

Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Summary Unaudited Consolidated Financial Statements Three Months Ended 31 March 2023

The Board of Directors is pleased to report the unaudited results of FosRich for the three months ended 31 March 2023 and to report on the performance of FosRich.

Financial Highlights

- Revenues - \$1,083.8 million, up \$183.5 million or 20% from \$900.3 million in the prior period.
- Gross profit - \$446.0 million, up \$58.4 million or 15% from \$387.6 million in the prior period.
- Operating profit - \$138.9 million, compared to \$158.9 million in the prior period.
- Earnings per stock unit – 2.42 cents compared to 3.16 cents in the prior period.

Business Overview

FosRich is primarily a distributor of lighting, electrical and solar energy products. FosRich aims to differentiate itself from its competitors in the Jamaican marketplace by providing a quality and cost-effective service, and by collaborating with clients on technical solutions. FosRich partners with large global brands seeking local distribution such as Huawei, Philips Lighting, Victron Energy, Siemens, NEXANS and General Electric. FosRich has a staff complement of over one hundred and seventy (170) persons across nine (9) locations in Kingston, Clarendon, Mandeville, and Montego Bay. FosRich also has a team of energy and electrical engineers who offer technical advice and install solar energy systems, solar water heaters and electrical panel boards.

Income Statement

Income

The company generated income for the first quarter of \$1,083.8 million compared to \$900.3 million for the prior reporting period. Gross profit for the year-to-date was \$446.0 million compared to \$387.6 million for the prior reporting period. These increases were attributed primarily to increased sales in six (6) of our eleven (11) Product Groups as follows: Transformer, Solar, LED, Hardware, Wires and Wiring Devices.

Administration Expenses

Administration expenses for the year-to-date was \$260.2 million, reflecting an increase of \$65.1 million on the prior reporting period amount of \$195.2 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 travelling and motor vehicle expenses and increased insurance costs due to increases in policy renewal rates.

Finance Cost

Finance cost for the year-to-date was \$47.4 million compared to \$37.2 million for the prior reporting period, an increase of \$10.2 million. This increase is being driven primarily by increases in Bond renewal rates and increases in bank financing.

Operating Profit

Operating Profit generated for the period was \$138.9 million, compared to the \$158.9 million reported for the prior reporting period.

Earnings Per Stock Unit

Earnings per stock unit was 2.42 cents, compared to the 3.16 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.

Receivables

With the increases in sales has come an uptick in receivables. We continue to actively manage trade receivables with an emphasis being placed on balances in the over 180-day bucket. We have implemented strategies to collect these funds as well as to ensure that the other buckets are managed. 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.

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 \$580 million. This increase is caused primarily by the secured and unsecured bonds, which were current at year end, but have now been refinanced.

Liquidity

At balance sheet date the excess of current assets over current liabilities amounted to \$1,900 million (31 December 2022 - \$1,235 million), with an improvement in the ratio to 2.17:1, up from 1.69:1 at 31 December 2022. It is expected that FosRich will continue to be able to generate sufficient cash to meet obligations when they fall due. Liquidity is provided primarily from sales revenues and loan financing.

Shareholders' Equity

Shareholders' equity now stands at \$1,906 million, up by \$121 million from \$1,785 million on 31 December 2022. The net increase of \$121 million arose primarily as a result of retained profits for the year amounting to \$122 million.

We now have 5,328 shareholders, an increase of 242 or 5% on the 5,086 on 31 December 2022.

Critical Accounting Estimates

Judgment is required in the estimating of expected credit loss for trade receivables, and an appropriate model to predict this loss, based on historic trends is being used. We do not anticipate any notable change in the assumptions underlying the model, or the credit behaviour of our customers.

Other Matters

New Activities

Construction of our new FosRich Superstore & Corporate Offices at 76 Molynees Road has commenced. The completion date is projected to be Q2, 2024.

As we report on the performance of FosRich, 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 2023 have been evaluated and will have no significant effect on the amounts and disclosures in these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2023

	3 Months to Mar-23 \$	3 Months to Mar-22 \$
Turnover	1,083,807,104	900,291,905
Cost of Sales	637,801,184	512,703,047 *
Gross Profit	446,005,920	387,588,858
Other Income	638,535	3,698,439 *
	<u>446,644,455</u>	<u>391,287,297</u>
Expenses		
Administrative and selling expenses	260,215,091	195,155,328
Finance cost	47,444,979	37,238,108
	<u>307,660,070</u>	<u>232,393,436</u>
Operating profit	138,984,385	158,893,861
Taxation	17,261,185	-
Comprehensive income	<u>121,723,200</u>	<u>158,893,861</u>
Earning per stock unit:		
Pre-split - As previously reported - Cents	-	31.6
Post-split - Cents	<u>2.42</u>	<u>3.16</u>
Average shares in issue	<u>5,022,755,550</u>	<u>502,275,555</u>

