

**LASCO**



**Manufacturing**

**WE HAVE A WORLD  
OF OPPORTUNITY  
IN OUR HANDS**

**ANNUAL REPORT 2013**





# Our Vision & Mission

## VISION

To become a global corporate leader, through innovation and entrepreneurship. Driven by a passion for excellence and compassion for our fellowman, we will make LASCO a world name, synonymous with integrity, value and service.

## MISSION

To provide quality products and services to our customers, ensure profitability, promote employee development.

Being the best...Always.

## Key Financial Performance Indicators

Key financial performance indicators are set out below:

As at March 31, for the periods ended March 2013, March 2012 and March 2011

	2012-13	2011-12	2010-11
<b>REVENUE</b>	(\$'000) \$3,659,094	(\$'000) \$3,227,502	(\$'000) \$2,969,611
Percentage Change	13.4%	8.68%	0.00
<b>Gross Profit</b>	\$1,044,229	\$917,688*	\$934,501
Percentage Change	14%	-2%	0.00
<b>GROSS MARGIN</b>	28.5%	28.4%	31.5%
<b>PROFIT FROM OPERATIONS</b>	644,534	563,880	556,148
Percentage Change	14.30%	1.39%	0.00
<b>Net Cash flows from operating activities</b>	\$301,238	\$518,888	\$200,881
Percentage Change	-41.95%	158.3%	0.00
<b>FINANCE COSTS</b>	4,314	2,671	37,701
Percentage Change	61.51%	92.9%	0.00
<b>PROFIT BEFORE TAXATION</b>	640,220	561,209	518,447
Percentage Change	14.08%	8.25%	0.00
<b>PROFIT AFTER TAXATION</b>	640,220	587,760	401,776
Percentage Change	8.93%	46.29%	0.00
<b>DIVIDEND PAID</b>	57,220	61,304	0.00
Percentage Change	-6.66%	0.00	0.00
<b>LONG TERM DEBT</b>	\$1,005,855	\$0.00	0.00
<b>SHAREHOLDER'S EQUITY</b>	1,939,703	1,356,702	830,246
Percentage Change	42.97%	63.41%	0.00

\* Restated for comparative purposes



27 Red Hills Road, Kingston 10  
Jamaica, W.I.  
www.lascojamaica.com

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LASCO Manufacturing have formed strategic alliances to increase their ability to promote high-quality products in international markets. We export the LASCO produced products as well as the range of branded products through distributors in the Caribbean, North America, Canada and the United Kingdom. We are benefiting from the alliance formed with our distributors, their distribution network, consistent customer service, streamlined operations, and opportunities in a broader range of markets.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of **LASCO MANUFACTURING LIMITED** will be held at the Terra Nova All-Suite Hotel, 17 Waterloo Road, Kingston 10 on Monday, September 30, 2013 at 10:00am. The proposed resolutions are as follows:

## ORDINARY BUSINESS Ordinary Resolutions

### 1. Stock Option Plan

"**THAT** the following resolution be considered by the members and if thought fit be passed as an ordinary resolution of the Company:

#### BE IT RESOLVED:

"**THAT** the Directors be and are hereby authorized to enter into a stock option plan for up to but not more than 5% of the issued ordinary shares of the Company with such of the employees of the Company as the directors might determine upon such terms and conditions and subject to such rules and regulations as the directors shall in their absolute discretion determine and to execute such deeds agreements documentation or other assurances as might be required and to enter into such engagements and arrangements as might be necessary for the due operation and administration of such a plan."

### 2. Audited Accounts

To consider and if thought fit, pass the following resolution:  
"**THAT** the Audited Accounts for the year ended March 31, 2013 and the Reports of the Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted."

### 3. Election of Directors

**3.1 Article 97** of the Company's Articles of Incorporation provides that one-third of the Directors, if their number is not three (3) or a multiple of three (3), the number nearest one-third (1/3), shall retire from office at each Annual General Meeting and **Article 98** of the company's Articles of Incorporation provides that the Directors to retire in every year shall be those who have been longest in office since their last election. The Directors retiring under these Articles are **(Hon. Lascelles Chin) and (J.A. Lester Spaulding)** and being eligible, offer themselves for re-election.

The proposed resolutions are therefore as follows:

To consider and if thought fit pass the following resolution:

(i) "**THAT** Director, **Hon. Lascelles Chin** retiring pursuant to Articles 97 of the Articles of Incorporation be and is hereby re-elected."

(ii) "**THAT** Director, **J.A. Lester Spaulding**, retiring pursuant to Article 97 of the Articles of Incorporation be and is hereby re-elected."

**3.2 THAT Vincent Anthony Chen** was, on the 20th day of June, 2013 appointed to fill a casual vacancy upon the resignation of Mr. Anthony Chang as Non-Executive Director of the Company until the next

annual general meeting. Mr. Vincent Chen being eligible offered himself for election as a director of the Company.

The proposed resolution is therefore as follows:

To consider and if thought fit pass the following resolution:

(iii) "**THAT Vincent Anthony Chen** be and is hereby elected a Director of the Company."

### 4. Directors Remuneration

To consider and if thought fit, pass the following resolution:  
"**THAT**, the Directors' remuneration shall be such amount as the Board of Directors, or any appropriate Committee of the Board of Directors, may determine, pursuant to Article 77 of the Company's Articles of Incorporation."

### 5. Appointment of Auditors and their Remuneration

To consider and if thought fit, pass the following resolution:  
"**THAT** Messrs BDO, having signified their willingness to serve, continues in office as Auditors of the Company until the conclusion of the next Annual General Meeting at a remuneration to be agreed with the Directors."

## SPECIAL RESOLUTION

### 1. Increase the number of Board of Directors

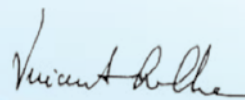
It is desirable that the number of Directors be increased from eight (8) to twelve (12) and that the Articles of the Company be amended to facilitate this, in consequence of which the following resolution is proposed as a special resolution of the company:

#### BE IT RESOLVED:

"**THAT** Article 76 be and is hereby amended by deleting the word and number "eight (8)" and inserting in their stead the word and number "twelve (12)" so that the Article 76 shall henceforth read as follows:

76. Unless otherwise determined by a general meeting, the number of directors of the Company shall be not more than Twelve (12)."

**Dated this 9th day of August 2013  
BY ORDER OF THE BOARD OF DIRECTORS**



Vincent A. Chen  
**COMPANY SECRETARY**

**NOTE:** A Member of the Company entitled to attend and vote at this meeting is entitled to appoint another person as his/her Proxy to attend and vote in his/her stead, and a Proxy need not be a Member.

A Form of Proxy is enclosed for your convenience.

# Corporate Data

As at March 31, 2013

## REGISTERED OFFICE

### LASCO Manufacturing Limited

27 Red Hills Road  
Kingston 10  
Jamaica, W.I.  
Tel: (876) 960-1831  
(876) 960-3662-2  
Fax: (876) 929-2244  
Website: www.lascojamaica.com

## BOARD OF DIRECTORS

### Executive Directors

Hon. Lascelles Chin, O.J., C.D.  
Chairman

Dr. Eileen Chin  
Managing Director

### Non-Executive Directors

Mr. Anthony Chang  
Mr. J.A. Lester Spaulding, C.D., J.P.  
Professor Rosalea Hamilton, Ph.D.

## LIST OF SENIOR OFFICERS

Hon. Lascelles Chin, O.J., C.D.  
Chairman

Dr. Eileen Chin  
Managing Director

Mr. Paul Darby  
Financial Accountant

Mr. Vincent Chen  
Company Secretary

Mr. Peter Chin  
Managing Director of LASCO Distributors  
Limited  
(Affiliated Company)

## Company Secretary

Mr. Vincent Chen  
Attorney-At-Law

## Attorneys-At-Law

Mr. Vincent Chen  
Chen Green and Company  
6 Haining Road  
Kingston 5  
Jamaica, W.I.

## Bankers

CIBC First Caribbean International Bank  
Jamaica Limited  
23-27 Knutsford Boulevard  
Kingston 5  
Jamaica, W.I.

## Auditors

BDO  
26-28 Beechwood Avenue  
Kingston 5  
Jamaica, W.I.

## Registrar and Transfer Agents

Jamaica Central Securities Depository  
40 Harbour Street  
Kingston  
Jamaica, W.I.

