



2014

ANNUAL REPORT





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.



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

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Key Financial Performance Indicators

Key financial performance indicators are set out below:
As at March 31, for the years ended March 2014, March 2013, March 2012 and March 2011

	2013-14	2012-13	2011-12	2010-11
REVENUE	(\$'000) \$4,023,673	(\$'000) \$3,659,094	(\$'000) \$3,227,502	(\$'000) \$2,969,611
Percentage Change	10.0%	13.4%	8.7%	0.00%
Gross Profit	\$1,056,363	\$1,049,424	\$917,688*	\$934,501
Percentage Change	1%	14%	-2%	0.00%
GROSS MARGIN	26.3%	28.7%	28.4%	31.5%
PROFIT FROM OPERATIONS	\$599,020	\$644,534	\$563,880	\$556,148
Percentage Change	-7.06%	14.30%	1.39%	0.00%
Net Cash flows from Operating Activities	\$569,637	\$301,238	\$518,888	\$200,881
Percentage Change	89.10%	-41.95%	158.31%	0.00%
FINANCE COSTS	\$14,570	\$4,314	\$2,671	\$37,701
Percentage Change	237.74%	61.51%	-92.92%	0.00%
PROFIT BEFORE TAXATION	\$584,450	\$640,220	\$561,209	\$518,447
Percentage Change	-8.71%	14.08%	8.25%	0.00%
PROFIT AFTER TAXATION	\$584,450	\$640,220	\$587,760	\$401,776
Percentage Change	-8.71%	8.93%	46.29%	0.00%
DIVIDEND PAID	\$0	\$57,219	\$61,304	\$0.00
Percentage Change	-100.00%	-6.66%	∞	0.00%
LONG TERM DEBT	\$1,489,000	\$1,005,855	\$0	\$0.00
SHAREHOLDERS' EQUITY	\$2,524,153	\$1,939,703	\$1,356,702	\$830,246
Percentage Change	30.13%	42.97%	63.41%	0.00%

* Restated for comparative purposes

Corporate Data As at March 31, 2014

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

Company Secretary
Mr. Vincent Chen
Attorney-At-Law

Attorneys-At-Law
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.

BOARD OF DIRECTORS

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

Dr. Eileen Chin
Managing Director

Non-Executive Directors
Mr. J.A. Lester Spaulding, C.D., J.P.
Professor Rosalea Hamilton, Ph.D.
Mr. Vincent Chen
Mr. Peter Chin
Mrs. Jacinth Hall-Tracey

LIST OF SENIOR OFFICERS

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

Dr. Eileen Chin
Managing Director

Mr. Paul Darby
Financial Accountant

Top Ten Shareholders As at March 31, 2014

LASCO Manufacturing Limited

Name	Joint Holders	Volume	Percentage
East West (St. Lucia) Limited		2,002,693,780	49.00
Lascelles A. Chin		1,244,428,470	30.45
Mayberry West Indies Limited		143,543,229	3.51
Catherine Adella Peart		21,900,750	0.54
Wayne Chin		17,037,160	0.41
	*Hilda Gonzalez Rosales	2,830,000	0.07
Huixiong Liao		22,061,803	0.54
Joel Izquierdo Gonzales		20,000,000	0.49
	*Liudmila Gonzalez Diaz	10,083,400	0.25
Mayberry Managed Clients Account		18,317,160	0.46
Bamboo Group Holdings Limited		23,610,840	0.58
Liudmila Gonzalez Diaz		20,000,000	0.49
	*Joel Izquierdo Gonzales	2,350,000	0.05
Hilda Gonzalez Rosales		20,000,000	0.49
	*Eileen Chin	1,000,000	0.02

* Connected party

Shareholders' Profile

LASCO Manufacturing Limited

Shareholdings of Directors and Connected Parties as at March 31, 2014

Name Primary Holder	Position *Connected Party	Units	Percentage
J. A. Lester Spaulding		1,503,000	0.0368
Peter Chin		13,585,980	0.3308
Jacinth Hall-Tracey		0.00	0.0000
Vincent Chen		0.00	0.0000
Rosalea Hamilton		2,753,000	0.0674
Eileen Chin	*Hilda Gonzales Rosales	17,000,000	0.4159
Lascelles Chin	*East West (St. Lucia Limited)	1,244,428,470	30.4475
		2,002,693,780	49.0000

Shareholdings of Senior Officers and Connected Parties as at March 31, 2014

Name Primary Holder	Position	Units	Percentage
Paul Darby	Senior Officer	1,500,000	0.0367
Eileen Chin	Senior Officer	17,000,000,	0.4159

Directors' Report As at March 31, 2014

The Directors of LASCO Manufacturing Limited are pleased to present their report for the financial year ended March 31, 2014.

FINANCIAL RESULTS

The Statement of Comprehensive Income shows a total profit before taxation of J\$584.5M, taxation of Nil, and Total Comprehensive Income of \$584.5M. 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, 2014, the Directors were:

- Hon. Lascelles Chin, O.J., C.D. (Executive Chairman)
- Dr. Eileen Chin, MBA (Managing Director)
- Mr. J.A. Lester Spaulding, C.D., J.P. (Non-Executive)
- Mr. Vincent Chen (Non-Executive)
- Professor Rosalea Hamilton, Ph.D (Non-Executive)
- Mr. Peter Chin (Non-Executive)
- Mrs. Jacinth Hall-Tracey (Non-Executive)

In accordance with **Article 97** of the Articles of Incorporation of the Company, **Professor Rosalea Hamilton** shall retire by rotation and shall be eligible to offer herself for re-election.

NEW APPOINTMENTS

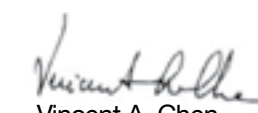
Mrs. Jacinth Hall-Tracey and Mr. Peter Chin were on the 1st day of November, 2013 appointed by the Directors as Non-Executive Directors of the Company until the holding of the Annual General Meeting. Mrs. Jacinth Hall-Tracey and Mr. Peter Chin being eligible offered themselves for election as Directors of the Company.

THANK YOU

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

Dated this 30th day of June 2014

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Vincent A. Chen
COMPANY SECRETARY

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **Annual General Meeting** of **LASCO MANUFACTURING LIMITED** will be held at **The Knutsford Court Hotel on September 30, 2014 at 9:00am**. The proposed resolutions are as follows:

ORDINARY BUSINESS

Ordinary Resolutions

1. Audited Accounts

To consider and if thought fit, pass the following resolution:

“THAT the Audited Accounts for the year ended March 31, 2014 and the Reports of the Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted.”

2. Election of Directors

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 Director retiring under these Articles is **Professor Rosalea Hamilton** and being eligible, offers herself for re-election.

The proposed resolutions are therefore as follows:

To consider and if thought fit pass the following resolution:

- (ii) **“THAT** Director, **Rosalea Hamilton**, retiring pursuant to **Article 97** of the Articles of Incorporation be and is hereby re-elected.”

3. Election of New Directors

3.1 THAT Peter Chin was, on the 1st day of November, 2013 appointed as Non- Executive Director of the Company until the next Annual General Meeting. **Mr. Peter Chin** 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:

“THAT Peter Chin be and is hereby elected a Director of the Company.”

