

LASCO MANUFACTURING LIMITED
(FORMERLY)
LASCO FOODS (SUCCESSORS) LIMITED
FINANCIAL STATEMENTS
31 MARCH 2011

LASCO MANUFACTURING LIMITED
(FORMERLY)
LASCO FOODS (SUCCESSORS) LIMITED
FINANCIAL STATEMENTS
31 MARCH 2011

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INDEPENDENT AUDITORS' REPORT

To the Members of
Lasco Manufacturing Limited
(Formerly Lasco Foods (Successors) Limited)

Report on the Financial Statements

We have audited the financial statements of Lasco Manufacturing Limited (Formerly Lasco Foods (Successors) Limited) set out on pages 3 to 29, which comprise the statement of financial position as at 31 March 2011, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 controls 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 controls. 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
(Formerly Lasco Foods (Successors) Limited)

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 March 2011, and of its financial performance, changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions 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 Act, in the manner so required.

A handwritten signature in blue ink that reads 'BDO'.

Chartered Accountants

30 May 2011

LASCO MANUFACTURING LIMITED
(FORMERLY)
LASCO FOODS (SUCCESSORS) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2011


	<u>Note</u>	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
TURNOVER	5	2,969,611	-
Income from Joint Venture	6	-	172,020
		2,969,611	172,020
COST OF SALES		(2,035,110)	-
GROSS PROFIT		934,501	172,020
Other operating income	7	47,646	51,480
		982,147	223,500
EXPENSES:			
Administrative and other expenses		(341,281)	(60,600)
Selling and promotion expenses		(85,293)	-
	8	(426,574)	(60,600)
PROFIT FROM OPERATIONS		555,573	162,900
Finance costs	9	(37,701)	-
PROFIT BEFORE TAXATION	10	517,872	162,900
Taxation	11	(116,671)	(53,077)
NET PROFIT FOR THE YEAR		401,201	109,823
Other comprehensive income -			
Gain on disposal of property, plant and equipment		575	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		401,776	109,823
Earnings per stock unit	12	\$1.04	\$0.34

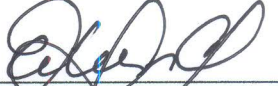
LASCO MANUFACTURING LIMITED
(FORMERLY)
LASCO FOODS (SUCCESSORS) LIMITED
STATEMENT OF FINANCIAL POSITION

31 MARCH 2011

	<u>Note</u>	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
<u>ASSETS</u>			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	<u>192,055</u>	<u>142,273</u>
CURRENT ASSETS:			
Inventories	14	486,615	156,873
Receivables	15	419,085	546,756
Related companies	16	10,493	-
Cash and cash equivalents	17	<u>229,300</u>	<u>277,588</u>
		<u>1,145,493</u>	<u>981,217</u>
		<u>1,337,548</u>	<u>1,123,490</u>
<u>EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY:			
Share capital	18	305,298	128,990
Capital reserve	19	924	924
Retained earnings		<u>524,024</u>	<u>122,248</u>
		<u>830,246</u>	<u>252,162</u>
NON-CURRENT LIABILITIES:			
Deferred tax liability	20	31,598	15,585
Long term liabilities	21	-	<u>214,163</u>
		<u>31,598</u>	<u>229,748</u>
CURRENT LIABILITIES:			
Payables	22	404,278	230,431
Bank overdraft	17	11,765	59,833
Directors' current account	16	-	263,746
Taxation		59,661	38,973
Current portion of long term liabilities	21	-	<u>48,597</u>
		<u>475,704</u>	<u>641,580</u>
		<u>1,337,548</u>	<u>1,123,490</u>

Approved for issue by the Board of Directors on 30 May 2011 and signed on its behalf by:


 Lascelles A Chin Director


 Eileen Chin Director

LASCO MANUFACTURING LIMITED
(FORMERLY)
LASCO FOODS (SUCCESSORS) LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED 31 MARCH 2011