# Shareholders' Profile

## Shareholdings of Directors and Connected Parties as at March 31, 2013

Name Primary Holder	Position *Connected Party	Units	Percentage
J. A. Lester Spaulding		150,300	0.0368
Anthony Chang		400,000	0.0979
Rosalea Hamilton		275,300	0.0674
Lascelles Chin		124,442,849	30.4475
Eileen Chin	*Hilda Gonzalez Rosales	1,700,000	0.4159

## Shareholdings of Senior Officers and Connected Parties as at March 31, 2013

Name Primary Holder	Position *Joint Holder	Units	Percentage
Peter Chin	Senior Officer	1,358,598	0.3324
Paul Darby	Senior Officer	150,000	0.0367

\*Connected Party



# Top Ten Shareholders As at March 31, 2013

## LASCO Manufacturing Limited

Name	Joint Holders	Volume	Percentage
East West (St. Lucia) Limited		200,269,378	49.00
Lascelles A. Chin		124,442,849	30.45
Mayberry West Indies Limited		8,193,524	2.00
Catherine Adella Peart		4,800,000	1.17
Generation 4 Company Limited		4,780,644	1.17
Huixiong Liao		3,600,000	0.88
		300,000	0.07
		174,261	0.04
		4,074,261	0.99
Joel Izquierdo Gonzales		2,000,000	0.49
	*Liudmila Gonzalez Diaz	1,006,800	0.25
		3,006,800	0.74
Bamboo Group Holdings Limited		2,361,084	0.58
Liudmila Gonzalez Diaz		2,000,000	0.49
	*Joel Izquierdo Gonzales	222,000	0.05
		2,222,000	0.55
Hilda Gonzalez Rosales		2,000,000	0.49
	*Eileen Chin		0.49
		100,000	0.02
<i>* Connected party</i>		2,100,000	0.51

# Chairman's and Managing Director's Letter



On behalf of the Board of Directors of LASCO Manufacturing Limited we want to welcome you to our third Annual General Meeting. We are proud to announce that the company, once again demonstrated its capacity to evolve in the changing economic and consumer environment, delivering solid results in a year underscored by a continuing downturn in the global and local economies.

Our strategy has been based on establishing a growth foundation spawning our financial capacity, strengthening operational performance, and taking advantage of new products and projects development opportunities, such as the expansion of the manufacturing facility. These initiatives are designed to position LASCO Manufacturing Limited to deliver long-term sustainable value for the business and all its stakeholders. We continued to strengthen our platform for leadership and profitable growth through new product launches, strong pipelines and investments in key growth areas.

It certainly is rewarding to report another year of positive performance by LASCO Manufacturing Limited. In a weak global economy, we were able to grow revenue by 13.4%, earnings per share by 9.03%, and International Business by 41%, while also generating net profit growth of 9% over the previous year. We regard this as proof that our Company's business model is also viable

in stormy times. Two of our most significant achievements have been both our Revenue and Gross Profit increase over the same period the previous year.

LASCO Manufacturing continues to focus on developing cost management initiatives which now forms a key part of our strategy to balance our operating model and the company's culture.

We are committed to leveraging expenses and improving productivity. The necessary restructuring of the operation in managing our cost structure has become a part of our culture. New products, global growth, cost competitiveness, and our process initiatives will allow us to give back to the consumers and increase value to our shareholders. In other words, the best is yet to come! We'll continue to make investments in technology to develop greater efficiencies throughout the company, and to continue offering products of the highest quality to our consumers.

Our company continues to focus on revitalizing the management culture as well as ensuring the talent within the organization is at a high level. Steps taken over the past financial year have led to the recruitment of some outstanding leaders and we have continued the knowledge and skills improvement of the rest of our workforce. In managing through the past year, we relied on the resolve of our people, our management structure and on our business

// *This is an exciting stage in the cycle for LASCO Manufacturing. We firmly believe that we have the right strategy for LML to deliver its objectives over the long-term.* //

model as well as the values set forth in Our Mission and Vision.

*‘Our success is driven by our people and their commitment to our company’*

The necessary restructuring was made to the business for the managing of cost structure, simplifying operations, and ensuring the most efficient use of capital for the long-term benefit of shareholders. Our management team and staff took critical actions to preserve the core values and strengths of the business. We remained committed to retaining the trust of our consumers and customers, taking responsibility and instituting new measures to ensure that our products live up to the high quality standards that they expect and deserve.

With much to look forward to, LASCO Manufacturing Limited remains well prepared for the manufacturing expansion currently nearing completion at the White Marl location in Spanish Town. The total capital spend as at March 31, 2013 was J\$1.7b from a budget of J\$2.2b. The loan secured was J\$1.489b and the amount draw down J\$1.005b against the facility. We have not borrowed as originally anticipated as we have utilized our internally generated cash flow to facilitate this investment.

In the upcoming years we can forecast even more exciting news with new market

entries, exciting new product launches and a series of strategic investments in technology which will allow LASCO Manufacturing Limited to be strategically positioned to compete in the global market. We will continue to persistently invest in expanding our manufacturing operations and infrastructure, research and development and more importantly, in our people to bridge capability gaps.

In the world of business, sustainability is only possible if we pilot our future together with the local communities. Thus, LASCO Manufacturing will continue supporting the communities, the schools and the ambassadorial programmes, which have made the company a loved, respected and appreciated corporate leader.

This is an exciting stage in the cycle for LASCO Manufacturing. We firmly believe that we have the right strategy for The Company to deliver its objectives over the long-term.

**Dr. Eileen Chin, MBA**  
Managing Director

**Hon. Lascelles Chin - O.J., C.D.**  
Chairman



A portrait of Hon. Lascelles Chin - O.J., C.D., Executive Chairman. He is an older man with short, dark hair, wearing glasses, a dark blue pinstriped suit jacket, a white shirt, and a red and white striped tie. He is smiling slightly and looking towards the right. The background is a large industrial factory with high ceilings, metal structures, and various pieces of equipment. On the right side of the image, there are decorative geometric shapes in shades of pink and purple.

**Hon. Lascelles Chin - O.J., C.D.**  
Executive Chairman

# Chairman's Profile

Honourable Lascelles A. Chin, Founder and Executive Chairman of the LASCO Affiliated Companies, is one of Jamaica's most distinguished and respected entrepreneurs, a pioneering exporter, outstanding philanthropist, and a much honoured leader in Jamaica and the Caribbean.

Born in Bog Walk, St. Catherine, from an early age and from the onset of his career, Lascelles Chin demonstrated that he had a very clear understanding of the importance of accumulating capital and remaining focused on one's vision. In 1956, he found opportunities in a variety of business sectors which included the sale of adhesives through his partnership with Henkel Limited. His balanced blend of business acumen, work experience and expertise resulted in the successful establishment of the LASCO Affiliated Companies in 1988. Guided by the dynamic leadership and vision of Lascelles Chin, in October 2010, LASCO became the first company in the history of Jamaica that had three affiliated companies listed at the same time on the Jamaica Stock Exchange.

A true humanitarian, with an endless passion and commitment to public service, Lascelles Chin has shared his vision and energy with his colleagues through dynamic leadership of

several organizations. He has served as the Past Chairman for the Jamaica Exporters' Association (JEA) and the Bureau of Standards Foundation; Past Deputy Chairman for the Jamaica Promotions Corporation (JAMPRO); Past Director for the Bureau of Standards – Standard Council, the National Commercial Bank and the EXIM Bank. Hon. Lascelles Chin is the current Director of the University of the West Indies School of Nursing Advisory Board and the King's House Foundation.

A beloved and highly respected leader and philanthropist, his contributions and benevolence have brought him many national and regional accolades, which include being inducted in the Private Sector of Jamaica (PSOJ) Hall of Fame in 2011, ranked among the Top Five Most Admired Business Leader – Gleaner Commissioned Bill Johnson Poll, as well as being awarded The Most Admired Business Leader – CVM People's Award 2009, the 2005 American Foundation for UWI Award - Outstanding Contribution to Business in the Caribbean & as a Caribbean Luminary and the 2004 Florida International University (FIU) Business Leader Award.



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CALCIUM**



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# Profile of Directors



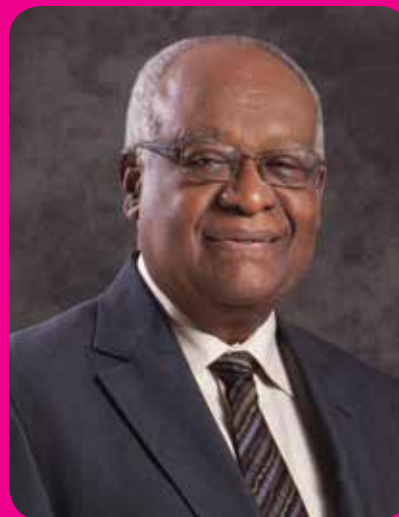
**Dr. Eileen Chin, MBA**  
**Managing Director**

Dr. Eileen Chin is the Managing Director serving as an Executive Director on the Board of LASCO Manufacturing Ltd.

Born in Havana City, Cuba, Dr. Chin holds a post graduate degree in Medicine from the Havana University's School of Medicine. She specialized and taught histology to medical students from 1993 to 1998 at the Giron School of Medicine, and migrated to Jamaica in 1998.

Dr. Chin commenced working within the LASCO Group of Companies in 1999 in various capacities including Marketing Department - Label Development, Export Department - Central and South American - Sales Representative and Export Director. In 2007, she was appointed General Manager of Lasco Foods (Successors) Limited and in 2009 she was appointed Managing Director of the company before it changed its name to LASCO Manufacturing Limited.

Dr. Chin holds an MBA in Global Management and has received knowledge and skills development training in Advanced Negotiation, Risk Management and Lean Six Sigma. She is also a member of the Board of Directors of LASCO Financial Services Limited and LASCO Distributors Limited.



**Mr. J.A. Lester Spaulding, C.D., J.P.**  
**Non-Executive Director & Mentor of the Board**

Mr. Spaulding is currently the non- executive Chairman of the board of directors of the RJR Communication Group. He started his 42 year career in Business as an accountant rising to the position of Managing Director guiding the company operationally as its CEO for 30 years up to 2008. This includes listing the parent company Radio Jamaica Ltd on the Jamaica Stock Exchange after a successful IPO in September 1991. He also serves on the Boards of other commercial institutions including JN Money Services Ltd, Guardsman Communications, LASCO Distributors Ltd and Scottish Masonic Association Ltd.

