

Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Unaudited Financial Statements Nine Months Ended 30 September 2018

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

Financial Highlights

Quarter 3

- Revenues was \$353.6 million – Up \$121.8 million or 53% compared to the prior period
- Gross profit was \$141.0 million – Up \$34.9 million or 33% compared to the prior period
- Net profit was \$10.4 million - Up \$5.9 million or 135% compared to the prior period
- Earnings per stock unit was \$0.02 – Up \$0.01 or 88% compared to the prior period

Year-to-date

- Revenues was \$945.9 million – Up \$149.6 million or 19% compared to the prior period
- Gross profit was \$410.4 million – Up \$50.2 million or 14% compared to the prior period
- Net profit was \$71.0 million - Up \$48.4 million or 215% compared to the prior period
- Earnings per stock unit was \$0.14 – Up \$0.08 or 152% compared to the prior period

Income Statement

Income

During the third quarter the company generated income of \$353.6 million compared to \$231.7 million for the prior reporting period. An increase of \$121.8 million. Gross profit for the quarter was \$141.0 million compared to \$106.1 million for the prior reporting period.

Year-to-date income was \$945.9 million compared to \$796.2 million for the prior reporting period. An increase of \$149.6 million. Gross profit for the year-to-date was \$410.3 million compared to \$360.1 million for the prior reporting period. An increase of \$50.2 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 \$14.0 million.

Administration Expenses

Administration expenses for the year-to-date was \$314.0 million, reflecting an increase of \$6.8 million on the prior reporting period's amount of \$307.2 million. There were increases in staff training, legal and professional fees, rent and bank charges. Decreases were driven primarily by efficiencies gained from the management of staff and related costs, reduced insurance costs and reductions in damaged goods write-off and warranty expenses.

Finance Cost

Finance cost for the year-to-date was \$42.6 million compared to \$26.0 million for the prior reporting period, an increase of \$16.6 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 \$71.0 million, an increase of \$48.4 million or 215% over the \$22.6 million reported for the prior reporting period.

Earnings Per Stock Unit

Earnings per stock unit was \$0.14 compared to \$0.06 in the prior period, reflecting an increase of 152%

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. Panel and Solar inventories reflect increased values while Wires reflected decreased 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. Seventy-two percent (72%) of receivables are within the current to 60 day 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 \$436.9 million due to our obtaining new line of credit facilities which is on better terms than our previous bank financing.

Shareholders' Equity

Shareholders' equity now stands at \$679.9 million, up from the \$608.9 million at 31 December 2017. The net increase of \$71.0 million arose as a result of retained profits for the year-to-date.

The result for this, our third 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 the account classifications have also remained the same. The Directors have evaluated the requirements of IFRS 9 which replaces the existing IAS 39. This new standard is effective for periods beginning 1 January 2018. The new standard will have no significant effect on the amounts and disclosures in these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2018

	3 Months to Sep-18 \$	3 Months to Sep-17 \$	9 Months to Sep-18 \$	9 Months to Sep-17 \$
Turnover	353,606,959	231,756,695	945,894,709	796,242,011
Cost of Sales	<u>(212,564,431)</u>	<u>(125,610,851)</u>	<u>(535,535,281)</u>	<u>(436,113,725)</u>
Gross Profit	141,042,528	106,145,844	410,359,429	360,128,286
Other Income	<u>(600,683)</u>	1,354,586	17,373,492	4,017,755
	<u>140,441,845</u>	<u>107,500,430</u>	<u>427,732,921</u>	<u>364,146,041</u>
Expenses				
Administrative and selling expenses	115,945,901	95,066,135	314,099,984	307,205,417
Finance cost	<u>14,130,683</u>	<u>6,395,351</u>	<u>42,621,182</u>	<u>26,027,430</u>
	<u>130,076,584</u>	<u>101,461,486</u>	<u>356,721,166</u>	<u>333,232,846</u>
Operating profit	10,365,260	6,038,943	71,011,755	30,913,195
Taxation	-	1,630,514	-	8,346,562
Comprehensive income	<u>10,365,260</u>	<u>4,408,429</u>	<u>71,011,755</u>	<u>22,566,633</u>
Earning per stock unit	<u>0.02</u>	<u>0.01</u>	<u>0.14</u>	<u>0.06</u>

STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Unaudited Sep-18 \$	Audited Dec-17 \$
ASSETS		
Non-current assets:		
Property, plant and equipment (Including leasehold)	258,027,352	255,570,518
Due From Related Parties	260,064,370	124,974,974
Investments	22,747,381	16,768,418
	<u>540,839,102</u>	<u>397,313,910</u>
Current assets:		
Inventories	919,060,363	625,056,821
Accounts Receivables	111,197,393	155,836,766
Cash, cash equivalents and short-term deposits	34,527,219	120,047,855
	<u>1,064,784,975</u>	<u>900,941,442</u>
Less Current liabilities:		
Trade Payables & Accruals	87,797,038	296,644,438
Taxation	- 0	7,400,602
Short Term Loans	15,789,928	3,998,063
Current Portion of Long Term Liability	27,960,126	23,962,063
Bank overdraft	0	149,424
	<u>131,547,093</u>	<u>332,154,590</u>
Net current assets	<u>933,237,882</u>	<u>568,786,852</u>
	<u>1,474,076,985</u>	<u>966,100,762</u>
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Capital reserves	69,999,632	69,999,632
Retained earnings	240,359,703	169,347,951
	<u>679,980,145</u>	<u>608,968,393</u>
Non-current liabilities:		
Long-term liabilities	721,406,017	278,662,026
Directors' loan	63,378,969	66,768,486
Finance Lease Obligation	9,311,854	11,701,857
	<u>794,096,840</u>	<u>357,132,369</u>
	<u>1,474,076,985</u>	<u>966,100,762</u>

Approved for issue by the Board of Directors on 30 October 2018 by:



Marion Foster
Chairman



Peter Knibb
Director

STATEMENT OF CHANGES IN EQUITY
Period ended 30 September 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
Re-organisation of share premium		(33,500,000)			(33,500,000)
Net profit for period	-	-	-	22,566,633	22,566,633
Balance at 30 September 2017	<u>181,000,200</u>	<u>-</u>	<u>69,999,632</u>	<u>136,973,409</u>	<u>387,973,241</u>
Balance at 1 January 2018	369,620,810	-	69,999,632	169,347,951	608,968,393
Net profit for period	-	-	-	71,011,755	71,011,755
Balance at 30 September 2018	<u>369,620,810</u>	<u>-</u>	<u>69,999,632</u>	<u>240,359,706</u>	<u>679,980,148</u>

STATEMENT OF CASH FLOWS

Period ended 30 September 2018

	9 Months to Sep-18 \$	9 Months to Sep-17 \$
Cash flows from operating activities:		
Results for the period	71,011,755	22,566,633
Adjustments to:		
Taxation expense	-	8,346,562
Damaged Goods	4,749,056	7,053,541
Adjustment - Bad debt provision	-	1,632,177
Depreciation & Ammortization	15,391,412	20,137,794
	91,152,223	59,736,707
Changes in non-cash working capital components:		
Inventories	(298,752,598)	4,327,178
Accounts receivable	44,639,373	(6,934,859)
Tax Payable	(7,461,934)	(12,589,261)
Accounts payable	(208,847,404)	(1,039,117)
Short term loan	15,851,260	(47,941,400)
Net cash provided/(used) by operations	(363,419,079)	(4,440,752)
Cash flows from investing activities:		
Purchase of Investment	(5,978,963)	(1,491,457)
Related Party	(135,089,396)	(740,470)
Purchase of property plant & equipment	(17,848,245)	(3,753,166)
Cash (used) in investing activities	(158,916,604)	(5,985,093)
Cash flows from financing activities:		
Directors' loan (repayments)/proceeds	(3,389,517)	(564,045)
Finance Lease proceeds	9,311,854	(1,683,815)
Long-term Loan	431,042,134	52,794,785
Cash provided by financing activities	436,964,471	50,546,925
Net increase/ (decrease) in cash and cash equivalents	(85,371,212)	40,121,080
Cash and cash equivalents at beginning of period	119,898,431	(22,982,345)
Cash and cash equivalents at end of period	34,527,219	17,138,735
Cash at bank	34,527,219	35,063,648
Bank overdraft	(0)	(17,924,913)
Cash and cash equivalents at end of period	34,527,219	17,138,735

STOCKHOLDER INFORMATION

As at 30 September 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	11,150,000	2.2%
5 Errol A. Lewin	9,446,667	1.9%
6 SSL Money Managers Growth	2,709,942	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	11,150,000
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	11,150,000
3 Tricia Edwards	500,000
4 Kerry-Ann Gray & Kyra-Belle Gray	500,000
5 Warren Riley & Cheryl Riley	254,867
6 Kenneth Lawrence	200,000
7 Vincent Mitchell	7,484