



## ANNUAL REPORT 2016



*Innovators*

NEW ALMOND FOOD DRINK

# GOODNESS IN EVERY GLASS



**7** GRAMS  
OF PROTEIN

MINERALS

**25%**  
CALCIUM

VITAMINS

IRON

# LASCO

FOOD DRINK



# VISION AND MISSION

## VISION

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

## MISSION

Our mission is to provide quality products and services to  
our customers, ensure profitability and promote employee  
development.  
Being the best... Always.

## Core Values

### CARE FOR OUR CUSTOMERS

We respect our customers time and privacy.

### COMMITMENT

We are committed to achieving success for our team, agents and  
shareholders.

### INTEGRITY

In dealing with our customers, agents, staff and shareholders.  
Continuous Improvement of our Processes.



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# NEW WITHOUT THE MOOOO VANILLA

Get all the creamy vanilla taste you love without the lactose in heart health and tummy friendly LASCO LaSoy.

**1/2** the price  
of Liquid Soy  
per serving

8  
Grams of  
Protein

30% of  
Recommended  
Daily Calcium

Lactose and  
Cholesterol  
FREE

Vitamins A & C  
Iron & Zinc

LASCO

Vanilla  
**LaSoy**  
Lactose Free  
Soy Beverage

RICH IN  
PROTEIN & CALCIUM

CONTAINS  
VITAMINS

AC

IRON

JUST ADD  
WATER

NET WT 2.8oz (80g)  
Makes 21oz (630ml)



NOTICE OF  
**ANNUAL GENERAL  
MEETING**





NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of **LASCO MANUFACTURING LIMITED** will be held on **Tuesday, September 27, 2016** at **10:30 a.m. in the Blue Mountain Suite of The Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5** for the following purposes:

## 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, 2016 and the Reports of the Directors and Auditors, circulated with notice convening the meeting, be and are hereby adopted.”

### 2. Ratification of Dividend

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

“THAT the Interim Dividend of \$0.025 cents per stock unit was paid on December 10, 2015 to shareholders on record at the close of business on November 23, 2015, is declared final for the year 2015, be and is hereby ratified.”

### 3. 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.

**Article 98** of the Company’s Articles of Incorporation provides that the Directors to retire in every year shall be those who have been longest in office since their last election.

The Directors retiring under these Articles are **Mrs. Jacinth Hall-Tracey and Mr. Peter Chin** and being eligible, offer themselves for re-election.

The proposed resolutions are therefore as follows:

To consider and if thought fit pass the following resolution:

(i) “THAT retiring Director **Mrs. Jacinth Hall-Tracey** be and is hereby re-elected a Director of the Company.”

To consider and if thought fit pass the following resolution:

(ii) “THAT retiring Director **Mr. Peter Chin** be and is hereby re-elected a Director of the Company.”

### 4. Directors Remuneration

**Article 82** of the Articles of Incorporation empowers the Directors or any appropriate Committee of the Board of Directors to fix the remuneration of the Directors.

**Article 123** empowers the Directors, or any appropriate Committee of the Board of Directors, to determine, the remuneration of the Managing Director.

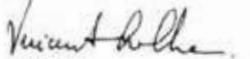
### 5. Appointment of Auditors and their Remuneration

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

“That the remuneration of the Auditors, BDO, who have signified their willingness to continue in office, be fixed by the Directors of the Company.”

Dated this 15<sup>th</sup> day of June 2016

BY ORDER OF THE BOARD

  
**Vincent A. Chen**  
**COMPANY SECRETARY**

- NOTE:
1. 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 of the Company.
  2. All Members are entitled to attend and vote at the meeting.
  3. Enclosed is a form of Proxy which must be deposited with the Secretary at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting.

# CORPORATE DATA

(As at March 31, 2016)

## REGISTERED OFFICE

### LASCO Manufacturing Limited

27 Red Hills Road

Kingston 10

Jamaica, W.I.

Tel: (876) 960-1831

(876) 960-3662-3

Fax: (876) 749-4275

Website: [www.lascojamaica.com](http://www.lascojamaica.com)

## BOARD OF DIRECTORS

### Executive Directors

Hon. Lascelles A. Chin, O.J., C.D., LL.D. (Hon. Causa)

Executive Chairman

Mr. Robert Parkins, MBA

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, MBA

Dr. Eileen Chin, MBA

### Financial Controller

Ms. Sophia Gayle

## Company Secretary

Mr. Vincent Chen

## 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  
Limited

40 Harbour Street

Kingston 5

Jamaica, W.I.



# SHAREHOLDERS' PROFILE

## Top Ten Shareholders as at March 31, 2016

Name	Volumes	Percentages
East West (St. Lucia) Limited	2,002,693,780	49.00
Lascelles A. Chin	1,244,428,470	30.45
Mayberry West Indies Bank Limited	131,161,528	3.21
Manwei International	29,290,311	0.72
Bamboo Group Holdings Limited	23,690,256	0.58
Catherine Adella Peart	21,600,750	0.53
Yuan Liao	20,391,220	0.50
Joel Izquierdo Gonzalez	20,000,000	0.49
Liudmila Gonzalez Diaz	20,000,000	0.49
Hilda Gonzalez Rosales	20,000,000	0.49

## Shareholdings of Directors and Connected Parties as at March 31, 2016




Name Primary Holder	*Connected Party	Units	Percentages
Lascelles A. Chin	*Eileen Chin	1,244,428,470	30.45
	*East West (St. Lucia) Limited	2,002,693,780	49.00
Peter Chin		5,585,980	0.14
J. A. Lester Spaulding		1,503,000	0.04
Rosalea Hamilton		110,000	0.04
Eileen Chin	*Lascelles A. Chin	16,000,000	0.39
Jacinth Hall-Tracey		0.00	0.00
Vincent Chen		0.00	0.00
Robert Parkins		0.00	0.00
*Connected Party			

## Shareholdings of Senior Managers and Connected Parties as at March 31, 2016

Name Primary Holder	*Connected Party	Units	Percentages
Robert Parkins		0.00	0.00
Sophia Gayle		0.00	0.00
Jorge Vega		0.00	0.00

# FIVE YEAR FINANCIAL REVIEW

First Calendar Year of Data 2011-2012  
 Number of Years of Data 5  
 Reporting Values \$'000

						
		2015-16 \$'000	2014-15 \$'000	2013-14 \$'000	2012-13 \$'000	2011-12 \$'000
REVENUE		6,571,742	4,788,583	4,023,673	3,659,094	3,227,502
Percentage change		37.2%	19.0%	10.0%	13.4%	8.7%
GROSS PROFIT		2,384,874	1,423,540	1,056,363	1,049,424	917,688
GROSS MARGIN		36.3%	29.7%	26.3%	28.7%	28.4%
PROFIT FROM OPERATIONS		1,140,517	794,746	599,020	644,534	563,880
Percentage change		43.5%	32.7%	-7.1%	14.3%	1.4%
NET CASHFLOWS FROM OPERATING ACTIVITIES		295,502	538,644	553,263	301,238	518,888
Percentage change		-45.1%	-2.6%	83.7%	-41.9%	158.3%
FINANCE COSTS		157,221	125,378	14,570	4,314	2,671
Percentage change		25.4%	760.5%	237.7%	61.5%	-92.9%
PROFIT BEFORE TAXATION		983,296	669,368	584,450	640,220	561,209
Percentage change		46.9%	14.5%	-8.7%	14.1%	8.2%
PROFIT AFTER TAXATION		826,198	612,361	536,086	640,220	587,760
Percentage change		34.9%	14.2%	-16.3%	8.9%	46.3%
DIVIDENDS PAID		102,178	-	-	57,219	61,304
Percentage change		0.0%	0.0%	-100.0%	-6.7%	-
LONG TERM DEBT		1,488,942	1,301,385	1,489,000	1,005,855	-
Percentage change		14.4%	-12.6%	48.0%	-	0.0%
SHAREHOLDERS EQUITY		3,855,265	3,088,150	2,475,789	1,939,703	1,356,702
Percentage change		24.8%	24.7%	27.6%	43.0%	63.4%
OPERATING EXPENSES		1,247,370	645,252	458,979	413,256	387,317
Operating expenses as % of sales		19%	13%	11%	11%	12%

# DIRECTORS' REPORT

As at March 31, 2016

The Directors of LASCO Manufacturing Limited are pleased to present their report for the financial year ended March 31, 2016.

## FINANCIAL RESULTS

	\$'000
Profit before Taxation	983,296
Taxation	<u>157,098</u>
Net Profit	826,198
Earnings per ordinary stock unit (¢ per share)	<u>20.21</u>

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%

Details of the results for the year were approved by the Board on May 26, 2016 and a comparison with the previous year is set out in the Statement of Profit or Loss and other Comprehensive Income on Page 47.

## DIVIDEND

On December 10, 2015, the Company paid an interim dividend of \$0.025 cents per share to all Shareholders on record at November 23, 2015. This dividend was declared final and that no further dividend be paid in respect of the year of review.

## DIRECTORS

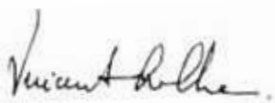
Pursuant to **Articles 97 and 98** of the Articles of Incorporation of the Company provide for the rotation of directors at the Annual General Meeting. The Directors retiring under these Articles are **Mrs. Jacinth Hall-Tracey and Mr. Peter Chin** and being eligible offer themselves for re-election as Directors of the Company.

Pursuant to **Article 110** of the Articles of Incorporation of the Company, the Managing Director while holding office shall not be subject to retirement by rotation. The Managing Director, who is subject to this Article is Mr. Robert Parkins.

The Directors take this opportunity to thank its employees for their continued commitment and diligence during the year and to acknowledge the part played by customers, our distributor and suppliers in supporting our business and our products and to all our Stockholders for their loyalty and confidence in the management of the Company.

Dated this 15<sup>th</sup> day of June 2016

BY ORDER OF THE BOARD



Vincent A. Chen

COMPANY SECRETARY





## MESSAGE FROM THE **EXECUTIVE CHAIRMAN** AND THE **MANAGING DIRECTOR**

On behalf of the Board of Directors of LASCO Manufacturing Limited, we welcome you to our sixth Annual General Meeting. We are proud to announce that the company has continued to deliver solid positive results, despite the ongoing challenges in the local and global economies.

For the year ended March 2016, the company generated revenue of \$6.57B, an increase of 37% over the prior year. Gross profit grew to \$2.38B from \$1.42B by 67.5%, representing 36% of revenues. Net profits increased to \$826M by 35% from \$612M. Impacting this year's net profit were provisions for income and deferred tax as the first half of the Junior Market 10 year tax incentive expires.