	<u>Share Capital \$'000</u>	<u>Capital Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
Balance at 1 April 2009	128,990	924	12,425	142,339
Total comprehensive income for the year	-	-	<u>109,823</u>	<u>109,823</u>
Balance at 31 March 2010	128,990	924	122,248	252,162
Issue of shares net of transaction cost	176,308	-	-	176,308
Total comprehensive income for the year	-	-	<u>401,776</u>	<u>401,776</u>
Balance at 31 March 2011	<u>305,298</u>	<u>924</u>	<u>524,024</u>	<u>830,246</u>

LASCO MANUFACTURING LIMITED

(FORMERLY)

LASCO FOODS (SUCCESSORS) LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2011

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	401,201	109,823
Adjustments for:		
Effects of exchange rate translation	1,087	3,131
Interest income	(20,567)	(30,722)
Taxation expense	100,658	56,676
Interest expense	37,701	-
Deferred taxation	16,013	(3,599)
Depreciation	<u>47,921</u>	<u>46,224</u>
Operating cash flows before movements in working capital	584,014	181,533
Changes in operating assets and liabilities:		
Inventories	(329,742)	(77,047)
Receivables	126,971	(63,210)
Related companies	(10,493)	(124,962)
Payables	173,847	(106,107)
Director's current account	<u>(263,746)</u>	<u>282,223</u>
Taxation paid	280,851	92,430
Net cash provided by operating activities	<u>(79,970)</u>	<u>(29,275)</u>
	<u>200,881</u>	<u>63,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	20,180	25,701
Purchase of property, plant and equipment	(97,703)	(4,582)
Proceeds from disposal of property, plant and equipment	<u>575</u>	<u>-</u>
Net cash (used in)/provided by investing activities	<u>(76,948)</u>	<u>21,119</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares net of expenses	176,308	-
Interest paid	(37,701)	-
Loan repayments	<u>(262,760)</u>	<u>(50,818)</u>
Net cash used in financing activities	<u>(124,153)</u>	<u>(50,818)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(220)	33,456
Cash and cash equivalents at beginning of year	217,755	183,960
Effect of exchange rate translation on cash and cash equivalents	<u>-</u>	<u>339</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	<u>217,535</u>	<u>217,755</u>

LASCO MANUFACTURING LIMITED
(FORMERLY)
LASCO FOODS (SUCCESSORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Lasco Manufacturing Limited (Formerly Lasco Foods (Successors) 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 leased premises at 38½ Red Hills Road, Kingston 10.
- (b) The principal activities of the company are the manufacturing of soy based products and packaging of milk based products. Distribution of these products is done in the local and export markets.
- (c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on 12 October 2010.

2. REPORTING CURRENCY:

These financial statements are presented using Jamaican dollars which is considered the currency of the primary economic environment in which the company operates ("the functional 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.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 provisions of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed below:

LASCO MANUFACTURING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from receivables, for example, through unfavourable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

(ii) Net realizable value of inventories

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amounts the inventories are expected to realise. These estimates take into consideration fluctuations of price or costs directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

(iii) 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.

(iv) Expected useful life and residual value of property, plant and equipment

The expected useful life and residual value of an asset are reviewed at least at each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the company.

LASCO MANUFACTURING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

- (a) Basis of preparation (cont'd) -
- (v) Fair value of financial assets

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

Standards, interpretations and amendments to published standards effective in the reporting period.

During the reporting period, new standards, interpretations and amendments were applied for the first time from 1 April 2010. None of these had a material effect on the financial statements but have given rise to revised or additional disclosures.

Standards, interpretations and amendments to published standards that are not yet effective.

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the company are as follows:

- | | |
|-----------------|---|
| IFRS 9 | Financial Instruments (effective 1 January 2013), introduces new requirements for classifying and measuring financial assets. The standard also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments designated as fair value through other comprehensive income. |
| IAS 1 (Amended) | Presentation of Financial Statements - IAS 1 (effective 1 January 2011), is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognized in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. |

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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

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

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

Standards, interpretations and amendments to published standards that are not yet effective (cont'd).

