

Company Limited

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“We Foster Rich Customer Service”

Management Discussion & Analysis And Unaudited Financial Statements Six Months Ended 30 June 2018

The Board of Directors is pleased to report the unaudited results of the Company for the six months ended 30 June 2018 and to report on the performance of the Company.

Financial Highlights

Quarter 2

- Revenues was \$320.4 million – Up \$50.4 million or 19% compared to the prior period
- Gross profit was \$141.4 million – Up \$26.4 million or 23% compared to the prior period
- Net profit was \$29.8 million - Up \$26.8 million or 899% compared to the prior period
- Earnings per stock unit was \$0.06 – Up \$0.05 or 500% compared to the prior period

Year-to-date

- Revenues was \$592.3 million – Up \$28 million or 5% compared to the prior period
- Gross profit was \$269.3 million – Up \$15 million or 6% compared to the prior period
- Net profit was \$60.6 million - Up \$42.5 million or 234% compared to the prior period
- Earnings per stock unit was \$0.12 – Up \$0.07 or 140% compared to the prior period

Income Statement

Income

During the second quarter, the company generated income of \$320.4 million compared to \$269.9 million for the prior reporting period, an increase of \$50.4 million. Gross profit for the quarter was \$141.4 million compared to \$114.9 million for the prior reporting period. Year-to-date income was \$592.3 million compared to \$564.5 million for the prior reporting period, an increase of \$28 million. Gross profit for the year-to-date was \$269.3 million compared to \$253.9 million for the prior reporting period, an increase of \$15 million. These increases were attributed primarily to the greater availability of the products required by the market. Other income for the year-to-date benefitted from favourable foreign exchange gains amounting to \$15.3 million.

Administration Expenses

Administration expenses for the year-to-date was \$198.2 million, reflecting a decrease of \$13.9 million on the prior reporting period's amount of \$212.1 million. The decrease was driven primarily by efficiencies gained from the management of staff and related costs, reductions in selling and marketing expenses, reduced insurance costs and reductions in damaged goods write-off and warranty expenses. There were increases in staff training, legal and professional fees, rent and bank charges.

Finance Cost

Finance cost for the year-to-date was \$28.5 million compared to \$19.6 million for the prior reporting period, an increase of \$8.9 million. This increase is being driven by a new working capital line of credit obtained to assist with the financing of operations. This new facility was obtained at more favourable rates than the previous bank facilities.

Profit After Tax

Profit-after-tax generated for the period was \$60.6 million, an increase of \$42.5 million or 234% over the \$18.1 million reported for the prior reporting period.

Earnings Per Stock Unit

Earnings per stock unit was \$0.12 compared to \$0.05 in the prior period, reflecting an increase of 140%

Balance Sheet**Inventories**

The company continues to closely manage inventory balances and the supply-chain, with a view to ensuring that inventory balances being carried are optimised, relative to the pace of sales, the time between the orders being made and when goods become available for sale, to avoid both overstocking and stock-outs. Monitoring is both at the individual product level and by product categories. All our locations reflected increases in inventory values. All categories of inventories except for Electrical Lighting reflected increased values.

Receivables

We continue to closely manage receivables with an emphasis being placed on balances over 180 days. We have implemented strategies to collect these funds as well as to ensure that the other buckets are managed. Eighty-six percent (86%) of trade receivables are in the 1 – 60 days category.

Trade Payables

Our trade payables are categorised by foreign purchases, local purchases and other goods and services. While we have concentrated primarily on the foreign payables, during the year-to-date we have significantly reduced the balances on all three categories.

Non-current Liabilities

Non-current liabilities have increased by \$392.7 million due to our obtaining a new line of credit which is on better terms than our previous bank financing.

Shareholders' Equity

Shareholders' equity now stands at \$669.6 million, up from the \$608.9 million at 31 December 2017. The net increase of \$60.6 million arose as a result of retained profits for the year-to-date.

