LASCO MANUFACTURING LIMITED

FINANCIAL STATEMENTS

31 MARCH 2013

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31 MARCH 2013

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 28, which comprise the statement of financial position as at 31 March 2013, 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

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 March 2013, 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.

BDO

Chartered Accountants

29 May 2013

LASCO MANUFACTURING LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2013

	Note	2013 $'000	2012 $'000
REVENUE	5	3,659,094	3,227,502
COST OF SALES		(2,614,865)	(2,309,814)
GROSS PROFIT		1,044,229	917,688
Other operating income	6	8,366	33,509
		1,052,595	951,197
EXPENSES:			
Administrative and other expenses		(346,354)	(325,317)
Selling and promotion expenses		(61,707)	(62,000)
	7	(408,061)	(387,317)
PROFIT FROM OPERATIONS		644,534	563,880
Finance costs	8	(4,314)	(2,671)
PROFIT BEFORE TAXATION	9	640,220	561,209
Taxation	10	-	26,551
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		640,220	587,760
Earnings per stock unit	11	$1.57	$1.44

LASCO MANUFACTURING LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2013

	Note	2013 $'000	2012 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	1,905,738	1,009,606
CURRENT ASSETS:			
Inventories	14	489,860	278,693
Receivables	15	628,938	446,642
Tax recoverable		12,591	12,475
Related parties	16	3,151	10,721
Director's current account	16	2,918	-
Short term investment	17	69,214	-
Cash and bank balances	18	122,959	34,618
		1,329,631	783,149
		3,235,369	1,792,755
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	19	305,298	305,298
Retained earnings		1,634,405	1,051,404
		1,939,703	1,356,702
NON-CURRENT LIABILITY:			
Long term loan	20	804,148	-
CURRENT LIABILITIES:			
Payables	21	258,853	231,973
Bank overdraft	18	30,958	204,080
Current portion of long term loan	20	201,707	-
		491,518	436,053
		3,235,369	1,792,755

Approved for issue by the Board of Directors on 29 May 2013 and signed on its behalf by:

L A Chin Chairman

Eileen Chin Director

LASCO MANUFACTURING LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEAR ENDED 31 MARCH 2013

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Balance at 1 April 2011		305,298	524,948	830,246
Total comprehensive income for the year	12	-	587,760	587,760
Dividends		-	(61,304)	(61,304)
Balance at 31 March 2012		305,298	1,051,404	1,356,702
Total comprehensive income for the year		-	640,220	640,220
Dividends	12	-	(57,219)	(57,219)
Balance at 31 March 2013		305,298	1,634,405	1,939,703

LASCO MANUFACTURING LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	640,220	587,760
Adjustments for:		
Depreciation	19,272	36,652
Interest income	(775)	(5,089)
Deferred taxation	-	(31,598)
Gain on disposal of property, plant and equipment	-	(6,827)
Interest expense	4,314	2,671
Taxation expense	-	5,047
Operating cash flows before movements in working capital	663,031	588,616
Changes in operating assets and liabilities:		
Inventories	(211,167)	207,922
Receivables	(182,042)	(27,934)
Related parties	7,570	(228)
Taxation recoverable	(116)	-
Payables	26,880	(172,305)
Director's current account	(2,918)	-
	301,238	596,071
Taxation paid	-	(77,183)
Net cash provided by operating activities	301,238	518,888
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	521	5,466
Short term investment	(69,214)	-
Purchase of property, plant and equipment	(915,404)	(857,186)
Proceeds from disposal of property, plant and equipment	-	9,810
Net cash used in investing activities	(984,097)	(841,910)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(4,314)	(2,671)
Loan received	1,005,855	-
Dividends paid	(57,219)	(61,304)
Net cash provided by/(used in) financing activities	944,322	(63,975)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	261,463	(386,997)
Cash and cash equivalents at beginning of year	(169,462)	217,535
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 18)	92,001	(169,462)

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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 leased premises at 38½ Red Hills Road, Kingston 10. 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 and packaging of milk based products. Distribution of these products is done in the local and export markets.

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. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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.

(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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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

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

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 2012. None of these had a material effect on the financial statements.