The Company continues to perform remarkably well considering significant increase in expenses due to staff costs, equipment repairs, marketing, and interest charges incurred from the ongoing expansion. Within the next year or two, we will continue to see exciting profits both from the liquid and powder operations.

Total Assets at the end of March 2016 were \$6.86B, an increase of 25% over the same period last year.

Long Term Loan has increased by \$188M over the same period last year. Loan of \$366M was received during the period under review to offset the cost of purchasing additional equipment which significantly improved output of the liquid plant.

An interim dividend totaling \$102M was paid to shareholders on record as at November 23, 2015 from retained earnings. Shareholders' equity at the end of the period stood at \$3.9B and the return on equity was 21% (compared to 20% in the prior year) and the earnings per stock unit for the year was \$0.20 (\$0.15 in the prior year).





Production capacity at the Liquid Plant is now at its peak after investing US\$5M in equipment during 2014/2015, and profits have since been improving. During this year, we spent an additional US\$4.5M on new equipment, which will double production capacity. Several new products are scheduled to come on stream in this financial year once the increased production capacity is achieved later in this year. We are optimistic about the future of this Plant and the anticipated growth in profit.

We would like to thank all our customers, shareholders and team members for their invaluable support during the year, and look forward to an exciting year ahead.

Yours sincerely,  
LASCO Manufacturing Limited

Hon. Lascelles A. Chin, O.J., C.D., LLD. (Hon. Causa)  
**EXECUTIVE CHAIRMAN**

Robert Parkins  
**MANAGING DIRECTOR**

# BOARD OF DIRECTORS' PROFILE



Recipient of the Order of Jamaica for his philanthropy and contribution to the development of commerce and business, Lascelles A. Chin is the Executive Chairman of LASCO Manufacturing Limited, LASCO Distributors Limited and LASCO Financial Services Limited.

This Jamaican born entrepreneur who ventured into the field of business and commerce over 50 years ago, found opportunities in a variety of sectors; the import of spices and teas, sale of adhesives through his partnership with Henkel, furniture manufacturing, data processing, car rentals, horticulture, insurance brokerage, hair products, soya oil refining and chicken processing. As a result of his wealth of knowledge, business experience and always being mindful of his humble beginnings, the Chairman has constantly sought to develop and distribute affordable products.

He shares his ideas and energy with business colleagues and has contributed to prominent Jamaican organizations such as the Jamaica Industrial Development Corporation, The Jamaica Exporter's Association and the Jamaica Promotions Corporation (JAMPRO). He is a Director of the University of the West Indies' School of Nursing Advisory Board and the Kings House Foundation.

## **Some of the accolades / achievements gained by Hon. Lascelles A. Chin are:**

- 2016 – Honorary Doctor of Humane Letters from the Northern Caribbean University  
  
Peacock Award for International Achievement from American Friends of Jamaica  
  
Appointed as Director for Bureau Of Standards
- 2015 – Honorary Doctor of Laws Degree (LLD) from the University of Technology Jamaica  
  
Medal of Distinction Award from the International Federation Association of Consuls (FICAC)
- 2013 – Named MoneyGram Brand Ambassador for Jamaica
- 2011 – Inducted in the Private Sector of Jamaica's Hall of Fame
- 2008 – Most Admired Business Leader CVM
- 2000 – Observer Business Leader Award

Hon. Lascelles A. Chin, O.J., C.D., LLD. (Hon. Causa)  
**EXECUTIVE CHAIRMAN**





**Mr. Robert Parkins, MBA  
MANAGING DIRECTOR**

Mr. Robert Parkins is the Managing Director of LASCO Manufacturing Limited and sits on the Board of LASCO Distributors Limited as a Non-Executive Director. He joined the Company in the capacity of General Manager in March 2015 and in September 2015 he was elected to be a Director and was appointed the Managing Director of LASCO Manufacturing Limited. He has a strong background in engineering and construction as well as extensive experience in the manufacturing industry.

Prior to joining LASCO's team, Mr. Parkins was the General Manager of Health Brands Limited, A Senior Project Officer at the University of the West Indies (U.W.I.), General Manager of Jamaica Producers

Group Limited (JP Foods), Managing Director of Salada Foods Jamaica Limited, Engineering Manager at Cigarette Company of Jamaica and Project Manager at the Seprod Group of Companies.

Mr. Parkins holds an MBA from the Nova Southeastern University, a Bachelor of Science Degree in Mechanical Engineering from the University of the West Indies (UWI), a Post Graduate Diploma in Management Studies, and a Certificate in Project Formulation, Appraisal and Management from the Administrative Staff College.



**Mr. J. A. Lester Spaulding, C.D., J.P.  
NON-EXECUTIVE DIRECTOR AND  
MENTOR TO THE BOARD**

Mr. Lester 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 has been the Non-Executive Chairman of the Board of Directors of the RJR Communications Group since 2008. He began at RJR in 1965, and rose from

accountant to the position of Managing Director in 1978 and Managing Director/Chairman in 1994. 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 Hope Zoo. 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 Rotarian of the Kingston Rotary Club.



**Dr. Eileen Chin, MBA**  
**NON-EXECUTIVE DIRECTOR**

Dr. Eileen A. Chin is an active member of the Board of Directors of LASCO Manufacturing Limited, LASCO Financial Services Limited, LASCO Distributors Limited and is the Chairman of the Portia Simpson Miller Foundation (PMS). She is also a member of the Board of Trustees of the American International School of Kingston (AISK). 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 Girón 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 served as Managing Director of LASCO Manufacturing Ltd. from 2010 to 2015 where she was responsible for the planning and implementation of the US \$30 million expansion of the manufacturing facilities.

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.



**Mrs. Jacinth Hall-Tracey, MBA**  
**NON-EXECUTIVE DIRECTOR**

Mrs. Jacinth Hall-Tracey is the Managing Director of LASCO Financial Services Limited and sits on the Board of LASCO Manufacturing Limited and LASCO Distributors Limited as a Non-Executive Director. She is a vibrant, goal-oriented and dynamic leader with distinct capacity to make things happen. Under her stewardship, the company has received several awards from the Jamaica Stock Exchange including Best Practices Awards 2013 for Best Performing Company, Junior Market. The company also received from MoneyGram, the Agent of the Year Award 2009 (Latin American & the Caribbean) and the Caribbean Agent of the Year 2014.

Mrs. Hall-Tracey 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.

When she is not developing visions and strategic planning or overseeing operations and identifying new business opportunities for LASCO Financial Services, she is giving service to the Jamaica Money Remitters of which she is Treasurer and the Cambio Association of Jamaica of which she is Past President.



**Mr. Peter Chin**  
**NON-EXECUTIVE DIRECTOR**

Mr. Peter Chin was appointed Managing Director of LASCO Distributors Limited in November 2011. Mr. Chin has over 15 years of 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 various functional areas such as logistics, procurement, sales, marketing, operations and new-product development. His performance in these key areas of the business has prepared him for the top managerial position which he now

holds. Over the years he has developed a reputation for strong people-management skills and sound leadership. Mr. Chin's accomplishments have brought him steady advancement through the ranks over his fifteen years of service to the LASCO Affiliated Companies.

During his tenure at LASCO, Mr. Chin has also managed the oversight of several mission-critical projects, leading to the modernization of the distribution center infrastructure and heading the steering committee that implemented the system-wide ERP network software now in place at the Company. Currently Mr. Chin sits on the board of directors for LASCO Financial Services Limited and LASCO Manufacturing Limited.



**Mr. Vincent A. Chen**  
**NON-EXECUTIVE DIRECTOR**

Mr. Vincent Anthony Chen holds the position of Company Secretary for LASCO Manufacturing Limited, LASCO Distributors Limited and LASCO Financial Services Limited. He serves as General Counsel/ Chief Legal Officer at all three companies. Mr. Chen's duties include ensuring that the companies abide by the standard legal and financial practices along with maintaining Corporate Governance.

Mr. Chen has over 45 years' experience in the field of law having successfully passed the solicitors qualifying examinations set by the Law Society of England and having passed the common law examinations administered by Osgoode Hall Law School in Canada. 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 Colombia, Canada and as a Solicitor of the Supreme Court in England.

Mr. Chen is a part of the Board of Directors for the Level Bottom Farms and Supplies Limited and Vanda Limited formerly served as the Chairman of Salada Foods Jamaica Limited. His hobbies include boating and playing cricket, being a proud member of both the Kingston Cricket Club and The Royal Jamaica Yacht Club. He is married to Helen and has two daughters.



**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.



# CORPORATE GOVERNANCE

(As at March 31, 2016)

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, 2016, the Board comprised of eight members, of which two are Executive Directors and six Non-Executive Directors. The Board members are very experienced and respected individuals, with diverse skills and knowledge from different professions.

Their level of talent and experience promises sound judgement in decision making and guiding the Company into successful endeavours. The Board of Directors meet 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 of these Committees are appointed by the Board of Directors. Both Committees are chaired by Non-Executive Directors and the other members include the Executive

Chairman and at least 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 A. 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 period under review, the Committee appointed Ernst and Young as its Internal Auditor in July 2015, following the resignation of Mayo Holding Limited in May 2015, 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 analyzed the quarterly unaudited financial statements and made 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 Mr. Vincent Chen. The other appointed members include Hon. Lascelles A. 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 its recommendations to the Board of Directors.

Below is a summary of the register in respect of the meetings for the financial year ended March 31, 2016

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

The following table outlines the Composition of each Committee.

Meetings	LML Compensation Committee	LML Audit Committee
Lascelles A. Chin	√	√
Robert Parkins	-	√
Vincent Chen	√	-
J. A. Lester Spaulding	√	√
Rosalea Hamilton	√	√

# MEET OUR MANAGEMENT TEAM



● L-R

- \* **Peter Hylton** - Information Technology Manager
- \* **Paul Shouciar** - Beverage Business Development Manager
- Diane Wilson** - Export Sales and Marketing Manager
- Melissa Anderson** - Human Resource Manager
- Cleverick Dougherty** - Plant Manager
- Cornelia Walters-Jones** - Export Sales and Marketing Manager
- Daniel Strachan** - Production Manager - Dry Blend Plant
- Rhona Rhoden-Munoz** - Purchasing Manager
- \* Shared Services





● R-L **Robert Parkins** - Managing Director  
 \* **Catherine Goodall** - Beverage Marketing Manager  
**Johnathan Jackson** - Plant Engineer  
**Jacqueline Birthwright** - Quality Assurance Manager  
**Peter Malvo** - Warehouse Manager  
**Sophia Gayle** - Financial Controller  
**Jorge Vega** - Export Sales and Marketing Director  
 \* **Ruel Thompson** - Safety/Security & Community Relations Manager  
 \* **Joel Gonzalez** - Property Manager  
 \* Shared Services

# MANAGEMENT DISCUSSION AND ANALYSIS



## OUR BUSINESS

LASCO Manufacturing Limited (formerly LASCO Foods (Successors) Limited) was incorporated in October 1994 and is a member of the LASCO Affiliated Companies. The company was formed by the merger of LASCO Foods (Successors) Limited and LASCO Foods Limited, two long-standing related companies. The registered office of the company is currently at 27 Red Hills Road, Kingston 10.