3.2 THAT Jacinth Hall-Tracey was, on the 1st day of November, 2013 appointed as Non-Executive Director of the Company until the next Annual General Meeting. **Mrs. Jacinth Hall-Tracey** being eligible offered herself 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:

“THAT Jacinth Hall-Tracey 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.”

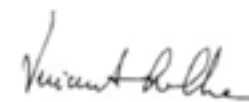
5. Appointment of Auditors and their Remuneration

To consider and if thought fit, pass the following resolution:

“THAT Messrs BDO, having signified their willingness to serve continue in office as Auditors of the Company until the conclusion of the next Annual General Meeting at remuneration to be agreed with the Directors.”

Dated this 30th day of June 2014

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.



Chairman's and Managing Director's Letter

On behalf of the Board of Directors of LASCO Manufacturing Limited, we welcome you to our fourth Annual General Meeting. We are proud to announce that we have unwaveringly pursued our goals since we began our transformation: we continue to deliver consistent results while at the same time investing in and transforming our Company to ensure long-term sustainable growth.

Looking back, the past two years have been very important for LASCO Manufacturing's transformational journey. We have made significant investments behind our brand; we have advanced our product development programs and expanded our manufacturing facilities. We have changed our operating model to be more efficient and effective to leverage the Company's talent, capabilities and resources.

Despite the very challenging operating environment, we delivered positive growth. Our Company's revenue increased from J\$3.66B to J\$4.024B, gross profit increased from J\$1.049B to J\$1.056B. Net profit declined from J\$640.2M to J\$584.5M over the previous year. Volume growth and effective pricing were the main drivers of the increase in revenue. The effects of a combination of overheads and staff costs for the new plant contributed to the decline in net profit. Staffing for the new plant needed to be in place for training during commissioning and before the commencement of production.

Delivering on the targets for the year under review demanded the very best of the entire management team and staff. Our growth continues to be fueled by increased product range, cost management and continuous

*'We aim to perform
while we transform'*

improvement. These growth opportunities require significant investment and development of the right people, skills and tools to compete. We have already established strong positions in some markets, but need to continue investing on building our capabilities in others to maximize these growth opportunities.

The investments and capacity-building initiatives we have undertaken over the past two years are positioning the Company on a path for superior value creation over the long-term. Our business model and the affordability of our products, coupled with our growth plan for the international division as well as the local market, give us the confidence that we can sustain growth over the long-term.

Embodied in our vision is a major thrust to contribute toward the development of the society through steady growth, value creation and our corporate programs. One of our core factors of corporate social responsibility policy is our duty to humanity and the environment. Hence, we conduct our business activities based on the premise that we must maintain harmony with society as a whole.

We have an incredible sense of duty and responsibility to our shareholders who depend on us to offer sustainable financial returns over the long-term and we are confident that we will deliver; as LASCO Manufacturing Limited's best days are yet to come. We want thank all our shareholders for their commitment and look forward to their continued support as we pursue our goals.



Chairman and
Managing Director's Letter

Hon. Lascelles A. Chin OJ, CD
EXECUTIVE CHAIRMAN

Dr. Eileen Chin, MBA
MANAGING DIRECTOR



Chairman's Profile

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

Recipient of the Order of Jamaica for his philanthropy and contribution to the development of commerce and business, Lascelles Chin is the Chairman and Founder of the LASCO Affiliated Companies.

This Jamaican born entrepreneur who ventured into the field of business and commerce in 1956, found opportunities in a variety of sectors: the import of spices and teas, sales of adhesives through his partnership with Henkel, furniture manufacturing, data processing, car rentals, horticulture, insurance brokerage, hair products, soya oil refining and chicken processing. Because of his wealth of knowledge, business experience and being always mindful of his humble beginnings, the Chairman has constantly sought to develop and distribute affordable products.

The Chairman shares his ideas and energy with his business colleagues and has contributed greatly to prominent Jamaican organizations such as the Jamaica Industrial Development Corporation, the Jamaica Exporters' Association and the Jamaica Promotions Corporation (JAMPRO). He is a current Director of the Bureau of Standards' Standards Council, the University of the West Indies' School of Nursing Advisory Board and the Kings House Foundation. He is also the Executive Chairman of LASCO Distributors Limited and LASCO Financial Services Limited, our affiliates.

The Chairman has been listed among the top 10 personalities in Jamaica published by the Jamaica Observer on several occasions. In 2011, he was inducted into the Private Sector Organization of Jamaica (PSOJ) Hall of Fame.

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

Dr. Chin joined the LASCO Group of Companies in 1999 serving in several positions including marketing, product and label development and international business development for Central and South American markets. She was appointed General Manager of LASCO Foods (Successors) Limited in 2008 and in 2010, Managing Director prior to the name change 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 an active member of the Board of Directors of LASCO Financial Services Limited, LASCO Distributors Limited and Portia Simpson Miller Foundation.

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

Mr. Spaulding is a Non-Executive Director of the company and its mentor for the purposes of the Rules of the Jamaica Stock Exchange Junior Market. As mentor, he is responsible for advising the Board on the implementation of adequate procedures, systems and controls, corporate governance, financial reporting and the release of timely information to the market.

Mr. Spaulding is the Chairman of the Board's Audit and Compliance Committee and a member of the Compensation Committee. These Committees are required by the Junior Market Rules for the purposes of good governance.

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. Mr. Spaulding was responsible for guiding the Company operationally as its CEO for 30 years up to 2008. This includes listing the parent Company Radio Jamaica Limited 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 Limited, Guardsman Communications Limited and LASCO Distributors Limited. He currently serves as Director in community service organizations, Peace and Love in Schools (PALS) and the Caribbean Community of Retired Persons (CCRP). He is an Honorary of the Kingston Rotary Club.

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

Professor Rosalea Hamilton is Vice President, Community Service and 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 Founder and Past President of The MSME Alliance, her commitment to promoting entrepreneurship and development is evident in her 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 at the University of Technology, Jamaica (UTech) in 2008.

Professor Hamilton is also Founder and Director of the Institute of Law & Economics (ILE), and was 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. Vincent A. Chen Non-Executive Director

Mr. Vincent Anthony Chen holds the position of Company Secretary for both LASCO Distributors Limited and LASCO Financial Services Limited. He serves as a General Counsel at LASCO Distributors Limited, once serving under the same title, plus Chief Legal Officer. Mr. Chen's duties include ensuring the Company abides by standard legal and financial practices along with maintaining corporate governance.

Vincent has over 45 years of experience in the field of law, completing the Solicitors Qualifying examinations administered by the Law Society in England. He is a partner at the law firm Chen, Green and Company as well as a Notary Public for Jamaica. He qualified as a Barrister and Solicitor in British Columbia, Canada and as a Solicitor of the Supreme Court in England.

Mr. Chen is a part of the Board of Directors for Level Bottom Farms and Supplies Limited and Vanda Limited and formerly served as the Chairman of Salada Foods (Jamaica) Limited.

**Mr. Peter Chin,
Non-Executive Director**

Mr. Peter Chin has been Managing Director of LASCO Distributors Limited since November, 2011. Mr. Chin has over 15 years experience in the distribution industry and has held several senior management positions at LASCO Distributors Limited. Some of the positions held include Logistics Manager with responsibility for distribution and procurement, Marketing Manager and General Manager for the Consumer Division.