The result for this, our second quarter since our listing on the Junior Market of the Jamaica Stock Exchange on 19 December 2017, reflects the implementation of specific strategies as outlined within our strategic plan. We are cognizant that despite the challenges ahead within this operating space, that we have the right talents and leadership to deliver on our plans for the ensuing period. We will continue to execute on our plans to ensure that we remain competitive and deliver value solutions to our customers.

As we report on the performance of our Company, we thank our shareholders, employees, customers and other stakeholders for their support as we continue to expand our business and bring greater value to our various stakeholders.



Managing Director

Accounting Policies

The accounting policies used in the preparation of these financial statements have remained unchanged since the last audit and are in compliance with IFRS. The account classifications have also remained the same. The Directors have evaluated the requirements of IFRS 9, which addresses accounting for financial instruments (Replacing IAS 39) and IFRS 15 which provides guidance on accounting for revenues from contracts with customers. Both standards are effective for periods beginning 1 January 2018. The new standards will have no significant effect on the amounts and disclosures in these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2018

	3 Months to Jun 18 \$	3 Months to Jun 17 \$	6 Months to Jun 18 \$	6 Months to Jun 17 \$
Turnover	320,433,700	269,976,134	592,287,750	564,485,316
Cost of Sales	(179,039,308)	(154,991,696)	(322,970,849)	(310,502,874)
Gross Profit	141,394,391	114,984,438	269,316,901	253,982,442
Other Income	7,876,929	2,256,461	17,974,175	2,663,169
	<u>149,271,320</u>	<u>117,240,899</u>	<u>287,291,076</u>	<u>256,645,611</u>
Expenses				
Administrative and selling expenses	101,919,245	102,750,288	198,154,083	212,139,282
Finance cost	17,498,118	10,396,919	28,490,499	19,632,078
	<u>119,417,363</u>	<u>113,147,207</u>	<u>226,644,581</u>	<u>231,771,360</u>
Operating profit	29,853,957	4,093,692	60,646,495	24,874,251
Taxation	-	1,105,297	-	6,716,048
Comprehensive income	<u>29,853,957</u>	<u>2,988,395</u>	<u>60,646,495</u>	<u>18,158,203</u>
Earning per stock unit	<u>0.06</u>	<u>0.01</u>	<u>0.12</u>	<u>0.05</u>

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Unaudited Jun 18 \$	Audited Dec 17 \$
ASSETS		
Non-current assets:		
Property, plant and equipment (Including leasehold)	258,890,386	255,570,518
Due From Related Parties	243,046,370	124,974,974
Investments	22,747,381	16,768,418
	524,684,136	397,313,910
Current assets:		
Inventories	808,380,085	625,056,821
Accounts Receivables	147,904,188	155,836,766
Cash, cash equivalents and short-term deposits	18,287,420	120,047,855
	974,571,693	900,941,442
Less Current liabilities:		
Trade Payables & Accruals	34,604,990	296,644,438
Taxation	-	7,400,602
Short Term Loans	10,856,398	3,998,063
Current Portion of Long Term Liability	27,960,126	23,962,063
Bank overdraft	6,369,070	149,424
	79,790,583	332,154,590
Net current assets	894,781,109	568,786,852
	1,419,465,246	966,100,762
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Capital reserves	69,999,632	69,999,632
Retained earnings	229,994,445	169,347,951
	669,614,888	608,968,393
Non-current liabilities:		
Long-term liabilities	674,307,241	278,662,026
Directors' loan	64,814,636	66,768,486
Finance Lease Obligation	10,728,481	11,701,857
	749,850,358	357,132,369
	1,419,465,246	966,100,762

Approved for issue by the Board of Directors on 8 August 2018 by:



Marion Foster
Chairman



Peter Knibb
Director

STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2018

	Share capital \$	Share premium \$	Capital reserve \$	Retained earnings \$	Total \$
Balance at 1 January 2017	181,000,200	33,500,000	69,999,632	114,406,776	398,906,608
Net profit for period	-	-	-	18,158,203	18,158,203
Balance at 30 June 2017	<u>181,000,200</u>	<u>33,500,000</u>	<u>69,999,632</u>	<u>132,564,979</u>	<u>417,064,811</u>
Balance at 1 January 2018	369,620,810	-	69,999,632	169,347,951	608,968,393
Net profit for period	-	-	-	60,646,495	60,646,495
Balance at 30 June 2018	<u>369,620,810</u>	<u>-</u>	<u>69,999,632</u>	<u>229,994,446</u>	<u>669,614,888</u>

