



Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Unaudited Financial Statements Six Months Ended 30 June 2021

The Board of Directors is pleased to report the unaudited results of the Company for the six months ended 30 June 2021 and to report on the performance of the Company.

Financial Highlights

Year-to-date

- Revenues - \$1,093 million, up \$236 million or 28% from \$857 million in the prior period
- Gross Profit - \$435 million, up \$97 million or 29% from \$339 million in the prior period
- Net Profit - \$115 million, up \$92 million or 414% from \$22 million in the prior period
- Earnings per stock unit - \$0.23, compared to \$0.04 in the prior period, an increase of 475%

Quarter 2

- Revenues - \$544 million, up \$136 million or 33% from \$408 million in the prior period
- Gross Profit - \$244 million, up \$75 million or 44% from \$169 million in the prior period
- Net Profit - \$76 million up \$59 million or 336% from \$17 million in the prior period
- Earnings per stock unit - \$0.15, compared to \$0.03 in the prior period

Income Statement

Income

Year-to-date income was \$1,093 million, compared to \$857million for the prior reporting period. An increase of \$236 million. Gross Profit for the year-to-date is \$435 million compared to \$339 million for the prior reporting period. This represents an increase of \$97 million. These increases were attributed primarily to the greater availability of the products required by the market. While the overall increase in revenues was 28%, the product lines that had significant increases were PVC which saw increases of 105%, hardware 93%, wiring devices 52% and control devices 48%.

During the second quarter the company generated income of \$544 million compared to \$408 million for the prior reporting period, representing an increase of \$136 million. Gross profit for the quarter was \$244 million compared to \$169 million for the prior reporting period.

Administration Expenses

Administration expenses for the year-to-date was \$310 million, reflecting an increase of \$38 million on the prior reporting period amount of \$271 million. The changes was driven primarily by increased staff related costs for salary adjustments, increased sales commission due to improved sales performance and improvements in staff benefits, increased staff training cost with the launch of the new FosRich Corporate University, increased motor vehicle expenses, increased occupancy cost due to the commencement of obligations in January for the second Hayes factory building and increased depreciation charges. There were reductions in legal fees.

Finance Cost

Finance cost for the year-to-date was \$51 million compared to \$57 million for the prior reporting period, a reduction of 6 million. This reduction is due to the amortisation of our loan facilities.

Comprehensive Income

Comprehensive income generated for the period was \$115 million, compared to the \$22 million reported for the prior reporting period. This was driven primarily by increases in sales and gross profit percentage, with moderate increases in administration and financing cost. We continue to monitor the changes in the purchasing patterns of our customers resulting from the presence of Covid-19, and have continued our review of our cost structure.

Earnings Per Stock Unit

Earnings per stock unit was \$0.23, compared to \$0.04 in the prior period, an increase of 475%

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 done both at the individual product level and by product categories. Sales in most categories remain strong and reflects increases over the prior year. We continue to monitor the effect of the Covid-19 pandemic on our customers buying patterns.

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. As a result of the anticipated impact of Covid-19 on our customers, we have reviewed all credit arrangements. Where necessary credit limits have been reduced and credit periods shortened. For some items we have instituted seven (7) day credit or cash.

Trade Payables

Our trade payables are categorised by foreign purchases, local purchases and other goods and services. We have concentrated primarily on the foreign payables as the bulk of our inventories are sourced from overseas.

Non-current Liabilities

Non-current liabilities have increased due to our booking of the lease obligation in connection with the lease of the second Hayes factory building which commenced in January 2021.

Shareholders' Equity

Shareholders' equity now stands at \$983 million, up from the \$869 million at 31 December 2020. The net increase of \$114 million arose as a result of retained profits for the year-to-date amounting to \$115 million.

Covid-19

In the first quarter of 2020, the World Health Organization declared the Novel Coronavirus (COVID-19) outbreak a pandemic, and the Government of Jamaica declared the island a disaster area on 13th March 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity and business operations. This could have significant negative financial effects on the Company, our suppliers, our customers and our financiers, depending on several factors such as the duration and spread of the outbreak, the restrictions and advisories from the Government of Jamaica and the governments of our overseas suppliers. The prolonged epidemic threat increases the risk of economic slowdown, which may affect our financial performance. We continue to monitor and manage this risk. Despite staff shortages resulting from quarantine we have managed to keep all our stores open. We continue to adopt and implement all of the safety measures being promulgated by the Government of Jamaica and have allowed our team members to work from home where practical.