Mr. Chin has gained wide experience in functional areas such as logistics, procurement, sales, marketing, operations and new-product development. Over the years, he has developed a reputation for strong people-management skills and sound leadership. Mr. Chin's performance in these key areas of the business prepared him for the top managerial position which he now holds.

At LASCO, Mr. Chin has managed the oversight of several mission-critical projects, leading the modernization of the distribution center infrastructure and heading the steering committee that implemented the Company's system-wide ERP network software. Mr. Chin also currently sits on the board of directors for LASCO Financial Services Limited.

**Mrs. Jacinth Hall-Tracey, MBA
Non-Executive Director**

Mrs. Hall-Tracey is a Non-Executive Director of the Company. She holds an MBA from Edinburgh Business School, a Bachelor of Arts Degree (Hons.) from The University of the West Indies, Corporate Treasury and Cash Management Certificate from the Association of Financial Professionals which grants the CTP (Corporate Treasury Professional) designation and several other professional courses in Marketing, Securities and Anti-Money Laundering procedures.

In 2009 Mrs. Hall-Tracey was appointed Managing Director of LASCO Financial Services Limited. She began as General Manager and Compliance Officer of the Company in 2004. She was appointed as Non-Executive Director of LASCO Distributors Limited in 2013.

In March 2014, Mrs. Hall-Tracey was appointed National Mentor by the Governor General of Jamaica and mentors at her Alma Mater – Merl Grove High School. She is a member of the Cambio Association of Jamaica and the Jamaica Money Remitters Association.

Corporate Governance As at March 31, 2014

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, 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 maximize 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, 2014, the Board comprised of seven members: two Executive Directors and five 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 judgment 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 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.

THE 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 and
- Timely disclosures

For the financial year 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 Committee also analyze the quarterly unaudited financial statements and make recommendations to the Board of Directors for publication in accordance with the rules of the Jamaica Stock Exchange Junior Market Rules and International Accounting Standards.

THE 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 Vincent Chen. The other appointed members include Hon. Lascelles Chin, Professor Rosalea Hamilton and Mr. J.A. Lester Spaulding.

The Committee's terms of reference require that it 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 Board of Directors.

Corporate Governance



Prof. Rosalea Hamilton, Ph.D.



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



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

Below is a summary of the register in respect of the meetings for the financial year ended March 31, 2014

Meetings	AGM	BOD	Compensation Committee	Audit Committee
No. of Meetings	1	4	1	4
Lascelles Chin	1	4	1	4
Eileen Chin	1	4	-	4
J. A. Lester Spaulding	1	2	1	3
Rosalea Hamilton	-	4	1	4
Peter Chin*	-	2	-	-
Jacinth Hall-Tracey*	-	2	-	-
Vincent Chen	1	4	1	-

* Appointed November 2013

The following table outlines the composition of each Committee:

Meetings	Compensation Committee	Audit Committee
Lascelles Chin	✓	✓
Eileen Chin	-	✓
Vincent Chen	✓	-
J. A. Lester Spaulding	✓	✓
Rosalea Hamilton	✓	✓

Organizational Chart



Management Team



Dr. Eileen Chin, Managing Director,



Paul Darby, Financial Accountant



Daniel Strachan, Acting Production Manager - Dry Blend Plant



Cleverick Dougherty, Production Manager - Liquid Beverage Plant



Marjorie McCalla, Export Sales and Marketing Manager



Rhona Rhoden-Munoz, Procurement Manager



Mark Harrison, Maintenance Engineer.



Paula Lewis, Quality Control Manager



Peter Hylton, Information Technology Manager



Joel Gonzalez, Property Manager



Ruel Thompson, Safety/Security and Community Relations Manager

Management Discussion & Analysis

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.

OUR BUSINESS

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 Redit Milk. The Company also markets other Jamaican made products throughout the Caribbean, North America, Canada, the Middle East and the UK. Our products are sold through an excellent cadre of distributors. The synergies developed with our distributors produced results which contribute to sustainable growth and grand building.

Our goal remains focused on improving efficiencies through investments in technology, change management and training and development of the workforce. We take pride in our results oriented approach and passion to satisfy consumers. Ultimately, we aim to increase value to our shareholders, employees and stakeholders.

LASCO Manufacturing Limited distinguishes itself by 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 that recognize outstanding Jamaicans such as teachers, police and nurses.

BUSINESS STRATEGY

Our strategic plan is aimed at positioning LASCO Manufacturing for continued success and growth. The plan drives us to operate more efficiently in this highly competitive industry.

In the year under review we extended the scope of our operational activities to include reengineering business processes from procurement to sales. This encompassed eliminating operational inefficiencies through the enhancement of the Company's Information Technology and Enterprise Resource Management System.

The business strategy has been developed in consonance with the growth expansion, focusing on our three key elements - expansion, innovation and increased efficiency. This strategy in the broadest application enabled LASCO Manufacturing to minimize its impact on the environment. As part of our environmental management plan and

commitment to the county, we became a member of the newly formed government/private sector partnership known as Recycling Partners of Jamaica Limited.

OPERATING ENVIRONMENT

LASCO Manufacturing operates in the challenging beverage industry. Our success in this environment has been dependent on effective distribution and promotion, advertising campaigns, marketing programs, product packaging and pricing strategy.

INTERNATIONAL DIVISION

We continue to pursue our vision of becoming a global company with our focus being increased revenue. The division's fundamental policy is to contribute to sustainable growth of the Company.

Despite the obvious challenges presented by temporary stagnation of the economy, we reported an increase in revenue of 18 percent. Against this backdrop, we have created value for LASCO Manufacturing Limited, our distributors and other stakeholders. Our North American markets continued to do well through on-line sales in the Publix Supermarket, advertising, community events sponsorship and the push of bi-lingual promotional material.

EXPANSION



LASCO Manufacturing Limited successfully completed construction of the liquid plant during the financial year. The equipment commissioning that commenced close to the end of the year has now been completed. The plant was able to commence the production of the liquid beverage after yearend. Severe weather conditions during the winter in

the United States contributed to the delay in the schedule for the installation and commissioning of machinery and equipment in both plants.



The construction for the dry blend plant is near completion and the equipment is currently being commissioned. The plant is expected to commence production during the financial year 2014- 2015. We have made significant marketing and promotional investment in preparation for the launch. We now anticipate the introduction of several new products which will raise the bar for LASCO Manufacturing Limited.

FINANCIAL PERFORMANCE

2013- 2014 was characterized by market uncertainty and fragile economic conditions. The volatility of the exchange rate, devaluation of the Jamaican dollar and increases in raw material prices affected the industry. However, LASCO Manufacturing Limited remained focused on realigning our cost structure in order to achieve the Company's objectives.

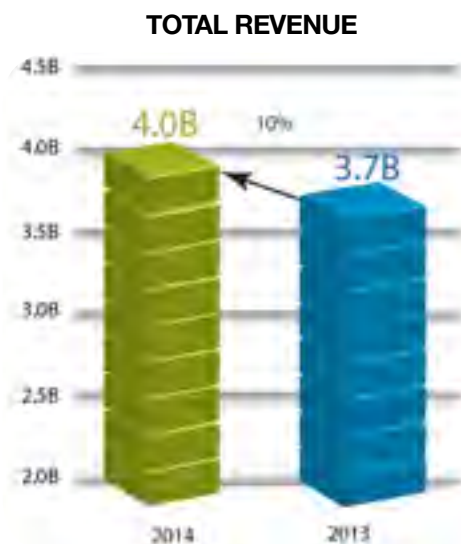
Our strategic approach to markets is based on continuing the growth momentum in Jamaica and internationally. The business strategy has been developed in line with the growth objectives.

