

Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Unaudited Financial Statements Nine Months Ended 30 September 2021

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

Financial Highlights

Year-to-date

- Revenues - \$1,686 million, up \$294 million or 21% from \$1,391 million in the prior period
- Gross Profit - \$671 million, up \$117 million or 21% from \$554 million in the prior period
- Net Profit - \$179 million, up \$104 million or 138% from \$75 million in the prior period
- Earnings per stock unit - \$0.36, compared to \$0.15 in the prior period, an increase of 139%

Quarter 3

- Revenues - \$593 million, up \$59 million or 11% from \$534 million in the prior period
- Gross Profit - \$236 million, up \$20 million or 9% from \$216 million in the prior period
- Net Profit - \$65 million up \$12 million or 22% from \$53 million in the prior period
- Earnings per stock unit - \$0.13, compared to \$0.11 in the prior period, an increase of 23%

Income Statement

Income

Year-to-date income was \$1,686 million, compared to \$1,391 million for the prior reporting period. An increase of \$294 million. Gross Profit for the year-to-date is \$671 million, compared to \$554 million for the prior reporting period. This represents an increase of \$117 million. These increases were attributed to actual growth in the volume of sales, increases in commodity prices and the greater availability of the products required by the market. While the overall increase in revenues was 21%, the product lines that had significant increases were solar which saw increases of 116%, hardware 79%, control devices 66% and PVC 50%.

During the third quarter the company had the best quarter in the history of the company by generating income of \$593 million, compared to \$534 million for the prior reporting period, representing an increase of \$59 million. This increase was achieved despite the reduced number of days that the stores were opened in August, due to the increased number of lockdown days enforced by the government as part of their Covid-19 strategy. Sales for August were \$100 million below the amount achieved for July. Gross profit for the quarter was \$236 million compared to \$216 million for the prior reporting period.

Administration Expenses

Administration expenses for the year-to-date was \$479 million, reflecting an increase of \$43 million on the prior reporting period amount of \$436 million. The changes were 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 marketing expenses, motor vehicle expenses, increased occupancy cost due to the commencement of obligations in January for the second Hayes factory building and increased depreciation and amortisation charges. There were reductions in legal fees.

Finance Cost

Finance cost for the year-to-date was \$79 million compared to \$76 million for the prior reporting period, an increase of \$3 million. This increase is due to an increase in our loan facilities.

Comprehensive Income

Comprehensive income generated for the period was \$179 million, compared to the \$75 million reported for the prior reporting period. This was driven primarily by increases in sales, with moderate increases in administration and financing cost. Gross profit percentage was stable. 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 \$0.36, compared to \$0.15 in the prior period, an increase of 139%

Balance Sheet

Inventories

The company's forward purchasing arrangements have been affected by the now global supply chain problems associated with trans-shipment availability and escalating costs. This current problem is affecting both our North American and Asian suppliers. We however continue 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

With the increases in sales has come an uptick in receivables. Also of note is a reduction in the proportion of cash sales to total sales made in the current quarter. 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 for the first time now exceeds \$1 billion, and stands at \$1,048 million, up from the \$869 million at 31 December 2020. The net increase of \$179 million arose as a result of retained profits for the year-to-date.

We now have 1,723 shareholders, an increase of 328 or 24% on the 1,395 at 31 December 2020.

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 have been adversely affected by the no-movement-days which saw our stores open for 2 ½ days per week for most of August, instead of the usual 5 ½ days. We continue to adopt and implement all 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 year 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.

Special Economic Zone Authority (SEZA) Application

Our new associated company, Blue Emerald Limited, has applied for registration of the Hayes, Clarendon facility as a special economic zone. This application has still not received approval, due primarily to problems associated with the leased property. Our attorneys are working with the attorneys of the lessor and the SEZA to address this issue. In the interim, Blue Emerald Limited has not yet commenced operations.

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. 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 September 2021

	3 Months to Sep-21 \$	3 Months to Sep-20 \$	9 Months to Sep-21 \$	9 Months to Sep-20 \$
Turnover	592,857,542	534,332,550	1,685,935,096	1,391,480,422
Cost of Sales	356,991,964	318,617,228	1,014,862,133	837,155,385
Gross Profit	235,865,578	215,715,322	671,072,963	554,325,037
Other Income	25,950,838	20,450,390	65,812,987	32,829,208
	261,816,416	236,165,712	736,885,950	587,154,245
Expenses				
Administrative and selling expenses	168,862,884	164,584,111	478,632,554	436,077,044
Finance cost	28,261,768	18,524,945	79,038,689	75,829,027
	197,124,652	183,109,056	557,671,243	511,906,071
Operating profit	64,691,764	53,056,656	179,214,707	75,248,174
Taxation	-	(73,472)	-	-
Comprehensive income	64,691,764	52,983,184	179,214,707	75,248,174
Earning per stock unit	0.13	0.11	0.36	0.15

STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Unaudited Sep-21 \$	Audited Dec-20 \$
ASSETS		
Non-current assets:		
Property, plant and equipment	358,104,209	328,050,994
Right-of-use Assets	575,841,925	393,344,856
Due From Related Parties	333,048,757	284,552,959
Investments	20,180,267	16,069,239
Investments - Other	1,453,125	1,453,125
Investment - Associated Company	-	24,311,792
	<u>1,288,628,283</u>	<u>1,047,782,965</u>
Current assets:		
Inventories	1,435,023,046	1,458,237,103
Trade Receivables	455,685,992	245,498,897
Other Receivables	88,812,513	190,878,091
Due From Related Parties	80,000,000	80,000,000
Taxation Recoverable	47,326	-
Cash, cash equivalents and short-term deposits	86,865,348	33,991,322
	<u>2,146,434,225</u>	<u>2,008,605,413</u>
Less Current liabilities:		
Trade Payables, Accruals & Advances	308,176,042	463,970,647
Associated Company	40,539,455	-
Current Portion of Long-term Liability	74,429,350	74,429,350
Right-of-use Liability	41,370,985	41,370,985
	<u>464,515,832</u>	<u>579,770,982</u>
Net current assets	<u>1,681,918,393</u>	<u>1,428,834,431</u>
	<u>2,970,546,676</u>	<u>2,476,617,396</u>
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Treasury Shares	(8,352,176)	(8,545,728)
Capital reserves	66,921,695	66,921,695
Retained earnings	619,781,294	440,566,587
	<u>1,047,971,623</u>	<u>868,563,364</u>
Non-current liabilities:		
Right-of-use Liability	512,337,334	336,854,237
Long-term liabilities	1,365,971,405	1,216,599,381
Directors' loan	44,266,314	54,600,414
	<u>1,922,575,053</u>	<u>1,608,054,032</u>
	<u>2,970,546,676</u>	<u>2,476,617,396</u>

Approved for issue by the Board of Directors on 29th October 2021 by:



Marion Foster
Director



Peter Knibb
Director

STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 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		(5,907,424)			(5,907,424)
Net profit for period	-	-	-	75,248,174	75,248,174
Balance at 30 September 2020	<u>369,620,810</u>	<u>(5,907,424)</u>	<u>67,386,695</u>	<u>437,835,541</u>	<u>868,935,622</u>
Balance at 1 January 2021	369,620,810	(8,545,728)	66,921,695	440,566,587	868,563,364
Treasury Shares Sold	-	193,552	-	-	193,552
Net profit for period	-	-	-	179,214,707	179,214,707
Balance at 30 September 2021	<u>369,620,810</u>	<u>(8,352,176)</u>	<u>66,921,695</u>	<u>619,781,294</u>	<u>1,047,971,623</u>

STATEMENT OF CASH FLOWS

Period ended 30 September 2021

	9 Months to Sep-21 \$	9 Months to Sep-20 \$
Cash flows from operating activities:		
Results for the period	179,214,707	75,248,174
Adjustments to:		
Profit on Deposal of Asset	(3,990,000)	-
Damaged Goods	-	47,610
Adjustment - Bad debt provision	10,040,091	18,000,000
Depreciation	30,213,672	21,511,820
Amortisation - Right Of Use Asset	32,987,898	22,213,653
	248,466,368	137,021,257
Right-of-use Assets	-	(215,484,971)
Lease Obligations - Right Of Use Asset	-	187,322,565
Changes in non-cash working capital components:		
Inventories	23,214,057	93,114,997
Accounts receivable	(118,161,608)	(150,407,174)
Tax Recoverable	(47,326)	-
Accounts payable	(155,794,605)	70,973,549
Short term loan	-	(3,216,285)
Net cash provided by operations	(2,323,114)	119,323,938
Cash flows from investing activities:		
Purchase of Investment	(4,111,028)	3,600,001
Proceeds of disposal of fixed assets	3,990,000	-
Related Party	(48,495,798)	10,943,417
Investment in Associated Company	64,851,247	(239,889,947)
Purchase of property plant and equipment	(60,266,887)	51,022,274
Cash provided by/(used in) investing activities	(44,032,466)	(174,324,255)
Cash flows from financing activities:		
Treasury Shares	193,552	(5,907,424)
Directors' loan (repayments)/proceeds	(10,334,100)	(717,121)
Finance Lease	(40,001,870)	(4,081,697)
Long-term Loan	149,372,024	65,147,022
Cash provided by financing activities	99,229,606	54,440,780
Net increase/ (decrease) in cash and cash equivalents	52,874,026	(559,537)
Cash and cash equivalents at beginning of period	33,991,322	56,495,023
Cash and cash equivalents at end of period	86,865,348	55,935,486
Cash at bank	86,865,348	55,935,486
Bank overdraft	-	-
Cash and cash equivalents at end of period	86,865,348	55,935,486

STOCKHOLDER INFORMATION

As at 30 September 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	20,038,311	4.0%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	10,150,000	2.0%
5 Jamaica Money Market Brokers Ltd	9,178,652	1.8%
6 Stocks & Securities Limited (Alpha)	5,553,431	1.1%
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, Sylvan Coke	3,107,120	0.6%
10 PAM - Pooled Equity Fund	2,866,731	0.6%
Total of Top Ten	461,447,918	91.9%
Others	40,827,637	8.1%
Total Shares Allotted	502,275,555	100%
Total Number Of Stockholders	1,723	

Stockholding of Directors, Board Committees Members &

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	10,150,000
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	10,150,000
3 Kerry-Ann Gray & Kyra-Belle Gray	620,000
4 Tricia Edwards	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