He is very much involved in community service and now serves as A Director of the Private Sector Organization of Jamaica's (PSOJ) Crime Prevention Fund (Crime Stop), Peace and Love in Schools (PALS) and the Caribbean Community of Retired Persons (CCRP).

Mr. Spaulding serves as a mentor for the Company for the purposes of the Rules of the Jamaica Stock Exchange Junior Market. As such, he is responsible for advising the Board on the implementation of adequate procedures, systems and controls for corporate governance, financial reporting and the release of timely information to the market.

Mr. Spaulding is a member of the Audit and Remuneration Committees of the Company, as required by the Junior Market Rules for the purposes of good governance.





**Professor Rosalea Hamilton, Ph.D.**  
**Non-Executive Director**

Professor Rosalea Hamilton is Vice President, Development at the University of Technology, Jamaica (UTech). She did undergraduate studies in Social Science, specializing in Psychology, at Middlesex University in England and also holds a Masters in International Affairs at Columbia University; a Ph.D. in Economics at the New School for Social Research in New York and an LLB degree in law at the University of London (External Division).

She has taught extensively at the graduate and undergraduate levels in the USA at Tuskegee University, Alabama; City University (John Jay College), New York; Nova Southeastern University, Florida; Northern Caribbean University, Jamaica and the University of the West Indies, Jamaica, in the areas of Entrepreneurship, Law, Managerial Economics and International Trade.

As President of the MSME Alliance, her commitment to promoting entrepreneurship and development is evident in her on-going advocacy and creative interventions to assist the development of the micro, small and medium-sized enterprise (MSME) sector. In recognition of her outstanding work, she was awarded a professorship in the Scotiabank Chair in Entrepreneurship & Development in 2008.

Professor Hamilton is also Founder and Director of the Institute of Law & Economics (ILE), and a consultant with the Ministry of Foreign Affairs and Foreign Trade, the United Nations Development Programme (UNDP), the Commonwealth Secretariat, the International Labour Organization (ILO) and other international organizations. From 2006 to 2007 she was Chief Advisor to the Prime Minister of Jamaica.



**Mr. Anthony Chang**  
**Non-Executive Director**

A non-executive Director of the Company. Mr. Chang is a graduate of the University of Western Ontario, Canada (Bachelor of Arts). He has also completed many professional courses and was awarded a Hubert Humphrey fellowship by the American University of Washington, D.C. (1996). Prior to joining the LASCO affiliated entities, Mr. Chang was the Managing Director of T. Geddes Grant Limited.

Mr. Chang is also a board member of various local institutions and companies including Scotia Group Limited, Scotia DBG Investments Limited and Digicel Jamaica Limited. In the past, he was President of the Jamaica Chamber of Commerce and Chairman of Legislation and Regulation (a USAID and Government of Jamaica private sector project which, amongst other things, funded the reorganization of the local Taxpayer Audit and Administration Department's audit programmes and created the Caribbean's first Developmental Approval Centre at NEPA).

## Management Team



**(L-R):** Mark Harrison, Maintenance Engineer; Joel Gonzales, Property Manager; Paula Lewis, Quality Assurance Manager; Francisca Anderson, Human Resource Manager; Rhona Rhoden-Munoz, Procurement Manger; Paul Darby, Financial Accountant; Dr. Eileen Chin, Managing Director; Wincella Cummings, Project Management Consultant; Marjorie McCalla, Export Sales & Marketing Manager; Cleverick Dougherty, Production Manger; Ruel Thompson, Security Manger; Peter Hylton, MIS Manger



Mr. J. A. Lester Spaulding, C.D., J.P.  
Chairman



Hon. Lascelles Chin, O.J., C.D.



Prof. Rosalea Hamilton, Ph.D.

## Corporate Governance

Corporate Governance is an essential element of the operations of LASCO Manufacturing Limited and the responsibility of ensuring the continuance of good governance is a charge of the Board of Directors and the management and staff of the Company.

The Directors are directly responsible for overseeing accountability, objectives and transparency in the Company's activities: all of which are important to increase shareholders' confidence and maximise their value, and ultimately to the positive impact on our long-term business success.

In carrying out its functions, the board ensures that the Company is compliant with the laws of the land, the rules of the Jamaica Stock Exchange Junior Market and the policies and procedures of the company.

### Board Composition and Board Sub-committees

As at March 31, 2013, the board comprised of five members, two executive directors and three non-executive directors. The board members are very experienced and respected individuals, with diverse skills and knowledge from different professions. Their level of talent and experience promises sound judgement in decision making and guiding the Company into successful endeavours. The Board of Directors meets on a quarterly basis and when required from time-to-time, holds special meetings to deal with pertinent matters. The board has two sub-committees;

Audit and Compliance and Compensation. The members are appointed by the full Board of Directors. Both committees are chaired by non-executive directors and the members include the executive chairman and another non-executive director. Any director may attend a sub-committee meeting.

### Audit and Compliance Committee

This Committee is chaired by Mr. J.A. Lester Spaulding and the other appointed members are Hon. Lascelles Chin and Professor Rosalea Hamilton. The Committee meets quarterly and continues to be guided by its established terms of reference to ensure:

- Good fiscal discipline
- Open and accurate financial reporting
- Timely disclosures

For the financial period under review, the Committee appointed Mayo Holdings Limited to function on a co-sourcing basis to provide internal audit services. At the beginning of the year the Committee reviewed and approved the audit plan for the financial year. In an effort to maintain and improve organizational procedures and controls for tracking the Company's income and expenditures, the internal audit department, through the chief internal auditor reports to the Committee at its quarterly meetings. During the periodical meetings members of the committees also analyze the quarterly unaudited financial statements and make recommendations to the full Board of Directors for publication in

# Corporate Governance

accordance with the rules of the Jamaica Stock Exchange Junior Market Rules and International Accounting Standards.

### Compensation Committee

The Compensation Committee has the responsibility to advise the board on all matters relating to the compensation of the Executive Chairman, the Managing Director and the non-executive members of the Board. The Committee is chaired by Professor Rosalea Hamilton. The other appointed members include Hon. Lascelles Chin and Mr. J.A. Lester Spaulding.

The Committee's terms of reference require that the committee meets at least once per year to evaluate the performance of the Executive Chairman and the Managing Director. For the financial year under review, the committee met as mandated and made their recommendations to the full board of directors.

Below is a summary of the register in respect of the meetings for the financial year ended March 31, 2013

Meetings	LML AGM	LML BOD	LML Compensation Committee	LML Audit Committee
<b>No. of Meetings</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>5</b>
Lascelles Chin	1	6	1	5
Eileen Chin	1	6	-	-
Anthony Chang	-	4	-	-
J. A. Lester Spaulding	1	6	1	5
Rosalea Hamilton	1	5	1	3

The following table outlines the composition of each Committee:

Meetings	LML Compensation Committee	LML Audit Committee
Lascelles Chin	√	√
Eileen Chin	-	√
J. A. Lester Spaulding	√	√
Rosalea Hamilton	√	√

# Directors' Report

The Directors of LASCO Manufacturing Limited are pleased to present their report for the financial year ended March 31, 2013.

## FINANCIAL RESULTS

The Statement of Comprehensive Income shows a total profit before taxation of J\$640.2M, taxation of nil, and the Total Comprehensive Income of J\$640.2M. For the reason that the Company listed its shares on the Junior Market of the Jamaica Stock Exchange on October 12, 2010 the Company is entitled to a remission of Corporate Income tax for a period of ten years from the date of listing as follows:

Years 1 – 5	100%
Years 6 – 10	50%

## DIRECTORS

As at March 31, 2013, the Directors of the Company are:

- Hon. Lascelles Chin, O.J., C.D.  
(Executive Chairman)
- Dr. Eileen Chin, MBA  
(Managing Director)
- Mr. Anthony Chang  
(Non-Executive)
- Mr. J.A. Lester Spaulding, C.D., J.P.  
(Non-Executive)
- Professor Rosalea Hamilton, Ph.D  
(Non-Executive)

In accordance with Article 97 of the Articles of Incorporation of the Company. Hon. Lascelles Chin and J. A. Lester Spaulding shall retire by rotation and shall be eligible to offer themselves for re-election in accordance with the Company's Articles of Incorporation.

## NEW APPOINTMENT

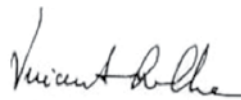
Mr. Vincent Chen was, on the 20th day of June, 2013 appointed to fill a casual vacancy upon the resignation of Mr. Anthony Chang as Non-Executive Director of the Company until the next annual general meeting. Mr. Vincent Chen being eligible offered himself for election as a director of the Company.

## THANK YOU

We wish to thank our shareholders, customers, agents, employees and stakeholders for their continued support.

