9,190	9,556
Advertising and promotion	142,950	90,088
Foreign exchange loss	7,360	4,840
Travelling and entertainment	49,063	25,363
Depreciation	142,488	67,098
Donations and subscriptions	42,959	14,071
Bank charges	16,785	7,890
Utilities	119,208	75,944
Bad debt	30,083	-
Cleaning and sanitation	38,103	9,797
Share options – non-executive directors	33,150	-
- service provider	9,945	-
Other operating expenses	7,916	3,801
	1,247,370	645,252

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:**

	2016 $'000	2015 $'000
Salaries and related costs	244,371	123,284
Directors' emoluments	45,026	48,796
Profit related pay	-	3,297
Termination costs	1,420	9,649
Pension costs	5,434	3,137
Staff welfare	45,091	17,636
	341,342	205,799
Redundancy costs	-	4,085
	341,342	209,884

The average number of persons employed by the company during the year was seventy-five (75), (2015 – fifty-one (51)).

Also included in cost of sales is an amount of $147,636,079 (2015 - $90,295,389) representing production workers' staff costs.

10. **FINANCE COSTS:**

	2016 $'000	2015 $'000
Interest expense	157,221	125,378

11. **TAXATION EXPENSE:**

(a) Taxation for the year comprises:

	2016 $'000	2015 $'000
Current taxation	23,428	-
Deferred taxation (note 21)	133,670	57,007
	157,098	57,007

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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11. **TAXATION EXPENSE (CONT'D):**

(b) Reconciliation of theoretical tax charge that would arise on profit before tax using the applicable tax rate to actual tax charge.

	2016 $'000	2015 $'000
Profit before taxation	983,296	669,368
Taxation calculated at 25%	245,824	167,342
Adjusted for the effects of:		
Expenses not deducted for tax purposes	56,968	19,056
Net effect of other charges and allowances	(23,230)	47,876
Employer tax credit	(43,661)	-
	235,901	234,274
Adjustment for the effect of tax remission:		
Current tax	(78,803)	(177,267)
Taxation charge in income statement	157,098	57,007

(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.

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.

	2016	2015
Net profit attributable to stockholders ($'000)	826,198	612,361
Number of ordinary stock units ('000)	4,087,130	4,087,130
Earnings per stock unit (¢ per share)	20.21	14.98

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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12. **EARNINGS PER STOCK UNIT (CONT'D):**

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.

	2016	**2015**
Net profit attributable to stockholders ($'000)	826,198	612,361
Number of ordinary stocks units ('000)	4,087,130	4,087,130
Adjusted for share options ('000)	38,353	38,353
	4,125,483	4,125,483
Diluted earnings per stock unit (¢ per share)	20.03	14.84

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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 2014	896,856	160,436	5,277	1,961,780	15,698	6,561	256,416	3,303,024
Transfer	205,556	925,920	-	(1,131,500)	-	-	24	-
Additions	-	1,398	-	510,133	1,847	701	8,667	522,746
Retirement/disposal	-	(1,441)	-	-	(2,943)	-	-	(4,384)
31 March 2015	1,102,412	1,086,313	5,277	1,340,413	14,602	7,262	265,107	3,821,386
Transfer	1,019,388	379,004	-	(1,398,392)	-	-	-	-
Additions/adjustment	24,766	44,428	-	177,022	14,841	1,454	3,518	266,029
31 March 2016	2,146,566	1,509,745	5,277	119,043	29,443	8,716	268,625	4,087,415
Depreciation:								
1 April 2014	20,302	119,803	3,538	-	12,192	4,237	200,774	360,846
Charge for the year	24,478	25,624	698	-	2,613	415	13,270	67,098
Retirement/disposal	-	(1,441)	-	-	(1,467)	-	-	(2,908)
31 March 2015	44,780	143,986	4,236	-	13,338	4,652	214,044	425,036
Adjustment	-	3,648	-	-	-	-	-	3,648
Charge for the year	45,187	75,554	698	-	2,427	496	14,478	138,840
31 March 2016	89,967	223,188	4,934	-	15,765	5,148	228,522	567,524
Net Book Value:								
31 March 2016	2,056,599	1,286,557	343	119,043	13,678	3,568	40,103	3,519,891
31 March 2015	1,057,632	942,327	1,041	1,340,413	1,264	2,610	51,063	3,396,350

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

NOTES TO THE FINANCIAL STATEMENTS

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14. INVENTORIES:

	2016 $'000	2015 $'000
Raw materials	413,619	423,472
Finished goods	111,385	36,703
Goods in transit	281,005	299,246
	806,009	759,421

15. RECEIVABLES:

	2016 $'000	2015 $'000
Trade receivables	1,567,915	1,054,594
Other receivables	631,057	77,119
	2,198,972	1,131,713