- Reclassified

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Unaudited Mar-23 \$	Audited Dec-22 \$
ASSETS		
Non-current assets:		
Property, plant and equipment	889,230,314	846,110,055
Right-of-use Assets	594,125,714	605,568,225
Due From Related Parties	582,941,880	569,289,703
Investments	17,416,263	26,569,625
Investments - Other	1,627,500	2,228,125
	<u>2,085,341,671</u>	<u>2,049,765,733</u>
Current assets:		
Inventories	2,439,054,275	2,248,793,424
Trade Receivables	656,995,829	377,326,589
Other Receivables	268,753,627	212,867,330
Due From Related Parties	80,800,938	80,000,000
Cash, cash equivalents and short-term	71,919,363	103,799,830
	<u>3,517,524,032</u>	<u>3,022,787,173</u>
Less Current liabilities:		
Trade Payables, Accruals & Advances	1,309,937,843	792,852,601
Associated Company	72,616,668	131,037,639
Current Portion of Long-term Liability	181,406,702	812,885,218
Right-of-use Liability	44,399,152	50,434,215
Taxation	9,111,084	1,026,089
	<u>1,617,471,449</u>	<u>1,788,235,762</u>
Net current assets	<u>1,900,052,583</u>	<u>1,234,551,411</u>
	<u>3,985,394,254</u>	<u>3,284,317,144</u>
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Capital reserves	562,347,675	562,910,801
Retained earnings	974,304,237	852,581,037
	<u>1,906,272,722</u>	<u>1,785,112,648</u>
Non-current liabilities:		
Right-of-use Liability	524,563,806	532,357,775
Long-term liabilities	1,519,897,126	921,539,811
Directors' loan	34,660,600	45,306,910
	<u>2,079,121,532</u>	<u>1,499,204,496</u>
	<u>3,985,394,254</u>	<u>3,284,317,144</u>

Approved for issue by the Board of Directors on 25th April 2023 by:



Marion Foster
Chairman



Peter Knibb
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2023

	Share capital \$	Treasury shares \$	Capital reserve \$	Retained earnings \$	Total \$
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			495,251,606		495,251,606
Net profit for period				158,893,861	158,893,861
Balance at 31 March 2022	<u>369,620,810</u>	<u>(8,121,411)</u>	<u>562,347,676</u>	<u>747,035,723</u>	<u>1,670,882,798</u>
Balance at 1 January 2023	369,620,810	-	562,910,801	852,581,037	1,785,112,648
Revaluation of Real Estate	-	-	(563,126)	-	(563,126)
Net profit for period	-	-	-	121,723,200	121,723,200
Balance at 31 March 2023	<u>369,620,810</u>	<u>-</u>	<u>562,347,675</u>	<u>974,304,237</u>	<u>1,906,272,722</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 31 March 2023

	3 Months to Mar-23	3 Months to Mar-22
	\$	\$
Cash flows from operating activities:		
Results for the period	121,723,200	158,893,861
Adjustments to:		
Taxation expense	17,261,185	
Depreciation	16,544,355	14,787,245
Amortisation - Right Of Use Asset	11,442,516	10,550,332
	166,971,256	184,231,438
 Lease Obligations - Right Of Use Asset	 (13,829,032)	 -
 Changes in non-cash working capital components:		
Inventories	(190,260,851)	298,762,142
Accounts receivable	(335,555,537)	(236,791,785)
Income Tax	(9,176,190)	(12,734)
Accounts payable	517,085,242	(265,332,712)
Net cash provided by/(used in) by operations	135,234,888	(19,143,651)
 Cash flows from investing activities:		
Investment	9,753,987	15,117,183
Related Party	(72,874,086)	(22,445,264)
Investment in Associated Company	-	(88,275,007)
Purchase of property plant and equipment	(60,227,745)	(36,393,773)
Cash used in investing activities	(123,347,844)	(131,996,861)
 Cash flows from financing activities:		
Directors' loan (repayments)/proceeds	(10,646,310)	(4,630,975)
Finance Lease	-	(12,216,523)
Long-term Loan	(33,121,201)	137,758,461
Cash (used in) / provided by financing activities	(43,767,511)	120,910,963
 Net decrease in cash and cash equivalents	 (31,880,467)	 (30,229,549)
Cash and cash equivalents at beginning of period	103,799,830	72,006,528
Cash and cash equivalents at end of period	71,919,363	41,776,979
 Cash at bank	 71,919,363	 41,776,979
Bank overdraft	-	-
Cash and cash equivalents at end of period	71,919,363	41,776,979

STOCKHOLDER INFORMATION

31 March 2023

Top 10 Stockholders

Name	Shares Held	
	Number	Percentage
1 Cecil Foster	2,001,463,819	39.8%
2 Marion Foster	2,001,463,819	39.8%
3 JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	201,829,567	4.0%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	125,023,266	2.5%
5 Barita Investment Ltd - Long A/C (Trading)	63,571,286	1.3%
6 JCSD Trustee Services Ltd. - Sigma Global Ventures	47,042,690	0.9%
7 Jamaica Money Market Brokers Ltd	43,776,000	0.9%
8 Sagicor Select Fund Limited - Class C - Manufacturing & Distribution	40,289,600	0.8%
9 Nigel Coke	33,368,240	0.7%
10 Rosalyn Campbell	20,000,000	0.4%
Total of Top Ten	4,577,828,287	91.1%
Others	444,927,263	8.9%
Total Shares Allotted	5,022,755,550	100%
Total Number Of Stockholders	5,328	

Stockholding of Directors, Board Committees Members & Connected Persons

Name	Shares Held
Directors	
1 Cecil Foster	2,001,463,819
2 Marion Foster	2,001,463,819
3 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	125,023,266
4 Rosalyn Campbell	20,000,000
5 Ian Kelly	2,666,667
6 Steadman Fuller	Nil
7 Marva Chang	Nil
Board Committee Member	
8 Clive Nicholas	Nil

Stockholding of Senior Managers & Connected Persons

Name	Shares Held
1 Cecil Foster	2,001,463,819
2 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	125,023,266
3 Warren Riley & Cheryl Riley	2,115,337
4 Michelle Thame	80,000
5 Vincent Mitchell	74,840
6 Hector Mendoza	Nil