

## Company Limited

*“We Foster Rich Customer Service”*

### **Management Discussion & Analysis And Summary Audited Financial Statements Year Ended 31 December 2021**

The Board of Directors is pleased to report the audited results of the Company for the year ended 31 December 2021 and to report on the performance of the Company.

#### **Financial Highlights**

- Revenues was \$2,351 million - Up \$455 million or 24% compared to the prior period's \$1,896 million
- Gross profit was \$1,043 million - Up \$218 million or 26% compared to the prior period's \$825 million
- Net profit was \$199 million - Up \$74 million or 59% compared to the prior period's \$126 million
- Earnings per stock unit was \$0.40 - Up \$0.15 or 60% compared to the prior period's \$0.25

#### **Income Statement**

##### ***Income***

During the year, the company generated income of \$2,351 million compared to \$1,896 million for the prior year. An increase of \$455 million. Gross profit for the year was \$1,043 million compared to \$825 million for the prior year, an increase of \$218 million. The product lines that had significant increases over the prior year were Solar Products, which grew by 157%, Control Devices which grew by 55%, PVC Products, which grew by 45% and Wiring Devices which grew by 37%. These increases were 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.

During the year we experienced a mix of fluctuations in volume and price increases. Price increases were driven by escalating copper and PVC ingredient prices on the international market and increased shipping costs.

##### ***Administration Expenses***

Administration expenses for the year was \$632 million, reflecting an increase of \$126 million on the prior reporting year's amount of \$506 million. There were increases in 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 and utilities, increases in the costs associated with our PVC manufacturing, increased selling, marketing and travelling costs, and increased occupancy cost due to the commencement of obligations in January for the second Hayes, Clarendon factory building and increased depreciation and amortisation charges. Decreases were driven primarily by reduced professional fees.

##### ***Finance Cost***

Finance cost for the year was \$185 million compared to \$160 million for the prior year, an increase of \$25 million. This increase is being driven by increased financing obtained to assist with the financing of operations. This new financing was obtained at more favourable rates than the previous bank facilities. There were also increases in receivables impairment provisions of \$44 million compared to the \$32 million increase for the prior year.

##### ***Net Profit***

Net Profit generated for the year was \$199 million, an increase of \$73 million or 59% over the \$126 million reported for the prior period.

##### ***Earnings Per Stock Unit***

Earnings per stock unit was \$0.40 compared to \$0.25 in the prior year, reflecting an increase of 60%

## **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 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. Increases in the carrying values of inventories reflect the increased cost of supplies. 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.

### ***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 year. We continue to actively 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 re-evaluated all credit relationships. Where necessary, credit limits have been reduced and credit periods shortened. For some inventory items we have instituted seven (7) day credit or cash. Forty-nine percent (49%) of trade receivables are within the current to 60-day category. This reflects a deterioration when compared to the prior year's fifty-eight percent (58%). Provision for losses on credit sales was increased by \$44 million during the year.

### ***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, as the bulk of our inventories are sourced from overseas. we continue to manage payables, for the most part, within the terms given by our suppliers.

### ***Non-current Liabilities***

Non-current liabilities have increased by \$319 million. \$159 million of this increase is due to our booking of the lease obligation in connection with the lease of the second Hayes factory building which commenced in January 2021. \$167 million was attributable to net increases in our long-term loans.

### ***Shareholders' Equity***

Shareholders' equity now stands at \$1,016 million, up by \$147 million from \$869 million on 31 December 2020. The net increase arose primarily as a result of retained profits for the year amounting to \$199 million, net of dividend paid amounting to \$52 million.

We now have 1,753 shareholders, an increase of 358 or 26% on the 1,395 on 31 December 2020.

## **Other Matters**

### ***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 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 Ministry of Health & Wellness and have allowed our team members to work from home where practical.

***New Activities***

Construction of our new 30,000 square foot distribution centre at 76 Molyne Road is now completed, and we are occupying the new facility.