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:

IAS 1 (Amended)	Presentation of Financial Statements (effective for annual reporting periods beginning on or after 1 January 2013), amendments resulting from Annual Improvements 2009 – 2011 cycle.
IAS 32 (Amended)	Financial Instruments: Presentation (effective for annual reporting periods beginning on or after 1 January 2014), amendments to application guidance on the off-settling of financial assets and financial liabilities.
IFRS 7 (Amended)	Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2015), requires additional disclosures for transfers of financial assets. It lists transferred assets that are derecognised in their entirety and those not derecognised in their entirety.
IFRS 9	Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015), introduces new requirements for classifying and measuring financial assets. It also includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss. 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.

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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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

(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 functional 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 rates ruling at that date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

(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 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. Annual rates are as follows:

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

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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

(e) Property, plant and equipment (cont'd) -

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 the income statement.

(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.
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) 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.

(h) 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 assets

The company classifies its financial assets in the following categories: loans and receivables and available for sale. 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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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

(h) Financial instruments (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recongised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income.

Financial liabilities

The company's financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method. These liabilities are classified as payables and bank overdraft and included in current liabilities on the statement of financial position.

(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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(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.

(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) 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.

(m) Trade and other payables -

Trade and other payables are stated at amortized cost.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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

(n) Employee benefits -

(i) Pension scheme costs

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.

(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.

(iii) Other employee benefits

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

(o) 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.

(p) Other receivables –

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

(q) 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.

(r) Borrowings and borrowing costs –

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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:

	2013 $'000	2012 $'000
(US$)		
Cash and bank balances	1,239	391
Short term investment	700	-
Accounts receivable	864	539
Payables	(2,070)	(2,490)
	733	(1,560)

	2013 $'000	2012 $'000
Payables (GBP)	-	(2)

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

4. **FINANCIAL RISK MANAGEMENT:**

(a) Financial risk factors (cont'd) –

(i) Market risk (cont'd) -

Currency 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:

Currency	% Change in Currency Rate 2013	Effect on Profit for the Increase/ (Decrease) 2013 $'000	% Change in Currency Rate 2012	Effect on Profit for the Increase/ (Decrease) 2012 $'000
USD	+1	(723)	+1	1,361
USD	-10	7,229	-1	(1,361)

The analysis assumes that all other variables, in particular interest rates, remain constant. It is performed on the basis of 1% (strengthening) and 10% (weakening) (2012 – 1%) movement in exchange rate.

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

31 March 2013	98.62
31 March 2012	87.27

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 company. 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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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:

	Carrying Amount	
	2013 $'000	2012 $'000
Cash and bank balances	122,959	34,618
Short term investment	69,214	-
Receivables	628,938	446,642
Due from related parties	3,151	10,721
	824,262	491,981

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. The company manages interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. 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, loan and bank overdraft. Loan interest is fixed for three years hence there is no significant exposure to interest rate fluctuations.

(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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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:

	2013				
	Carrying Amount $'000	Contractual Cash Flows $'000	6 Months or Less $'000	1 to 5 Years $'000	Total $'000
Payables	258,853	258,853	258,853	-	258,853
Bank overdraft	30,958	30,958	30,958	-	30,958
Long term loan	1,005,855	1,187,768	148,471	1,039,297	1,187,768
Total financial liabilities	1,295,666	1,477,579	438,282	1,039,297	1,477,579

	2012		
	Carrying Amount $'000	Contractual Cash Flows $'000	6 Months or less $'000
Payables	231,973	231,973	231,973
Bank overdraft	204,080	204,080	204,080
Total financial liabilities	436,053	436,053	436,053

(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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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 investor, creditor 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. **REVENUE:**

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

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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6. **OTHER OPERATING INCOME:**

	2013 $'000	2012 $'000
Interest income	774	5,089
Management fees	2,839	26,840
Rental income	189	192
Other income	4,564	1,388
	8,366	33,509

7. **EXPENSES BY NATURE:**

Total administrative, selling and other expenses:

	2013 $'000	2012 $'000
Staff costs (note 22)	103,621	79,955
Directors' expense	50,133	44,192
Advertising and promotion	61,707	62,009
Foreign exchange loss	15,507	1,558
Travelling and entertainment	24,789	26,348
Other operating expenses	152,304	173,255
	408,061	387,317

8. **FINANCE COSTS:**

	2013 $'000	2012 $'000
Interest expense –		
Other	4,314	2,671

9. **PROFIT BEFORE TAXATION:**

Profit before taxation is stated after charging/(crediting):

