



LASCO Manufacturing Limited
Report to the Shareholders
For the twelve months ended March 31, 2021

The Board of Directors of LASCO Manufacturing Limited is pleased to present the Audited Financial Statements for the year ended March 31, 2021.

The year was a challenging one primarily as a consequence of the Covid-19 pandemic which has caused, and continue to cause, severe health crises, dislocations, volatility and uncertainty. At the onset of the pandemic the Company was agile in adopting and instituting the necessary measures, protocols and processes to ensure business continuity and the minimization of potential disruptions.

Despite the challenges, the year was a strong one in which the underlying operational and financial metrics showed solid improvement in line with our strategic objectives – reflecting the agility, adaptation and flexibility of our teams, the support of all our other stakeholders and the overall resilience of the organization.

The resulting Net Profit for the year was \$1.37B, an increase of 41% or \$397 million on the prior year (2020: \$981 million). The net profit growth was fuelled by top line growth, margin improvement, sales mix and gains in operational efficiencies.

Sales revenue for the year was \$8.2 billion representing a 4% increase on the revenue for the previous year while gross profit was \$3.1 billion or 6.5% over the prior year (2020: \$2.9 billion). Gross profit margin increased to 38%, up 100 basis points from the 37% achieved in the previous year. The margin improvement can be attributed to the effects of product mix and gains in manufacturing efficiencies.

Selling and administrative expenses, inclusive of marketing and promotional support for the brands, were \$1.3 billion or 20% less than in the prior year, yielding an expense to sales ratio of 16% compared to 21 % in the year before.

Operating profit for the year was \$1.8B or a 40% increase on the previous year's \$1.3B. Finance Costs were \$59M down from \$93M in 2020. As of October

2020 the Junior Market tax remission ended and the full income tax rate of 25% became applicable (12.5% for the preceding five years). Net Profit generated was \$1.37B.

Capital Investments amounted to \$251M (prior year \$196M) with the major project of the Powder Manufacturing Plant expansion now completed and brought into operations in February 2021.

The Balance sheet remained strong.

Total Assets at year-end were \$10.9B an increase of 11% over prior year with Non-Current Assets increasing by 2% to \$5.2B. Current Assets were \$ 5.6B or 22% higher than the previous year while Current Liabilities were \$1.8B.

An interim dividend of \$0.61 per share totalling \$251M was paid to shareholders on July 24, 2020. Shareholders' equity at year end was \$7.9B or 17% above prior year.

Return on Equity was 17% compared to 15% in the previous year. Earnings per stock unit was \$0.33 (prior year \$0.24).

Cash and short-term investments at year end totalled \$2B versus \$1.5B at the end of the prior year.

Consistent with our philosophy of giving back and supporting community building initiatives the company continued to execute its Corporate Social Programmes throughout the year with adaptations to conform to the protocols and containment measures related to the pandemic. In addition, we extended considerable direct Covid-19 related assistance, both financially and in-kind to affected Communities, Organizations and Individuals – collaborating for effective delivery with Foundations, NGOs, National and Local Authorities, Churches and Community Groups.

The main CSR activities were:

May 2020

International Nurses Day.

We partnered with the Nurses Association of Jamaica (NAJ), LASCO Distributors Limited and the Lasco Chin Foundation in celebrating International Nurses' Day on May 12, 2020. Over 300 Nurses joined in on the online platform from the NAJ's headquarters for this initiative under the theme Nurses: **A Voice to Lead-Nursing the World to Health.**

July 2020

Nurses' Week – July 19-25

We collaborated with the Nurses' Association of Jamaica, LASCO Distributors and the Lasco Chin Foundation in commemorating Nurses' week with an Awards service at the Webster Memorial Church on Sunday, July 19. Eighty Nurses from the three Regional Health Authorities were presented with Founder's Day Awards for outstanding service.

Relief Environmental Awareness Programme (REAP)

The REAP awards for the 2019/2020 year were made on July 31, 2020. The Priory Primary & Infant School from the parish of St Ann emerged the winner and the School was the recipient of Five Desktop Computers and cash prize of \$200,000.

Teacher/ Principal of the Year Awards

Teachers were recognised on World Teacher's Day, Monday October 5, 2020 via a virtual ceremony. 104 educators from across the 14 parishes made up of primary and secondary schools' teachers and principals were recognised for outstanding service and were presented with plaques courtesy of LASCO.

The ceremony themed "Our Teachers, Our Heroes - Leading in Crisis, Reimagining the Future", saw over 5,000 virtual attendees on the Jamaica Teaching Council's Facebook page and its YouTube channel.

Covid -19 Impacts/Outlook

The Covid-19 pandemic (originally declared by the WHO in March 2020), and the measures taken to contain its spread, had significant disruptive impacts to economic activities and business operations throughout the 20/21 fiscal year. The business was proactive and agile in taking mitigatory actions and adapting the operations to ensure continuity of operations.

The pandemic has continued into the new fiscal year (21/22) and notwithstanding the development and roll out of effective vaccines and mass vaccinations the disruptive effects will certainly continue for some time to come. Already, materials prices, shipping costs are escalating and general availability of some materials problematic. There are also other headwinds such as currency volatility and contraction in consumer purchasing power as several sectors of the economy remains constraint as a result of the pandemic.

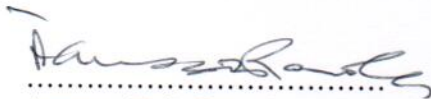
The company will therefore continue to be proactive, agile and prudent in executing its business plans, ensuring business continuity and rigorously applying its risk management framework to ensure the minimization of possible negative impacts to the business, much in line with the approach taken since

the commencement of the pandemic. As in the past year, special attention will be given to ensure strict cost and cash management while continuing to protect the supply chain and adherence to the protocols to ensure the health, safety and well-being of its employees.

We take this opportunity to thank all our employees for their invaluable support, commitment, resilience and flexibility throughout the turbulent year and you our shareholders for your continued support and trust.

Yours sincerely,

LASCOMANUFACTURING LIMITED

A handwritten signature in black ink, appearing to read "James E. D. Rawle", written over a dotted line.

James E. D. Rawle
Managing Director