FosRich Company Limited

"We Foster Rich Customer Service"

Management Discussion & Analysis And Unaudited Financial Statements Nine Months Ended 30 September 2019

The Board of Directors is pleased to report the unaudited results of the Company for the nine months ended 30 September 2019 and to report on the performance of the Company.

Financial Highlights

Year-to-date

- Revenues - $1,186.4 million, up $240.5 million or 25% from $945.9 million in the prior period
- Gross Profit - $514.8 million, up $104.4 million or 25% from $410.4 million in the prior period
- Net Profit - $73.3 million, up $2.3 million or 3% from $71.0 million in the prior period
- Earnings per stock unit - $0.15, up from $0.14 in the prior period

Quarter 3

- Revenues - $440.0 million, up $86.4 million or 32% from $353.6 million in the prior period
- Gross Profit - $199.6 million, up $58.6 million or 46% from $141.0 million in the prior period
- Net Profit - $11.7 million, up $1.3 million or 3% from $10.4 million in the prior period
- Earnings per stock unit - $0.02.

Income Statement

Income

Year-to-date income was $1,186.4 million, compared to $945.9 million for the prior reporting period. An increase of $240.5 million. Gross Profit for the year-to-date is $514.8 million compared to $410.4 million for the prior reporting period. This represents an increase of $104.4 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 commissions earned on JPS streetlighting and other projects, amounting to $16.9 million.

During the third quarter the company generated income of $367.8 million compared to $320.4 million for the prior reporting period, representing an increase of $47.4 million. Gross profit for the quarter was $156.1 million compared to $141.4 million for the prior reporting period.

Administration Expenses

Administration expenses for the year-to-date was $394.0 million, reflecting an increase of $80 million on the prior reporting period amount of $314.0 million. This was driven by a combination of building out of our human resources expertise as we build capacity for the future, as well as cost associated with the 25Th anniversary celebration of the company, the addition of a new Business & Relationship Manager, a new Operations & HR Manager, increased sales commission due to improved sales performance and improvements in staff benefits, increased legal and professional fees, increased selling and marketing costs, increased insurance costs and increased irrecoverable GCT.

Finance Cost

Finance cost for the year-to-date was $67.2 million compared to $42.6 million for the prior reporting period, an increase of $24.6 million. This increase is being driven by a new bond issue, obtained to assist with the financing of operations. This new facility was obtained at more favourable rates than the previous bank or line of credit facilities.

Taxation
The Taxpayer Audit & Assessment Department also conducted an audit of our 2016 Income Tax returns and are seeking to raise additional Income Tax. We have agreed most aspects of their findings, however, we are also now in the appeal stage of the process in respect of some adjustments. We have begun to make provisions to cover these additional taxes.

Profit After Tax
Profit-after-tax generated for the period was $73.3 million, compared to the $71.0 million reported for the prior reporting period.

Earnings Per Stock Unit
Earnings per stock unit was $0.15, up from $0.14 in the prior period.

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. Two new categories of inventories have been introduced during the year for PVC raw material and PVC finished goods. Monitoring is done both at the individual product level and by product categories. Industrial, LED, control devices, hardware, panels, wires and electrical lighting were the categories that reflected increases while solar and lighting were the inventory categories that reflected decreases.

Trade Receivables
We continue to closely manage trade 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.

Non-current Liabilities
Non-current liabilities have remained relatively stable for the year-to-date.

Shareholders' Equity
Shareholders' equity now stands at $766.6 million, up from the $693.3 million at 31 December 2018. The net increase of $73.3 million arose as a result of retained profits for the year-to-date.

New Activity
During the year be began PVC production with technical support from foreign engineers. For the year to date we produced a total of 348 thousand assorted electrical conduits, water pipes and drain pipes. Our interim production target is now 115 thousand per month.

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 16 - Leases. This new standard is effective for periods beginning on or after 1 January 2019. The new standard will have no significant effect on the amounts and disclosures in these financial statements as the company now accounts for all leases on balance sheet.

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2019

	3 Months to Sep-19 $	3 Months to Sep-18 $	9 Months to Sep-19 $	9 Months to Sep-18 $
Turnover	440,003,819	353,606,959	1,186,433,922	945,894,709
Cost of Sales	240,376,686	212,564,431	671,600,517	535,535,281
Gross Profit	199,627,133	141,042,528	514,833,405	410,359,429
Other Income	(2,787,400)	(600,683)	21,624,774	17,373,492
	196,839,733	140,441,845	536,458,179	427,732,921
Expenses				
Administrative and selling expenses	160,888,632	115,945,901	394,098,909	314,099,984
Finance cost	23,352,469	14,130,683	67,162,073	42,621,182
	184,241,101	130,076,584	461,260,982	356,721,166
Operating profit	12,598,632	10,365,260	75,197,197	71,011,755
Taxation	(930,365)	-	(1,860,731)	-
Comprehensive income	11,668,267	10,365,260	73,336,467	71,011,755
Earning per stock unit	0.02	0.02	0.15	0.14

STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Unaudited Sep-19 $	Audited Dec-18 $
ASSETS		
Non-current assets:		
Property, plant and equipment (Including leasehold)	320,643,641	251,433,781
Due From Related Parties	96,589,630	96,589,630
Investments	19,562,412	19,125,737
	436,795,683	367,149,148
Current assets:		
Inventories	1,178,880,508	1,021,244,826
Accounts Receivables	311,511,831	303,333,903
Due From Related Parties	253,140,640	289,768,890
Cash, cash equivalents and short-term deposits	44,942,995	71,094,564
	1,788,475,975	1,685,442,183
Less Current liabilities:		
Trade Payables & Accruals	338,469,719	300,163,638
Taxation	1,886,963	14,689
Short Term Loans	24,426,409	-
Current Portion of Long Term Liability	35,039,590	35,039,590
Bank overdraft	-	453,844
	399,822,681	335,671,761
Net current assets	1,388,653,294	1,349,770,422
	1,825,448,977	1,716,919,570
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Capital reserves	68,026,070	68,026,070
Retained earnings	329,037,774	255,701,307
	766,684,654	693,348,187
Non-current liabilities:		
Long-term liabilities	997,955,752	964,867,009
Directors' loan	54,677,397	53,828,673
Finance Lease Obligation	6,131,172	4,875,701
	1,058,764,322	1,023,571,383
	1,825,448,977	1,716,919,570

Approved for issue by the Board of Directors on 22 October 2019 by:

Marion Foster
Chairman

Peter Knibb
Director

STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2019

	Share capital $	Capital reserve $	Retained earnings $	Total $
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	369,620,810	69,999,632	240,359,706	679,980,148
Balance at 1 January 2019	369,620,810	68,026,070	255,701,307	693,348,187
Net profit for period	-	-	73,336,467	73,336,467
Balance at 30 September 2019	369,620,810	68,026,070	329,037,774	766,684,654

STATEMENT OF CASH FLOWS

Period ended 30 September 2019

	9 Months to Sep-19 $	9 Months to Sep-18 $
Cash flows from operating activities:		
Results for the period	73,336,467	71,011,755
Adjustments to:		
Taxation expense	1,860,731	-
Damaged Goods	185,689	4,749,056
Adjustment - Bad debt provision	(5,703,769)	-
Depreciation & Ammortization	17,092,240	15,391,412
	86,771,357	91,152,223
Changes in non-cash working capital components:		
Tax recoverable		
Inventories	(157,821,371)	(298,752,598)
Accounts receivable	(2,474,157)	44,639,373
Tax Paid	-	(7,461,934)
Accounts payable	38,317,624	(208,847,404)
Short term loan	24,426,409	15,851,260
Net cash provided/(used) by operations	(10,780,138)	(363,419,079)
Cash flows from investing activities:		
Purchase of Investment	(436,675)	(5,978,963)
Related Party	36,628,250	(135,089,396)
Purchase of property plant & equipment	(86,302,100)	(17,848,245)
Cash (used) in investing activities	(50,110,525)	(158,916,604)
Cash flows from financing activities:		
Directors' loan (repayments)/proceeds	848,724	(3,389,517)
Finance Lease proceeds	1,255,471	9,311,854
Long-term Loan	33,088,743	431,042,134
Cash provided by financing activities	35,192,938	436,964,471
Net increase/ (decrease) in cash and cash equivalents	(25,697,725)	(85,371,212)
Cash and cash equivalents at beginning of period	70,640,720	119,898,431
Cash and cash equivalents at end of period	44,942,995	34,527,219
Cash at bank	44,942,995	34,527,219
Bank overdraft	-	(0)
Cash and cash equivalents at end of period	44,942,995	34,527,219

STOCKHOLDER INFORMATION
As at 30 September 2019

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)	36,012,703	7.2%
4	Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	11,150,000	2.2%
5	First Caribbean International Securities Limited - A/C B.U.T	10,017,502	2.0%
6	Errol A. Lewin	3,493,083	0.7%
7	JMMB Securities Ltd - House Account #2	2,417,775	0.5%
8	JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	2,276,196	0.5%
9	Barita Unit Trust Mgmt. Co. Ltd.	2,170,000	0.4%
10	SSL Money Managers Growth	2,086,960	0.4%
	Total of Top Ten	471,444,663	93.9%
	Others	30,830,892	6.1%
	Total Shares Allotted	502,275,555	100%

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, 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, 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	224,867
6	David Ffrench	14,238
7	Vincent Mitchell	7,484
8	Michelle Thame	Nil