The company was listed on the Jamaica Stock Exchange's Junior Market in October 2010.

LASCO Manufacturing Limited continues to be one of the leading and dominant dry blend beverage companies in Jamaica. Our portfolio includes LASCO Food Drink, LaSoy Lactose Free, Porridge Mix, Whole Milk and Read Milk. In the 2015 calendar year, approximately 95% of the products manufactured were distributed locally through LASCO Distributors Limited. The remaining 5% were exported. The company also exports other foods and personal care products that are sourced from third party manufacturers.

LASCO's products are exported to twenty (20) countries throughout the Caribbean, Central and South America, Canada and the United States of America.

The Liquid plant which commenced production in July 2014 with the LASCO iCool beverage brand now includes iCool Water, iCool Juice Drinks – six (6) flavours and iCool Flavoured Waters – two (2) flavours. The production facility has now reached its full capacity and the company has been recording improved profit. The demand for the iCool product has surpassed the targets and projections set to-date.

iCool won the JMA New Breakthrough Product in 2015.

The demand has forced the company to further plan for and seek investment for production line expansion and warehousing capacity. Since startup in mid-2014 capacity had to be doubled in March 2015 by the installation of new equipment. Capacity will be doubled again by May 2016 and will reach 300% at the end of September 2016.

The new Dry Blend Beverage Plant is now fully operational at the White Marl location. This new facility far surpasses operation at our Red Hills Road location and has achieved full efficiency through improved factory design, production capacity, and advanced process flow. The products now include nine (9) flavors and two (2) package sizes of LASCO Food Drink, four (4) flavours in two (2) package sizes of Lasoy Lactose Free, three (3) Lasco Oats Porridge Flavours, and two (2) flavours LASCO Ice Dream.

Ice Dream –first (1<sup>st</sup>) new product from the upgraded powder factory launched in 2016. Recognized as the new product of the year by the Jamaica Observer.

## BUSINESS STRATEGY

We have created a strategic framework focusing on the business' long term goals and macro concerns that surrounds quality, future needs, profitability, culture, values and commitment. The business strategy continues to be developed in consonance with the growth expansion, focusing on three key elements - expansion, innovation and increased efficiency.

The Company's growth has been achieved through aggressive marketing campaigns, label upgrades, expansion in export markets and introduction of new products. The partnership with LASCO Distributors Limited has proven to be successful over the years and this will continue. The marketing strategy developed for the coming years will advance by developing brand awareness in all export territories as well as our local market and continue growing the brand while addressing the consumers' needs.

We believe that as innovators and a revolutionary company, we continue to redefine ourselves and our strategy formulation to meet our objectives. We see it as a priority to seek opportunities wherever they are and inculcate the spirit of entrepreneurship in every employee, as our greatest tool to improve our business design, processes, products service and delivery.

LASCO Manufacturing Limited can informatively say where we are, where we are going and the strategy we will be employing to achieve our objectives.

## INTERNATIONAL DIVISION

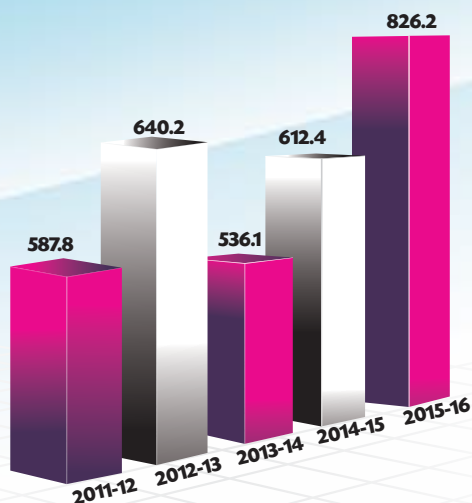
Export sales for the year ended March 2016, declined by 37% compared to the prior year, to close at \$318M. Contributing to this decline in revenues was the significant reduction in Sales to Canada and Haiti, which together normally account for 40% of the overall export market. Sales to these markets have been affected by tighter credit controls imposed by the company.

As of April 1, 2016, LASCO Distributors Limited became the exclusive distributor of LASCO Manufacturing Limited for the export market.

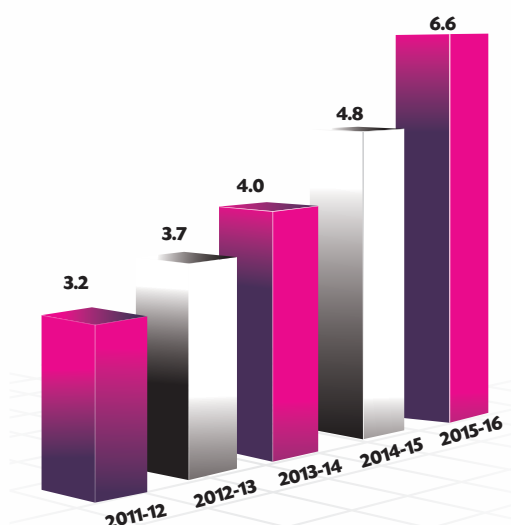
This strategic decision will enable our company to focus on our specialism in manufacturing, while optimizing on the economies of scale and expertise of a principal distributor to drive growth of all our brands in the overseas markets.



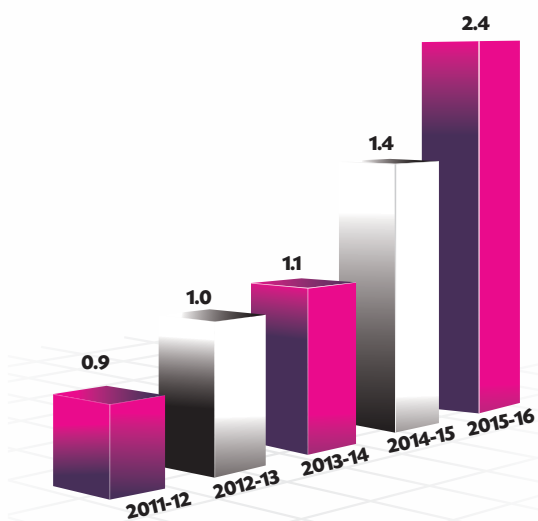
## Net Profit (\$M)



## Revenue (\$B)



## Gross Profit (\$B)



## FINANCIAL PERFORMANCE

LASCO Manufacturing Limited experienced sound growth for 2015-16. This is mainly attributed to the company's growth strategies, competitive awareness and innovative approach.

The company realised Net profit attributable to shareholders of \$826M for the financial year, an increase of \$214M or 35% over prior year. This is a direct result of our management team efforts, under their leadership of our Board of Directors, to control its operating costs while maximizing shareholders value.

Total revenue for the financial year ending March 31, 2016 totaled at \$6.6B compared to \$4.8B the previous year, which is an increase of \$1.8B or 37% over 2014-15.

This result is mainly related to the continued impressive performance of the liquid beverage line with sales of \$1.9B, an increase of \$1.5B or 369% over 2014-15. There were also respectable increases in dry beverage of \$0.5B or 13% over 2014-15. The favourable performance of both the liquid and dry beverage product lines offset the less than expected performance in the export sales for the year.

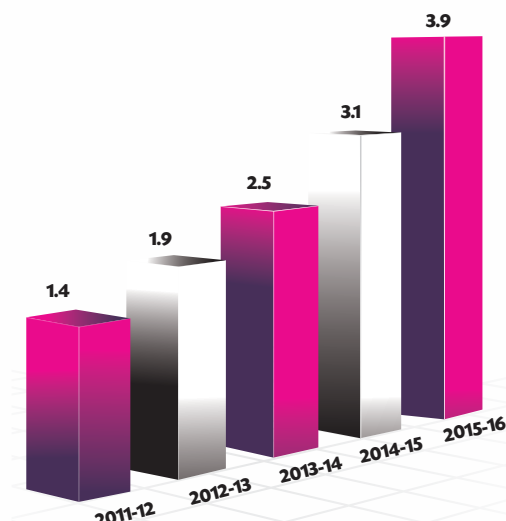
### Gross Margin

Gross margins for the year 2015-16 were \$2.4B (36% of revenue), an increase of \$1.0B or 68% over prior year (30% of revenue). This improvement is due to efficiencies realised from increased volumes produced. The increased margins have allowed for improved product quality and customer service as well as enhancing competitiveness.

### Statement of Financial Position and Capex

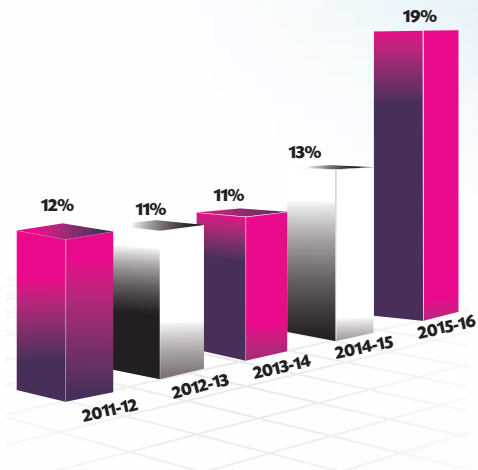
Total assets at the end of the financial year 2015-16 stood at \$6.9B, an increase of \$1.4B or 25% increase over the prior year 2014-15. Capital expenditures for the financial year were \$266M. Retained profits grew by \$724M over 2014-15 to \$\$3.5B thus increasing Shareholders equity to \$3.9B for the current financial year.

## Shareholders' Equity (\$B)





## Operating expenses as % of Sales



## INTERNAL AUDIT

Our company has outsourced its internal audit function to Ernst & Young Services Limited (EY) since July 2015. EY, through their Internal Audit and Advisory Services (IAAS), along with our management team are currently engaged in projects designed to improve and add value to the company's overall objectives.

IAAS is an independent, objective assurance and consulting function established to add value and improve LML's operations, processes and controls. IAAS helps LML accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.



# RISK MANAGEMENT

LASCO Manufacturing Limited continues to be engaged in a highly complex and dynamic business environment and as such faces several kinds of risks. Some of these risks have the potential to disrupt the achievement of the company's strategic and operational objectives. The company has adopted a risk management approach to drive growth and business performance, and it will be the basis on which strategic, operational, financial and regulatory decisions are made.

Risk management continues to be conducted on all processes, activities, ventures and projects at every level within the company to ensure alignment with the company's goals and objectives.