IAS 24 (Revised) Related Party Disclosures (effective 1 January 2011), introduces changes to the related party disclosure requirements for government related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

IAS 34 (Amended) Interim Financial Reporting (effective 1 January 2011), has resulted in the addition of a number of examples of events or transactions that require disclosure.

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) 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.

(c) Foreign currency translation -

Transactions in foreign currencies are converted into the financial currency at the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at the end of the reporting period. 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 recognised in the statement of comprehensive income.

LASCO MANUFACTURING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(d) Revenue recognition

Revenue is recognized in the income statement 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, allowances and discounts.

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

(e) Property, plant and equipment -

Property, plant and equipment are stated at historical or "deemed cost" less accumulated depreciation and accumulated impairment losses.

Depreciation 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. Annual rates are as follows:

Buildings	2½%
Furniture and fixtures	10%
Machinery and equipment	10%
Computer equipment	20%
Motor vehicles	20%
Leasehold improvement	20%

Land is not depreciated as it is deemed to have an indefinite life.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating profit.

(f) Inventories -

Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:

Finished goods - Cost of product plus all indirect costs to bring the item to a saleable condition.

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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

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

(f) Inventories (cont'd) -

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.

(g) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity. Financial instruments carried in the statement of financial position include cash and cash equivalents, receivables, payables and related party balances. The particular recognition methods adopted are disclosed in the respective policy statements associated with each item.

(h) Provisions -

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(i) Impairment -

The carrying amounts of the company's tangible and intangible assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

(j) Trade receivables -

Trade receivables are carried at original invoice amounts less provision made for doubtful receivables and impairment of these receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified. A provision for doubtful debt is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

LASCO MANUFACTURING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(k) Taxation -

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges. Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income except where they relate to items recorded in equity, in which case, they are also charged or credited to equity.

(i) Current income taxes

Current income tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred income tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

(l) Borrowings and borrowing costs -

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are recognized as expense in the period in which they are incurred.

LASCO MANUFACTURING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(m) 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, in hand, deposits and short term highly liquid investments with original maturities of three months or less, net of bank overdraft.

(n) Trade and other payables -

Trade and other payables are stated at amortized cost.

(o) Employee benefits -

The company participates in a defined contribution plan, the assets of which are held separately from those of the company. Contributions to the plan made on the basis provided for in the rules are charged to the statement of income when due. Once the contributions have been paid, the company has no further obligations.

(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) Dividends -

Dividends are recognised when they become legally payable. In case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by shareholders at the Annual General Meeting.

LASCO MANUFACTURING LIMITED
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LASCO FOODS (SUCCESSORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2011

4. **FINANCIAL RISK MANAGEMENT:**

(a) Financial risk factors -

The company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk, interest rate risk and operational risk. The company's overall risk management policies are established to identify and analyze the risks faced by the company and to set appropriate risk limits and controls and to monitor risk and adherence to limits. The risk management framework is based on guidelines set by the Board of Directors together with management and seeks to minimize potential adverse effects on the company's financial performance.

(i) Market risk -

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 security or its issuer or factors affecting all instruments traded in the market. The company has no exposure to market risk as there are no traded securities.

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 purchases and US Dollar denominated investments. The company's exposure to foreign currency risk was as follows:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
(US\$)		
Cash and cash equivalents	1,749	573
Accounts receivable	730	542
Payables	<u>(3,831)</u>	<u>(2,702)</u>
	<u>(1,352)</u>	<u>(1,587)</u>
	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Payables (Euro)	<u>-</u>	<u>20</u>

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NOTES TO THE FINANCIAL STATEMENTS
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4. **FINANCIAL RISK MANAGEMENT:**

(a) Financial risk factors (cont'd) -

(i) Market risk (cont'd) -

Sensitivity analysis

Changes in the exchange rates of the Jamaican dollar (JA\$) to the United States dollar (US\$) would have the effects as described below:

	Increase/(decrease) in profit for the year	
	<u>2011</u> \$'000	<u>2010</u> \$'000
5% strengthening/weakening of the US\$ against the JA\$	<u>67</u>	<u>79</u>

The analysis assumes that all other variables, in particular interest rates, remain constant. It is performed on the same basis for 2010.

