



Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Unaudited Financial Statements Six Months Ended 30 June 2022

The Board of Directors report the unaudited results of the Group for the six months ended 30 June 2022 and to report on the performance of the Group.

Financial Highlights

Year-to-date

- Revenues - \$1,799 million, up \$706 million or 65% from \$1,093 million in the prior period
- Gross Profit - \$771 million, up \$336 million or 77% from \$435 million in the prior period
- Net Profit - \$298 million, up \$183 million or 160% from \$115 million in the prior period
- Earnings per stock unit - \$0.60, compared to \$0.23 in the prior period, an increase of 161%

Quarter 2

- Revenues - \$899 million, up \$355 million or 65% from \$544 million in the prior period
- Gross Profit - \$400 million, up \$156 million or 64% from \$244 million in the prior period
- Net Profit - \$139 million up \$63 million or 83% from \$76 million in the prior period
- Earnings per stock unit - \$0.28, compared to \$0.15 in the prior period, an increase of 83%

Income Statement

Income

Year-to-date income was \$1,799 million, compared to \$1,093 million for the prior reporting period. An increase of \$706 million. Gross Profit for the year-to-date is \$771 million compared to \$435 million for the prior reporting period. This represents an increase of \$336 million. These increases were attributed primarily to increased sales in ten (10) of our eleven (11) Product Groups, with Panels being the only product group that registered a decrease over the prior year.

During the second quarter the company generated income of \$899 million compared to \$544 million for the prior reporting period, representing an increase of \$355 million. Gross profit for the quarter was \$400 million compared to \$244 million for the prior reporting period.

Administration Expenses

Administration expenses for the year-to-date was \$405 million, reflecting an increase of \$109 million on the prior reporting period amount of \$296 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 occupancy cost due to the commencement of obligations for our new Fulfilment Centre at 76 Molynees Road; increased selling and marketing costs; increased electricity cost; increased legal and professional fees; increased depreciation due to increases in the carrying values of property plant and equipment and increased security expense.

Finance Cost

Finance cost for the year-to-date was \$90 million compared to \$64 million for the prior reporting period, an increase of \$26 million. This increase is being driven primarily by increases in financing.

Net Profit

Net Profit generated for the period was \$298 million, up \$183 million or 160% compared to the \$115 million reported for the prior reporting period.

Earnings Per Stock Unit

Earnings per stock unit was \$0.60 up \$0.37 or 161%, compared to the \$0.23 reported for the prior reporting period.

Balance Sheet**Inventories**

The company continues to proactively 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. Inventories have remained stable over both periods. Shipping delays continue to be an important factor in calculating optimum inventory values.

Receivables

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. Sixty-four (64%) of receivables are within the current to 60-day category, down from the sixty-eight percent (68%) for the prior reporting period. Receivables also include advance payments made to foreign suppliers for the increasing levels of inventories required to support increasing sales.

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 reflect a net increase of \$88 million due primarily to our booking of new motor vehicle loan and other bank loan facilities.

Shareholders' Equity

Shareholders' equity now stands at \$1,818 million, up from the \$1,017 million at 31 December 2021. The increase of \$801 million arose primarily as a result of property revaluation gains of \$495 million and retained profits for the year-to-date amounting to \$298 million.

Our total shareholder count has increased to 2,976, up by 1,223 from the 1,753 at 31 December 2021.

Other Matters**Subsidiary**

The Q2 report includes the results of our new 100% subsidiary, O'N'S' Mini Mart & Electrical Supplies Limited, which was incorporated on 12th April 2022.

Special Economic Zone Authority (SEZA) Application

We are happy to report that our associated company, Blue Emerald Limited, has now received a licence from The Special Economic Zone Authority. This will allow Blue Emerald Limited to take advantage of the significant long-term tax concessions that are available. 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.

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

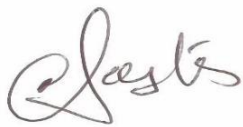
factors, such as the duration and spread of the outbreak, the restrictions and advisories from the Government of Jamaica and the governments of our overseas suppliers.

The prolonged epidemic threat increases the risk of economic slowdown, which may affect our financial performance. We continue to monitor and manage this risk.