The risk manual developed outlines the policies and procedures that have been implemented by management to effectively:

- Incorporate goals, objectives and, policies and procedures with risk management
- Develop a culture of awareness of risk management and continuous development of staff through training
- Risk assessment
- Implement controls to mitigate risks
- Monitor risks
- Report risks

Additionally, the manual provides and outlines the roles and responsibilities of the officers charged with the responsibility of ensuring that the risk management objectives are achieved.

The manual will be reviewed annually, and users are expected to inform senior management about the need for changes or improvements to the manual. All changes will be documented and circulated to members of staff within the company.

The policy manual is a formal acknowledgement of LASCO Manufacturing Limited's commitment to risk management. It seeks to provide a consistent approach to the risk management process and gives some level of assurance that risk will be managed in a way that will maximize potential opportunities and minimize adverse effects faced by the company.

The company is committed to building increased awareness and a shared responsibility for risk management at all levels within the company. As a result, the manual will be used as a training guide for new and existing staff members. The manual outlines the policies and procedures as well as the principal areas of responsibility relating to risk management in the company.

It is the intent of the Board of Directors that management put in place and maintain policies and procedures that will ensure the effectiveness of the risk management programme essential to the success of the business.



# CORPORATE OUTLOOK

Over the past year LASCO Manufacturing Limited has been able to achieve every target and objective we had set and in most cases exceeded expectations. Our expansion into the liquid beverage market with the iCool line, and the investment we have made in building a new dry blend plant and upgrading the older facility, has yielded the returns anticipated. To date we have been able to increase our profit before tax by 47% to \$983M, double our production capacity, increase our sales revenue by 37% to \$6.57B and invest another US\$4.5M in new plant equipment.

When we launched iCool, although we had anticipated an immediate public affinity to the product because of its taste and value, its performance on the market surpassed our initial projections. The demand for the product continues to exceed the supply, and we have quickly moved into further expansion plans with the installation and commissioning of a new production line.

Our tactical goals for the upcoming months, with the completion of our new production line, addition of new drink flavours and introduction of exciting new products, both liquid and powder to our already vast product portfolio, is to create further growth in our revenue generation and profits.

Our focus has swiftly turned to new international markets and we restructured our Export Sales division to merge with our affiliate sister company in distribution and sales, allowing the assembly of a power team of Export market experts, Beverage distribution veterans,

and powerhouses in Fast Moving Consumer Goods. This strategic alignment will see us realize our goal to increase our international markets, thereby increasing our sales and brand recognition.

With all of our past year's achievements, one of significant importance has been the employment opportunities we have been able to create for our people. The exponential workforce growth was a real increase of 49%, in functional areas from administrative to technical personnel and both direct and third party arrangements. Through rigorous training and development we have been able to increase the competencies and skill sets of our people to world class manufacturing and international standards.

Our outlook for the upcoming years is to become a global corporate leader, develop a strong internationally recognized brand and standard for excellence in manufacturing and fast moving consumer goods. We want to continue to enrich and better the lives of our customers, our community and the nation through strong corporate initiatives that drive and support our sector. We want to continue to make innovative and superior products for everyone to enjoy, being mindful and responsive to the needs of our customers. We also want every LASCO Manufacturing Limited employee and business partner to experience the rewards of working with a company that cares and that wants to improve the lives of those that work assiduously to make the vision real.

# HUMAN RESOURCE DEVELOPMENT

"It helps not to call people 'human resources'. They're people. And, as it turns out, people like to be treated like people. Go figure." Dharmesh Shah

The goals we have attained this year could not have been done without our people. They have been the builders, the reinforcers, the innovators, the thinkers and the movers and shakers of our operations. At every level and in every pocket, the place was abuzz with purpose and productivity, and our people were on a mission.

The Human Resource landscape at LASCO Manufacturing Limited is values driven. We discuss and get very clear about our individual and corporate shared values, and this forms the fabric of all our interactions with our internal and external customers. While the list is not exhaustive, we deeply value respect, ethics, integrity, effective communication, being the best, accountability, commitment, family-orientation, fun, growth, professionalism, quality, teamwork, understanding and vision. The methodology of people management then becomes so simple; we treat each other well, work towards the goals hand in hand, and truly enjoy our time spent together.

Our focus this year was development. Leading up from our rapid expansion and an exponential workforce growth, we actively moved on to our next steps; refining the role of Human Resource management in the organization, meeting the needs of our Business Leaders, Managers, technical teams and line staff, providing the core Human Resource services to propel and support positive change and growth, nurture a high performance culture and employee engagement, strategically aligned the teams, and continued building total rewards.

Over the past year we could feel the swift hand of change in mindset and modus operandi; we had effectively articulated the corporate goals and objectives, and knew we had the right products, the rights service and the right people, so there was nothing to impede our achievements. Each product launch was a victory, each attainment of an award or recognition was another testament to our efforts. We were on a roll. The drive and hunger for success permeated the air, there was a heightened sense of urgency, and our mission of "Being the best always" was never more alive and awakened.

Being a LASCO employee invokes pride, it always has and always will. We know the badge we wear as an Ambassador of one of the most innovative and successful companies of all time, is one of honor and prestige. We understand and accept the challenge we have ahead to maintain our competitive advantage, to cement our place in Jamaica's manufacturing landscape as unprecedented in all testable areas, and to continue to deliver to our customers the standard they have come to enjoy and trust.

Our stakeholders can rest assured with confidence that the team on the floor continue to be the best of the best in all their respective fields. They are highly trained, knowledgeable, driven and with each passing day strive for the next level in thinking and best practices.

LASCO Manufacturing Limited will continue with its commitment to providing meaningful employment, training, and opportunities to enrich the lives both personally and professionally of all in its employ. The year ahead will again be record breaking, and we make no apologies for this.

Our people are ready!



# HEART HEALTHY MEAL

IN MINUTES

**JUST  
ADD  
WATER**

**READY IN  
3 MIN**

**7G PROTEIN  
PER SERVING**

**A, B & C  
VITAMIN**

**IRON &  
CALCIUM**





# CORPORATE

## SOCIAL RESPONSIBILITY

The LASCO Affiliated Companies continue to demonstrate commitment to Corporate Social Responsibility (CSR) through a robust suite of programs for civil servants and the environment.

The LASCO/Jamaica Constabulary Force (JCF) Police Officer of the Year program, popularly known as LASCO Top Cop, has recognized the exemplary efforts of the best police officers for the past 17 years. In partnership with the Nurses Association of Jamaica (NAJ), LASCO lauds the achievements of both nurses and student nurses in the public sector through the LASCO/NAJ Nurse of the Year programme. This is in recognition of their unfailing contribution to health care in Jamaica.

Each year, LASCO, in association with the Ministry of Education (MoE), recognizes the hard working Principals and Teachers by way of the Principal and Teacher of the Year programme. The corporate social responsibility programme for LASCO is robust, not only recognizing and celebrating our cherished civil servants, but also aims to preserve the future of the nation through care and attention given to the environment. The LASCO/Releaf Environmental Awareness Programme (REAP) is the medium that provides a platform to increase awareness and incentivize schools across the island to respect and care for the environment.

LASCO Manufacturing Limited has awarded School Feeding programs through Schools Challenge Quiz along with academic scholarships through BALLAZ, a youth development program which is sponsored through products LASCO Food Drink and LASCO iCool.

## LASCO/NAJ NURSE OF THE YEAR 2015-2016



President of the NAJ, Janet Coore Farr (left), LASCO Manufacturing Ltd. Human Resources Manager, Melissa Anderson (second right) and LASCO Distributors Ltd. Managing Director Peter Chin (right) celebrate the success of LASCO/NAJ Nurse of the Year 2015-2016, Treveen Palmer-Miller (second left) and LASCO/NAJ Nursing Student of the Year 2015-2016, Kaysha Foote.



(L-R) Melissa Anderson, Human Resource Manager of LASCO Manufacturing Ltd presents Kaysha Foote the 2015-2016 LASCO/NAJ Nursing Student of the Year with a cheque of \$100,000.



(L-R) LASCO/NAJ Nursing Student 2014-2015 Ava-Gail Lindsay crowns Kaysha Foote the 2015-2016 LASCO/NAJ Nursing Student of the Year.



LASCO/ NAJ Nurse of the Year Finalists 2015: (L-R) Tashia Wedderburn-Harris, Adella Campbell PhD, Treveen Palmer-Miller, Natasha Bell, Raquel Easington and Claudia Bartley.

## LASCO/MoE PRINCIPAL AND TEACHER OF THE YEAR 2015-2016



(R-L) Dr. Eileen Chin, Non-Executive Director of LASCO Manufacturing Ltd.; Hon. Lascelles A. Chin, Founder and Executive Chairman LASCO Affiliated Companies; Det. Sgt. Ava Lindo, 2015-2016 LASCO/JCF Police of the Year, listen closely to Rev. Hon. Ronald Thwaites, Minister of Education, as he discusses some of the points raised by the book, *I Am A Child* written by Det. Sgt. Ava Lindo. which highlights sexual abuse against children and the rights of a child at the 2015-2016 LASCO/MoE Teacher and Principal of the Year Awards, held at the Jamaica Pegasus on Wednesday, November 24.



(L-R) Jacinth Hall-Tracey, Managing Director of LASCO Financial Services Ltd.; Norma McNeil, 2015-16 LASCO/MoE Principal of the Year 2nd Runner-Up; Robert Parkins (background), Managing Director of LASCO Manufacturing Ltd.; Lascelles A. Chin, Founder and Executive Chairman LASCO Affiliated Companies; Kandi-Lee Crooks-Smith, the 2015-16 LASCO/MoE Principal of the Year winner; Dr. Eileen Chin, Non-Executive Director of LASCO Manufacturing Ltd. and Ramon Treasure, 2015-16 LASCO/MoE Principal of the Year 1st Runner-up.





Hon. Lascelles A. Chin, Founder and Executive Chairman of LASCO Affiliated Companies donates \$100,000 to the Meadowbrook High School Steel Band after their impressive performance at the Teacher and Principal of the Year awards luncheon on Wednesday, November 24 at the Jamaica Pegasus.



(L-R) Hon. Lascelles A. Chin, Founder and Executive Chairman of LASCO Affiliated Companies awards Nickashie Hardware, the 2015-16 LASCO/MoE Teacher of the year from York Castle High School, while Kandi-Lee Crooks-Smith, the 2015-2016 LASCO/MoE Principal of the Year from Allman Town Primary and Infant School, receives her trophy from Rev. The Hon. Ronald Thwaites, Minister of Education on Wednesday, November 24 at the Jamaica Pegasus.

## MARKETING HIGHLIGHTS LOCAL DIVISION

### FUNFEST 2016



Easter Eggscitement was kept cool with the LASCO iCool Water Park



LASCO iCool made the rounds through the crowd during Easter Eggscitement in an eye-catching igloo.