During the year we launched FosRich Corporate University, with mandate 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***

There are now only two preconditions outstanding in our application for our new company, Blue Emerald Limited, to be registered under The Special Economic Zone Authority, to take advantage of the significant long-term tax concessions that are available, both of which relate to the ownership of the factory and lands. Our attorneys are vigorously attending to these matters. Activities being undertaken at the new Hayes facility in Clarendon, will be done through this new entity acting exclusively for FosRich under a contract manufacturing arrangement.

The result for this, our fourth full year since our listing on the Junior Market of the Jamaica Stock Exchange on 19 December 2017, reflects the implementation of the specific strategies as outlined within our strategic plan. We are cognizant that despite the challenges ahead within our local operating space and the wider global space due to Covid-19, 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

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2021**

|  |            | 2021<br>\$                | 2020<br>\$                |
|--|------------|---------------------------|---------------------------|
| <b>Turnover</b>  |            | <b>2,351,146,322</b>      | 1,895,680,002             |
| Cost of Sales  | 4(a)       | <u>(1,308,000,581)</u>    | <u>(1,070,926,098)</u>    |
| <b>Gross profit</b>  |            | <b>1,043,145,741</b>      | 824,753,904               |
| <b>Other income:</b>   |            |                           |                           |
| Other operating income   | 5          | <u>56,130,209</u>         | <u>32,463,451</u>         |
|  |            | <b>1,099,275,950</b>      | 857,217,355               |
| Administration, marketing and selling expenses   | 4(a)       | <u>(631,626,512)</u>      | <u>(505,750,293)</u>      |
| <b>Profit before depreciation and finance costs</b>  |            | <b>467,649,438</b>        | 351,467,062               |
| Depreciation   | 9, 10(iii) | <u>(83,136,788)</u>       | <u>(65,749,764)</u>       |
| <b>Profit before finance costs</b>   |            | <b>384,512,650</b>        | 285,717,298               |
| Finance costs  | 6          | <u>(185,202,992)</u>      | <u>(160,021,898)</u>      |
| <b>Net profit before taxation</b>  |            | <b>199,309,658</b>        | 125,695,400               |
| Taxation   | 7          | <u>-</u>                  | <u>-</u>                  |
| <b>Net profit</b>  |            | <b>199,309,658</b>        | 125,695,400               |
| <b>Other comprehensive income:</b>   |            |                           |                           |
| Items that will not be reclassified to profit or loss -<br>Unrealised fair value loss on available-for-sale<br>investments | 13         | <u>174,375</u>            | <u>(465,000)</u>          |
| <b>Total comprehensive income for the year</b>   |            | <b><u>199,484,033</u></b> | <b><u>125,230,400</u></b> |
| Earnings per stock unit  | 21         | <u>\$0.40</u>             | <u>\$0.25</u>             |

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

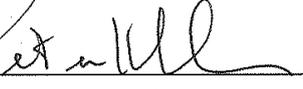
|  | Note | 2021<br>\$           | 2020<br>\$           |
|--|------|----------------------|----------------------|
| <b>ASSETS</b>                            |      |                      |                      |
| <b>Non-Current Assets</b>                |      |                      |                      |
| Property, plant and equipment            | 9    | 349,530,748          | 328,050,994          |
| Lease - right-of-use assets              | 10   | 564,845,958          | 393,344,856          |
| Related party                            | 11   | 370,503,789          | 284,552,959          |
| Investments                              | 12   | 32,918,578           | 16,069,239           |
| Investment - equity                      | 13   | 1,627,500            | 1,453,125            |
| Associated company                       | 14   | 121,602,537          | 24,311,792           |
|  |      | <u>1,441,029,110</u> | <u>1,047,782,965</u> |
| <b>Current Assets</b>                    |      |                      |                      |
| Inventories                              | 15   | 1,784,242,080        | 1,458,237,103        |
| Trade receivables                        | 16   | 274,033,320          | 245,498,897          |
| Other receivables and prepayments        | 16   | 115,292,261          | 190,878,091          |
| Related party                            | 11   | 80,000,000           | 80,000,000           |
| Cash and bank balances                   | 17   | 72,006,528           | 33,991,322           |
|  |      | <u>2,325,574,189</u> | <u>2,008,605,413</u> |
| <b>Current Liabilities</b>               |      |                      |                      |
| Payables                                 | 18   | 596,741,073          | 463,970,647          |
| Current portion of long-term liabilities | 22   | 181,406,702          | 74,429,350           |
| Lease - right-of-use liabilities         | 10   | 44,399,152           | 41,370,985           |
|  |      | <u>822,546,927</u>   | <u>579,770,982</u>   |
| <b>Net Current Assets</b>                |      | <u>1,503,027,262</u> | <u>1,428,834,431</u> |
|  |      | <u>2,944,056,372</u> | <u>2,476,617,396</u> |

