

LASCELLES deMERCADO AND COMPANY LIMITED

Report of the Directors

To the Stockholders of
Lascelles, de Mercado & Co. Limited

on the affairs of the Group for the year ended September 30, 1995.

	1995 \$000s	1994 \$000s
ACCOUNTS		
Profit attributable to Stockholders	551,617	601,282
Retained Profits at beginning of year	1,291,878	862,069
Balance attributable to Stockholders	1,843,495	1,463,351
Dividends and distributions	2,082	2,082
Transfer to Capital Reserve, net	1,841,413 94,069	1,461,269 169,391
Retained Profits at end of year	1,747,344	1,291,878

DIRECTORATE

In accordance with the Articles of Association, Messrs. C.R. Paul Hire-Miller and Keith L. Magnus retire by rotation, and being eligible offer themselves for re-election.

AUDITORS

KPMG Peat Marwick have expressed their willingness to continue in office in accordance with Section 153 of the Companies Act 1965.

BY ORDER OF THE BOARD

Pauline Binns
Secretary

Chairman's Statement

To be submitted to the Stockholders at the Eighty First Annual General Meeting to be held on the 14th day of May 1996 at 11:00 o'clock in the forenoon.

OPENING REMARKS

During the year under review, your Group sought to consolidate the level of profitability in the preceding year and reduce investment spending whenever possible except in areas that relate to brand building internationally or improving the efficiency of operations. Your Board has taken note of the Government's economic policies and, in particular, its preoccupation with holding the relative value of the Jamaican currency. To achieve this, the Government continues to rely on, amongst other measures, a high interest rate regime. If maintained for too long, this strategy carries a risk of placing businesses with high financial gearing in danger and can render production and, in particular, production-for-export business uncompetitive in the international market place. Although your Group fortunately has a very conservative financial gearing, your Board will continue the policy to consolidate the Group's profit position with the aim of reducing debt where feasible for as long as these conditions exist.

CONSOLIDATED PROFIT & LOSS AND BALANCE SHEET

The Company's Balance Sheet and the Group's Consolidated Balance Sheet as at 30th September, 1995 are submitted as well as the Consolidated Profit and Loss Account for the year ended on that date, and the Notes to those Financial Statements and the Report of the Auditors.

Compared to last year the Group recorded a smaller Profit attributable to the Members due solely to an Extraordinary Item in the preceding year. Profit after Taxation but before the Extraordinary Item for the year under review increased by a modest amount compared to that of the previous year. Details of the foregoing are set out elsewhere in this report.

The Wines and Spirits Division, once again, improved its profit performance over that of the preceding year. This performance was all the more creditable because it includes the cost of substantially increasing our marketing effort in the United States of America consequent upon the purchase of Carriage House Imports, our U.S. distributor, and our investment spending on the Appleton Jamaica Rum Brand in that and other markets. Preliminary results of this and other new marketing strategies are most encouraging.

Our 5 year strategic marketing objectives will, when achieved, profoundly alter the profile of the Wines and Spirits Division as it will posit a far greater international standing. Your Directors continue to evaluate carefully the progress of this strategic plan to ensure its successful implementation.

The fortunes of the Agro-Industrial (AGRI) Division were mixed. A severe drought together with the correcting of the cane crop cycle (which had been affected by industrial unrest in the preceding year) reduced cane yields on all our cane farms. Our sugar factory performed well, as evidenced by the record number of tons of cane processed into sugar, and our distilleries produced a record rum and spirits crop as measured in litres of absolute alcohol.

However, AGRI's financial performance was unsatisfactory; as the cost of importing molasses to supplement our record rum crop, the reduced cane yields and the cost associated with running New Yarmouth Estate without, for the first time, a sugar factory; caused AGRI to return a loss from operations during the year under review.

Once again, the Insurance Division was able to improve its profit performance over that of the previous year. I am particularly pleased with this improvement because much of Management's time and effort was devoted to the rationalization and integration of the functions and operations of Globe Insurance Co. of the West Indies Limited and GWI Insurance Services Limited, formerly Wray & Nephew Insurance Agency Limited. We achieved the required objectives of rationalization, namely improved customer service and improved efficiency. This strategy, but only where patently desirable, may well become worthy of emulation by other companies within our Group.

The Food and Drug Division was able to increase sales during the year, but the continued high cost of doing business in its manufacturing plants, caused primarily by the cost of finance, resulted in the Division recording a loss from operations. The quality of earnings continued to improve during the year and we will continue to be focused on this aspect of our operations. Your Board has for consideration a preliminary plan, the objective of which is to streamline the operations of certain Group companies within this Division and to take advantage of those synergies that will increase efficiency.

Your Group's aircraft handling subsidiary (AJAS Ltd.) which has operated for many years at both Jamaica's international airports continues to operate profitably, albeit at a reduced level when compared to last year; happily, it has a most competent complement of qualified personnel and equipment to service existing business as well as new business now being solicited.

The Consolidated Book Value of the Investment Portfolio increased once again from \$423,650,000 at 30th September 1994 to \$602,943,000 at 30th September 1995. This increase resulted mainly from the investment activities of two of our subsidiaries. The excess of market value over cost value of the Group's Quoted Investments increased from some \$684 million to some \$870 million at 30th September 1994 and 1995 respectively. This position was only possible by virtue of Kingston Wharves Limited becoming listed on the Jamaica Stock Exchange during the year under review.

CASH DISTRIBUTIONS

Dividends on the 6% Cumulative Preference Stock and on the 15% Cumulative Preference Stock have been paid. Interim Dividends and Distributions were declared and paid to the Holders of Ordinary Stock in March and September 1995.

LASCELLES COMMUNITY FUND

The Lascelles Community Fund continued to contribute to deserving causes in many areas during the year under review on behalf of the Lascelles Group of Companies.

STAFF & FACILITIES

The Lascelles, Henriques et al Superannuation Fund continued to operate successfully under the guidance of its Trustees and Secretary. The extensive benefits which it affords to members of staff in the fields of Pension and Disability and Life Insurance cover are a source of great satisfaction to your Directors.

The Lascelles Employees' Co-Operative Credit Union continued to function well during the year under review. Your Directors are happy with the continued interest shown by the Board of the Credit Union and its Secretary as well as its Members, in all the affairs of the Credit Union. Its facilities are proving to be of great benefit to its members.

Your Directors are happy to record their recognition of and appreciation for the loyalty and keen interest shown by the Management and Staff of all Companies in the Group during the year under review.

GEORGE ASHENHEIM
Chairman