16. RELATED PARTY TRANSACTIONS AND BALANCES:

	2016 $'000	2015 $'000
Transactions during the year		
Purchase of goods/foreign currency:		
Lasco Distributors Limited	28,891	41,927
Lasco Financial Services Limited	3,727,330	2,538,135
Sale of goods/services:		
Lasco Distributors Limited	6,190,290	4,190,445
Loan from director	-	141,000
Building rental expense	5,276	6,840
Key management compensation (included in staff costs – note 9):		
Key management includes directors (executive) and senior manager -		
Salaries and other short-term employee benefits	59,749	64,133
Directors' emoluments:		
Fees	6,137	5,083
Management remuneration (included above)	40,277	52,093
Share based payments	33,150	-

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

	2016 $'000	2015 $'000
Year end balances		
With related companies:		
Due from –		
Lasco Properties Limited	107	-
Lasco Foods Limited	429	-
Lasco Financial Services Limited	-	3
	536	3
Lasco Distributors Limited (included in trade receivables)	1,456,916	910,248
Lasco Financial Services Limited (included in trade receivables)	149	14
Due to –		
Lasco Distributors Limited (included in payables)	34,948	21,758

There is a thirty (30) day repayment term of the amounts due to and from related companies.

With directors and other key management:		
Director's current account	3,421	13,126

17. **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 1.49%.

18. **CASH AND CASH EQUIVALENTS:**

	2016 $'000	2015 $'000
Cash and bank balances –		
Cash at bank and in hand	197,106	70,295
Short term deposits	40,850	37,832
	237,956	108,127
Bank overdraft	(502,694)	(340,260)
	(264,738)	(232,133)

The bank overdraft is secured as a part of the total security for the loan facility (see note 22).

The weighted average interest rate on short term deposits denominated in United States dollars was 0.80% and 0.73% (2015 – 0.80%) and these deposits mature within 30 days.

LASCO MANUFACTURING LIMITED

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19. SHARE CAPITAL:

	2016 $'000	2015 $'000
Authorised - 4,427,500,000 ordinary shares of no par value		
Stated capital – Issued and fully paid – 4,087,130,170 ordinary shares of no par value	305,298	305,298

20. OTHER RESERVE:

Stock Option Reserve

(a) 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 managers of the company. Consequently, the company has set aside 204,356,509 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	204,356

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 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.

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

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

Stock Option Reserve (cont'd)

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

	$'000
Fair value of options granted	43,095
Expensed during the year	43,095
Amount to be expensed in future periods	-

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

	2016 $'000
Fair value of options recognised during the year	43,095

21. **DEFERRED INCOME TAXES:**

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

Deferred income 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:

	2016 $'000	(Restated) 2015 $'000
Liability at beginning of year	105,371	48,364
Charge to profit of loss (note 11)	133,670	57,007
Liability at end of year	239,041	105,371

Deferred taxation represents accelerated tax depreciation.

22. **LONG TERM LOANS:**

	2016 $'000	2015 $'000
Expansion loan	1,142,996	1,301,385
Demand loan	345,946	-
	1,488,942	1,301,385
Less: current portion	(235,832)	(342,946)
	1,253,110	958,439

LASCO MANUFACTURING LIMITED

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

The expansion loan attracts an interest rate of 8.4% per annum which is fixed for three years to 31 May 2015. Thereafter, either a new fixed rate is to be determined for the remaining two years of the facility or a variable rate of 6 month weighted average treasury bill yield rate plus 2%, with the interest rate to be reset semi-annually based on the most recent 6 month treasury bill yield rate immediately prior to the date of reset, will be applied.

The expansion loan facility was extended by thirty six months to a new maturity date of 31 August 2021. As such, beginning 30 April 2015 the loan will be payable at an interest rate of 8.7% per annum, amortised over seventy seven months. After three years (effective 30 April March 2018) the monthly payment on principal and interest will be determined based on the new interest rate and repayment structure agreed at that time.

The demand loan attracts an interest rate of 8.7% per annum for three years. Thereafter, either a new fixed rate or a variable rate is to be determined for the remaining tenor of the facility. The demand loan is amortised over sixty months and after three years the monthly payment on principal and interest will be determined based on the new interest rate and repayment structure agreed at that time.

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$550M.

LASCO MANUFACTURING LIMITED

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23. **PAYABLES:**

	2016 $'000	2015 $'000
Trade payables	653,969	498,071
Other payables and accruals	96,337	157,588
	750,306	655,659

24. **DIVIDENDS:**

	2016 $'000	2015 $'000
In respect of 2015	102,178	-

By Round Robin Resolution dated 9 November 2015, dividend payment of $0.25¢ per share was approved by the Board of Directors.

25. **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 $5,433,915 (2015 - $3,136,822) for the year.

26. **CONTINGENT LIABILITIES:**

The company's banker has issued guarantees in favour of third parties totalling Nil (2015 – 8,000,000).