Total revenue for the financial year ended March 31, 2014 was \$4.024B, an increase of 10% over the previous year. To a large extent, the growth in revenue is a reflection of increased performance in both our International Division and the local market. Revenues in our International Division increased by 18% compared to the previous financial year. The division is currently reflecting even better performance and we plan to maintain the trend.

The economic environment during the year ended March 31, 2014 was harsh and competitive. This was driven mainly by the effects of continuing devaluation of the Jamaican dollar. Despite these conditions, we are able to report a Gross Profit of \$1.06B, compared to \$1.05B, an increase of 1% over the previous year. We achieved a Gross Profit Margin of 26.3%.

Our Gross Profit and Gross Margin achievements were mainly due to our effective management of Cost of Sales. We held our Cost of Sales at 73.8% of revenue. This success is reflective of our approach to inventory management and other associated incidental costs.

Profit from Operations was \$599.02M compared to \$644.53M the previous year, a decrease of 7.06%. The Net Profit before tax was \$584.5M compared to \$640.2M the previous year, a decrease of 8.7%. The decrease in profit performance was due to staffing cost, overheads associated with the new facilities, interest expense, security and insurance.



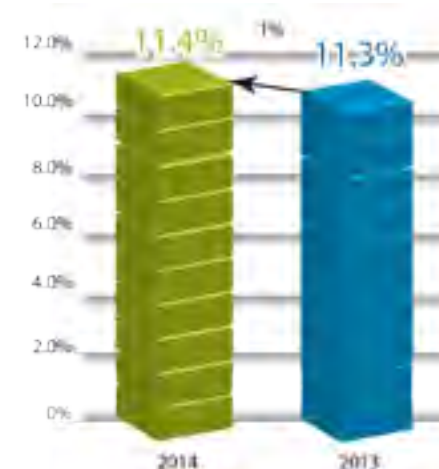
The Company's total operating expenses as a percentage of sales was 11.4% compared to 11.3% the previous year. We were able to maintain this ratio because of our approach to cost management. The slight increase in the year 2013-2014 was mainly due to cost associated with the expansion.

BALANCE SHEET AND CASH FLOW

Total Assets stood at \$4.65B at the end of the financial year compared to \$3.24B the previous year, an increase of 43.52%. A significant portion of this increase is accounted for by our investment in Property, Plant and Equipment for the expansion. This class of assets grew by 54.39% to \$2.94B.

Our Current Assets grew to \$1.71B at the end of the financial year compared to \$1.33B the previous year, an increase of 28.57%. The increase in Current Assets is reflective of how we have managed our inventory to minimize any adverse impact of devaluation on our Working Capital. Our Receivables increased to \$811.93M compared to \$628.94M the previous year, an increase of 29.1%.

OPERATING EXPENSES AS % OF SALES



This increase was due to the extension of credit terms to our distributors. The amounts due were paid within the agreed credit periods.

There was a significant improvement in the cash flows provided from our Operating Activities. This figure was \$569.64B compared to \$301.24B in the previous year, an increase of 89.1%.

Our Cash and Bank balances decreased from \$122.96M last year to \$59.35M this year, as we released Cash from Operations to part fund the expansion and eliminate our Bank Overdraft. Our Bank Overdraft was reduced to Nil at the end of the financial year from \$30M the previous year.

FINANCIAL POSITION

Shareholders' equity was \$2.52B at the end of the financial year compared to \$1.94B the previous year, an increase of 30.1%. The increase in shareholders' equity has been due to the Company's continued maintenance of strong profitability. The current ratio was 2.07 at the end of the financial year and the quick ratio 1.17. Both ratios are strong and reflect our effectiveness in managing working capital.

SHAREHOLDERS' EQUITY



RATIOS

Ratios	March 2014	March 2013
Return on Sales	14.53%	17.50%
Operating Profit Margin	14.89%	17.61%
Current Ratio	2.07	2.71
Quick Ratio	1.17	1.71
Earnings per Share	\$0.14	\$0.16

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. All our functions and suitable control activities are designed to address and mitigate the significant risks.

Human Resource Development

The globalization of the business environment is accelerating. To ensure sustainable growth for LASCO Manufacturing Limited, we are creating an environment in which each employee is able to demonstrate his or her abilities, and convert the individual strengths into corporate strength.

We aim to boost our continued growth by recruiting, retaining and developing our leadership team and a highly skilled and diverse workforce. One of our primary goals is to continually nurture people who can exercise leadership from a global perspective. To cultivate such leaders, we are working to enhance peoples' ability to embrace diversity, and to refine technical expertise. We continue to provide educational assistance to employees for advanced studies such as: certified courses, bachelors and master's degree programmes.

LASCO Manufacturing Limited knows that talent and leadership development are growth drivers. The women and men of our company contributed significantly to

our achievement in generating over \$4B in revenue and increasing shareholders' equity this year. Their steadfast commitment to the Company, shareholders, consumers and customers keeps us moving into the future.

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. The process fosters innovation and flexibility entwined with acknowledgment and accountability. HR seeks to promote a culture of employee recognition where contributions and successes are regularly rewarded and celebrated at all levels throughout the organization.

We salute our employees for their immense contribution and dedication to our Company, LASCO Manufacturing Limited!



Relay for Life

LASCO Manufacturing Limited is committed to the ongoing staging of activities which celebrates events such as:

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



Book Drive



Evening Devotion



Staff Children's Fun Day



Mother's Day

Risk Management

LASCO Manufacturing Limited aims to capitalize on profitable business opportunities in a disciplined way reducing risks, sustaining operational effectiveness and enhancing the Company's resilience to the changing market conditions. To achieve this, an ongoing process has been established for identifying, evaluating and managing risks faced by the Company.

Management is responsible for the systems of internal control, risk management and review processes. All department managers are required to maintain a process for ensuring identification, evaluation and management of key risks. Senior management is responsible for monitoring the risk management policy and reporting to the Board of Directors, while Internal Audit assesses the efficacy of the Company's systems of internal control and the risk management process.

LASCO Manufacturing Limited manages operational hazards 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 a 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. LASCO Manufacturing Limited mitigates these risks through robust operation of an excellent, security focused and comprehensive operational disaster recovery plan. Maintaining our brand reputation is essential to our business success.

Corporate Outlook

We at LASCO Manufacturing Limited have long believed that our value-based culture and strong brand form a solid foundation for good governance which leads to good results. While we have in the past enjoyed having a strong brand and good financial strength, our future is about ensuring we are set up to deliver sustained performance in a rapidly changing world.

Our opportunity at LASCO Manufacturing Limited is to ensure that we build on our strengths, while staying agile and adaptable, to compete effectively and enhance our reputation in a more demanding world. We are focused on continuing to drive cost savings and other productivity enhancements, which will produce growth to our top and bottom line.