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

|                                | Note | 2021<br>\$           | 2020<br>\$           |
|--------------------------------|------|----------------------|----------------------|
| <b>Equity</b>                  |      |                      |                      |
| Share capital                  | 19   | 361,499,399          | 361,075,082          |
| Capital reserves               | 20   | 67,096,070           | 66,921,695           |
| Retained earnings              |      | <u>588,141,862</u>   | <u>440,566,587</u>   |
|                                |      | <u>1,016,737,331</u> | <u>868,563,364</u>   |
| <b>Non-Current Liabilities</b> |      |                      |                      |
| Right-of-use liabilities       | 10   | 495,975,214          | 336,854,237          |
| Long-term liabilities          | 22   | 1,383,540,839        | 1,216,599,381        |
| Director's loan                | 23   | <u>47,802,988</u>    | <u>54,600,414</u>    |
|                                |      | <u>1,927,319,041</u> | <u>1,608,054,032</u> |
|                                |      | <u>2,944,056,372</u> | <u>2,476,617,396</u> |

The financial statements set out on pages 1 to 31 were approved for issue by the Board of Directors on March 3, 2022 and signed on its behalf by:

  
 \_\_\_\_\_ Director  
 Marion Foster

  
 \_\_\_\_\_ Director  
 Peter Knibb

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2021**

|   | Share capital<br>\$ | Capital<br>reserves<br>\$ | Retained<br>earnings<br>\$ | Total<br>\$          |
|---|---------------------|---------------------------|----------------------------|----------------------|
| Balance at January 1, 2020                              | 369,620,810         | 67,386,695                | 362,587,367                | 799,594,872          |
| Unrealised loss on available-for-sale investments       | -                   | (465,000)                 | -                          | (465,000)            |
| Net profit  | -                   | -                         | 125,695,400                | 125,695,400          |
| <b>Transactions with owners:</b>                        |                     |                           |                            |                      |
| Purchase of Treasury shares (note 19)                   | (8,545,728)         | -                         | -                          | (8,545,728)          |
| Dividend paid (note 8)                                  | -                   | -                         | (47,716,180)               | (47,716,180)         |
| Balance at December 31, 2020                            | 361,075,082         | 66,921,695                | 440,566,587                | 868,563,364          |
| Fair value adjustment on available-for-sale investments | -                   | 174,375                   | -                          | 174,375              |
| Net profit  | -                   | -                         | 199,309,658                | 199,309,658          |
| <b>Transactions with owners:</b>                        |                     |                           |                            |                      |
| Sale of Treasury shares (note 19)                       | 424,317             | -                         | -                          | 424,317              |
| Dividend paid (note 8)                                  | -                   | -                         | (51,734,383)               | (51,734,383)         |
| Balance at December 31, 2021 (see notes 19 & 20)        | <u>361,499,399</u>  | <u>67,096,070</u>         | <u>588,141,862</u>         | <u>1,016,737,331</u> |