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

31 March 2010	89.52
31 March 2011	85.57

The company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximising foreign currency earnings.

(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. The company has significant concentrations of credit risk with related companies. The company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The company manages its credit risk by screening its customers, establishing credit limits and the rigorous follow-up of receivables and ensuring investments are low-risk or, are held with reputable financial institutions.

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31 MARCH 2011

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

(a) Financial risk factors (cont'd) -

(ii) Credit risk (cont'd) -

The maximum exposure to credit risk at the reporting date is represented by the carrying amount of each financial asset as follows:

	<u>Carrying Amount</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents	229,300	277,588
Receivables	419,085	546,756
Due from related companies	<u>11,243</u>	<u>-</u>
	<u>659,628</u>	<u>824,344</u>

There were no changes in the company's approach to managing credit risk during the year.

(iii) 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. As the company has no significant interest bearing assets or liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from cash and cash equivalents and bank overdraft.

(iv) Liquidity risk -

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

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

(a) Financial risk factors (cont'd) -

(iv) Liquidity risk (cont'd) -

The following are the contractual maturities of financial liabilities measured at amortised cost, including interest payments. The tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the company can be required to settle:

	<u>2011</u>		
	<u>Carrying</u> <u>Amount</u> <u>\$'000</u>	<u>Contractual</u> <u>Cash Flows</u> <u>\$'000</u>	<u>6 Months</u> <u>or less</u> <u>\$'000</u>
Payables	404,278	404,278	404,278
Bank overdraft	<u>11,765</u>	<u>11,765</u>	<u>11,765</u>
Total financial liabilities	<u>416,043</u>	<u>416,043</u>	<u>416,043</u>

	<u>2010</u>			
	<u>Carrying</u> <u>Amount</u> <u>\$'000</u>	<u>Contractual</u> <u>Cash Flows</u> <u>\$'000</u>	<u>6 Months</u> <u>or less</u> <u>\$'000</u>	<u>Over 12</u> <u>Months</u> <u>\$'000</u>
Long term loan	262,760	262,760	24,298	238,462
Payables	230,431	230,431	230,431	-
Bank overdraft	<u>59,833</u>	<u>59,833</u>	<u>59,833</u>	<u>-</u>
Total financial liabilities	<u>553,024</u>	<u>553,024</u>	<u>314,562</u>	<u>238,462</u>

(v) Cash flow risk -

Cash flow risk 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.

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4. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(vi) Operational risk -

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the company's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. The company manages operational risk so as to avoid financial loss and damage to its reputation.

(b) Capital management -

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital which the company defines as the total shareholders' equity. The level of dividends to ordinary shareholders is also monitored. There was no other externally imposed capital requirement and no change in the company's capital management process during the year.

(c) Fair value estimation -

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The amounts included in the financial statements for cash and cash equivalents, receivables, payables, borrowing facilities and related party balances reflect their approximate fair value because of the short term maturity of these instruments.

Long term liabilities reflect the company's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar instruments.

5. TURNOVER:

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

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6. **AMALGAMATION:**

A decision was taken to reorganise the Lasco companies as at 31 March 2010, in order to achieve efficiencies and synergies and thereby enhance financial performance. The agreement was ratified and confirmed by the Board of Directors of each of the companies in resolutions passed as of 13 August 2010 whereby the companies entered into an amalgamation agreement which served to combine their respective businesses such that Lasco Foods (Successors) Limited acquired the business of Lasco Foods Limited, comprising substantially all of its assets subject to any encumbrances, in consideration of substantially all of its liabilities, as a going concern.

On the 31 May 2010, the company's name was changed to Lasco Manufacturing Limited from Lasco Foods (Successors) Limited.