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.

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. J. Smith', is positioned above the title 'Managing Director'.

Managing Director

Accounting Policies

Except for the adoption of new accounting policies for consolidation, 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 2022 have been evaluated and will have no significant effect on the amounts and disclosures in these financial statements.

The new accounting policy adopted is recited below:

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a majority voting interest. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group uses the acquisition method of accounting when control over entities is obtained by the Group. The cost of an acquisition is measured as the fair value of the identifiable assets and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the cost of the acquisition over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition. Any non-controlling interest balances represent the equity in a subsidiary not attributable to the Group.

On an acquisition the Group recognises, at the date of acquisition, the components of any minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets.

Non-controlling interest balances are subsequently re-measured by the minority's proportionate share of changes in equity after the date of acquisition. Investments in subsidiaries are stated in the company's financial statements at cost less impairment.

(ii) Associates and Joint Ventures

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies and joint ventures are originally recorded at cost and include intangible assets identified on acquisition.

The Group recognises in income its share of associate and joint venture companies' post acquisition. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group recognises in other comprehensive income, its share of post-acquisition other comprehensive income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2022

	QUARTER		YEAR TO DATE	
	3 Months to	3 Months to	6 Months to	6 Months to
	Jun-22	Jun-21	Jun-22	Jun-21
	\$	\$	\$	\$
Turnover	898,796,729	543,798,348	1,799,088,634	1,093,077,555
Cost of Sales	499,139,413	300,276,353	1,028,103,199	657,870,169
Gross Profit	399,657,317	243,521,995	770,985,435	435,207,386
Other Income	2,720,331	24,741,432	22,679,509	39,862,150
	402,377,648	268,263,427	793,664,944	475,069,536
Expenses				
Administrative and selling expenses	209,963,027	159,440,071	405,118,355	296,319,001
Finance cost	53,338,369	32,665,569	90,576,477	64,227,591
	263,301,396	192,105,640	495,694,832	360,546,592
Operating profit	139,076,251	76,157,787	297,970,112	114,522,944
Taxation	-	-	-	-
Comprehensive income	139,076,251	76,157,787	297,970,112	114,522,944
Earning per stock unit	0.28	0.15	0.60	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Unaudited Jun-22 \$	Audited Dec-21 \$
ASSETS		
Non-current assets:		
Property, plant and equipment	858,851,023	349,530,748
Right-of-use Assets	545,422,417	564,845,958
Due From Related Parties	407,553,822	370,503,789
Investment - Associated Company	234,464,299	121,602,537
Investment - Subsidiary	-	-
Investments	17,801,395	32,918,578
Investments - Other	1,627,500	1,627,500
	<u>2,065,720,456</u>	<u>1,441,029,110</u>
Current assets:		
Inventories	1,700,480,230	1,784,242,080
Trade Receivables	602,961,991	274,033,320
Other Receivables	117,645,186	115,292,261
Due From Related Parties	80,342,770	80,000,000
Taxation Recoverable	25,515	-
Cash, cash equivalents and short-term	123,014,510	72,006,528
	<u>2,624,470,202</u>	<u>2,325,574,189</u>
Less Current liabilities:		
Trade Payables, Accruals & Advances	623,840,723	596,741,073
Current Portion of Long-term Liability	188,561,119	181,406,702
Right-of-use Liability	44,399,152	44,399,152
	<u>856,800,994</u>	<u>822,546,927</u>
Net current assets	<u>1,767,669,208</u>	<u>1,503,027,262</u>
	<u><u>3,833,389,664</u></u>	<u><u>2,944,056,372</u></u>
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Treasury Shares	-	(8,121,411)
Capital reserves	562,347,675	67,096,070
Retained earnings	886,111,974	588,141,862
	<u>1,818,080,459</u>	<u>1,016,737,331</u>
Non-current liabilities:		
Right-of-use Liability	473,031,153	495,975,214
Long-term liabilities	1,499,429,020	1,383,540,839
Directors' loan	42,849,032	47,802,988
	<u>2,015,309,205</u>	<u>1,927,319,041</u>
	<u><u>3,833,389,664</u></u>	<u><u>2,944,056,372</u></u>