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

27. RESTATEMENT OF PRIOR YEAR BALANCES:

Restatement of prior balances relate to adjustment for deferred tax liabilities.

Effects on the company's statement of financial position at 31 March 2014

	As previously Reported $'000	Effect of Restatement $'000	As restated $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	2,942,178	-	2,942,178
CURRENT ASSETS:			
Inventories	741,884	-	741,884
Receivables	811,932	-	811,932
Tax recoverable	10,494	-	10,494
Related companies	3,157	-	3,157
Director's current account	2,377	-	2,377
Short term investment	77,871	-	77,871
Cash and cash equivalents	59,352	-	59,352
	1,707,067	-	1,707,067
	4,649,245	-	4,649,245
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	305,298	-	305,298
Retained earnings	2,218,855	(48,364)	2,170,491
	2,524,153	(48,364)	2,475,789
NON-CURRENT LIABILITIES:			
Deferred tax liability	-	48,364	48,364
Long term loan	1,301,385	-	1,301,385
	1,301,385	48,364	1,349,749
CURRENT LIABILITIES:			
Payables	636,092	-	636,092
Current portion of long term loan	187,615	-	187,615
	823,707	-	823,707
	4,649,245	-	4,649,245

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

27. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):

Effects on the company's statement of financial position at 31 March 2015

	As previously Reported $'000	Effect of Restatement $'000	As restated $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	3,396,350	-	3,396,350
CURRENT ASSETS:			
Inventories	759,421	-	759,421
Receivables	1,131,713	-	1,131,713
Tax recoverable	309	-	309
Related companies	3	-	3
Director's current account	13,126	-	13,126
Short term investments	82,480	-	82,480
Cash and cash equivalents	108,127	-	108,127
	2,095,179	-	2,095,179
	5,491,529	-	5,491,529
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	305,298	-	305,298
Retained earnings	2,888,223	(105,371)	2,782,852
	3,193,521	(105,371)	3,088,150
NON-CURRENT LIABILITIES:			
Deferred tax liability	-	105,371	105,371
Long term loan	958,439	-	958,439
	958,439	105,371	1,063,810
CURRENT LIABILITIES:			
Payables	655,659	-	655,659
Related company	704	-	704
Bank overdraft	340,260	-	340,260
Current portion of long term loan	342,946	-	342,946
	1,339,569	-	1,339,569
	5,491,529	-	5,491,529

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

27. **RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):**

Effects on the statement of comprehensive income at 31 March 2015

	As previously Reported $'000	Effect of Restatement $'000	As restated $'000
REVENUE	4,788,583	-	4,788,583
COST OF SALES	(3,365,043)	-	(3,365,043)
GROSS PROFIT	1,423,540	-	1,423,540
Other operating income	16,458	-	16,458
	1,439,998	-	1,439,998
EXPENSES:			
Administrative and other expenses	(555,164)	-	(555,164)
Selling and promotion expenses	(90,088)	-	(90,088)
	(645,252)	-	(645,252)
OPERATING PROFIT	794,746	-	794,746
Finance costs	(125,378)	-	(125,378)
PROFIT BEFORE TAXATION	669,368	-	669,368
Taxation	-	(57,007)	(57,007)
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME	669,368	(57,007)	612,361

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

27. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):

Effects on the statement of cash flows 31 March 2015

	As previously Reported $'000	Effect of Restatement $'000	As restated $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit	669,368	(57,007)	612,361
Items not affecting cash resources:			
Depreciation	67,098	-	67,098
Exchange loss on foreign cash balances	(4,840)	-	(4,840)
Interest income	(208)	-	(208)
Gain on disposal of property, plant and equipment	(974)	-	(974)
Interest expense	125,378	-	125,378
Taxation expense	-	57,007	57,007
	855,822	-	855,822
Changes in operating assets and liabilities:			
Inventories	(17,537)	-	(17,537)
Receivables	(319,794)	-	(319,794)
Related companies	3,858	-	3,858
Taxation recoverable	10,185	-	10,185
Payables	16,859	-	16,859
Director's current account	(10,749)	-	(10,749)
Cash provided by operating activities	538,644	-	538,644
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	221	-	221
Short term investments	(4,609)	-	(4,609)
Purchase of property, plant and equipment	(522,746)	-	(522,746)
Proceeds from disposal of property, plant and equipment	2,450	-	2,450
Cash used in investing activities	(524,684)	-	(524,684)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid	(125,378)	-	(125,378)
Loan received	141,000	-	141,000
Loan paid	(328,615)	-	(328,615)
Cash used in financing activities	(312,993)	-	(312,993)
Net decrease in cash and cash equivalents	(299,033)	-	(299,033)
Exchange gain on foreign cash balances	7,548	-	7,548
Cash and cash equivalents at beginning of year	59,352	-	59,352
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 18)	(232,133)	-	(232,133)