In the next two years, we plan to complete the process of reengineering our Information Technology and Enterprise Resource Planning platform. This will allow for total

integration of business processes, boost efficiencies and provide better service to our stakeholders. We plan to develop the basis to diversify our business offers, which will allow us to remain relevant and profitable in a constantly changing global economy.

We are passionate about continuing to build on our brand strength through programmes that will benefit the communities in the markets we serve. Our market discipline positions us very well for an aggressive wave of new product launches. We are designing products to win in the marketplace, not just compete, and we are aggressively pursuing growth opportunities around the world.

Our commitment to develop our workforce, company and country will deepen our reputation, trust and respect. Our future success will be measured not only in the value we create but also in the way we achieve it.





American Chamber of Commerce (AMCHAM) Jamaica Corporate Social Responsibility Award

In 2013, LASCO emerged the American Chamber of Commerce (AMCHAM) Jamaica Corporate Social Responsibility Awardee in the Large Organization category. This distinguished award further underscores LASCO's commitment to Jamaica through its sustained support of the critical national developmental areas: education, health, national security, sports and the environment.

Heart Healthy Tummy Friendly

...and 1/2 the price of Liquid Soy per serving

Now in
3 Great Flavours!
Chocolate,
Strawberry
and Malt

Enjoy.

Lactose and Cholesterol FREE

8 Grams of Protein*

30% of Recommended Daily Calcium Need*

Vitamins A&C
Iron & Zinc

*per serving



PRODUCT OF JAMAICA



Corporate Social Responsibility

LASCO partners with key public sector bodies in executing its flagship Corporate Programmes, which honour the best of the Nation's educators, police and nurses.

EDUCATION



PRINCIPAL AND TEACHER OF THE YEAR

LASCO views education as one of the central pillars of advancement for the Nation and is proud to support educational initiatives. Since 1997, LASCO and the Ministry of Education (MoE) have collaborated to recognize some of Jamaica's most outstanding teachers. The category of principal was added in 2006. LASCO's Teacher and Principal of the Year Program annually spotlights the teaching profession and recognizes outstanding school teachers and principals at primary and secondary levels.

L-R) Hon. Lascelles Chin, O.J., C.D., Executive Chairman of LASCO Affiliated Companies (L), Mrs. Janet Walters, LASCO/MoE Teacher of the Year, Mrs. Elaine Foster-Allen, Permanent Secretary in the Ministry of Education, Mr. Norman Malcolm, LASCO/MoE Principal of the Year and Dr. Eileen Chin, Managing Director of LASCO Manufacturing Limited, at the 2013/2014 Awards Ceremony held at the Jamaica Pegasus Hotel. Mrs. Walters is a Master Teacher in Primary Education at the John Rollins Success Primary in St. James and Mr. Malcolm is the Principal of the Windward Road Primary and Junior High in Kingston.

READ ACROSS JAMAICA

LASCO staff members and its Corporate Education ambassadors participated in the annual Ministry of Education (MoE) Read Across Jamaica Day, observed during Education Week in May. Dr. Margaret Bailey, 2012/13 LASCO/MoE Principal of the Year read to students at Spanish Town Primary and Collins Close Basic.



Dr. Margaret Bailey (r), LASCO /MoE Principal of the Year 2012/13 addresses Grade 5 students of Spanish Town Primary, during visit to the school on May 7, in observance of Read Across Jamaica

HEALTH



LASCO/NAJ NURSE OF THE YEAR

For the past 15 years, LASCO has been committed to advancing health and wellness initiatives, towards the goal of building a healthy Nation. One of the groups pivotal to the advancement of the Nation's Health Sector is the Nurses. LASCO continuous to be committed to empowering stakeholders in the Health Sector, and is consequently very proud of its partnership with the Nurses Association of Jamaica (NAJ).

Miss Shailee Neish, 2013/14 LASCO/NAJ Nurse of the Year (NOY) with Mrs. Julieth Forrester Nugent, 2nd Runner Up NOY (right), Mrs. Tanya Davis-Picknight, 1st Runner Up NOY (left) and Mr. Peter Chin, Managing Director of LASCO Distributors Limited at the Annual Awards Ceremony held at the Jamaica Pegasus Hotel.

NATIONAL SECURITY

LASCO POLICE OFFICER OF THE YEAR AWARD

LASCO has partnered with the Jamaica Constabulary Force (JCF) since the year 2000 to recognize some of the Nation's exceptional law enforcement officers. Corporal Hodel Harris of the St. Mary Division won the coveted award of LASCO/JCF Police of the Year Award.



Hon. Lascelles Chin, O.J., C.D., Chairman of the LASCO Affiliated Companies presents the championship trophy to Corporal Hodel Harris, the 2013/2014 LASCO JCF Police of the Year at the Jamaica Pegasus Hotel.

LASCO/JCF POLICE OFFICER OF THE YEAR COMMUNITY OUTREACH ACTIVITY

As a part of the LASCO/JCF Police of the Year programme, the finalists select and execute a community outreach activity. This year, the finalists opted to paint the Morant Bay Primary School library, and also give motivational talks to the students.



Inspector Mark Goffe (I), representing the St. Catherine South Division speaks to this student during a motivational session at the Morant Bay Primary School.



Corporal Dhaima Campbell of the Services Branch, assists in painting the library at the Morant Bay Primary.

ENVIRONMENT

LASCO REAP

LASCO encourages environmental stewardship through the LASCO Re-leaf Environmental Awareness Programme (REAP), an environmental programme in primary level schools. The programme seeks to embark on building environmental awareness among children, encouraging them to become more deeply involved in the care of the environment, emphasizing recycling, and conservation. The programme has directly reached over 4,000 students, in over 80 schools, collecting in excess of 20,000 plastic bottles and planting 2,500 trees island-wide.



Jeanette Holness, LASCO Sales Representative plants a tree, while looking on are Kelia-Gaye Dunbar, Marketing Manager for LASCO Distributors (middle row), Shailee Neish, LASCO/NAJ Nurse of the Year 2013/14 (right), Julieth Forrester-Nugent, 2nd runner up, LASCO/NAJ Nurse of the Year, entertainer, Half Pint (back row) and students of the Denham Town Primary School.

Sponsorships, Advertising & Promotions



SPONSORSHIPS

TVJ SCHOOLS' CHALLENGE QUIZ SPONSORSHIP

In recognition of the role of TVJ's Schools' Challenge Quiz in promoting healthy competition and academic excellence among secondary schools, LASCO Manufacturing Limited has continued the sponsorship of this program which closed its 45th season on April 1, 2014.

LASCO as a main sponsor of the program provided delicious LASCO Food Drink as refreshment to students during the taping of matches and also at the exciting live grand finale match between newcomer, Champion College and seasoned quiz team, Kingston College. The LASCO team was on spot to present attractive cash prizes to the victor, Kingston College, the runner up Champion College and third place team, Titchfield High School. Breakfast programmes were also presented to Kingston College and, the highest scoring school in Middlesex, St. Jago High School.



LASCO Food Drink AISK SportsFeva Sponsorship

Recognizing the importance of sports in the personal development of our Nation's youth, LASCO sponsored the AISK SportsFeva programme with its delicious and nutritious product, LASCO Food Drink. The SportsFeva series of activities engaged students from twenty local schools and one international school to compete in tennis, gymnastics, football, golf and clay shooting.