## JAMAICA CARNIVAL LAUNCH

*L-R Julianne Lee, president, Jamaica Carnival, Trinidad's 5 Star Aki; Ronallie Sirju; Alexander Lawson, director, Jamaica Carnival; Catherine Goodall, Marketing Manager for beverages; Mr. Robert H.P. Hill, J.P. of KSAC; Superintendent of Police William Kessler right*



## JAMAICA CARNIVAL TEASER PARADE



*Ravers Dancers lead the revellers during the iCool sponsored Jamaica Carnival Teaser Parade on Sunday April 3, 2016*

## DRAG RACING CIRCUIT



*LASCO iCool promoters take to the Drag Racing Circuit at Vernam Field in 2016*



*LASCO iCool refuels patrons in the between races at Diamond Mile.*

## ISSA FOOTBALL



*LASCO under its iCool brand is a proud partner of the Diamond Mile Race.*



*LASCO FOOD DRINK Partners with the 2015 ISSA School Boy Football Competition*

## MISS JAMAICA UNIVERSE



*LASCO iCool kept the Miss Universe contestants hydrated throughout their journey*

## LIME/FLOW SKOOL AID



*LASCO closed the summer with supplying throngs of students and parents with great back to school supplies for the start of the 2015 school year at LIME/FLOW Skool Aid.*



## PORTLAND JERK FESTIVAL



*The 2015 Portland Jerk Festival returned with a big injection from LASCO iCool. Hundreds turned out for the fun and flavourful Portland Jerk Festival on July 5 2015*



*Fun times at the Portland Jerk Festival 2015 with the family and LASCO iCool*



*LASCO iCool makes headlines at the 2015 Portland Jerk Festival*



## SUNCITY DJ COMPETITION

*LASCO iCool joins  
SunCity Radio for  
High School DJ  
Competition*



*DJ Murphy of Eltham High School plays his first of three exciting rounds at the finale of the SunCity High School DJ Competition at Limelight on Saturday March 26. He walked away victorious at the end of the festivities.*



*LASCO iCool kept audience members energized and refreshed throughout the SunCity DJ High School DJ Competition.*

## YOUTH VIEW AWARDS



*The iCool Selfie Station was the hotspot of the Youth View Awards on Saturday February 20, 2016 at the National Indoor Sports Centre*

*Winners of the iCool VIP Experience enjoy the iCool Selfie Station with iCool Brand Manager Lyshon Davis (third left) at the Youth View Awards on Saturday February 20, 2016 at the National Indoor Sports Centre.*





## BALLAZ FOOTBALL CAMP



*Catherine Goodall LASCO Beverage Marketing Manager presents a camper at BALLAZ with notebooks and pencils from LASCO*



*Campers mirror bright smiles with LASCO iCool team members as they proudly display their iCool juice drinks and LASCO notebooks and pencils for back to school.*

## SANGUINETTI FUN DAY



*Patrons make memories with LASCO iCool.*



*Double or Nothing. It's hard to choose one flavour when it comes to the LASCO iCool line of juice drinks.*



## KIPRICH BACK TO SCHOOL TREAT



*Dancehall DJ Kiprich cools off with a LASCO iCool Tangerine Juice Drink.*



*Children of the Waterhouse community happily hold their notebooks courtesy of LASCO iCool*

*Members of WaterHouse community proudly display the LASCO iCool Juice drinks they received during the Back to school treat.*



*Cool moves for drinking LASCO iCool*





# I AM DREAMING OF THIS



*Creamy dreams made fresh at home.*







# INTERNATIONAL DIVISION

## Highlights of Expocomer 2016



*Cornelia Walters-Jones- Export Manager of LASCO Manufacturing Ltd. poses with Lulu Cabrera in a "Pollera" typical dress of Panama*



*Visitors of Expocomer Panama 2016 trying the new vanilla flavour of LASCO Lasoy.*



*Cornelia Walters-Jones- Export Manager of LASCO Manufacturing Ltd. poses with Dr. Melida A. Harris Barrow, President of Panama World Trade & Investment Foundation (PWTIF)*



*Visitors of Expocomer Panama 2016 trying the new Almond flavour of LASCO Food Drink*



Visitors of Expocomer Panama 2016 trying LASCO's Strawberry Food Drink



LASCO Food Drink was displayed and sampled at an all-inclusive breakfast fete at Crop Over in Barbados. LASCO food drink was also used as a creamer in coffee.



LASCO Oats in-store sampling in Trinidad.







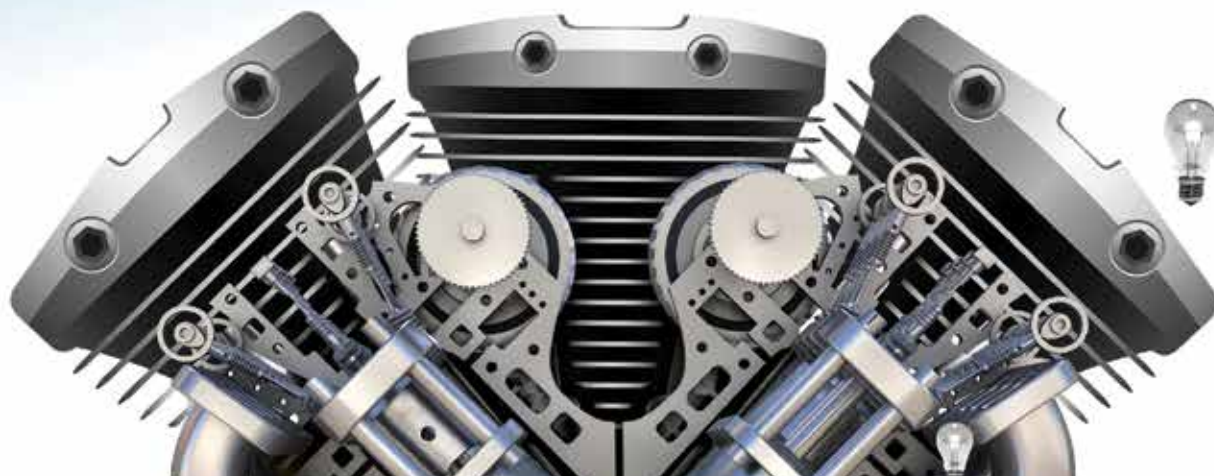
*LASCO Food Drink sampling at Red Cross Children's Carnival 2016 in Trinidad.*



*Cayman distributor teamed up with the George Town Adventist Community Services Department to distribute bags of groceries to needy persons in the community.*



*iCool sponsorship of the annual Seventh-day Adventist 10K Run/Walk in Cayman.*



## LASCO MANUFACTURING LIMITED FINANCIAL REPORT

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#### FINANCIAL STATEMENTS

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Fax: (876) 926-7580  
www.bdo.com.jm

Chartered Accountants  
26 Beechwood Avenue  
P.O. Box 351  
Kingston 5, Jamaica

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Lasco Manufacturing Limited

### Report on the Financial Statements

We have audited the financial statements of Lasco Manufacturing Limited set out on pages 47 to 83, which comprise the statement of financial position as at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *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 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements 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.

A handwritten signature in black ink, appearing to be 'BDO'.

Chartered Accountants

26 May 2016

## LASCO MANUFACTURING LIMITED

### Statement of Profit or Loss and Other Comprehensive Income

#### Year Ended 31 March 2016

	<u>Note</u>	<u>2016</u> <u>\$'000</u>	(Restated) <u>2015</u> <u>\$'000</u>
REVENUE	6	6,571,742	4,788,583
COST OF SALES		(4,186,868)	(3,365,043)
GROSS PROFIT		2,384,874	1,423,540
Other operating income	7	<u>3,013</u>	<u>16,458</u>
		<u>2,387,887</u>	<u>1,439,998</u>
EXPENSES:			
Administrative and other expenses		(1,104,420)	( 555,164)
Selling and promotion expenses		( 142,950)	( 90,088)
	8	<u>(1,247,370)</u>	<u>( 645,252)</u>
OPERATING PROFIT		1,140,517	794,746
Finance costs	10	( 157,221)	( 125,378)
PROFIT BEFORE TAXATION		983,296	669,368
Taxation	11	( 157,098)	( 57,007)
NET PROFIT FOR THE YEAR		826,198	612,361
OTHER COMPREHENSIVE INCOME:			
Item that will or may not be reclassified to profit or loss -			
Share option plan	20(b)	<u>43,095</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>869,293</u>	<u>612,361</u>
EARNINGS PER STOCK UNIT	12		
Basic		<u>20.21¢</u>	<u>14.98¢</u>
Diluted		<u>20.03¢</u>	<u>14.84¢</u>






## LASCO MANUFACTURING LIMITED

### Statement of Financial Position

Year Ended 31 March 2016

	Note	2016 \$'000	(Restated) 2015 \$'000	(Restated) 2014 \$'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS:</b>				
Property, plant and equipment	13	<u>3,519,891</u>	<u>3,396,350</u>	<u>2,942,178</u>
<b>CURRENT ASSETS:</b>				
Inventories	14	806,009	759,421	741,884
Receivables	15	2,198,972	1,131,713	811,932
Tax recoverable		687	309	10,494
Related companies	16	536	3	3,157
Director's current account	16	3,421	13,126	2,377
Short term investments	17	88,269	82,480	77,871
Cash and bank balances	18	<u>237,956</u>	<u>108,127</u>	<u>59,352</u>
		<u>3,335,850</u>	<u>2,095,179</u>	<u>1,707,067</u>
		<u>6,855,741</u>	<u>5,491,529</u>	<u>4,649,245</u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY:</b>				
Share capital	19	305,298	305,298	305,298
Other reserve	20(c)	43,095	-	-
Retained earnings		<u>3,506,872</u>	<u>2,782,852</u>	<u>2,170,491</u>
		<u>3,855,265</u>	<u>3,088,150</u>	<u>2,475,789</u>
<b>NON-CURRENT LIABILITIES:</b>				
Deferred taxation	21	239,041	105,371	48,364
Long term loans	22	<u>1,253,110</u>	<u>958,439</u>	<u>1,301,385</u>
		<u>1,492,151</u>	<u>1,063,810</u>	<u>1,349,749</u>
<b>CURRENT LIABILITIES:</b>				
Payables	23	750,306	655,659	636,092
Related company	16	1,012	704	-
Bank overdraft	18	502,694	340,260	-
Current portion of long term loans	22	235,832	342,946	187,615
Taxation		<u>18,481</u>	<u>-</u>	<u>-</u>
		<u>1,508,325</u>	<u>1,339,569</u>	<u>823,707</u>
		<u>6,855,741</u>	<u>5,491,529</u>	<u>4,649,245</u>