STATEMENT OF CASH FLOWS

Period ended 30 June 2018

	6 Months to Jun 18	6 Months to Jun 17
	\$	\$
Cash flows from operating activities:		
Results for the period	60,646,495	18,158,203
Adjustments to:		
Taxation expense	-	6,716,048
Damaged Goods	2,975,702	4,477,338
Adjustment - Bad debt provision	-	1,632,177
Depreciation & Ammortization	10,781,882	13,425,196
	74,404,079	44,408,962
Intangibles		
Inventories	(186,298,966)	21,900,940
Accounts receivable	7,932,578	(12,730,381)
Tax Payable	(7,365,566)	(6,922,070)
Accounts payable	(262,039,448)	30,001,085
Short term loan	10,821,362	(111,602,504)
Net cash provided/(used) by operations	(362,545,962)	(34,943,966)
Cash flows from investing activities:		
Purchase of Investment	(5,978,963)	(1,815,949)
Related Party	(118,071,396)	(608,000)
Purchase of property plant & equipment	(14,101,749)	(5,830,115)
Cash (used) in investing activities	(138,152,108)	(8,254,065)
Cash flows from financing activities:		
Directors' loan (repayments)/proceeds	(1,953,850)	(564,045)
Finance Lease proceeds	10,728,481	1,132,881
Long-term Loan	383,943,358	44,340,788
Cash provided by financing activities	392,717,989	44,909,624
Net increase/ (decrease) in cash and cash equivalents	(107,980,080)	1,711,593
Cash and cash equivalents at beginning of period	119,898,431	(22,982,345)
Cash and cash equivalents at end of period	11,918,351	(21,270,752)
Cash at bank	18,287,420	34,278,638
Bank overdraft	(6,369,070)	(55,549,390)
Cash and cash equivalents at end of period	11,918,350	(21,270,752)

STOCKHOLDER INFORMATION

As at 30 June 2018

Top 10 Stockholders

Name	Shares Held	
	Number	Percentage
1 Cecil Foster	200,910,222	40.0%
2 Marion Foster	200,910,222	40.0%
3 Stocks & Securities Limited (Alpha)	44,573,638	8.9%
4 Peter Knibb & Elizabeth Knibb, Janelle Knibb, Jenine Knibb, Brandon Knibb	11,086,325	2.2%
5 Errol A. Lewin	9,789,037	1.9%
6 SSL Money Managers Growth	2,532,931	0.5%
7 Patrick L. Allen & Kurt F. Allen	2,500,000	0.5%
8 Rosalyn Campbell	2,000,000	0.4%
9 Loose Cannon Boat Charter & Tours Limited	1,500,000	0.3%
10 Shaneica Morrison	1,344,270	0.3%

Stockholding of Directors & Connected Persons

Name	Shares Held
1 Cecil Foster	200,910,222
2 Marion Foster	200,910,222
3 Peter Knibb & Elizabeth Knibb, Janelle Knibb, Jenine Knibb, Brandon Knibb	11,086,325
4 Rosalyn Campbell	2,000,000
5 Steadman Fuller	Nil
6 Ian Kelly	Nil

Stockholding of Senior Managers & Connected Persons

Name	Shares Held
1 Cecil Foster	200,910,222
2 Peter Knibb & Elizabeth Knibb, Janelle Knibb, Jenine Knibb, Brandon Knibb	11,086,325
3 Warren Riley & Cheryl Riley	254,867
4 Tricia Edwards	500,000
5 Kerry-Ann Gray & Kyra-Belle Gray	500,000
6 Kenneth Lawrence	200,000
7 Vincent Mitchell	7,484