New Activity

During the quarter we launched FosRich Corporate University, which is mandated to train and develop team members by providing enhanced, in-depth and focused training at all levels. The aim is to take the team to a corporate level of operation with this ongoing training. The courses will utilise MBA type case studies and role plays, and will cover a broad spectrum of disciplines, facilitating the development of the critical thinking and other skills necessary for the advancement of the organisation.

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.

A handwritten signature in dark ink, appearing to read 'Q. East', is positioned above the title 'Managing Director'.

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. Standards, interpretations and amendments to existing standards that became effective after 1 January 2021 have been evaluated and will have no significant effect on the amounts and disclosures in these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2021

	3 Months to Jun-21 \$	3 Months to Jun-20 \$	6 Months to Jun-21 \$	6 Months to Jun-20 \$
Turnover	543,798,348	408,330,090	1,093,077,555	857,147,872
Cost of Sales	300,276,353	239,628,635	657,870,169	518,538,157
Gross Profit	243,521,995	168,701,455	435,207,386	338,609,715
Other Income	24,741,432	5,629,729	39,862,150	12,378,818
	268,263,427	174,331,184	475,069,536	350,988,533
Expenses				
Administrative and selling expenses	166,165,406	125,841,215	309,769,671	271,492,933
Finance cost	25,940,234	31,114,773	50,776,921	57,304,082
	192,105,640	156,955,988	360,546,592	328,797,015
Operating profit	76,157,787	17,375,196	114,522,944	22,191,518
Taxation	-	73,472	-	73,472
Comprehensive income	76,157,787	17,448,668	114,522,944	22,264,990
Earning per stock unit	0.15	0.03	0.23	0.04

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Unaudited Jun-21 \$	Audited Dec-20 \$
ASSETS		
Non-current assets:		
Property, plant and equipment	348,637,006	328,050,994
Right-of-use Assets	586,837,891	393,344,856
Due From Related Parties	287,866,906	284,552,959
Investments	20,180,268	16,069,239
Investments - Other	1,453,125	1,453,125
Investment - Associated Company	-	24,311,792
	<u>1,244,975,196</u>	<u>1,047,782,965</u>
Current assets:		
Inventories	1,367,952,863	1,458,237,103
Trade Receivables	423,786,088	245,498,897
Other Receivables	87,034,735	190,878,091
Due From Related Parties	80,000,000	80,000,000
Taxation Recoverable	46,273	-
	<u>32,949,760</u>	<u>33,991,322</u>
	<u>1,991,769,719</u>	<u>2,008,605,413</u>
Less Current liabilities:		
Trade Payables, Accruals & Advances	324,242,236	463,970,647
Associated Company	56,078,116	-
Current Portion of Long-term Liability	74,429,350	74,429,350
Right-of-use Liability	41,370,985	41,370,985
	<u>496,120,687</u>	<u>579,770,982</u>
Net current assets	<u>1,495,649,032</u>	<u>1,428,834,431</u>
	<u>2,740,624,228</u>	<u>2,476,617,396</u>
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Treasury Shares	(8,364,276)	(8,545,728)
Capital reserves	66,921,695	66,921,695
Retained earnings	555,089,531	440,566,587
	<u>983,267,760</u>	<u>868,563,364</u>
Non-current liabilities:		
Right-of-use Liability	525,671,290	336,854,237
Long-term liabilities	1,185,073,732	1,216,599,381
Directors' loan	46,611,446	54,600,414
	<u>1,757,356,468</u>	<u>1,608,054,032</u>
	<u>2,740,624,228</u>	<u>2,476,617,396</u>

Approved for issue by the Board of Directors on 27th July 2021 by:



Marion Foster
Director



Peter Knibb
Director

STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2021

	Share capital \$	Treasury shares \$	Capital reserve \$	Retained earnings \$	Total \$
Balance at 1 January 2020	369,620,810	-	67,386,695	362,587,367	799,594,872
Treasury Shares Acquired		(2,634,030)			(2,634,030)
Net profit for period	-	-	-	22,264,990	22,264,990
Balance at 30 June 2020	<u>369,620,810</u>	<u>(2,634,030)</u>	<u>67,386,695</u>	<u>384,852,357</u>	<u>819,225,832</u>
Balance at 1 January 2021	369,620,810	(8,545,728)	66,921,695	440,566,587	868,563,364
Treasury Shares Sold	-	181,452	-	-	181,452
Net profit for period	-	-	-	114,522,944	114,522,944
Balance at 30 June 2021	<u>369,620,810</u>	<u>(8,364,276)</u>	<u>66,921,695</u>	<u>555,089,531</u>	<u>983,267,760</u>

STATEMENT OF CASH FLOWS

Period ended 30 June 2021

	6 Months to Jun-21 \$	6 Months to Jun-20 \$
Cash flow s from operating activities:		
Results for the period	114,522,945	22,264,991
Adjustments to:		
Taxation expense	-	(73,472)
Profit on Deposal of Asset	(3,990,000)	-
Damaged Goods	-	47,610
Depreciation	19,736,630	27,296,237
Amortisation - Right Of Use Asset	21,991,932	13,372,536
	<u>152,261,507</u>	<u>62,907,902</u>
Changes in non-cash working capital components:		
Tax recoverable		
Inventories	90,284,240	(77,663,454)
Accounts receivable	(74,443,836)	(31,517,631)
Tax Recoverable	(46,273)	-
Accounts payable	(139,728,410)	67,893,753
Short term loan	-	4,888,398
Net cash provided by operations	<u>28,327,228</u>	<u>26,508,968</u>
Cash flow s from investing activities:		
Purchase of Investment	(4,111,029)	(10,152,699)
Proceeds of disposal of fixed assets	3,990,000	-
Related Party	(3,313,947)	(3,463,308)
Investment in Associated Company	80,389,908	-
Purchase of property plant and equipment	(40,322,642)	(17,209,158)
Cash provided by/(used in) investing activities	<u>36,632,290</u>	<u>(30,825,165)</u>
Cash flow s from financing activities:		
Treasury Shares	181,453	(2,634,030)
Directors' loan (repayments)/proceeds	(7,988,967)	922,111
Finance Lease	(26,667,913)	(28,131,916)
Long-term Loan	(31,525,653)	31,382,342
Cash provided by financing activities	<u>(66,001,080)</u>	<u>1,538,507</u>
Net increase/ (decrease) in cash and cash equivalents	(1,041,562)	(2,777,690)
Cash and cash equivalents at beginning of period	<u>33,991,322</u>	<u>56,495,023</u>
Cash and cash equivalents at end of period	<u><u>32,949,760</u></u>	<u><u>53,717,333</u></u>
Cash at bank	32,949,760	53,717,333
Bank overdraft	-	-
Cash and cash equivalents at end of period	<u><u>32,949,760</u></u>	<u><u>53,717,333</u></u>

STOCKHOLDER INFORMATION

As at 30 June 2021

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 JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	19,491,121	3.9%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	11,150,000	2.2%
5 JMMB Securities Ltd - House Account #2	7,417,775	1.5%
6 Stocks & Securities Limited (Alpha)	7,053,431	1.4%
7 JCSD Trustee Services Ltd. - Sigma Global Ventures	4,704,269	0.9%
8 Sagicor Select Fund Limited - Class C - Manufacturing & Distribution	4,028,960	0.8%
9 Nigel Coke & Bobbette Coke	3,071,555	0.6%
10 PAM - Pooled Equity Fund	2,866,731	0.6%
Total of Top Ten	461,604,286	91.9%
Others	40,671,269	8.1%
Total Shares Allotted	502,275,555	100%
Total Number Of Stockholders	1,707	

Stockholding of Directors, Board Committees Members & Connected Persons

Name	Shares Held
Directors	
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
Board Committee Members	
7 Marva Chang	Nil
8 Clive Nicholas	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 Vincent Mitchell	7,484
7 Michelle Thame	Nil
8 Stephen Spencer	Nil
9 Hector Mendoza	Nil