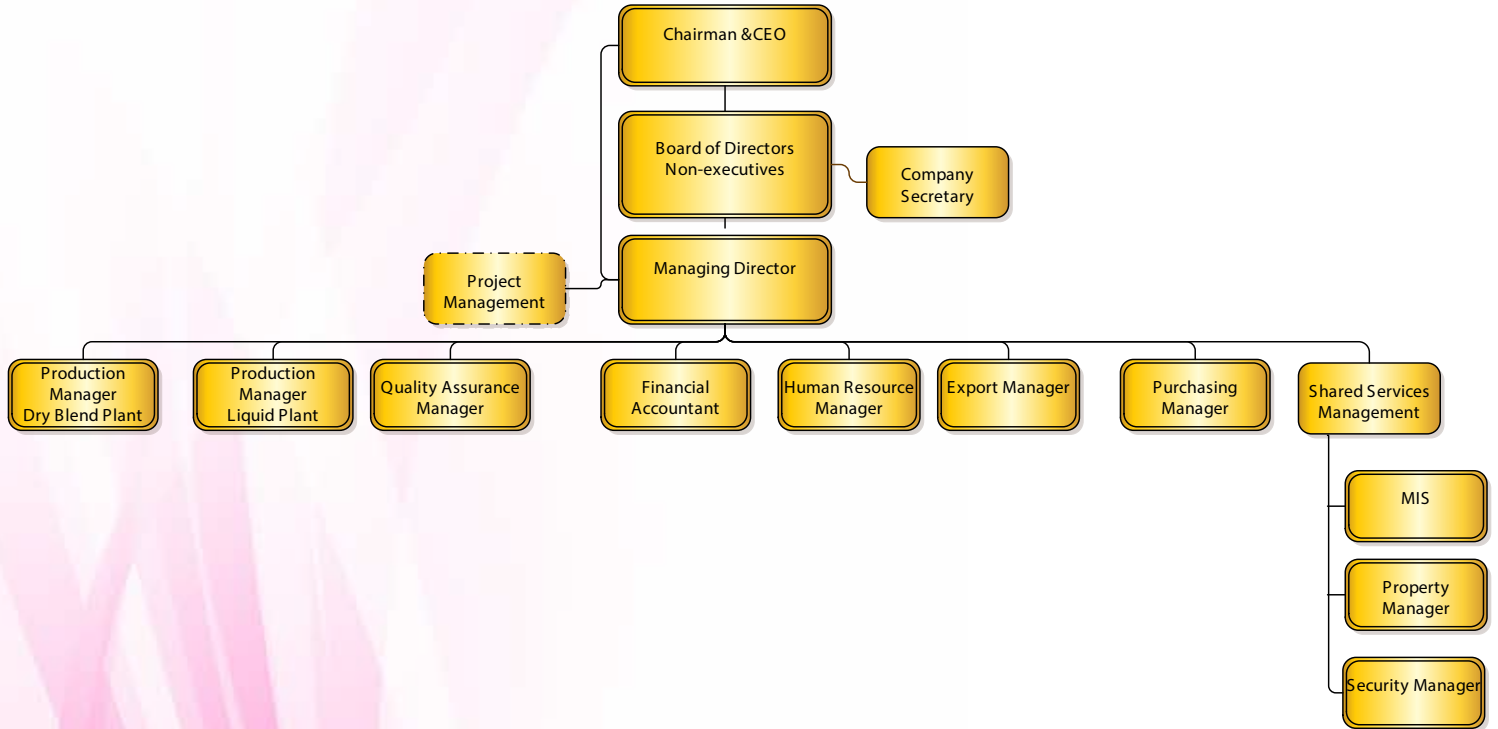
Dated this 31st day of July 2013

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**



**Vincent A. Chen**  
COMPANY SECRETARY

# Organizational Chart



**“Our Success is driven by our people and their commitment to the success of our company”**

# Management Discussion & Analysis

This Management Discussion and Analysis is dated June 2013 and should be read in conjunction with our Financial Statements and the accompanying notes for the year ended March 31, 2013.

## OUR BUSINESS

LASCO Manufacturing Limited was incorporated in October 1994 by its Founder and Executive Chairman the Honorable Lascelles Chin. The Company changed its name from LASCO Foods (Successors) Limited in August 2010. In October 2010 LASCO Manufacturing Limited became a public company after its first offer on the Jamaica Stock Exchange Junior Market.

The Company prides itself on its results-oriented approach and its passion to satisfy consumers, invest in technology, and invest in the training and development of its high calibre employees. Slogans such as “LASCO Makes Living Affordable”, “Nutrition Never Tasted so Good” and “Positive on Quality” reflect LASCO’s commitment to its consumers. It is this commitment which has earned the respect and admiration of the public at large and made us a household name.

LASCO Manufacturing Limited is one of the leading dry blend beverage companies in Jamaica. Our portfolio includes LASCO Food Drink, LaSoy Lactose Free, Porridge Mix, Whole Milk and Readi Milk. These are all household names that stand for quality throughout the Caribbean, North America, Canada, and the UK. As a company with global intent, we also have a strong business relationship with our suppliers. Either independently or through contract manufacturers, we manufacture, market and sell a variety of products through our export division.

The company is committed to delivering sustainable growth by investing in a healthier future for our people and our company. LASCO Manufacturing’s goal is to continue building a balanced portfolio of enjoyable beverages, find

innovative ways to reduce the use of energy and provide a great workplace for our employees. Additionally, we respect, support and invest in the local communities where we operate by hiring local people, creating products designed for local tastes and partnering with local suppliers where possible, and community groups. We have made this commitment because we are a responsible company and believe that a healthier future for all our consumers means a more successful future for all stakeholders.

LASCO Manufacturing Limited has also distinguished itself in its dedication to the development of Jamaica and the region through educational and social programmes and the delivery of assistance to the less fortunate. The Company has spearheaded and supported a wide range of community development activities including its Ambassadorial Programmes. These programmes were initiated to recognise some of our outstanding Jamaicans such as teachers, police and nurses. Since its inception, the LASCO Brand has been synonymous with affordability and value for the consumer and remains a household name in Jamaica.

## COMMITMENT TO OUR SHAREHOLDERS

LASCO Manufacturing Limited aims to create long-term value for shareholders and have that value reflected in our share price. Our strategies to deliver this value to shareholders are concentrated on Cost Control, Cost Containment and Cost Management. We believe that the company has the operating philosophy, human resources, financial resources, track record and structure to continue to deliver on this objective.

## BUSINESS STRATEGY

Our success is driven by our people and their commitment to get results the right way — by operating responsibly, executing with excellence, applying innovative technologies and capturing new opportunities for profitable growth. Based on past performance and current expectations, we believe that our operating cash flows will be sufficient to meet our future operating cash needs. Our available cash, committed credit lines, access to equity markets as well as our ability to collect trade accounts receivables, provide additional sources of short-term and long-term liquidity. With much to look forward to, LASCO Manufacturing remains well prepared for the manufacturing expansion currently nearing completion at the White Marl location. We are currently accelerating the completion of the plant expansion in spite of the challenges and delays. This year we remain focused on

growing our business with the objectives of improving the financial results and increasing returns for shareholders. We aim to deliver top financial performance in both the short term and the long term, while making investments in expanding the operation and targeting product categories to drive sustainable growth. We also remain resolute on developing competitive strategies for driving growth that will enable us to profitably achieve our objectives.

### Export

Our aim is to promote growth in our international division through expanding the product offering and spreading our distribution network. For the year under review, sales for the export division increased by 41% over the previous year. The growth was primarily impacted by increased sales in Trinidad by 51%, Barbados by 14% and North America by 146%. The increase in the North American market was primarily due to increased marketing, distribution

network and brand exposure which created a significant product pull. We are now in 250 stores in Florida.

We aimed to optimize go-to-market capabilities in each market through our distributors as well as introducing our locally produced products using global capabilities. During 2012-2013 financial year, we introduced 4 new export distributors.

We are optimistic about our prospects in the international business segment as we have experienced higher demand for our products in this division than in past years. This coupled with increased product range and a new strategic alignment it is expected to contribute significantly to increased profit in the upcoming years.

### FACTORY EXPANSION

The challenging economic conditions facing consumers continue to place pressure on our beverage business. In the face of this pressure, we have been taking action to ensure sustainable, profitable growth with our planned expansion. The investment will allow the company to streamline the manufacturing process through innovation, product development, quality assurance and environmental management.

LASCO Manufacturing Limited remains prepared for the completion of the manufacturing expansion currently under construction at the White Marl location. The total capital spends as at March 31, 2013 was J\$1.7b from a budget of J\$2.2b. The loan secured was J\$1.49b and the amount draw down J\$1b against the facility. We have not borrowed as originally anticipated as we have utilized our internally generated cash flow to facilitate this investment.







### OPERATING ENVIRONMENT

The two new manufacturing plants being constructed have a value of US \$25m and are now expected to be completed by October 2013. The postponement has been due to delays on the completion of the construction. All effort has been placed on minimizing or avoiding costs overrun, through negotiations with subcontractors, machine manufacturers and funding support from CIBC -First Caribbean International Bank.

We have continued the restructuring of several areas of the business operation to ensure compatibility with expansion plan, continued support to our improved processes to ensure achieving greater efficiency.

### ENVIRONMENTAL SUSTAINABILITY

Jamaica and the rest of the world are increasingly focused on the impact companies have on the environment. We are committed to protecting the earth's natural resources and as such we are developing strategic goals for meaningful reductions in natural resources usages such as water and electricity.