Approved for issue by the Board of Directors on 26 May 2016 and signed on its behalf by:

  
 Hon. Lascelles A. Chin, O.J., C.D., LLD (Hon. Causa)  
 Executive Chairman

  
 Robert Parkins  
 Managing Director

## LASCO MANUFACTURING LIMITED

### Statement of Changes in Equity

#### Year Ended 31 March 2016

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Other Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
BALANCE AT 1 APRIL 2014 (As previously stated)		305,298	-	2,218,855	2,524,153
Prior year adjustment	27	<u>-</u>	<u>-</u>	<u>( 48,364)</u>	<u>( 48,364)</u>
BALANCE AT 1 APRIL 2014 (Restated)		305,298	-	2,170,491	2,475,789
TOTAL COMPREHENSIVE INCOME					
Net profit		<u>-</u>	<u>-</u>	<u>612,361</u>	<u>612,361</u>
BALANCE AT 31 MARCH 2015		305,298	-	2,782,852	3,088,150
TOTAL COMPREHENSIVE INCOME					
Net profit		<u>-</u>	<u>-</u>	<u>826,198</u>	<u>826,198</u>
Other comprehensive income	20(c)	<u>-</u>	<u>43,095</u>	<u>-</u>	<u>43,095</u>
		<u>-</u>	<u>43,095</u>	<u>826,198</u>	<u>869,293</u>
TRANSACTIONS WITH OWNERS					
Dividends	24	<u>-</u>	<u>-</u>	<u>( 102,178)</u>	<u>( 102,178)</u>
BALANCE AT 31 MARCH 2016		<u>305,298</u>	<u>43,095</u>	<u>3,506,872</u>	<u>3,855,265</u>

**LASCO MANUFACTURING LIMITED****Statement of Cash Flows****Year Ended 31 March 2016**

	<u>2016</u> <u>\$'000</u>	(Restated) <u>2015</u> <u>\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	826,198	612,361
Items not affecting cash resources:		
Depreciation	142,488	67,098
Effect of exchange rate translation	( 7,360)	( 4,840)
Interest income	( 1,660)	( 208)
Stock options - value of services expensed	43,095	-
Gain on disposal of property, plant and equipment	-	( 974)
Interest expense	157,221	125,378
Taxation expense	<u>157,098</u>	<u>57,007</u>
	1,317,080	855,822
Changes in operating assets and liabilities:		
Inventories	( 46,588)	( 17,537)
Receivables	(1,056,670)	(319,794)
Related companies	( 225)	3,858
Taxation recoverable	( 378)	10,185
Payables	77,525	16,859
Director's current account	<u>9,705</u>	<u>( 10,749)</u>
	300,449	538,644
Taxation paid	<u>( 4,947)</u>	<u>-</u>
Cash provided by operating activities	<u>295,502</u>	<u>538,644</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	1,625	221
Short term investments	( 5,789)	( 4,609)
Purchase of property, plant and equipment	( 266,029)	(522,746)
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>2,450</u>
Cash used in investing activities	<u>( 270,193)</u>	<u>(524,684)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Interest paid	( 157,221)	(125,378)
Loan received	366,980	141,000
Loan paid	( 179,423)	(328,615)
Dividends paid	<u>( 102,178)</u>	<u>-</u>
Cash used in financing activities	<u>( 71,842)</u>	<u>(312,993)</u>
Net decrease in cash and cash equivalents	( 46,533)	(299,033)
Exchange gain on foreign cash balances	13,928	7,548
Cash and cash equivalents at beginning of year	<u>( 232,133)</u>	<u>59,352</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (note 18)</b>	<u>( 264,738)</u>	<u>(232,133)</u>



## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 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 premises at White Marl, St. Catherine. 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, juice drinks, water 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 (IFRSs) 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 requirements 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****Year Ended 31 March 2016****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(a) Basis of preparation (cont'd)**

Amendments to published standards and interpretations effective in the current year that are relevant to the company's operations

Annual improvements to IFRS, 2010-2012 and 2011-2013 cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1 July 2014. The main amendments applicable to the company are as follows:

- **IAS 16, 'Property, Plant and Equipment'**, the standard has been amended to clarify that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24, 'Related Party Disclosures'**, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.
- **IFRS 13, 'Fair Value Measurement'**, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9, did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

The amendments did not result in any effect on the company's financial statements.

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

**IAS 1, 'Presentation of Financial Statements'**, (effective for accounting periods beginning on or after 1 January 2016), has been amended to clarify or state the following:

- specific single disclosures that are not material do not have to be presented even if they are the minimum requirement of a standard;
- the order of notes to the financial statements is not prescribed;

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2016), has been amended to clarify or state the following (cont'd):

- line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
- specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI; and
- the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

IAS 16, 'Property, Plant and Equipment', (effective for annual periods beginning on or after 1 January 2016). The amendment explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

IFRS 7, 'Financial Instruments: Disclosures', (effective for annual periods beginning on or after 1 July 2016), has been amended to clarify when servicing arrangements are the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.



**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(a) Basis of preparation (cont'd)**

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

**IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018)**, replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

**IFRS 15, 'Revenue from Contracts with Customers', (effective for annual periods beginning on or after 1 January 2018)**. It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

**IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019)**, replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The new standard eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Leases are now recorded in the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities. The company is currently assessing the impact future adoption of the new standard may have on the financial statements. The company is currently assessing the impact future adoption of the new standard may have on the financial statements.

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd)

Annual improvements to IFRS, 2012-2014 cycle contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1 January 2016. The main amendments applicable to the company are as follows:

- IAS 34, 'Interim Financial Reporting', has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed 'elsewhere in the interim financial report' and requires a cross-reference to the information.
- IFRS 7, 'Financial Instruments: Disclosures', has been amended to clarify that the additional disclosures required by the amendment to IFRS 7, Disclosures: Offsetting Financial Assets and Financial Liabilities are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, Interim Financial Reporting, require their inclusion.

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

##### (b) 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.

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(c) 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. The expected useful lives of the other property, plant and equipment are as follows:

Buildings	40 years
Furniture and fixtures	10 years
Machinery and equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years
Leasehold improvements	5 years

**(d) 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.
Raw material	-	Cost of product plus duty and related cost in bringing the inventories to their present location.
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.

**(e) Provisions**

Provisions 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. 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.



## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

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

##### (e) Provisions (cont'd)

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.

##### (f) 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.

##### (g) 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 asset 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.

##### (h) 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.

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(i) 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.

**(j) Borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated 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.

**(k) 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 profit or loss, 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.

**(l) Trade and other payables**

Trade payables are stated at amortized cost.

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(m) Employee benefits****(i) Defined contribution plan**

The company operates a defined contribution pension plan which is funded by employees' contribution of 5% of salary and employer's contribution of 5%. Once the contributions have been paid, the company has no further obligations. Contributions are charged to the statement of profit or loss, 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.

**(i) 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.

**(ii) Share-based compensation**

The company operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, with corresponding increase in equity, over the period in which the employee becomes unconditionally entitled to the options. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At the end of each reporting period, the company revises its estimates of the number of options that are expected to become exercisable.

It recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The fair value of employee stock options is measured using a Black-Scholes-Merton formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience and general option holder behaviours), expected dividends, and the risk-free interest rate (based on treasury bill rates). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.



**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(n) Financial instruments**

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

**Financial assets****(i) Classification**

The company classifies its financial assets as loans and receivables. 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.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The company's loans and receivables comprise receivables, cash and bank balances and short term investments.

**(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.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment testing of trade receivables is described in note 3(h).

**Financial liabilities**

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, long term loans, bank overdraft and payables were classified as financial liabilities.



## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

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

##### (o) 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.

##### (p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognised as a deduction from equity.

##### (q) Other receivables

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

##### (r) 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, this is recognised when declared by the directors.

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

#### 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 recognised in the financial statements.

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):****(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 of assets and liabilities within the next financial year are discussed below:

**(i) 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.

**(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.

**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.



**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****5. FINANCIAL RISK MANAGEMENT (CONT'D):**

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.

**(a) Principal financial instruments**

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

- Receivables
- Cash and bank balances
- Payables
- Long term loans
- Bank overdraft
- Short term investments

**(b) Financial instruments by category****Financial assets**

	<b>Loans and Receivables</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Cash and bank balances	237,956	108,127
Short term investments	88,269	82,480
Receivables	<u>1,569,244</u>	<u>1,065,273</u>
<b>Total financial assets</b>	<b><u>1,895,469</u></b>	<b><u>1,255,880</u></b>

**Financial liabilities**

	<b>Financial liabilities at amortised cost</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
Payables	692,626	593,437
Bank overdraft	502,694	340,260
Long term loans	<u>1,488,942</u>	<u>1,301,385</u>
<b>Total financial liabilities</b>	<b><u>2,684,262</u></b>	<b><u>2,235,082</u></b>

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(c) Financial instruments not measured at fair value**

Financial instruments not measured at fair value includes cash and bank balances, short term investments, receivables, payables, related company balances, bank overdraft and long term loans.

Due to their short-term nature, the carrying values of cash and bank balances, short term investments, receivables, bank overdraft and payables approximate their fair value.

**(d) Financial instruments measured at fair value**

The company had no financial instruments which were measured at fair value subsequent to initial recognition.

**(e) 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 policies 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.

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

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Cash and bank balances	237,175	107,352
Short term investments	88,269	82,480
Receivables	129,579	136,765
Payables	(585,279)	(452,486)
	<u>(130,256)</u>	<u>(125,889)</u>

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

##### (e) Financial risk factors (cont'd)

##### (i) Market risk (cont'd)

##### 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 6% (2015 - 10%) depreciation and a 1% (2015 - 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 <u>2016</u>	Effect on Profit before Tax 31 March <u>2016</u> <u>\$'000</u>	% Change in Currency Rate <u>2015</u>	Effect on Profit before Tax 31 March <u>2015</u> <u>\$'000</u>
Currency:				
USD	+1	1,303	+1	1,259
USD	-6	(7,815)	-10	(12,589)

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

31 March 2016	122.04
31 March 2015	114.49

##### 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. 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.



**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(e) Financial risk factors (cont'd)****(i) Market risk (cont'd)****Cash flow and fair value interest rate risk**

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

**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 bank balances, loans and bank overdraft. Loan interest is fixed for a period and then variable, the exposure is not considered to be significant.

**(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 companies and cash and bank balances.

**Trade receivables**

Revenue transactions in respect of the company's primary operations are settled in cash. 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.