LASCO provided LASCO Food Drink smoothies and sundaes as well as Tropifrut Juice Drink to the student competitors and patrons who attended the activities which took place from February 9 to 21, 2014.



LASCO FOOD DRINK MIX & WIN PROMOTION

In February 2013, LASCO launched the LASCO Food Drink Mix & Win promotion, which gave LASCO Food Drink consumers a chance to win exciting cash prizes. In addition, consumers were entered to win the grand cash prizes of 1st place \$1.5M, 2nd place \$500,000 and 3rd place \$250,000.

The Mix & Win promotion came to a close in May 2013 with Tashawn Ward, Veronia Swaby and Walter Jackson taking first, second and third places respectively.



The lucky winners in the LASCO Food Drink Mix and Win promotion in a photo opportunity with LASCO team members, at the handover ceremony held at the LASCO offices in White Marl.

TRINIDAD PROMOTION



LASCO Food Drink "Snow cones"

WALL PAINTING IN HAITI



LASCO Food Drink billboard in Haiti.



LASCO Manufacturing Limited FINANCIAL REPORT

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Manila, S. Luzon

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 39 to 68, which comprise the statement of financial position as at 31 March 2014, and the statements of profit or loss and other 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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility:

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Lasco Manufacturing Limited

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 March 2014, and of its financial performance 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 Jamaican Companies Act, in the manner so required.

Chartered Accountants
29 May 2014

LASCO MANUFACTURING LIMITED
STATEMENT OF PROFIT OR LOSS &
OTHER COMPREHENSIVE INCOME

Year Ended 31 March 2014

	<u>Note</u>	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
REVENUE	6	4,023,673	3,659,094
COST OF SALES		<u>(2,967,310)</u>	<u>(2,609,670)</u>
GROSS PROFIT		1,056,363	1,049,424
Other operating income	7	<u>1,636</u>	<u>8,366</u>
		<u>1,057,999</u>	<u>1,057,790</u>
EXPENSES:			
Administrative and other expenses		(385,592)	(351,549)
Selling and promotion expenses		<u>(73,387)</u>	<u>(61,707)</u>
	8	<u>(458,979)</u>	<u>(413,256)</u>
OPERATING PROFIT		599,020	644,534
Finance costs	10	<u>(14,570)</u>	<u>(4,314)</u>
PROFIT BEFORE TAXATION		584,450	640,220
Taxation	11	<u>-</u>	<u>-</u>
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>584,450</u>	<u>640,220</u>
EARNINGS PER STOCK UNIT	12	<u>\$0.14</u>	<u>\$0.16</u>

LASCO MANUFACTURING LIMITED
STATEMENT OF FINANCIAL POSITION

31 March 2014

	Note	2014 \$'000	2013 \$'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	2,942,176	1,905,735
CURRENT ASSETS:			
Inventories	15	741,884	489,860
Receivables	16	811,932	628,938
Tax recoverable		10,494	12,591
Related companies	17	3,157	3,151
Director's current account	17	2,377	2,918
Short term investment	18	77,871	69,214
Cash and bank balances	19	59,352	122,959
		<u>1,707,067</u>	<u>1,329,621</u>
		<u>4,649,243</u>	<u>3,235,356</u>
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	20	305,298	305,298
Retained earnings		2,218,855	1,634,405
		<u>2,524,153</u>	<u>1,939,703</u>
NON-CURRENT LIABILITY:			
Long term loan	21	1,301,385	804,148
CURRENT LIABILITIES:			
Payables	22	636,092	358,853
Bank overdraft	19		30,958
Current portion of long term loan	21	187,615	201,702
		<u>823,707</u>	<u>491,513</u>
		<u>4,649,243</u>	<u>3,235,356</u>

Approved for issue by the Board of Directors on 29 May 2014 and signed on its behalf by:


L. A. Chin Chairman


Eileen Chin Director

LASCO MANUFACTURING LIMITED
STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY

31 March 2014

	Note	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
BALANCE AT 1 APRIL 2011		305,298	1,051,404	1,356,702
TOTAL COMPREHENSIVE INCOME				
Net profit		-	640,220	640,220
TRANSACTION WITH OWNERS				
Dividends	13	-	(57,219)	(57,219)
BALANCE AT 31 MARCH 2013		305,298	1,634,405	1,939,703
TOTAL COMPREHENSIVE INCOME				
Net profit		-	584,450	584,450
BALANCE AT 31 MARCH 2014		305,298	2,218,855	2,524,153

LASCO MANUFACTURING LIMITED

STATEMENT OF CASH FLOWS

31 March 2014

	<u>2014</u> \$'000	<u>2013</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	584,450	640,220
Items not affecting cash resources		
Depreciation	26,941	19,272
Interest income	(1,195)	(775)
Gain on disposal of property, plant and equipment	(10)	-
Interest expense	<u>14,570</u>	<u>4,314</u>
	624,756	663,031
Changes in operating assets and liabilities:		
Inventories	(252,024)	(211,167)
Receivables	(182,966)	(182,042)
Related companies	(6)	7,570
Taxation recoverable	2,097	(116)
Payables	377,239	26,880
Director's current account	<u>541</u>	<u>(2,918)</u>
Cash provided by operating activities	<u>569,637</u>	<u>301,238</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	1,167	521
Short term investment	(8,657)	(69,214)
Purchase of property, plant and equipment	(1,063,784)	(915,404)
Proceeds from disposal of property, plant and equipment	<u>413</u>	<u>-</u>
Cash used in investing activities	<u>(1,070,861)</u>	<u>(984,097)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(14,570)	(4,314)
Loan received	483,145	1,005,855
Dividends paid	<u>-</u>	<u>(57,219)</u>
Cash provided by financing activities	<u>468,575</u>	<u>944,322</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(32,649)	261,463
Cash and cash equivalents at beginning of year	<u>92,001</u>	<u>(169,462)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 19)	<u>59,352</u>	<u>92,001</u>

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

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:

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (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 in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

Amendments to published standard effective in the current year that is relevant to the company's operations

IFRS 13, 'Fair Value Measurement', (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in IFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The adoption of this standard has no significant impact on the company's financial statements.

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

IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 January 2014). Amendments relating to the offsetting of assets and liabilities.

IAS 36, 'Impairment of Assets' (effective for annual periods beginning on or after 1 January 2014). Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets.

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2015). IFRS 9 addresses classification and measurement of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

Classification of financial assets under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value.

For financial liabilities IFRS 9 retains most of the IAS 39 requirements including amortised cost accounting for most financial liabilities and the requirement to separate embedded derivatives. The main changer is where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

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

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

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 -

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

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

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss.

(d) Property, plant and equipment -

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on all other items of property, plant and equipment is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives. Land is not depreciated. 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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(e) Inventories -

Inventories are stated at the lower of cost and fair value less costs to sell. Cost is determined as follows:

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

(f) Provisions -

Provisions for restructuring costs and legal claims are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(g) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity.

Financial assets

(i) Classification

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Financial instruments (cont'd) -

Financial assets (cont'd)

(i) Classification (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.

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial liabilities

The company's financial liabilities are initially measured at fair value net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

At the reporting date the following items were classified as financial liabilities: long term loan and payables.