### LEADERSHIP DEVELOPMENT

Our continued growth requires us to hire, retain and develop our leadership team and a highly skilled and multi-talented workforce. We currently have an extraordinary talent base across our organization.

As we expand our business, we are placing heightened focus on ensuring that we maintain an environment that encourages the development of a strong leadership team with the skill sets necessary to grow our business well into the future. As an example, we are implementing tailored training programmes for the production workers, and providing managers and senior executives with the strategic and leadership capabilities required in a rapidly changing environment.

At LASCO Manufacturing, everything we do is underpinned by our commitment to performance with purpose. This means we deliver sustainable growth by investing in a healthier future for people and our country. In addition, we will continue to respect, support and invest in the local communities where we operate.

Having a knowledgeable workforce has been essential to our success in 2012-13. By staying true to this foundation and executing on our strategy, we believe we will be able to achieve the objectives of improving financial results and increase return for shareholders in coming years.

### FINANCIAL PERFORMANCE

The year under review was once again characterised by uncertainty and economic frailty which was aggravated by the volatility of the currency exchange rate. However, LASCO Manufacturing was able to manage the challenges and grasp the opportunities in alignment with the company's objectives. Whatever the challenges any particular year presents, we remain and will remain focused, not just on delivering shorter-term performance, but also on managing and investing for longer-term, sustainable, profitable growth.

# Management Discussion & Analysis

As the economic downturn lingered globally in 2012 and businesses continued to face difficult operating environments, LASCO Manufacturing remained focused on realigning our cost structures and leveraging our brand and skills. Nevertheless, the company's results during the year under review were affected by soaring raw material prices and devaluation of the Jamaican dollar.

The results and discussions are based on directives set by management. The operating profit and growth are indicative of ongoing performance and evaluation of our results and trends.

## FINANCIAL STRATEGIES

Our business strategies enable us to optimize the cost of capital, which is a key component of our ability to maximize shareholder value. From a strategic perspective, 2012-13 can

be considered a positive position of alignment point in LML's long-term growth path. Having delivered good results in past years, even while the industry and the country was undergoing adverse demand conditions, the company has spelt out its determination to grow. Our strategy aims at continuing the growth momentum both local and international so as to improve on productivity and profitability. The business strategy has been developed in consonance with the growth objectives, focusing on three key elements — expansion, innovation and increased efficiency. Expansion entails expanding the company's operation, product portfolio and markets. Innovation is using our knowledge base to develop business opportunities through various partnerships. Efficiency is to ensure that all our processes will achieve the results needed with minimal to no wastages.

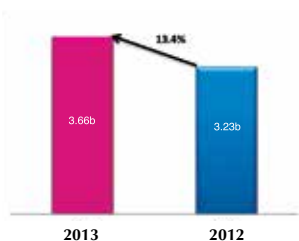
The company maintains debt levels considered prudent based on our cash flow, interest coverage and percentage of debt to total capital. We use debt financing to lower the overall cost of capital whenever possible, increasing return on shareholder's equity.

## BALANCE SHEET AND CASH FLOW

Total Fixed Assets at March 31, 2013 increased by J\$896m or 89% over year ended March 31, 2012. The increase is primarily due to the capital investment in our plant expansion.

Operating activities for Year ended March 31, 2013 generated cash flow of J\$301.2m as compared to J\$518.8m for year ended March 31, 2012. Cash flow from investing activities amounted to J\$984m, compared to J\$841.9m for year ended March 31, 2012.

### Total Revenue



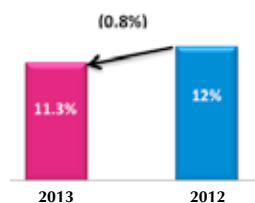
Total revenue increased by 13.4% over the previous year. Revenue as at March 31, 2012 was J\$3.2b whilst revenue as at March 31, 2013 was J\$3.7b. This growth was driven by increased volume. The past year saw an increase in export revenue of 41%.

### Gross Profit



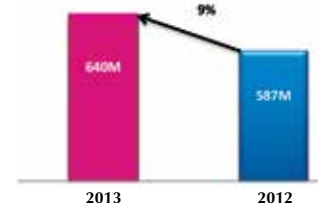
Gross profit increased by J\$127m or 14% over previous year. This is primarily due to increase in revenue. The Gross Margin for year-ended March 31, 2012 was 28.4% and 28.5% for year ended March 31, 2013.

### Operating Expenses as a % of Sales



The company experienced a 0.8% reduction in operating expenses as a percentage of sales for the year ended March 31, 2013. Although expenses increased by J\$20.7m, due to rise in salaries and foreign exchange loss; strong demand for our products increased sales by J\$431m or 13.4% over 2012. The improved sales contributed to a marginal rise in the profit after tax to sales ratio from 17.39% in 2012 to 17.50% in 2013.

### Net Profit



As shown in the table above, LML continues to pursue its path of profitable growth. Our audited Financial Statements reported net profit after taxation increased from J\$587.76m in 2012 to J\$640.22m in 2013 for a 9% increase. The profit growth for the year was attributable to increase revenue and the cost management initiative implemented during the year.

### CAPITAL WORK IN PROGRESS

This represents the payments made for the construction and equipment of the new manufacturing facilities. The capital work in progress has been financed from retained earnings and from long term loan from our bankers.

The new facilities will not only increase our asset base but will increase our future revenue stream, through new product lines and consequently the entering of new markets.

### EXCHANGE RATE FLUCTUATIONS

The exchange rate fluctuations have affected the procurement cost of raw materials and products purchased by LML in foreign currencies. We use various techniques to mitigate and avoid foreign currency exchange risk, but the rapid changes in currency markets have and will continue to adversely affect our business results and financial position.

### FINANCIAL POSITION

Despite the current expansion, the company has seen improvements in the current and quick ratios over prior year. Current ratio improved from 1.80 in 2012 to 2.71 in 2013 while, the quick ratio increased from 1.16 in 2012 to 1.71 in 2013. This shows that the company has a healthy cash flow that can cover its financial obligations.

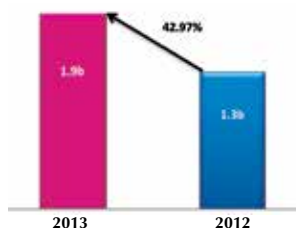
#### Return on Equity

Return on Equity declined by 10.32%. The primary reason is due to the commencement of the interest repayment.

#### Return on Sales

Return on sales decline from 18.21% in 2012 to 17.50% for 2013. The decline represents a tax credit of J\$26.5m received in 2012, while no tax credit was received in 2013. On the other hand, operating profit margin had a slight increase over prior year from 17.47% in 2012 to 17.61% in 2013. This improvement reflects development in the operational efficiency.

### Shareholders' Equity



This performance results shows the company's ability to support continuity, profitability and focus on cost containment. The key strategy was to maintain profitability and to leverage our brand and skills.

Ratios	2013	2012
Return on Sales	17.50	18.21
Operating Profit Margin	17.61	17.47
Current Ratio	2.71	1.8
Quick Ratio	1.71	1.16
Earnings per Share	1.57	1.44

Once again, LASCO Manufacturing Limited has demonstrated its capacity to evolve in keeping with the changing economic and consumer environment. We delivered a solid result in a year underscored by a continuing downturn in the global and local economies.

### INTERNAL AUDIT

Mayo Holding Limited is the internal auditor for LASCO Manufacturing Limited. The Company's Internal Audit function is staffed with qualified and experienced persons. The Standard Operating Procedures put in place by the company are in line with the best global practices, and have been laid down across the process flows to control each business activity. The Internal Audit Team has implemented a framework for internal controls and adequacy of internal audit. Under this framework, various risks facing the company are identified and assessed routinely across all levels. Functions and suitable control activities are designed to address and mitigate the significant risks.

### IMPORTANT EVENTS POST YEAR END

At an Extraordinary General Meeting held June 26, 2013, the Shareholders of LASCO Manufacturing Limited passed a resolution sub-dividing each share of no par value whether issued or unissued into 10 shares of no par value. The Ex-Date was July 5, 2013 and the Record date July 9, 2013 at which time the shares began trading at J\$1.63 numbers of issued shares now stand at 4,087,130,170 and Earnings per share of J\$0.016 cents based on financial statements for year ended 31 March 2013.

The financial statement shows the company's financial position and the Key Ratios.

# Factory Expansion in Progress



# Human Resource Development

The most essential and important asset of any organization is its human resources. This asset, when fully developed, will increase to an unlimited extent the interest of all stakeholders and shareholders. The management and staff of LASCO Manufacturing have responded to tremendous change over the last two years and this fiscal year was no different. The Department of Human Resources adapted to new ways of working and championed change across the company. HR plays a critical role in LASCO Manufacturing.

Our organizational success depends on the high level of skills and professionalism of our people. We are committed to the growth of our people throughout their careers, and to ensuring that leadership skills in particular are developed at every level of management.

Our values are exemplified every day by our employees, without whom our business could not meet its sustainable growth. We recognise the significant contributions to society and our business, of our employees and our aim is to join these forces together in pursuing an institution

that learns, adapts and responds. The company has expanded exponentially in the marketplace due to the astute display of talents by its human capital.

The company continues providing educational scholarships to the employees to attain certification in specialized areas of studies, such as certificate courses, bachelors and masters degree programmes.