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

##### (e) Financial risk factors (cont'd)

##### (ii) Credit risk (cont'd)

##### 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.

##### The aging of trade receivables

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
0-30 days	1,417,232	1,031,595
31-60 days	8,929	172
61-90 days	<u>141,793</u>	<u>22,827</u>
	<u>1,567,954</u>	<u>1,054,594</u>

##### Trade receivables that are past due but not impaired

At as 31 March 2016, trade receivables of \$119,302,000 (2015 - \$22,999,000) 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.

##### Liquidity risk management process

The company's liquidity risk 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.

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(e) Financial risk factors (cont'd)****(iii) Liquidity risk (cont'd)**

The table below presents the undiscounted cash flows (both interest and principal cash flows) of the company's financial liabilities based on contractual rights and obligations as well as expected maturity.

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
<b>31 March 2016</b>					
Payables	692,626	-	-	-	692,626
Bank overdraft	502,694	-	-	-	502,694
Long term loans	<u>356,252</u>	<u>712,504</u>	<u>787,891</u>	<u>-</u>	<u>1,856,647</u>
<b>Total financial liabilities (contractual maturity dates)</b>	<u>1,551,572</u>	<u>712,504</u>	<u>787,891</u>	<u>-</u>	<u>3,051,967</u>
<b>31 March 2015</b>					
Payables	593,437	-	-	-	593,437
Bank overdraft	340,260	-	-	-	340,260
Long term loan	<u>439,573</u>	<u>879,146</u>	<u>182,894</u>	<u>-</u>	<u>1,501,613</u>
<b>Total financial liabilities (contractual maturity dates)</b>	<u>1,373,270</u>	<u>879,146</u>	<u>182,894</u>	<u>-</u>	<u>2,435,310</u>

**(f) 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.



## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 6. REVENUE:

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

#### 7. OTHER OPERATING INCOME:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Interest income	1,660	208
Tax refund	-	14,472
Other income	<u>1,353</u>	<u>1,778</u>
	<u>3,013</u>	<u>16,458</u>

#### 8. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Staff costs (note 9)	341,342	209,884
Directors' fees	6,137	5,083
Auditors' remuneration	4,650	4,300
Legal and professional	25,351	27,531
Security	25,046	22,028
Insurance	58,186	51,676
Repairs and maintenance	137,458	16,302
Building rental	9,190	9,556
Advertising and promotion	142,950	90,088
Foreign exchange loss	7,360	4,840
Travelling and entertainment	49,063	25,363
Depreciation	142,488	67,098
Donations and subscriptions	42,959	14,071
Bank charges	16,785	7,890
Utilities	119,208	75,944
Bad debt	30,083	-
Cleaning and sanitation	38,103	9,797
Share options - non-executive directors	33,150	-
- service provider	9,945	-
Other operating expenses	<u>7,916</u>	<u>3,801</u>
	<u>1,247,370</u>	<u>645,252</u>

Included in other operating expenses are expense categories amounting to less than \$3 million.

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****9. STAFF COSTS:**

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Salaries and related costs	244,371	123,284
Directors' emoluments	45,026	48,796
Profit related pay	-	3,297
Termination costs	1,420	9,649
Pension costs	5,434	3,137
Staff welfare	<u>45,091</u>	<u>17,636</u>
	341,342	205,799
Redundancy costs	<u>-</u>	<u>4,085</u>
	<u>341,342</u>	<u>209,884</u>

The average number of persons employed by the company during the year was seventy-five (75), (2015 - fifty-one (51)).

Also included in cost of sales is an amount of \$147,636,079 (2015 - \$90,295,389) representing production workers' staff costs.

**10. FINANCE COSTS:**

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Interest expense	<u>157,221</u>	<u>125,378</u>

**11. TAXATION EXPENSE:**

(a) Taxation for the year comprises:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Current taxation	23,428	-
Deferred taxation (note 21)	<u>133,670</u>	<u>57,007</u>
	<u>157,098</u>	<u>57,007</u>

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 11. TAXATION EXPENSE (CONT'D):

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

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Profit before taxation	983,296	669,368
Taxation calculated at 25%	245,824	167,342
Adjusted for the effects of:		
Expenses not deducted for tax purposes	56,968	19,056
Net effect of other charges and allowances	( 23,230)	47,876
Employer tax credit	( 43,661)	-
	235,901	234,274
Adjustment for the effect of tax remission:		
Current tax	( 78,803)	(177,267)
Taxation charge in income statement	<u>157,098</u>	<u>57,007</u>

- (c) Remission of income tax:

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

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

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

#### 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>2016</u>	<u>2015</u>
Net profit attributable to stockholders (\$'000)	826,198	612,361
Number of ordinary stock units ('000)	4,087,130	4,087,130
Earnings per stock unit (¢ per share)	<u>20.21</u>	<u>14.98</u>



**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****12. EARNINGS PER STOCK UNIT (CONT'D):**

The diluted earnings per stock unit is calculated by adjusting the number of ordinary stock units in issue at the year end to assume conversion of all dilutive potential ordinary stock units.

	<u>2016</u>	<u>2015</u>
Net profit attributable to stockholders (\$'000)	<u>826,198</u>	<u>612,361</u>
Number of ordinary stocks units ('000)	4,087,130	4,087,130
Adjusted for share options ('000)	<u>38,353</u>	<u>38,353</u>
	<u>4,125,483</u>	<u>4,125,483</u>
Diluted earnings per stock unit (¢ per share)	<u>20.03</u>	<u>14.84</u>

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****13. PROPERTY, PLANT AND EQUIPMENT:**

	Land & Buildings \$'000	Machinery & Equipment \$'000	Leasehold Improvement \$'000	Assets under Construction \$'000	Motor Vehicles \$'000	Furniture & Fixtures \$'000	Computer Equipment & Accessories \$'000	Total \$'000
At cost:								
1 April 2014	896,856	160,436	5,277	1,961,780	15,698	6,561	256,416	3,303,024
Transfer	205,556	925,920	-	(1,131,500)	-	-	24	-
Additions	-	1,398	-	510,133	1,847	701	8,667	522,746
Retirement/disposal	-	(1,441)	-	-	(2,943)	-	-	(4,384)
31 March 2015	1,102,412	1,086,313	5,277	1,340,413	14,602	7,262	265,107	3,821,386
Transfer	1,019,388	379,004	-	(1,398,392)	-	-	-	-
Additions/adjustment	24,766	44,428	-	177,022	14,841	1,454	3,518	266,029
31 March 2016	2,146,566	1,509,745	5,277	119,043	29,443	8,716	268,625	4,087,415
Depreciation:								
1 April 2014	20,302	119,803	3,538	-	12,192	4,237	200,774	360,846
Charge for the year	24,478	25,624	698	-	2,613	415	13,270	67,098
Retirement/disposal	-	(1,441)	-	-	(1,467)	-	-	(2,908)
31 March 2015	44,780	143,986	4,236	-	13,338	4,652	214,044	425,036
Adjustment	-	3,648	-	-	-	-	-	3,648
Charge for the year	45,187	75,554	698	-	2,427	496	14,478	138,840
31 March 2016	89,967	223,188	4,934	-	15,765	5,148	228,522	567,524
Net Book Value:								
31 March 2016	2,056,599	1,286,557	343	119,043	13,678	3,568	40,103	3,519,891
31 March 2015	1,057,632	942,327	1,041	1,340,413	1,264	2,610	51,063	3,396,350

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.

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****14. INVENTORIES:**

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Raw materials	413,619	423,472
Finished goods	111,385	36,703
Goods in transit	<u>281,005</u>	<u>299,246</u>
	<u>806,009</u>	<u>759,421</u>

**15. RECEIVABLES:**

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Trade receivables	1,567,915	1,054,594
Other receivables	<u>631,057</u>	<u>77,119</u>
	<u>2,198,972</u>	<u>1,131,713</u>

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

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
<u>Transactions during the year</u>		
Purchase of goods/foreign currency:		
Lasco Distributors Limited	28,891	41,927
Lasco Financial Services Limited	<u>3,727,330</u>	<u>2,538,135</u>
Sale of goods/services:		
Lasco Distributors Limited	<u>6,190,290</u>	<u>4,190,445</u>
Loan from director	<u>-</u>	<u>141,000</u>
Building rental expense	<u>5,276</u>	<u>6,840</u>
Key management compensation (included in staff costs - note 9):		
Key management includes directors (executive) and senior manager -		
Salaries and other short-term employee benefits	<u>59,749</u>	<u>64,133</u>
Directors' emoluments:		
Fees	6,137	5,083
Management remuneration (included above)	40,277	52,093
Share based payments	<u>33,150</u>	<u>-</u>



## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

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

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
<u>Year end balances</u>		
With related companies:		
Due from -		
Lasco Properties Limited	107	-
Lasco Foods Limited	429	-
Lasco Financial Services Limited	<u>-</u>	<u>3</u>
	<u>536</u>	<u>3</u>
Lasco Distributors Limited (included in trade receivables)	1,456,916	910,248
Lasco Financial Services Limited (included in trade receivables)	<u>149</u>	<u>14</u>
Due to -		
Lasco Distributors Limited (included in payables)	<u>34,948</u>	<u>21,758</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>3,421</u>	<u>13,126</u>

#### 17. SHORT TERM INVESTMENTS:

These represents US\$ interest bearing deposits which have been invested for a period of one (1) year at a weighted average interest rate of 1.49%.

#### 18. CASH AND CASH EQUIVALENTS:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Cash and bank balances -		
Cash at bank and in hand	197,106	70,295
Short term deposits	<u>40,850</u>	<u>37,832</u>
	237,956	108,127
Bank overdraft	<u>(502,694)</u>	<u>(340,260)</u>
	<u>(264,738)</u>	<u>(232,133)</u>

The bank overdraft is secured as a part of the total security for the loan facility (see note 22).

The weighted average interest rate on short term deposits denominated in United States dollars was 0.80% and 0.73% (2015 - 0.80%) and these deposits mature within 30 days.

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****19. SHARE CAPITAL:**

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Authorised - 4,427,500,000 ordinary shares of no par value		
Stated capital - Issued and fully paid - 4,087,130,170 ordinary shares of no par value	<u>305,298</u>	<u>305,298</u>

**20. OTHER RESERVE:****Stock Option Reserve**

- (a) On 30 September 2013, the company obtained approval from stockholders at its annual general meeting for authorised but unissued shares up to a maximum of 5% of the total number of issued shares of no par value to be set aside for allocation and sale to the directors and managers of the company. Consequently, the company has set aside 204,356,509 of the authorised but unissued shares for the stock option plan.

On 11 March 2016, under the rules of the stock option plan, the following allocations were made:

	<u>No. of shares</u> <u>'000</u>
Non-executive directors and professional service provider	<u>204,356</u>

The options were granted at a subscription price of \$2.90 and are exercisable over a period of four (4) years, at the end of which time unexercised options will expire. The total grant of each director and professional service provider vested immediately on the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

No share options were exercised during the year.