For comparative purposes only, the combined results of operations of Lasco Manufacturing Limited (Formerly Lasco Foods (Successors) Limited and Lasco Foods Limited) are as follows:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Turnover	2,969,611	2,587,621
Cost of sales	<u>(2,035,110)</u>	<u>(1,899,286)</u>
Gross profit	934,501	688,335
Other income	<u>47,646</u>	<u>68,376</u>
	982,147	756,711
Administrative, selling and other expenses	<u>(426,574)</u>	<u>(559,530)</u>
Profit from operations	555,573	197,181
Finance costs	<u>(37,701)</u>	<u>-</u>
PROFIT BEFORE TAXATION	<u>517,872</u>	<u>197,181</u>

For the prior period, the income from Joint Venture represents the share of profit from Joint Venture operation as per Joint Venture agreement. The Joint Venture was discontinued after the amalgamation.

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7. OTHER OPERATING INCOME:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Interest income	20,567	30,722
Management fees	<u>27,079</u>	<u>20,758</u>
	<u>47,646</u>	<u>51,480</u>

8. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Directors' remuneration	27,845	11,200
Audit fees	3,993	3,176
Directors' fee	639	-
Staff costs (note 23)	106,890	-
Casual labour	47,859	-
Local travel, accommodation and motor vehicle expenses	10,342	-
Rates, taxes, telephone and electricity	22,238	-
Repairs and maintenance, cleaning and sanitation	15,402	-
Office, general, printing and stationery	2,419	-
Legal, professional, management and accounting	16,532	-
Donations and subscriptions	7,875	-
Advertising and promotion	60,390	-
Foreign travel and entertainment	8,645	-
Insurance	18,655	-
Security	11,880	-
Building and equipment rental	11,549	-
Bank charges	4,043	-
Foreign exchange loss	1,087	-
Bad debts	370	-
Depreciation	<u>47,921</u>	<u>46,224</u>
	<u>426,574</u>	<u>60,600</u>

The comparatives do not reflect the amalgamated position.

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9. **FINANCE COSTS:**

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Interest expense -		
Loans	31,739	-
Other	<u>5,962</u>	<u>-</u>
	<u>37,701</u>	<u>-</u>

10. **PROFIT BEFORE TAXATION:**

Profit before taxation is stated after charging:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Directors' emoluments -		
Fees	639	-
Management remuneration	27,845	11,200
Auditors' remuneration	3,200	3,175
Bad debts	370	-
Depreciation	<u>47,921</u>	<u>46,224</u>

11. **TAXATION:**

(a) Taxation is based on the operating results for the year, adjusted for taxation purposes, and is made up as follows:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Current year income tax @ 33 1/3%	100,658	56,676
Deferred taxation (note 20)	<u>16,013</u>	<u>(3,599)</u>
Taxation charge in income statement	<u>116,671</u>	<u>53,077</u>

The comparatives do not reflect the amalgamated position.

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11. TAXATION (CONT'D):

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

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Profit before taxation	<u>517,872</u>	<u>162,900</u>
Taxation calculated at 33 1/3%	172,624	54,300
Adjusted for the effects of:		
Expenses not deducted for tax purposes	25,019	462
Interest receivable	(129)	(1,674)
Share of Joint Venture profit	-	60,928
Income from Joint Venture	-	(57,340)
Net effect of other charges and allowances	<u>6,911</u>	<u>(3,599)</u>
	204,425	53,077
Adjustment for the effect of tax remission:		
Current tax	<u>(87,754)</u>	<u>-</u>
Taxation charge in income statement	<u>116,671</u>	<u>53,077</u>

(b) 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 5 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 SHARE:

This is computed by dividing the profit for the year by the weighted average number of shares in issue for the year of 387,059,945 (2010 - 326,343,941). The weighted average number of shares for both years reflects the 2.53 split in the number of shares in issue up to 13 August 2010.

The comparatives do not reflect the amalgamated position.