LASCO MANUFACTURING LIMITED

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(h) Impairment of non-current assets -

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

(i) Trade receivables -

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

(j) Current and deferred income taxes -

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to statement of income, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(k) Cash and cash equivalents -

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturities of three months or less, net of bank overdraft.

(l) Trade and other payables -

Trade and other payables are stated at amortized cost.

(m) Employee benefits -

(i) Deferred contributions plans

Contributions to defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate.

(ii) Profit-sharing and bonus plan

The company recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's stockholders after certain adjustments. The company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(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.

(n) Revenue recognition -

Revenue is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

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

Revenue is shown net of General Consumption Tax, returns and discounts.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(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.

(q) Dividend distribution -

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. In the case of interim dividends to equity shareholders, this is when declared by the shareholders.

Dividend for the year that are declared after the reporting date are dealt with in the subsequent events note.

(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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies -

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) Key sources of estimation uncertainty -

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below:

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Key sources of estimation uncertainty (cont'd) -

(i) Fair value estimation

A number of assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of, at fair value.

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. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the company's financial and non financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique are.

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Key sources of estimation uncertainty (cont'd) -

(i) Fair value estimation (cont'd)

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

(a) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, receivables and payables.

(b) The carrying values of long term liabilities approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

(ii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in statement of income through impairment or adjusted depreciation provisions.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT:

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

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

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Due from related company
- Long term loan

(ii) Financial instruments by category

Financial assets

	Loans and Receivable	
	2014	2013
	\$'000	\$'000
Cash and bank balances	59,352	122,959
Short term investment	77,871	69,214
Receivables	<u>811,932</u>	<u>628,938</u>
Total financial assets	<u>949,155</u>	<u>821,111</u>

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NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(ii) Financial instruments by category (cont'd)

	Financial liabilities at amortised cost	
	2014 \$'000	2013 \$'000
Payables	636,092	258,853
Bank overdraft	-	30,958
Long term loan	1,489,000	1,005,855
Total financial liabilities	2,125,092	1,295,666

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, receivables, payables, long term loan.

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables and payables approximates their fair value.

(iv) Financial risk factors -

The Board of Directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investments of excess liquidity.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Market risk

Currency risk

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

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

(i) Market risk (cont'd)

Currency risk (cont'd)

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

	2014 \$'000	2013 \$'000
Cash and bank balances	54,765	122,548
Short term investment	77,871	69,214
Receivables	110,548	122,012
Payables	(476,907)	(160,246)
	(233,723)	153,528

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank, accounts receivable balances and accounts payables balances, and adjusts their translation at the year-end for 15% (2013 - 10%) depreciation and a 1% (2013 - 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2014	Effect on Profit before Tax 31 March 2014 \$'000	% Change in Currency Rate 2013	Effect on Profit before Tax 31 March 2013 \$'000
Currency:				
USD	+1	2,377	+1	(1,535)
USD	-15	(35,058)	-10	15,353

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

31 March 2014	109.28
31 March 2013	98.62

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

(i) Market risk (cont'd)

Foreign currency sensitivity (cont'd)

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 the risk by maximising foreign currency earnings.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is exposed to equity securities price risk arising from its holding of available-for-sale investments. As the company does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

Cash flow and fair value interest rate risk

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

Interest rate sensitivity

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

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

The company's interest rate risk arises from cash and cash equivalents, loan and bank overdraft. Loan interest is fixed for three years hence there is no significant exposure to interest rate fluctuations.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, due from related company and cash and bank balances.

Trade receivables

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

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

Trade receivables that are past due but not impaired

At as 31 March 2014, trade receivables of \$115,877,000 (2013 - \$231,327,000) were past due but not impaired. These relate to customers for whom there is no recent history of default.

(iii) Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

(iii) Liquidity risk (cont'd)

The company's liquidity management process, as carried out within the company and monitored by the Finance Department, includes:

- (i) Monitoring future cash flows and liquidity on a bi-weekly basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
31 March 2014					
Payables	636,092	-	-	-	636,092
Long term loan	187,615	342,946	958,439	-	1,489,000
Total financial liabilities (contractual maturity dates)	823,707	342,946	958,439	-	2,125,092
	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
31 March 2013					
Payables	258,853	-	-	-	258,853
Bank overdraft	30,958	-	-	-	30,958
Long term loan	-	187,615	342,946	475,294	1,005,855
Total financial liabilities (contractual maturity dates)	289,811	187,615	342,946	475,294	1,295,666

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (CONT'D):

(v) Capital management -

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the company is subject.

6. REVENUE:

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

7. OTHER OPERATING INCOME:

	2014 \$'000	2013 \$'000
Interest income	1,195	774
Management fees	-	2,839
Rental income	-	189
Other income	441	4,564
	1,636	8,366

LASCO MANUFACTURING LIMITED

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8. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Staff costs (note 9)	147,233	156,350
Directors' fees	2,833	2,598
Auditors' remuneration - current year	4,000	3,815
prior year	(35)	(360)
Legal and professional	16,147	10,149
Security	22,699	12,597
Insurance	40,224	25,251
Repairs and maintenance	9,248	11,651
Building rental	11,655	12,399
Advertising and promotion	73,387	61,707
Foreign exchange loss	8,279	15,507
Travelling and entertainment	21,299	24,747
Depreciation	26,941	19,272
Donation and subscription	7,309	8,001
Bank charges	7,372	4,031
Utilities	44,150	31,444
Other operating expenses	<u>16,238</u>	<u>14,097</u>
	<u>458,979</u>	<u>413,256</u>

9. STAFF COSTS:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Salaries and related costs	75,391	82,789
Directors' emoluments	45,242	44,335
Profit related pay	2,937	3,200
Termination costs	2,479	7,330
Pension costs	3,032	2,621
Staff welfare	<u>16,188</u>	<u>13,299</u>
	145,269	153,574
Redundancy costs	<u>1,964</u>	<u>2,776</u>
	<u>147,233</u>	<u>156,350</u>

The average number of persons employed by the company during the year was forty-two (42), (2013 - thirty-seven (37)).

Also included in cost of sales is an amount of \$37,515,599 (2013 - \$22,965,446) representing production workers staff costs.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

10. FINANCE COSTS:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Interest expense	14,570	4,314

11. TAXATION EXPENSE:

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

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Profit before taxation	584,450	640,220
Taxation calculated at 25%	146,113	160,055
Adjusted for the effects of:		
Expenses not deducted for tax purposes	9,095	8,536
Net effect of other charges and allowances	<u>(36,466)</u>	<u>(2,961)</u>
	118,742	165,630
Adjustment for the effect of tax remission: Current tax	<u>(118,742)</u>	<u>(165,630)</u>
Taxation in income statement	-	-

(b) Remission of income tax:

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

Years 1 to 5	100%
Years 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

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12. EARNINGS PER STOCK UNIT:

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the number of ordinary stock units in issue at year-end.

	<u>2014</u>	<u>2013</u>
Net profit attributable to stockholders (\$'000)	584,450	640,220
Number of ordinary stock units ('000)	4,087,130	4,087,130
Earnings per stock unit (\$ per share)	<u>0.14</u>	<u>0.16</u>

The number of shares for both years reflects the ten (10) split in the number of shares in issue up to 5 July 2013.