The fair value of options granted determined using the Black-Scholes-Merton valuation model was \$43,095,000. The significant inputs into the model were the share price of \$3.45 at the grant date, exercise price of \$2.90, the risk free interest rate of 5.73%, standard deviation of expected share price return of 75.12%, the option life of four (4) years and expected dividends of \$0.025. It is expected that these options will be exercised within two (2) years.

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 20. OTHER RESERVE (CONT'D):

##### Stock Option Reserve (cont'd)

(b) The breakdown of the fair value of options granted is as follows:

	<u>\$'000</u>
Fair value of options granted	43,095
Expensed during the year	<u>43,095</u>
Amount to be expensed in future periods	<u>-</u>

(c) Movement on the share option reserve is as follows:

	<u>2016</u> <u>\$'000</u>
Fair value of options recognised during the year	<u>43,095</u>

#### 21. DEFERRED INCOME TAXES:

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	<u>2016</u> <u>\$'000</u>	(Restated) <u>2015</u> <u>\$'000</u>
Liability at beginning of year	105,371	48,364
Charge to profit of loss (note 11)	<u>133,670</u>	<u>57,007</u>
Liability at end of year	<u>239,041</u>	<u>105,371</u>

Deferred taxation represents accelerated tax depreciation.

#### 22. LONG TERM LOANS:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Expansion loan	1,142,996	1,301,385
Demand loan	<u>345,946</u>	<u>-</u>
	1,488,942	1,301,385
Less: current portion	<u>( 235,832)</u>	<u>( 342,946)</u>
	<u>1,253,110</u>	<u>958,439</u>



**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****22. LONG TERM LOANS (CONT'D):**

The expansion 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.

The expansion loan facility was extended by thirty six months to a new maturity date of 31 August 2021. As such, beginning 30 April 2015 the loan will be payable at an interest rate of 8.7% per annum, amortised over seventy seven months. After three years (effective 30 April March 2018) the monthly payment on principal and interest will be determined based on the new interest rate and repayment structure agreed at that time.

The demand loan attracts an interest rate of 8.7% per annum for three years. Thereafter, either a new fixed rate or a variable rate is to be determined for the remaining tenor of the facility. The demand loan is amortised over sixty months and after three years the monthly payment on principal and interest will be determined based on the new interest rate and repayment structure agreed at that time.

The loans and bank overdraft are secured by the following:

- (i) First mortgage issued by Lasco Manufacturing Limited and Lasco Distributors Limited over each mortgagor's interest in commercial property located at White Marl, St. Catherine and registered at Volume 1092 Folio 796 ("White Marl") in the names of the mortgagors and which mortgage is to be issued by each mortgagor to secure:
  - (a) its indebtedness arising from its borrowing from and other direct liabilities incurred to the bank; and
  - (b) its indebtedness as guarantor of payment of the other mortgagor's indebtedness to the bank as at (a), such guarantee to be limited in each cases to the value of the mortgagor's interest in White Marl. The said mortgage to be stamped to cover JMD\$1.207 billion (with power to upstamp) and to be the principal security intended to secure indebtedness arising from advances to Lasco Manufacturing Limited pursuant to this facility letter as well as advances to Lasco Distributors Limited pursuant to a facility letter of even date hereto, issued to Lasco Distributors Limited and in the case of each company, such other indebtedness as may arise pursuant to other agreements with the bank.
- (ii) First debenture over fixed and floating assets of the company.
- (iii) Hypothecation of credit balances held, whether in foreign or local currencies or both, being not less than US\$1.05 million or equivalent.
- (iv) Fire or peril insurance including all risks over building, content (inventories, machinery, equipment) with the interest of the bank noted thereon.
- (v) Overdraft lending agreement of JMD\$550M.

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 23. PAYABLES:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Trade payables	653,969	498,071
Other payables and accruals	<u>96,337</u>	<u>157,588</u>
	<u>750,306</u>	<u>655,659</u>

#### 24. DIVIDENDS:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
In respect of 2015	<u>102,178</u>	<u>-</u>

By Round Robin Resolution dated 9 November 2015, dividend payment of \$0.25¢ per share was approved by the Board of Directors.

#### 25. 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 \$5,433,915 (2015 - \$3,136,822) for the year.

#### 26. CONTINGENT LIABILITIES:

The company's banker has issued guarantees in favour of third parties totalling Nil (2015 - 8,000,000).

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****27. RESTATEMENT OF PRIOR YEAR BALANCES:**

Restatement of prior balances relate to adjustment for deferred tax liabilities.

Effects on the company's statement of financial position at 31 March 2014

	As previously Reported \$'000	Effect of Restatement \$'000	As restated \$'000
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	2,942,178	-	2,942,178
<b>CURRENT ASSETS:</b>			
Inventories	741,884	-	741,884
Receivables	811,932	-	811,932
Tax recoverable	10,494	-	10,494
Related companies	3,157	-	3,157
Director's current account	2,377	-	2,377
Short term investment	77,871	-	77,871
Cash and cash equivalents	59,352	-	59,352
	<u>1,707,067</u>	<u>-</u>	<u>1,707,067</u>
	<u>4,649,245</u>	<u>-</u>	<u>4,649,245</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>EQUITY:</b>			
Share capital	305,298	-	305,298
Retained earnings	2,218,855	(48,364)	2,170,491
	<u>2,524,153</u>	<u>(48,364)</u>	<u>2,475,789</u>
<b>NON-CURRENT LIABILITIES:</b>			
Deferred tax liability	-	48,364	48,364
Long term loan	1,301,385	-	1,301,385
	<u>1,301,385</u>	<u>48,364</u>	<u>1,349,749</u>
<b>CURRENT LIABILITIES:</b>			
Payables	636,092	-	636,092
Current portion of long term loan	187,615	-	187,615
	<u>823,707</u>	<u>-</u>	<u>823,707</u>
	<u>4,649,245</u>	<u>-</u>	<u>4,649,245</u>



## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 27. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):

Effects on the company's statement of financial position at 31 March 2015

	As previously Reported \$'000	Effect of Restatement \$'000	As restated \$'000
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	3,396,350	-	3,396,350
CURRENT ASSETS:			
Inventories	759,421	-	759,421
Receivables	1,131,713	-	1,131,713
Tax recoverable	309	-	309
Related companies	3	-	3
Director's current account	13,126	-	13,126
Short term investments	82,480	-	82,480
Cash and cash equivalents	108,127	-	108,127
	<u>2,095,179</u>	<u>-</u>	<u>2,095,179</u>
	<u>5,491,529</u>	<u>-</u>	<u>5,491,529</u>
<b>EQUITY AND LIABILITIES</b>			
EQUITY:			
Share capital	305,298	-	305,298
Retained earnings	2,888,223	(105,371)	2,782,852
	<u>3,193,521</u>	<u>(105,371)</u>	<u>3,088,150</u>
NON-CURRENT LIABILITIES:			
Deferred tax liability	-	105,371	105,371
Long term loan	958,439	-	958,439
	<u>958,439</u>	<u>105,371</u>	<u>1,063,810</u>
CURRENT LIABILITIES:			
Payables	655,659	-	655,659
Related company	704	-	704
Bank overdraft	340,260	-	340,260
Current portion of long term loan	342,946	-	342,946
	<u>1,339,569</u>	<u>-</u>	<u>1,339,569</u>
	<u>5,491,529</u>	<u>-</u>	<u>5,491,529</u>

**LASCO MANUFACTURING LIMITED****Notes to the Financial Statements****Year Ended 31 March 2016****27. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):**

Effects on the statement of comprehensive income at 31 March 2015

	As previously Reported \$'000	Effect of Restatement \$'000	As restated \$'000
REVENUE	4,788,583	-	4,788,583
COST OF SALES	(3,365,043)	-	(3,365,043)
GROSS PROFIT	1,423,540	-	1,423,540
Other operating income	16,458	-	16,458
	<u>1,439,998</u>	<u>-</u>	<u>1,439,998</u>
EXPENSES:			
Administrative and other expenses	( 555,164)	-	( 555,164)
Selling and promotion expenses	( 90,088)	-	( 90,088)
	<u>( 645,252)</u>	<u>-</u>	<u>( 645,252)</u>
OPERATING PROFIT	794,746	-	794,746
Finance costs	( 125,378)	-	( 125,378)
PROFIT BEFORE TAXATION	669,368	-	669,368
Taxation	-	(57,007)	( 57,007)
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME	<u>669,368</u>	<u>(57,007)</u>	<u>612,361</u>

## LASCO MANUFACTURING LIMITED

### Notes to the Financial Statements

#### Year Ended 31 March 2016

#### 27. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):

Effects on the statement of cash flows 31 March 2015

	As previously Reported \$'000	Effect of Restatement \$'000	As restated \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net profit	669,368	(57,007)	612,361
Items not affecting cash resources:			
Depreciation	67,098	-	67,098
Exchange loss on foreign cash balances	( 4,840)	-	( 4,840)
Interest income	( 208)	-	( 208)
Gain on disposal of property, plant and equipment	( 974)	-	( 974)
Interest expense	125,378	-	125,378
Taxation expense	-	57,007	57,007
	855,822	-	855,822
Changes in operating assets and liabilities:			
Inventories	( 17,537)	-	( 17,537)
Receivables	(319,794)	-	(319,794)
Related companies	3,858	-	3,858
Taxation recoverable	10,185	-	10,185
Payables	16,859	-	16,859
Director's current account	( 10,749)	-	( 10,749)
Cash provided by operating activities	538,644	-	538,644
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	221	-	221
Short term investments	( 4,609)	-	( 4,609)
Purchase of property, plant and equipment	(522,746)	-	(522,746)
Proceeds from disposal of property, plant and equipment	2,450	-	2,450
Cash used in investing activities	(524,684)	-	(524,684)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Interest paid	(125,378)	-	(125,378)
Loan received	141,000	-	141,000
Loan paid	(328,615)	-	(328,615)
Cash used in financing activities	(312,993)	-	(312,993)
Net decrease in cash and cash equivalents	(299,033)	-	(299,033)
Exchange gain on foreign cash balances	7,548	-	7,548
Cash and cash equivalents at beginning of year	59,352	-	59,352
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 18)</b>	<b>(232,133)</b>	<b>-</b>	<b>(232,133)</b>

## NOTES





## LASCO MANUFACTURING LIMITED

### ANNUAL GENERAL MEETING



# 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 Tuesday, September 27, 2016 at 10:30 a.m. in the Blue Mountain Suite of The Knutsford Court Hotel, 16 Chelsea  
Avenue, Kingston 5 and at any adjournment thereof.  
Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016  
Signature: \_\_\_\_\_

**NOTES:**

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

**Send to:**

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







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