	2013 $'000	2012 $'000
Directors' emoluments –		
Fees	2,498	1,458
Management remuneration	47,535	42,734
Auditors' remuneration –		
Current year	3,815	4,000
Prior year under provision	(360)	349
Bad debts	-	685
Gain on disposal of property, plant and equipment	-	(6,827)
Depreciation	19,272	36,652

LASCO MANUFACTURING LIMITED

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10. **TAXATION:**

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

	2013 $'000	2012 $'000
Current year income tax @ 25% (2012 – 33 1/3%)	-	-
Prior year under provision	-	5,047
Deferred taxation	-	(31,598)
Taxation credit in income statement	-	(26,551)

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

	2013 $'000	2012 $'000
Profit before taxation	640,220	561,209
Taxation calculated at 25% (2012 - 33 1/3%)	160,055	187,070
Adjusted for the effects of:		
Prior years under provision	-	5,047
Expenses not deducted for tax purposes	8,536	15,640
Interest receivable	-	(3)
Net effect of other charges and allowances	(2,961)	(36,045)
	165,630	171,709
Adjustment for the effect of tax remission:		
Current tax	(165,630)	(198,260)
Taxation credit in income statement	-	(26,551)

(c) Remission of income tax:

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

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

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

LASCO MANUFACTURING LIMITED

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11. **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 408,713,017 (2012 – 408,713,017).

12. **DIVIDENDS:**

	2013 $'000	2012 $'000
In respect of 2011 (0.15¢ per share)	-	61,304
In respect of 2012 (0.14¢ per share)	57,219	-
	57,219	61,304

LASCO MANUFACTURING LIMITED

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

	Land & Buildings $'000	Machinery & Equipment $'000	Leasehold Improvement $'000	Assets under Construction $'000	Motor Vehicles $'000	Furniture & Fixtures $'000	Computer Equipment $'000	Total $'000
At cost:								
1 April 2011	123,768	129,348	1,787	-	22,854	6,309	193,478	477,544
Adjustment	-	(706)	-	-	-	-	706	-
Additions	25,711	30,398	3,490	796,617	-	-	970	857,186
Retirement/disposal	-	(3,220)	-	-	(4,471)	-	-	(7,691)
31 March 2012	149,479	155,820	5,277	796,617	18,383	6,309	195,154	1,327,039
Additions	-	3,306	-	911,236	-	685	177	915,404
Retirement/disposal	-	-	-	-	(2,685)	-	-	(2,685)
At 31 March 2013	149,479	159,126	5,277	1,707,853	15,698	6,994	195,331	2,239,758
Depreciation:								
1 April 2011	9,489	88,412	1,753	-	12,300	3,172	170,363	285,489
Adjustment	-	(76)	-	-	-	-	76	-
Charge for the year	2,531	9,353	389	-	2,353	374	21,652	36,652
Retirement/disposal	-	(237)	-	-	(4,471)	-	-	(4,708)
31 March 2012	12,020	97,452	2,142	-	10,182	3,546	192,091	317,433
Charge for the year	2,584	11,445	698	-	2,348	458	1,739	19,272
Retirement/disposal	-	-	-	-	(2,685)	-	-	(2,685)
At 31 March 2013	14,604	108,897	2,840	-	9,845	4,004	193,830	334,020
Net Book Value:								
31 March 2013	134,875	50,229	2,437	1,707,853	5,853	2,990	1,501	1,905,738
31 March 2012	137,459	58,368	3,135	796,617	8,201	2,763	3,063	1,009,606

LASCO MANUFACTURING LIMITED

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13. **PROPERTY, PLANT AND EQUIPMENT (CONT'D):**

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.

The net book value of property, plant and equipment includes assets under construction amounting to $1,707,853,000 (2012 - $796,617,000) relating to the construction of new warehouse, plant and equipment to be located at White Marl, St. Catherine.

The cost will be depreciated once the property is complete and available for use. The estimated (additional) cost of completion of the facility and to which the company is contractually committed is $400,000,000.

Interest and commitment fees capitalised during the year amounted to $30,825,491.

14. **INVENTORIES:**

	2013 $'000	2012 $'000
Raw materials	298,301	142,430
Finished goods	10,264	8,109
Goods in transit	181,295	128,154
	489,860	278,693

15. **RECEIVABLES:**

	2013 $'000	2012 $'000
Trade receivables	549,784	382,125
Other receivables	79,154	64,517
	628,938	446,642

Included in trade receivables is an amount of $83,540,474 (2012 - $53,903,308) receivable in foreign currency.

