

Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Unaudited Consolidated Financial Statements Nine Months Ended 30 September 2022

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

Financial Highlights

Year-to-date

- Revenues - \$2,578 million, up \$892 million or 53% from \$1,686 million in the prior period
- Gross Profit - \$1,100 million, up \$429 million or 64% from \$671 million in the prior period
- Net Profit - \$388 million, up \$209 million or 116% from \$179 million in the prior period
- Earnings per stock unit (adjusted for stock split) – 7.7 cents, compared to 3.6 cents in the prior period, an increase of 114%

Quarter 3

- Revenues - \$779 million, up \$186 million or 31% from \$593 million in the prior period
- Gross Profit - \$329 million, up \$93 million or 40% from \$236 million in the prior period
- Net Profit - \$90 million up \$25 million or 39% from \$65 million in the prior period
- Earnings per stock unit (adjusted for stock split) – 1.8 cents, compared to 1.3 cents in the prior period, an increase of 38%

Income Statement

Income

Year-to-date income was \$2,578 million, compared to \$1,686 million for the prior reporting period. An increase of \$892 million. Gross Profit for the year-to-date is \$1,100 million compared to \$671 million for the prior reporting period. This represents an increase of \$429 million. These increases were attributed to increased sales in eleven (11) of our twelve (12) Product Groups, with Panels being the only product group that registered a decrease over the prior year.

During the third quarter the company generated income of \$779 million compared to \$593 million for the prior reporting period, representing an increase of \$186 million. Gross profit for the quarter was \$329 million compared to \$236 million for the prior reporting period.

Administration Expenses

Administration expenses for the year-to-date was \$612 million, reflecting an increase of \$165 million on the prior reporting period amount of \$447 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 and disposal losses related to the early termination of the old 76 Molynees Road lease; increased selling and marketing costs; increased computer expenses; increased local travel and petrol 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 \$127 million compared to \$111 million for the prior reporting period, an increase of \$16 million. This increase is being driven primarily by increases in financing.

Net Profit

Net Profit generated for the period was \$388 million, up \$209 million or 116% compared to the \$179 million reported for the prior reporting period.

Earnings Per Stock Unit

Earnings per stock unit (adjusted for stock split) was 7.7 cents up 4.1 cents or 114%, compared to the 3.6 cents 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 relatively 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. Receivables also include significant 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 \$93 million due primarily to new Right-of-use obligations, our booking of new motor vehicle loan and other bank loan facilities.

Shareholders' Equity

Shareholders' equity now stands at \$1,908 million, up from the \$1,017 million at 31 December 2021. The increase of \$891 million arose primarily as a result of property revaluation gains of \$495 million and retained profits for the year-to-date amounting to \$388 million.

Our total shareholder count has increased to 4,749, up by 2,996 from the 1,753 at 31 December 2021.

Other Matters

Subsidiary

The Q3 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.



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 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 September 2022

	QUARTER		YEAR TO DATE	
	3 Months to Sep-22 \$	3 Months to Sep-21 \$	9 Months to Sep-22 \$	9 Months to Sep-21 \$
Turnover	779,181,680	592,857,542	2,578,270,314	1,685,935,096
Cost of Sales	449,714,201	356,991,964	1,477,817,400	1,014,862,133
Gross Profit	329,467,479	235,865,578	1,100,452,914	671,072,963
Other Income	3,738,709	25,950,838	26,418,218	65,812,987
	333,206,188	261,816,416	1,126,871,132	736,885,950
Expenses				
Administrative and selling expenses	207,292,573	150,544,847	612,410,928	446,863,848
Finance cost	36,005,999	46,579,804	126,582,476	110,807,395
	243,298,572	197,124,651	738,993,404	557,671,243
Operating profit	89,907,617	64,691,765	387,877,729	179,214,707
Taxation	-	-	-	-
Comprehensive income	89,907,617	64,691,765	387,877,729	179,214,707
Earning per stock unit:				
Pre-split - As previously reported - Cents	-	13.0	-	36.0
Post-split - Cents	1.8	1.3	7.7	3.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Unaudited Sep-22 \$	Audited Dec-21 \$
ASSETS		
Non-current assets:		
Property, plant and equipment	844,768,661	349,530,748
Right-of-use Assets	617,010,746	564,845,958
Due From Related Parties	482,737,644	370,503,789
Investment - Associated Company	2,762,661	121,602,537
Investments	17,801,395	32,918,578
Investments - Other	1,627,500	1,627,500
	<u>1,966,708,607</u>	<u>1,441,029,110</u>
Current assets:		
Inventories	1,857,283,408	1,784,242,080
Trade Receivables	534,608,103	274,033,320
Other Receivables	125,958,070	115,292,261
Due From Related Parties	80,601,477	80,000,000
Taxation Recoverable	26,429	-
Cash, cash equivalents and short-term	62,315,596	72,006,528
	<u>2,660,793,083</u>	<u>2,325,574,189</u>
Less Current liabilities:		
Trade Payables, Accruals & Advances	466,602,891	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>699,563,162</u>	<u>822,546,927</u>
Net current assets	<u>1,961,229,922</u>	<u>1,503,027,262</u>
	<u>3,927,938,529</u>	<u>2,944,056,372</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	976,019,591	588,141,862
	<u>1,907,988,076</u>	<u>1,016,737,331</u>
Non-current liabilities:		
Right-of-use Liability	553,053,716	495,975,214
Long-term liabilities	1,424,382,690	1,383,540,839
Directors' loan	42,514,047	47,802,988
	<u>2,019,950,453</u>	<u>1,927,319,041</u>
	<u>3,927,938,529</u>	<u>2,944,056,372</u>