Approved for issue by the Board of Directors on 26th July 2022 by:



Marion Foster
Chairman



Peter Knibb
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2022

	Share capital \$	Treasury shares \$	Capital reserve \$	Retained earnings \$	Total \$
Balance at 1 January 2021	369,620,810	(8,545,728)	66,921,695	440,566,587	868,563,364
Treasury Shares Acquired	-	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>
Balance at 1 January 2022	369,620,810	(8,121,411)	67,096,070	588,141,862	1,016,737,331
Revaluation of Real Estate	-	-	495,251,605	-	495,251,605
Treasury Shares Sold	-	8,121,411	-	-	8,121,411
Net profit for period	-	-	-	297,970,112	297,970,112
Balance at 30 June 2022	<u>369,620,810</u>	<u>-</u>	<u>562,347,675</u>	<u>886,111,974</u>	<u>1,818,080,459</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2022

	6 Months to Jun-22 \$	6 Months to Jun-21 \$
Cash flow s from operating activities:		
Results for the period	297,970,112	114,522,945
Adjustments to:		
Profit on Deposal of Asset	-	(3,990,000)
Depreciation	30,247,229	19,736,630
Amortisation - Right Of Use Asset	19,423,546	21,991,932
	<u>347,640,887</u>	<u>152,261,507</u>
Changes in non-cash working capital components:		
Tax recoverable		
Inventories	83,761,850	90,284,240
Accounts receivable	(331,281,596)	(74,443,836)
Tax Recoverable	(25,515)	(46,273)
Accounts payable	27,099,650	(139,728,410)
Short term loan	7,154,417	-
Net cash provided by operations	<u>134,349,693</u>	<u>28,327,228</u>
Cash flow s from investing activities:		
Investment	15,117,183	(4,111,029)
Proceeds of disposal of fixed assets	-	3,990,000
Related Party	(37,392,803)	(3,313,947)
Investment in Associated Company	(112,861,762)	80,389,908
Purchase of property plant and equipment	(44,315,904)	(40,322,642)
Cash provided by/(used in) investing activities	<u>(179,453,286)</u>	<u>36,632,290</u>
Cash flow s from financing activities:		
Treasury Shares	8,121,411	181,453
Directors' loan (repayments)/proceeds	(4,953,956)	(7,988,967)
Right-of-use Liability	(22,944,061)	(26,667,913)
Long-term Loan	115,888,181	(31,525,653)
Cash provided by financing activities	<u>96,111,575</u>	<u>(66,001,080)</u>
Net increase/ (decrease) in cash and cash equivalents	51,007,982	(1,041,562)
Cash and cash equivalents at beginning of period	72,006,528	33,991,322
Cash and cash equivalents at end of period	<u>123,014,510</u>	<u>32,949,760</u>
Cash at bank	123,014,510	32,949,760
Bank overdraft	-	-
Cash and cash equivalents at end of period	<u>123,014,510</u>	<u>32,949,760</u>

STOCKHOLDER INFORMATION

As at 30 June 2022

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	21,903,447	4.4%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	12,060,244	2.4%
5 Jamaica Money Market Brokers Ltd	8,000,000	1.6%
6 JCSD Trustee Services Ltd. - Sigma Global Ventures	4,704,269	0.9%
7 Sagicor Select Fund Limited - Class C - Manufacturing & Distribution	4,028,960	0.8%
8 Barita Investment Ltd - Long A/C (Trading)	3,875,479	0.8%
9 Stocks & Securities Limited (Alpha)	2,678,045	0.5%
10 Barita Finance Ltd	2,170,000	0.4%
Total of Top Ten	461,240,888	91.8%
Others	41,034,667	8.2%
Total Shares Allotted	502,275,555	100%
Total Number Of Stockholders	2,976	

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	12,060,244
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	12,060,244
3 Warren Riley & Cheryl Riley	224,867
4 Vincent Mitchell	7,484
5 Michelle Thame	Nil
6 Stephen Spencer	Nil
7 Hector Mendoza	Nil