The aging of trade receivables is as follows:

	2013 $'000	2012 $'000
0-30 days	318,457	351,235
31-60 days	208,962	25,237
61-90 days	15,647	4,053
90 days and over	6,718	1,600
	549,784	382,125

LASCO MANUFACTURING LIMITED

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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:

	2013 $'000	2012 $'000
Transactions		
Purchase of goods/foreign currency:		
Lasco Distributors Limited	33,053	40,248
Lasco Financial Services Limited	2,585,199	1,713,489
Sale of goods/services:		
Lasco Distributors Limited	3,339,219	3,000,707
Management fees income/(expense):		
Lasco Distributors Limited	2,839	26,840
Lasco Financial Services Limited	(512)	(362)
Building rental expense	6,840	6,840
Key management compensation:		
Key management includes directors, (executive and non-executive) and senior managers -		
Salaries and other short-term employee benefits	51,061	49,752
Fees	2,598	1,458
Year end balances		
With related parties:		
Due from –		
Lasco Distributors Limited	10	-
Lasco Foods Limited	3,141	10,721
	3,151	10,721
Lasco Distributors Limited (included in trade receivables)	464,839	326,939
Lasco Financial Services Limited (included in trade receivables)	253	187
Due to –		
Lasco Distributors Limited (included in payables)	10,799	5,412
Lasco Financial Services Limited (included in payables)	1,104	953

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

	2013 $'000	2012 $'000
With directors and other key management:		
Director's current account	2,918	-

LASCO MANUFACTURING LIMITED

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17. **SHORT TERM INVESTMENT:**

This represents US$ interest bearing deposit which have been invested for a period of one (1) year at a weighted average interest rate of 2%.

18. **CASH AND CASH EQUIVALENTS:**

	2013 $'000	2012 $'000
Cash and bank balances -		
Petty cash	20	20
Cash in hand	25	25
Certificate of deposit	32,146	28,195
Foreign currency savings account	37,167	3,561
Foreign currency current accounts	53,237	2,384
Local current accounts	364	433
	122,959	34,618
Bank overdraft	(30,958)	(204,080)
	92,001	(169,462)

Bank overdraft is secured by overdraft lending agreement signed for JA$55M.

19. **SHARE CAPITAL:**

	2013 $'000	2012 $'000
Authorised -		
442,750,000 Ordinary shares of no par value		
Stated capital –		
Issued and fully paid –		
408,713,017 Ordinary shares of no par value	305,298	305,298

20. **LONG TERM LOAN:**

	2013 $'000	2012 $'000
FirstCaribbean International Bank (Jamaica) Limited	1,005,855	-
Less: current portion	(201,707)	-
	804,148	-

The loan attracts an interest rate of 8.4% per annum which is fixed for three years. 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. There will be an initial twelve month moratorium on principal repayments during which time, interest only, will be payable at monthly rests, in arrears.

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20. **LONG TERM LOAN (CONT'D):**

The loan is 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 FirstCaribbean International Bank (Jamaica) Limited noted thereon.

21. **PAYABLES:**

	2013 $'000	2012 $'000
Trade payables	223,443	228,030
Other payables and accruals	35,410	3,943
	258,853	231,973

Included in trade payables is an amount of J$203,731,043 (2012- J$140,139,401) payable in foreign currency.

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22. **STAFF COSTS:**

	2013 $'000	2012 $'000
Salaries and related costs	77,595	59,619
Termination costs	7,330	-
Pension costs	2,621	2,436
Staff welfare	13,299	15,291
	100,845	77,346
Redundancy costs	2,776	2,609
	103,621	79,955

The average number of persons employed by the company during the year was thirty-seven (37), (2012 – thirty-five (35)).

23. **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 $2,621,342 for the year.

24. **CONTINGENT LIABILITIES:**

The company's banker, FirstCaribbean International Bank (Jamaica) Limited has issued guarantees in favour of third parties totalling J$8,000,000 (2012 – US$240,840).

25. **EVENTS AFTER THE REPORTING PERIOD:**

An Extraordinary General Meeting is scheduled to be held on 26 June 2013. The directors have convened a meeting on the date stated for members of the company to consider the recommendation to split the shares of the company by subdividing each share into ten (10) new shares.