We are also still committed to the ongoing staging of activities which celebrates events such as:

- Mother's Day
- Father's Day
- Evening Devotions
- Staff Children Funday
- Back-School Book Drive
- Motivational Seminars
- Appreciation Functions
- Heritage Day
- Health & Wellness Programmes
- Social Events

Our partnership with specialized counseling teams will remain a critical part of the organization's goal in assisting our employees to manage stressful issues both on and off the job. Essential service providers are facilitated as the organization

believes in aiding the employees' need for health checks including dental, optical and other benefits. The strategy to embrace Total Quality Management will ensure that all levels of workers will mirror customers' needs and expectations, ensuring effective utilization of resources and ultimately lead towards continuous improvement in all spheres and activities of the organization.

Our employees continue to be assessed through a performance evaluation system. This reinforces succession planning, broadening the scope for them to adapt to the need for performing new roles and responsibilities whilst capturing environmental changes of economic, social and political considerations. We are confident that the human resource management strategic goals and objectives will continue improving the business performance which will support the organization's culture. This will foster innovation, flexibility entwined with acknowledgment and accountability. These will rest heavily on the organization's commitment on being the employer of choice.



LML HR Manager Francisca Anderson brings cheer to the elderly at St. Monica's Home in December.



Members of the LML team are engaged in the Money Management seminar held last August.



Francisca Anderson, HR Manager shares a light moment with the children in the cutting of the cake.

# Risk Management

LASCO Manufacturing Limited defines risk management as a structured and continuous process of identifying, assessing and deciding actions to minimize risks, as well as reporting the opportunities and threats they create and which may affect the achievement of the business objectives. We embed risk management in our business to enable controlled risk-taking.

Our Risk Management Plan and policy ensures an integrated approach to managing current and emerging threats. Embedded throughout the business, our Risk Management function ensures that strategic planning and limit setting conforms to LML's wide risk tolerance. We are guided by four principles, which we strive to apply consistently across all risk categories throughout the company:

- **Controlled risk-taking:** Financial strength and sustainable value creation are central to LML's value proposition. We therefore operate within a clearly defined risk policy and risk control framework.
- **Clear accountability:** Our operations are based on the principle of delegated and clearly defined authority aligned with the overall business objectives.
- **Independent risk controlling:** The board and management, monitor risk-taking activities.
- **Open risk culture:** Risk transparency, knowledge sharing and responsiveness are integral to our risk control process.

## Operational Risks

As a manufacturer of foods, LASCO Manufacturing is subject to general market related risks, including product contamination and general food scares. In addition, The Company is subject to review by the Bureau of Standards of Jamaica and the Food & Drugs Administration (FDA) evolving regulations and legislation in the areas of environmental protection and employee health and safety.

LASCO Manufacturers manages operational hazard and strategic planning risks to minimize direct or indirect loss which may originate from the company's processes, personnel, technology and natural disasters.

We maintain strong technical function which sets high standards for our hygiene, health and safety systems and environmental controls. The Company also closely monitors emerging issues in an ever-changing regulatory environment to address increasing compliance requirements, particularly in the areas of health and safety, and effluent control. LASCO Manufacturers mitigates these risks through robust operation of an excellent, security and comprehensive operational and disaster recovery plan. Maintaining our brand reputation is essential to our business success.

## Credit Risk

Credit risk is primarily the risk of incurring a financial loss from the default of a customer or of third parties not meeting their obligation. LASCO Manufacturing Limited effects most of its sales through credit therefore this represents one of the most significant risks.

The customer base of our International Business is predominantly food distributors which in turn sell to retailers and wholesalers. Competition has increased with the growth in alternative channels including mass merchandisers, dollar stores, warehouse clubs and discount chains. This has caused some customers to be less profitable and increased our exposure to credit risks. We have established strict credit guidelines and entered into agreements only with customers of good credit ratings. We continue to monitor our exposures, review credit balances and have rigorous and timely collection of receivables.

## Currency Risk

LASCO Manufacturing Limited is exposed to fluctuations in US dollar currency in the following main areas: cash flows related to raw material purchases; the translation of foreign currency earnings to Jamaican dollars.

We may not effectively limit or eliminate our exposure to a decline in operating results due to foreign currency exchange changes. Therefore, we cannot provide assurance that future exchange rate fluctuations will not have a negative impact on our business, financial position or operating results. To minimize this risk the company will continue to monitor the currency position aiming to maximize foreign currency earnings.



# COMPANY'S AWARDS

## Champion of champions

LASCO Manufacturing Limited is the 'Company of Choice for Investors' and a 'Powerhouse in the Making'. LML was awarded first place in the 2010 and 2011 Champion Company ranking for the prestigious Investor's Choice Award publication. We are the only company since the inception of the awards in the 1990s that have received this award twice. Another accomplishment for us!



**LASCO**  
SOY FOOD DRINK  
BERIDA ALIMENTICIA de SOYA  
VANILLA / VAINILLA  
JUST ADD WATER!  
¡SOLO AGREGUE AGUA!  
Net Wt. / Peso Neto 120 g / 4.2 oz  
Makes / Rinde 700 mL / 22 oz

**LASCO**  
SOY FOOD DRINK  
BERIDA ALIMENTICIA de SOYA  
STRAWBERRY / FRESA  
JUST ADD WATER!  
¡SOLO AGREGUE AGUA!  
Net Wt. / Peso Neto 120 g / 4.2 oz  
Makes / Rinde 700 mL / 22 oz

**LASCO**  
SOY FOOD DRINK  
BERIDA ALIMENTICIA de SOYA  
PEANUT PUNCH  
CACAHUATE-MANI  
JUST ADD WATER!  
¡SOLO AGREGUE AGUA!  
Net Wt. / Peso Neto 120 g / 4.2 oz  
Makes / Rinde 700 mL / 22 oz

**LASCO**  
SOY FOOD DRINK  
BERIDA ALIMENTICIA de SOYA  
CHOCOLATE  
JUST ADD WATER!  
¡SOLO AGREGUE AGUA!  
Net Wt. / Peso Neto 120 g / 4.2 oz  
Makes / Rinde 700 mL / 22 oz

**LASCO**  
SOY FOOD DRINK  
BERIDA ALIMENTICIA de SOYA  
CARROT  
ZANAHORIA  
JUST ADD WATER!  
¡AGREGUE AGUA!  
Net Wt. / Peso Neto 120 g / 4.2 oz  
Makes / Rinde 700 mL / 22 oz

**Nutrition Never Tasted**



LASCO Food Drink  
is a **HEALTHY**  
part of our Family

**LASCO**

FOOD DRINK

**7 GRAMS PROTEIN**

**25% CALCIUM**

**IRON**

**VITAMINS**

**MINERALS**

**HELPS LOWER CHOLESTEROL**

**LASCO**

SOY FOOD DRINK  
BEBIDA ALIMENTICIA DE SOJA  
CREAMY MALT  
MALTA



Net Wt. / Peso Neto 120 g / 4.2 oz  
Rinses / Rinde 700 ml / 22 oz

**LASCO**

SOY FOOD DRINK  
BEBIDA ALIMENTICIA DE SOJA  
PINEAPPLE ORANGE  
MANGOSTEEN



Net Wt. / Peso Neto 120 g / 4.2 oz  
Rinses / Rinde 700 ml / 22 oz

**LASCO**

SOY FOOD DRINK  
BEBIDA ALIMENTICIA DE SOJA  
CHERRY BERRY  
MILK OF CEREAL



Net Wt. / Peso Neto 120 g / 4.2 oz  
Rinses / Rinde 700 ml / 22 oz

**LASCO**

FOOD DRINK

**So Good**

**Love your Family!**

# Company Outlook

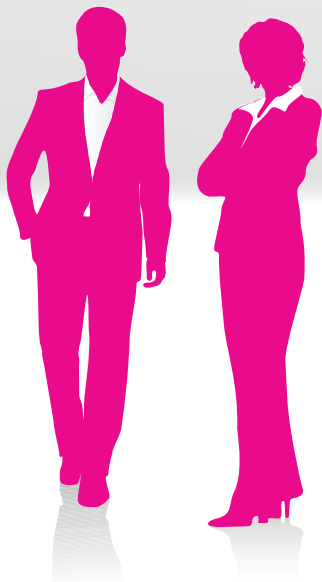
*Some statements in the Management Discussion and Analysis section may contain forecasts, projections or opinions. No representation or warranty is made regarding the accuracy, completeness or reliability of the said projections or opinions, or the assumptions on which either is based. All such information is, by its nature, subject to significant uncertainties and risks outside of the control of the Company. To the maximum extent permitted by law, the Company and its officers do not accept any liability for any loss arising from the possible use of the information contained in this document.*

LASCO Manufacturing is very conscious that over the past several years, a number of forces have combined to radically reshape the environment in which the food and beverage industry operates. These changes have had a major impact on where and how companies like ours, must compete to survive and thrive. Global macroeconomic growth has slowed significantly, and the outlook remains mixed, particularly in developed markets.

Our Company will continue to focus both on ensuring a safe and sustainable, first-class operation of the forthcoming manufacturing facility, pursuing the increase of production capacity. We will achieve this through expansion of our product portfolio, exploring business partners' relationship to support sustainable profitability and further optimize processes. With our well established brand, LASCO Manufacturing aim to work proactively with other stakeholders to create a positive business environment while investing in sustainability as a catalyst for growth.