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13. PROPERTY, PLANT AND EQUIPMENT:

	<u>Land & Building \$'000</u>	<u>Machinery & Equipment \$'000</u>	<u>Leasehold Improvement \$'000</u>	<u>Motor Vehicles \$'000</u>	<u>Furniture & Fixtures \$'000</u>	<u>Computer Equipment \$'000</u>	<u>Total \$'000</u>
At cost:							
1 April 2009	39,770	125,540	1,787	12,260	3,983	193,090	376,430
Additions	<u>-</u>	<u>2,276</u>	<u>-</u>	<u>-</u>	<u>2,261</u>	<u>45</u>	<u>4,582</u>
At 31 March 2010	39,770	127,816	1,787	12,260	6,244	193,135	381,012
Additions	83,998	1,532	-	11,765	65	343	97,703
Retirement/disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,171)</u>	<u>-</u>	<u>-</u>	<u>(1,171)</u>
At 31 March 2011	<u>123,768</u>	<u>129,348</u>	<u>1,787</u>	<u>22,854</u>	<u>6,309</u>	<u>193,478</u>	<u>477,544</u>
Depreciation:							
1 April 2009	7,215	70,920	1,600	12,260	2,443	98,077	192,515
Charge for the year	<u>869</u>	<u>8,598</u>	<u>87</u>	<u>-</u>	<u>345</u>	<u>36,325</u>	<u>46,224</u>
At 31 March 2010	8,084	79,518	1,687	12,260	2,788	134,402	238,739
Charge for the year	1,405	8,894	66	1,211	384	35,961	47,921
Retirement/disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,171)</u>	<u>-</u>	<u>-</u>	<u>(1,171)</u>
At 31 March 2011	<u>9,489</u>	<u>88,412</u>	<u>1,753</u>	<u>12,300</u>	<u>3,172</u>	<u>170,363</u>	<u>285,489</u>
Net Book Value:							
31 March 2011	<u>114,279</u>	<u>40,936</u>	<u>34</u>	<u>10,554</u>	<u>3,137</u>	<u>23,115</u>	<u>192,055</u>
31 March 2010	<u>31,686</u>	<u>48,298</u>	<u>100</u>	<u>-</u>	<u>3,456</u>	<u>58,733</u>	<u>142,273</u>

Land and building represents a fifty (50%) share in property held in trust by a related company. The property is located at White Marl in St. Catherine.

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14.	INVENTORIES:	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
	Raw materials	254,154	63,664
	Finished goods	12,040	4,156
	Goods in transit	<u>220,421</u>	<u>89,053</u>
		<u>486,615</u>	<u>156,873</u>

15.	RECEIVABLES:	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
	Trade receivables	317,451	442,410
	Other receivables	<u>101,634</u>	<u>104,346</u>
		<u>419,085</u>	<u>546,756</u>

Included in trade receivables is an amount of \$62,815,564 (2010 - \$49,241,376) receivable in foreign currency.

The aging of trade receivables is as follows:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
0-30 days	226,293	191,061
31-60 days	62,873	173,893
61-90 days	6,063	52,897
90 days and over	<u>22,222</u>	<u>24,559</u>
	<u>317,451</u>	<u>442,410</u>

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16. **RELATED PARTY TRANSACTIONS AND BALANCES:**

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The following transactions were carried out with related parties.

<u>Transactions</u>	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Purchase of goods/foreign currency:		
Lasco Distributors Limited	48,510	42,353
Lasco Financial Services Limited	<u>1,568,460</u>	<u>1,098,416</u>
Sale of goods/services:		
Lasco Distributors Limited	<u>2,681,701</u>	<u>1,941,603</u>
Management fees - Lasco Distributors Limited	<u>27,079</u>	<u>20,758</u>
Key management compensation:		
Key management includes directors, (executive and non-executive) and senior managers -		
Salaries and other short-term employee benefits	35,081	18,734
Fees	<u>639</u>	<u>-</u>
<u>Year end balances</u>		
With related parties:		
Due from -		
Lasco Foods Limited	10,493	-
Lasco Distributors Limited (included in trade receivables)	<u>252,410</u>	<u>400,805</u>
Due to -		
Lasco Distributors Limited (included in payables)	5,535	3,960
Lasco Financial Services Limited (included in payables)	985	-
Lasco Properties Limited (included in payables)	<u>-</u>	<u>424</u>
With directors and other key management:		
Amount payable	<u>-</u>	<u>263,746</u>

There is a thirty (30) day repayment term of the amounts due to and from related parties. The balance due from Lasco Foods Limited was settled subsequent to the year end.