13. DIVIDENDS:

	<u>2014</u>	<u>2013</u>
	<u>\$'000</u>	<u>\$'000</u>
In respect of 2012 (0.14¢ per share)	<u>-</u>	<u>57,219</u>

LASCO MANUFACTURING LIMITED

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14. PROPERTY, PLANT AND EQUIPMENT:

	<u>Land & Buildings</u>	<u>Machinery & Equipment</u>	<u>Leasehold Improvement</u>	<u>Assets under Construction</u>	<u>Motor Vehicles</u>	<u>Furniture & Fixtures</u>	<u>Computer Equipment</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At cost:								
1 April 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)
31 March 2013	149,479	159,126	5,277	1,707,853	15,698	6,994	195,331	2,239,758
Transfer	747,377	(26)	-	(747,377)	-	-	26	-
Additions	-	1,336	-	1,001,304	-	85	61,059	1,063,784
Retirement/disposal	-	-	-	-	-	(518)	-	(518)
At 31 March 2014	<u>896,856</u>	<u>160,436</u>	<u>5,277</u>	<u>1,961,780</u>	<u>15,698</u>	<u>6,561</u>	<u>256,416</u>	<u>3,303,024</u>
Depreciation:								
1 April 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)
31 March 2013	14,604	108,897	2,840	-	9,845	4,004	193,830	334,020
Adjustment	-	(4)	-	-	-	-	5	1
Charge for the year	5,698	10,910	698	-	2,347	349	6,939	26,941
Retirement/disposal	-	-	-	-	-	(116)	-	(116)
At 31 March 2014	<u>20,302</u>	<u>119,803</u>	<u>3,538</u>	<u>-</u>	<u>12,192</u>	<u>4,237</u>	<u>200,774</u>	<u>360,846</u>
Net Book Value:								
31 March 2014	<u>876,554</u>	<u>40,633</u>	<u>1,739</u>	<u>1,961,780</u>	<u>3,506</u>	<u>2,324</u>	<u>55,642</u>	<u>2,942,178</u>
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>

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

14. 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 \$1,961,780,000 (2013 - \$1,707,853,000) 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 \$100,000,000.

Interest and commitment fees capitalised during the year amounted to \$120,455,978

15. INVENTORIES:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Raw materials	341,266	298,301
Finished goods	18,220	10,264
Goods in transit	<u>382,398</u>	<u>181,295</u>
	<u>741,884</u>	<u>489,860</u>

16. RECEIVABLES:

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Trade receivables	781,632	549,784
Other receivables	<u>30,300</u>	<u>79,154</u>
	<u>811,932</u>	<u>628,938</u>

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

17. RELATED PARTY TRANSACTIONS AND BALANCES:

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The following transactions were carried out with related parties:

<u>Transactions</u>	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Purchase of goods/foreign currency:		
Lasco Distributors Limited	32,953	33,053
Lasco Financial Services Limited	<u>2,348,512</u>	<u>2,585,199</u>
Sale of goods/services:		
Lasco Distributors Limited	<u>3,622,535</u>	<u>3,339,219</u>
Management fees income/(expense):		
Lasco Distributors Limited	-	2,839
Lasco Financial Services Limited	<u>(143)</u>	<u>(512)</u>
Building rental expense	<u>6,840</u>	<u>6,840</u>
Key management compensation (included in staff cost - note 9):		
Key management includes directors, (executive and senior managers) - Salaries and other short-term employee benefits	<u>52,908</u>	<u>51,061</u>
Directors' emoluments:		
Fees	2,833	2,598
Management remuneration (included above)	<u>48,179</u>	<u>47,535</u>
Year end balances		
With related companies:		
Due from -		
Lasco Distributors Limited	7	10
Lasco Foods Limited	3,141	3,141
Lasco Financial Services Limited	<u>9</u>	<u>-</u>
	<u>3,157</u>	<u>3,151</u>
Lasco Distributors Limited (included in trade receivables)	669,379	464,839
Lasco Financial Services Limited (included in trade receivables)	<u>1,203</u>	<u>253</u>

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

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

Year end balances (cont'd)

	<u>2014</u> \$'000	<u>2013</u> \$'000
Due to -		
Lasco Distributors Limited (included in payables)	13,628	10,799
Lasco Financial Services Limited (included in payables)	<u>542</u>	<u>1,104</u>

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

With directors and other key management:

Director's current account	<u>2,377</u>	<u>2,918</u>
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18. 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 1.24%.

19. CASH AND CASH EQUIVALENTS:

	<u>2014</u> \$'000	<u>2013</u> \$'000
Cash and bank balances -		
Petty cash	20	20
Cash in hand	25	25
Certificate of deposit	35,830	32,146
Foreign currency savings account	13,563	37,167
Foreign currency current accounts	5,372	53,237
Local current accounts	<u>4,542</u>	<u>364</u>
	59,352	122,959
Bank overdraft	<u>-</u>	<u>(30,958)</u>
	<u>59,352</u>	<u>92,001</u>

20. SHARE CAPITAL:

	<u>2014</u> \$'000	<u>2013</u> \$'000
Authorised -		
4,427,500,000 (2013 - 442,750,000) ordinary shares of no par value		
Stated capital -		
Issued and fully paid -		
4,087,130,170 (2013 - 408,713,017) ordinary shares of no par value	<u>305,298</u>	<u>305,298</u>

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

20. SHARE CAPITAL (CONT'D):

Increase in authorised and stated capital

At an Extra Ordinary General Meeting held 26 June 2013, the following Resolution was passed:

That each of the shares of no par value in the present capital of the company whether issued or unissued be sub-divided into ten (10) shares of no par value.

21. LONG TERM LOAN:

	<u>2014</u> \$'000	<u>2013</u> \$'000
FirstCaribbean International Bank (Jamaica) Limited	1,489,000	1,005,855
Less: current portion	<u>(187,615)</u>	<u>(201,707)</u>
	<u>1,301,385</u>	<u>804,148</u>

The loan attracts an interest rate of 8.4% per annum which is fixed for three years to 31 May 2015. Thereafter, either a new fixed rate is to be determined for the remaining two years of the facility or a variable rate of 6 month weighted average treasury bill yield rate plus 2%, with the interest rate to be reset semi-annually based on the most recent 6 month treasury bill yield rate immediately prior to the date of reset, will be applied. There will be an initial twelve month moratorium on principal repayments during which time, interest only, will be payable at monthly rests, in arrears.

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.

LASCO MANUFACTURING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

21. LONG TERM LOAN (CONT'D):

- (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.

22. PAYABLES:

	<u>2014</u> \$'000	<u>2013</u> \$'000
Trade payables	578,040	223,443
Other payables and accruals	<u>58,052</u>	<u>35,410</u>
	<u>636,092</u>	<u>258,853</u>

23. PENSION SCHEME:

The company operates a defined contribution pension scheme which is administered by BPM Financial Limited and is open to all permanent employees.

The scheme is funded by the company's and employees' contributions. The company's contributions to the scheme are expensed and amounted to \$3,032,276 (2013 - \$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 nil (2013 - J\$8,000,000).

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 on the 30th day of

September 2014 and at any adjournment thereof.

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

Signed this _____ day of _____ 2014

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