We aim to continue our business strategy focused on four key objectives:

- (1) Increasing volume while maintaining high quality standards
- (2) Expanding our export sales
- (3) Maximizing long-term cash flows, and
- (4) Improving profitability.



We will achieve these objectives by investing aggressively in the high-return business and by optimizing cost of capital through suitable financial policies.

Despite continued concerns regarding the global economy, our product demand continues to increase. We believe we will be well positioned as we complete the anticipated production facility and further investment in our team capabilities. As production from these assets enters the market, our position in the marketplace and industry will be strengthened. The overall cost position will improve and contribute to a significant upside potential to cash flows and earnings.

We are proud of our historical performance of course, but more importantly we're excited about the future. We are a company with a well-known brand, committed to our customers and consumers. The investment in research for new products will enhance our portfolio which will aid in the rapid expansion and global reach. We are accelerating our innovation and have set goals for new product launches in the next two to three years.

We aim is also to grow the base business through brand marketing support and customer intimacy.

This will be achieved through current global partners and the entering of new markets. It's our view that a combination of product uniqueness, comparative price advantage, and marketing efforts will support the success of the business.

Risk management will remain a continuous process and will flow throughout the organization. Our policies and programmes will assist our employees to manage the risks involved in all organizational activities in order to maximize opportunities and minimize adverse consequences

*'Our success is driven by our people and their commitment to our company.'*

We have clear and decisive plans to continue to reshape our operation while delivering results. We will continue to drive profitable growth and work to fully realize the benefits of our capital investment and further invest in the development of our staff.

The company will continue to focus on cost control, cost containment, cost management and increased efficiency, despite any negative financial impact the exchange rate and devaluation may have in the future.



# Corporate Social Responsibility

Anthonette Patterson-Bartley, President of the Nurses Association of Jamaica, Victoria Melhado, LASCO/NAJ Nurse of the Year 2012-2013 and Hon. Lascelles Chin, Chairman of the LASCO Manufacturing Limited bask in the celebratory moment at the 2012 Nurse of the Year Awards Ceremony.



As one of the leading food manufacturers in Jamaica, we have a duty to maintain good corporate and social responsibility practices for the benefit of, not only our colleagues, our customers and our suppliers, but also the society in general.

LASCO Manufacturing Limited has a stellar track record of being a company that prioritises corporate social responsibility. The company has distinguished itself as one of Jamaica’s largest contributors to educational and social development. LASCO remains committed to pursuing a strategy of sustainable development, with emphasis on managing environmental impact, as well as providing assistance to schools and the less fortunate.

The company is especially proud to spearhead the Ambassadorial programmes, which recognise Jamaica’s outstanding educators, police and nurses. The Ambassadorial programmes are emblems of the company’s commitment to encouraging and celebrating nationalism and excellence.

## NURSE OF THE YEAR PROGRAMME

The Nurse of the Year (NOY) Programme celebrates the contributions of pacesetters within the nursing profession who have displayed high professional, ethical and personal development standards. The NOY programme symbolises the

company’s affirmation of the nurses’ diligence and resilience, as well as their significance to the development of the nation. LASCO and the Nurses Association of Jamaica (NAJ) partnered to host National Nurses Week, which ran from July 15 to 21,

2012. Guided by the theme, “Closing the Gap: From Evidence to Action”, the thirteenth staging of the Nurse of the Year and the Nursing Student of the Year Awards ceremony was held on July 21.

## TEACHER AND PRINCIPAL OF THE YEAR PROGRAMME

LASCO Manufacturing Limited has partnered with the Ministry of Education to recognise the nation's top educators for having a significant impact on education in Jamaica, as well as for making exceptional contributions to the school community. The Teacher and Principal of the Year Programme honours the men and women who play a major role in the educational development of our nation's children. On December 4, 2012, these outstanding Jamaicans were honoured at the LASCO/Ministry of Education Teacher and Principal of the Year Awards ceremony.



L-R: Hon. Lascelles Chin, Chairman of LASCO Manufacturing Limited, Dr. Margaret Bailey, LASCO/MoE Principal of the Year, Daeganna Spencer-Hull, LASCO/MoE Teacher of the Year, Dr. Eileen Chin, Managing Director, LASCO Manufacturing Limited at the 2012 Teacher and Principal of the Year Awards ceremony.

## POLICE OF THE YEAR PROGRAMME

LASCO in partnership with the Jamaican Constabulary Force (JCF) initiated the Police of the Year Awards programme in 2000 which publicly acknowledges members of the police force for their professionalism and dedication displayed in serving, protecting and reassuring the Jamaican people.

On October 31, 2012, LASCO and the JCF staged the 10th Police of the Year ceremony which saw Corporal Oneil Patterson emerging as the 2012/2013 Police of the Year. In recognition of his outstanding achievement of being named "Top Cop", Corporal Patterson was awarded a cash prize from LASCO of J\$200,000, the LASCO/JCF Champion Trophy and a LASCO gift basket. The Second and third runner up was Detective Sergeant Sheldon Coulson and Sergeant Philmore Robinson. They were also awarded cash prizes, trophies, certificates, and LASCO gift baskets respectively.



Finalists of the LASCO / Jamaica Constabulary Force Police Officer of the Year 2012 - 2013

# Corporate Social Responsibility



## SCHOOLS' CHALLENGE QUIZ SPONSORSHIP

In recognition of the role of Television Jamaica (TVJ) Schools' Challenge Quiz in promoting healthy competition and academic excellence among secondary schools, LASCO Manufacturing Limited has continued the sponsorship of this programme which is in its 44th season.

As one of the main sponsors of the programme, the company provided LASCO Food Drink to the competition's finalists, to help fuel them during the taping of matches, and also awarded attractive prizes to the first, second and third place teams. The 1st place team for the Schools' Challenge Quiz was awarded a J\$200,000 cash prize along with a breakfast programme valued at J\$50,000. The 2nd place team received a J\$120,000 cash prize while the 3rd place team received J\$80,000. Additionally, the highest scoring school in the county of Middlesex, where the LASCO Consumer Division is located, received a breakfast programme valued at J\$50,000.



(L-R): Paul Darby, Financial Accountant at LASCO Manufacturing Limited presents a cheque valued at J\$200,000, to a representative of the Ardenne High School team, winner of TVJ's Schools' Challenge Quiz 2013.



L-R – Kelia-Gaye Dunbar, Marketing Manager, LASCO Distributors Limited hands over a cheque valued at J\$120,000 to a representative of the Titchfield High team, first runner up in the Schools' Challenge Quiz 2013 competition.



L-R – Rhona Munoz presents a cheque valued at J\$80,000 to a representative of the third placed Kingston College Schools' Challenge Quiz team.

# Marketing Activities



L-R – Dr. Eileen Chin, Managing Director of LASCO Manufacturing Limited shares a lighthearted moment with Tashawn Ward, first place recipient, at the Grand Draw of the LASCO Food Drink Mix and Win Promotion.

## LASCO FOOD DRINK MIX & WIN PROMOTION

In its continued investment in the well known and loved LASCO Food Drink brand, LASCO rewarded its loyal consumers for their purchases through the LASCO Food Drink Mix & Win consumer promotion. The Mix & Win promotion spanned the period of February to May 2013 and gave LASCO Food Drink consumers the opportunity to enter to win over J\$2.6m in cash prizes using their product sachets.



(L-R) Kelia-Gaye Dunbar, Marketing Manager, LASCO Distributors Limited; Paul Darby, Financial Accountant, LASCO Manufacturing Limited; along with, (R-L) Sherianne Thompson, Brand Representative; Dr. Eileen Chin, Managing Director, LASCO Manufacturing Limited, shares a photo moment with the Grand Prize winners of the LASCO Food Drink Mix and Win Promotion.

# Marketing Activities



Sherianne Thompson, Brand Representative (left) and Renee Rose, Brand Representative (right) with the first batch of LASCO Food Drink Mix and Win Promotion fortnightly draw winners.

The Mix & Win promotion had an overwhelming response from LASCO Food Drink consumers, resulting in thousands of entries from which three lucky winners were selected during

the Grand Draw held in May. The third place winner of J\$250,000 was Walter Jackson, second place winner of J\$500,000 was Veronia Swaby and the first place winner of J\$1.5m was

Tasshawn Ward. When interviewed, all winners expressed surprise and gratitude for their good fortune in the LASCO Food Drink Mix and Win competition.



The innovative and creative LASCO Promotions team, talented Chef Melissa Dukharan (far right) and the energetic LASCO Spokesperson, Denise Hunt (forefront) at the JMA/JEA Expo"



R-L – Nanda Dukharan, Brand Representative presents a LASCO basket to Hon. Anthony Hylton, Minister of Industry, Investment and Commerce at the JMA/JEA Expo.





LASCO Spokesperson, Denise Hunt(left) engages the audience at the JMA/JEA Expo. Chef Melissa Dukharan's cooking demonstration was also a big hit with patrons that flocked to the LASCO booth.