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17. CASH AND CASH EQUIVALENTS:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Petty cash	20	20
Cash in hand	25	-
Certificates of deposit	106,809	226,155
Foreign currency savings accounts	34,231	25,687
FCIB US dollar current account	88,215	25,672
Cash receipt clearing account	-	18
Current accounts	-	36
	<u>229,300</u>	<u>277,588</u>
Bank overdraft	(11,765)	(59,833)
	<u>217,535</u>	<u>217,755</u>

Bank overdraft is secured by overdraft lending agreement signed for JMD \$55,000,000.

18. SHARE CAPITAL:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Authorised - 442,750,000 (2010 - 130,000,000) Ordinary shares of no par value		
Stated capital, issued and fully paid - 128,989,700 Ordinary shares of no par value	-	128,990
408,713,017 Ordinary shares of no par value	326,745	-
Less: Transaction costs of share issue	(21,447)	-
	<u>305,298</u>	<u>128,990</u>

On 13 August 2010, the company unanimously passed the following resolutions as written resolutions of the company in accordance with Article 85 of the Articles of Incorporation of the company:

- (a) That each ordinary share in the capital be divided into 2.53 ordinary shares for shareholders on record at 13 August 2010.
- (b) That the authorised share capital of the company be increased by 45,000,000 to 175,000,000 ordinary shares.

On 12 October 2010, the company issued 81,585,985 new shares to the public and the shares were listed on the Junior Stock Market of the Jamaica Stock Exchange (see note 1).

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19. CAPITAL RESERVE:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Gain on disposal of property, plant and equipment	<u>924</u>	<u>924</u>

20. DEFERRED TAX LIABILITY:

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 33 1/3%.

The movement on the deferred income tax account is as follows:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Liability at beginning of year	15,585	19,184
Charged/(credited) to income statement (note 11)	<u>16,013</u>	<u>(3,599)</u>
Liability at end of year	<u>31,598</u>	<u>15,585</u>

Deferred taxation represents accelerated tax depreciation.

21. LONG TERM LIABILITIES:

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
FCIB (12.25% -23.92%)	-	262,760
Less - current portion	<u>-</u>	<u>(48,597)</u>
	<u>-</u>	<u>214,163</u>

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22. **PAYABLES:**

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Trade payables	310,335	170,168
Other payables and accruals	<u>93,943</u>	<u>60,263</u>
	<u>404,278</u>	<u>230,431</u>

Included in trade payables is an amount of J\$161,789,844 (2010- J\$113,271,053) payable in foreign currency. The directors are of the opinion that payables are fairly stated due to the short term maturity of these instruments.

23. **STAFF COSTS:**

	<u>2011</u> <u>\$'000</u>	<u>2010</u> <u>\$'000</u>
Salaries and related costs	85,275	-
Pension costs	1,979	-
Staff welfare	<u>8,675</u>	<u>-</u>
	95,929	-
Redundancy costs	<u>10,961</u>	<u>-</u>
	<u>106,890</u>	<u>-</u>

The average number of persons employed by the company during the year was thirty-two (32), (2010 - nil).

24. **PENSION SCHEME:**

The company operates a 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 \$1,978,637 for the year.

25. **CONTINGENT LIABILITIES:**

The company's banker, First Caribbean International (Jamaica) Limited has issued guarantees in favour of third parties totalling J\$8,000,000 and US\$240,850 (2010 - J\$8,000,000).