Approved for issue by the Board of Directors on 1st November 2022 by:



Marion Foster
Chairman



Peter Knibb
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 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	-	-	-	179,214,707	179,214,707
Balance at 30 September 2021	<u>369,620,810</u>	<u>(8,364,276)</u>	<u>66,921,695</u>	<u>619,781,294</u>	<u>1,047,959,523</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	-	-	-	387,877,729	387,877,729
Balance at 30 September 2022	<u>369,620,810</u>	<u>-</u>	<u>562,347,675</u>	<u>976,019,591</u>	<u>1,907,988,076</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2022

	9 Months to Sep-22 \$	9 Months to Sep-21 \$
Cash flows from operating activities:		
Results for the period	387,877,729	179,214,707
Adjustments to:		
Profit on Deposal of Asset	-	(3,990,000)
Adjustment - Bad debt provision	-	10,040,091
Depreciation	45,781,163	30,213,672
Amortisation - Right Of Use Asset	36,374,734	32,987,898
	<u>470,033,626</u>	<u>248,466,368</u>
Right-of-use Assets	(88,539,522)	-
Lease Obligations - Right Of Use Asset	57,078,502	-
Changes in non-cash working capital components:		
Tax recoverable	(26,429)	(47,326)
Inventories	(73,041,328)	23,214,057
Accounts receivable	(271,240,592)	(118,161,608)
Accounts payable	(130,138,182)	(155,794,605)
Short term loan	7,154,417	-
Net cash provided/(used) by operations	<u>(28,719,509)</u>	<u>(2,323,114)</u>
Cash flows from investing activities:		
Investment	15,117,183	(4,111,028)
Related Party	(112,835,332)	(48,495,798)
Investment in Associated Company	118,839,876	64,851,247
Purchase of property plant and equipment	(45,767,471)	(60,266,887)
Proceeds from disposal of property plant and equipment	-	3,990,000
Cash (used) in investing activities	<u>(24,645,744)</u>	<u>(44,032,466)</u>
Cash flows from financing activities:		
Treasury Shares	8,121,411	193,552
Directors' loan (repayments)/proceeds	(5,288,941)	(10,334,100)
Finance Lease	-	(40,001,870)
Long-term Loan	40,841,851	149,372,024
Cash provided by financing activities	<u>43,674,321</u>	<u>99,229,606</u>
Net increase/ (decrease) in cash and cash equivalents	(9,690,932)	52,874,026
Cash and cash equivalents at beginning of period	<u>72,006,528</u>	<u>33,991,322</u>
Cash and cash equivalents at end of period	<u><u>62,315,596</u></u>	<u><u>86,865,348</u></u>
Cash at bank	62,315,596	86,865,348
Bank overdraft	-	-
Cash and cash equivalents at end of period	<u><u>62,315,596</u></u>	<u><u>86,865,348</u></u>

STOCKHOLDER INFORMATION

As at 30 September 2022

Top 10 Stockholders

Name	Shares Held	
	Number	Percentage
1 Cecil Foster	2,009,102,220	40.0%
2 Marion Foster	2,009,102,220	40.0%
3 JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	204,733,215	4.1%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	120,602,440	2.4%
5 Jamaica Money Market Brokers Ltd	63,500,000	1.3%
6 Barita Investment Ltd - Long A/C (Trading)	60,654,790	1.2%
7 JCSD Trustee Services Ltd. - Sigma Global Ventures	47,042,690	0.9%
8 Sagicor Select Fund Limited - Class C - Manufacturing & Distribution	40,289,600	0.8%
9 Nigel Coke	32,798,390	0.7%
10 Stocks & Securities Limited (Alpha)	25,020,257	0.5%
Total of Top Ten	4,612,845,822	91.8%
Others	409,909,728	8.2%
Total Shares Allotted	5,022,755,550	100%
Total Number Of Stockholders	4,749	

Stockholding of Directors, Board Committees Members &

Name	Shares Held
Directors	
1 Cecil Foster	2,009,102,220
2 Marion Foster	2,009,102,220
3 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	120,602,440
4 Rosalyn Campbell	20,000,000
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	2,009,102,220
2 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	120,602,440
3 Warren Riley & Cheryl Riley	2,116,754
4 Vincent Mitchell	74,840
5 Michelle Thame	Nil
6 Stephen Spencer	Nil
7 Hector Mendoza	Nil