In April 2012, LASCO showcased its range of locally manufactured products at the Expo Jamaica 2012 hosted by the Jamaica Manufacturers' Association and Jamaica Exporters' Association. LASCO's booth was buzzing throughout the three day exposition, as patrons flocked to be a part of the exciting activities. Patrons at LASCO's booth enjoyed riveting and informative health talks by media personality and spokesperson for LASCO Enermax, Denise Hunt, which often included physical activities such as "push up" and arm wrestling contests. Patrons were also treated to delectable samples from LASCO's cooking demonstrations, performed by Chef Melissa Dukharan. Several dignitaries also joined in on the excitement at the LASCO booth and were impressed with LASCO's range of locally manufactured products.



R –L – Sherianne Thompson, Brand Representative presents a LASCO basket to The Most Honourable Portia Simpson-Miller, Prime Minister at the JMA/JEA Expo.



# LASCO MANUFACTURING LIMITED FINANCIAL REPORT

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26 Beechwood Avenue  
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Kingston 5, Jamaica

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### 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 43 to 68, 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.

A handwritten signature in black ink, appearing to be 'BDO' with a stylized flourish.

Chartered Accountants

29 May 2013

## LASCO MANUFACTURING LIMITED

### Statement of Comprehensive Income

Year Ended 31 March 2013

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


## LASCO MANUFACTURING LIMITED

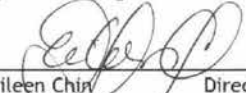
### Statement of Financial Position

Year Ended 31 March 2013

	<u>Note</u>	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
<b>ASSETS</b>			
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
		<u>1,329,631</u>	<u>783,149</u>
		<u>3,235,369</u>	<u>1,792,755</u>
<b>EQUITY AND LIABILITIES</b>			
SHAREHOLDERS' EQUITY:			
Share capital	19	305,298	305,298
Retained earnings		1,634,405	1,051,404
		<u>1,939,703</u>	<u>1,356,702</u>
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	-
		<u>491,518</u>	<u>436,053</u>
		<u>3,235,369</u>	<u>1,792,755</u>

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

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

## LASCO MANUFACTURING LIMITED

### Statement of Cash Flows

Year Ended 31 March 2013

	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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
	<u>663,031</u>	<u>588,616</u>
Operating cash flows before movements in working capital		
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)	-
	<u>301,238</u>	<u>596,071</u>
Taxation paid	-	( 77,183)
Net cash provided by operating activities	<u>301,238</u>	<u>518,888</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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	<u>( 984,097)</u>	<u>(841,910)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
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	<u>944,322</u>	<u>( 63,975)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>261,463</u>	<u>(386,997)</u>
Cash and cash equivalents at beginning of year	<u>(169,462)</u>	<u>217,535</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 18)</b>	<u>92,001</u>	<u>(169,462)</u>



## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 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

#### Year Ended 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

#### Year Ended 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

#### Year Ended 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****Year Ended 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

#### Year Ended 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 recognised 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****Year Ended 31 March 2013****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

#### Year Ended 31 March 2013

- (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

#### Year Ended 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:

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

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 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:

<u>Currency</u>	<u>%Change in Currency Rate 2013</u>	<u>Effect on Profit for the Increase/ (Decrease) 2013 \$' 000</u>	<u>%Change in Currency Rate 2012</u>	<u>Effect on Profit for the Increase/ (Decrease) 2012 \$' 000</u>
-				
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

#### Year Ended 31 March 2013

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

#### Year Ended 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:

	Carrying Amount \$'000	Contractual Cash Flows \$'000	2013		Total \$'000
			6 Months or Less \$'000	1 to 5 Years \$'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

	Carrying Amount \$'000	2012	
		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

#### Year Ended 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

#### Year Ended 31 March 2013

6.	<b>OTHER OPERATING INCOME:</b>		
		<b><u>2013</u></b>	<b><u>2012</u></b>
		<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
	Interest income	774	5,089
	Management fees	2,839	26,840
	Rental income	189	192
	Other income	<u>4,564</u>	<u>1,388</u>
		<u>8,366</u>	<u>33,509</u>
7.	<b>EXPENSES BY NATURE:</b>		
	Total administrative, selling and other expenses:		
		<b><u>2013</u></b>	<b><u>2012</u></b>
		<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
	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	<u>152,304</u>	<u>173,255</u>
		<u>408,061</u>	<u>387,317</u>
8.	<b>FINANCE COSTS:</b>		
		<b><u>2013</u></b>	<b><u>2012</u></b>
		<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
	Interest expense –		
	Other	<u>4,314</u>	<u>2,671</u>
9.	<b>PROFIT BEFORE TAXATION:</b>		
	Profit before taxation is stated after charging/ (crediting):		
		<b><u>2013</u></b>	<b><u>2012</u></b>
		<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
	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	<u>19,272</u>	<u>36,652</u>

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

Year Ended 31 March 2013

#### 10. TAXATION:

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

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

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

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Profit before taxation	<u>640,220</u>	<u>561,209</u>
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	<u>( 2,961)</u>	<u>( 36,045)</u>
	165,630	171,709
Adjustment for the effect of tax remission:		
Current tax	<u>(165,630)</u>	<u>(198,260)</u>
Taxation credit in income statement	<u>-</u>	<u>( 26,551)</u>

- (c) Remission of income tax:

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

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

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

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2013

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:**

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



## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2013

#### 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	<u>149,479</u>	<u>159,126</u>	<u>5,277</u>	<u>1,707,853</u>	<u>15,698</u>	<u>6,994</u>	<u>195,331</u>	<u>2,239,758</u>
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	<u>14,604</u>	<u>108,897</u>	<u>2,840</u>	<u>-</u>	<u>9,845</u>	<u>4,004</u>	<u>193,830</u>	<u>334,020</u>
Net Book Value:								
31 March 2013	<u>134,875</u>	<u>50,229</u>	<u>2,437</u>	<u>1,707,853</u>	<u>5,853</u>	<u>2,990</u>	<u>1,501</u>	<u>1,905,738</u>
31 March 2012	<u>137,459</u>	<u>58,368</u>	<u>3,135</u>	<u>796,617</u>	<u>8,201</u>	<u>2,763</u>	<u>3,063</u>	<u>1,009,606</u>

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2013

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:**

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

15. **RECEIVABLES:**

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

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:

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
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	<u>6,718</u>	<u>1,600</u>
	<u>549,784</u>	<u>382,125</u>

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2013

#### 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>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
<b><u>Transactions</u></b>		
Purchase of goods/ foreign currency:		
Lasco Distributors Limited	33,053	40,248
Lasco Financial Services Limited	<u>2,585,199</u>	<u>1,713,489</u>
Sale of goods/ services:		
Lasco Distributors Limited	<u>3,339,219</u>	<u>3,000,707</u>
Management fees income/ (expense):		
Lasco Distributors Limited	2,839	26,840
Lasco Financial Services Limited	( 512)	( 362)
Building rental expense	<u>6,840</u>	<u>6,840</u>
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	<u>2,598</u>	<u>1,458</u>
<b><u>Year end balances</u></b>		
With related parties:		
Due from –		
Lasco Distributors Limited	10	-
Lasco Foods Limited	<u>3,141</u>	<u>10,721</u>
	<u>3,151</u>	<u>10,721</u>
Lasco Distributors Limited (included in trade receivables)	464,839	326,939
Lasco Financial Services Limited (included in trade receivables)	<u>253</u>	<u>187</u>
Due to –		
Lasco Distributors Limited (included in payables)	10,799	5,412
Lasco Financial Services Limited (included in payables)	<u>1,104</u>	<u>953</u>
There is a thirty (30) day repayment term of the amounts due to and from related parties.		
With directors and other key management:		
Director's current account	2,918	-

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2013

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:**

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
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	<u>364</u>	<u>433</u>
	<u>122,959</u>	<u>34,618</u>
Bank overdraft	( 30,958)	(204,080)
	<u>92,001</u>	<u>(169,462)</u>

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

19. **SHARE CAPITAL:**

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
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	<u>305,298</u>	<u>305,298</u>

20. **LONG TERM LOAN:**

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
First Caribbean International Bank (Jamaica) Limited	1,005,855	-
Less: current portion	( 201,707)	-
	<u>804,148</u>	<u>-</u>

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.

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2013

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:**

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

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

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2013****22. STAFF COSTS:**

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

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.

# LASCO MANUFACTURING LIMITED

## ANNUAL GENERAL MEETING

Postage  
Stamp

## Proxy Form

I/We \_\_\_\_\_

of \_\_\_\_\_

being a Member/Members of the above-named Company, hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

or failing him/her, \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to

be held at the Terra Nova All –Suite Hotel, 17 Waterloo Road, Kingston 10 on Monday, September 30, 2013 at 10:00 am and at any adjournment thereof.

I desire this form to be used for/against the resolutions.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Signature: \_\_\_\_\_

Unless otherwise directed the proxy will vote as he thinks fit.

### NOTES:

1. When completed, this form must be received by the Registrar of the Company at the address given below, not less than forty-eight (48) hours before the time for holding the meeting.
2. The Proxy Form should bear stamp duty of \$100.00 which may be adhesive and duly cancelled by the person signing the proxy form.
3. If the appointer is a Corporation, this Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorized in writing.

### Send to:

**The Registrar and Transfer Agent**  
Jamaica Central Securities Depository  
40 Harbour Street  
Kingston









27 Red Hills Road, Kingston 10 Jamaica, W.I.  
[www.lascojamaica.com](http://www.lascojamaica.com)