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

|  | 2021                     | 2020                       |
|--|--------------------------|----------------------------|
|  | \$                       | \$                         |
| <b>CASH FLOWS WERE PROVIDED BY/ (USED IN):</b>                   |                          |                            |
| <b>Operating Activities</b>                                      |                          |                            |
| Net profit   | 199,309,658              | 125,695,400                |
| Items not affecting cash resources                               |                          |                            |
| Depreciation   | 83,136,788               | 65,749,764                 |
| Interest on lease liability                                      | 17,512,320               | 13,340,045                 |
| Unrealised foreign exchange gain (net)                           | (2,400,304)              | (15,755,483)               |
| Profit on disposal of items of property, plant and equipment     | (6,540,496)              | -                          |
| Interest income  | (26,911,763)             | (139,929)                  |
| Interest expense   | 102,227,368              | 85,576,363                 |
|  | <u>366,333,571</u>       | <u>274,466,160</u>         |
| Changes in non-cash working capital components:                  |                          |                            |
| Inventories  | (326,004,977)            | (289,939,670)              |
| Receivables  | (28,534,423)             | (31,192,292)               |
| Other receivables and prepayments                                | 75,585,830               | (92,241,722)               |
| Payables   | 138,625,410              | 200,952,499                |
| Related parties  | (111,692,862)            | (1,941,138)                |
| Associated company   | (97,290,745)             | (24,311,792)               |
| Rent paid  | (84,791,533)             | (54,099,525)               |
| Taxation paid  | -                        | (2,786,023)                |
| Cash (used in)/provided by operating activities                  | <u>(67,769,729)</u>      | <u>(21,093,503)</u>        |
| <b>INVESTMENT ACTIVITIES</b>                                     |                          |                            |
| Purchase of property, plant and equipment                        | (60,929,673)             | (43,258,645)               |
| Proceeds from disposal of items of property, plant and equipment | 6,540,496                | -                          |
| (Purchase)/encashment of investment                              | <u>(16,849,339)</u>      | <u>3,327,703</u>           |
| Cash used in investment activities                               | <u>(71,238,516)</u>      | <u>(39,930,942)</u>        |
| <b>FINANCING ACTIVITIES</b>                                      |                          |                            |
| Directors' loans repaid  | (6,797,426)              | 1,899,732                  |
| Bond issue   | -                        | 100,000,000                |
| Loans received   | 591,486,620              | 130,423,405                |
| Loans repaid   | (260,452,028)            | (63,195,873)               |
| Dividend paid  | (51,734,383)             | (47,716,180)               |
| Interest received  | 1,169,734                | -                          |
| Interest paid  | <u>(99,049,370)</u>      | <u>(82,890,338)</u>        |
| Cash provided by financing activities                            | <u>174,623,147</u>       | <u>38,520,746</u>          |
| <b>INCREASE/(DECREASE) IN NET CASH BALANCES</b>                  | <u><b>35,614,902</b></u> | <u><b>(22,503,699)</b></u> |

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

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|   | 2021                     | 2020                     |
|---|--------------------------|--------------------------|
|   | \$                       | \$                       |
| <b>INCREASE/(DECREASE) IN NET CASH BALANCES</b>   | <b>35,614,902</b>        | <b>(22,503,699)</b>      |
| Exchange effect on foreign currency cash balances | <b>2,400,304</b>         | -                        |
| <b>NET CASH BALANCES - Beginning of year</b>      | <b>33,991,322</b>        | <b>56,495,021</b>        |
| <b>NET CASH BALANCES - End of year</b>            | <b><u>72,006,528</u></b> | <b><u>33,991,322</u></b> |
| <br><b>REPRESENTED BY:</b>                        |                          |                          |
| Cash and bank balances                            | <b><u>72,006,528</u></b> | <b><u>33,991,322</u></b> |

# STOCKHOLDER INFORMATION

31 December 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   | 21,349,428  | 4.3%       |
| 4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb           | 10,150,000  | 2.0%       |
| 5 Jamaica Money Market Brokers Ltd                                     | 10,096,427  | 2.0%       |
| 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                              | 3,689,428   | 0.7%       |
| 10 PAM - Pooled Equity Fund  | 2,500,788   | 0.5%       |
| Total of Top Ten   | 463,893,175 | 92.4%      |
| Others   | 38,382,380  | 7.6%       |
| Total Shares Allotted  | 502,275,555 | 100%       |
| Total Number Of Stockholders   | 1,753       |            |

## Stockholding of Directors, Board Committees Members &

| Name   | Shares Held |
|--|-------------|
| <b>Directors</b>   |             |
| 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         |
| <b>Board Committee Members</b>                               |             |
| 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 Warren Riley & Cheryl Riley                                | 224,867     |
| 4 Vincent Mitchell   | 7,484       |
| 5 Michelle Thame   | Nil         |
| 6 Stephen Spencer  | Nil         |
| 7 Hector Mendoza   | Nil         |