

Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Summary Unaudited Consolidated Financial Statements Nine Months Ended 30 September 2023

The Board of Directors report the unaudited results of the Group for the nine months ended 30 September 2023 and to report on the performance of the Group.

Financial Highlights

Year-to-date

- Revenues - \$2,863 million, up \$285 million or 11% from \$2,578 million in the prior period.
- Gross Profit - \$1,082 million, compared to \$1,118 million in the prior period.
- Operating Profit - \$154 million, compared to \$388 million in the prior period.
- Earnings per stock unit – \$0.03, compared to \$0.08 in the prior period.

Quarter 3

- Revenues - \$839 million, up \$60 million or 8% from \$779 million in the prior period.
- Gross Profit - \$264 million, compared to \$330 the prior period.
- Operating Results – (\$31) million compared to \$90 million in the prior period.
- Earnings per stock unit – (\$0.01), compared to \$0.02 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

Year-to-date income was \$2,863 million, compared to \$2,578 million for the prior reporting period. An increase of \$285 million. Gross Profit for the year-to-date is \$1,082 million compared to \$1,118 million for the prior reporting period. The increase in income was attributed primarily to increased sales in ten (10) of our twelve (12) Product Groups. The decrease in Gross Profit was driven by a 54% reduction in Industrial products and a 21% reduction in Panels.

During the second quarter the company generated income of \$839 million compared to \$779 million for the prior reporting period, representing an increase of \$60 million.

Administration Expenses

Administration expenses for the year-to-date was \$781 million, reflecting an increase of \$169 million on the prior reporting period amount of \$612 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; increased insurance costs due to increases in policy renewal rates and increased depreciation due to increases in the carrying values of property plant and equipment, increased professional fees, increased rent and increased security cost.

Finance Cost

Finance cost for the year-to-date was \$152 million compared to \$127 million for the prior reporting period, an increase of \$25 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 \$154 million, compared to the \$388 million reported for the prior reporting period.

Earnings Per Stock Unit

Earnings per stock unit was 3 cents, compared to the 8 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 stable over both periods. Shipping delays experienced in the prior period did not have a significant impact on the results for the current year.

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. Fifty-six percent (56%) of receivables are within the current to 60-day category, down from the sixty percent (60%) 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. We continue to manage payables, for the most part, within the terms given by our suppliers.

Non-current Liabilities

Non-current liabilities reflect a net increase of \$641 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 \$1,861 million (31 December 2022 - \$1,235 million), with an improvement in the ratio to 2.52:1, 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 \$2,043 million, up by \$258 million from \$1,785 million on 31 December 2022. The increase arose primarily as a result of retained profits for the year amounting to \$135 million and the proceeds from the issue on new shares amounting to \$130 million.

We now have 5,459 shareholders, an increase of 373 or 7% 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 Molynes Road has commenced. The completion date is projected to be Q2, 2024.

As we continue to implement our strategic plans, and the plans for expanding into our new store, we continue to execute strategies to expand key product lines, and to drive our export thrust. To address some of the challenges being faced we continue to seek out talented individuals with specialised training and product knowledge, to help in driving growth, and to assist in delivering 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 black ink, appearing to read 'Lester', written in a cursive style.

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 30 September 2023

	QUARTER		YEAR TO DATE	
	3 Months to Sep-23	3 Months to Sep-22	9 Months to Sep-23	9 Months to Sep-22
	\$	\$	\$	\$
Turnover	838,754,642	779,181,680	2,863,407,733	2,578,270,314
Cost of Sales	574,684,651	449,499,688	1,781,487,104	1,460,178,577 *
Gross Profit	264,069,991	329,681,992	1,081,920,629	1,118,091,737
Other Income	3,128,908	3,524,196	5,624,115	8,779,395 *
	267,198,899	333,206,188	1,087,544,744	1,126,871,132
Expenses				
Administrative and selling expenses	254,434,365	207,292,573	781,170,160	612,410,928
Finance cost	43,873,681	36,005,998	151,882,042	126,582,475
	298,308,046	243,298,571	933,052,202	738,993,403
Operating (loss)/profit	(31,109,147)	89,907,617	154,492,542	387,877,729
Taxation	(4,078,702)	-	19,026,376	-
Comprehensive (loss)/income	(27,030,445)	89,907,617	135,466,166	387,877,729
(Loss)/earning per stock unit: Cents	(1)	2	3	8

* Reclassified

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Unaudited Sep-23 \$	Audited Dec-22 \$	Unaudited Sep-22 \$
ASSETS			
Non-current assets:			
Property, plant and equipment	863,794,576	846,110,055	844,768,661
Right-of-use Assets	574,751,327	605,568,225	617,010,746
Due From Related Parties	610,896,506	569,289,703	482,737,644
Investment - Associated Company	254,626,736	-	2,762,661
Investment - Subsidiary	886,312	-	-
Investments	15,054,235	26,569,625	17,801,395
Investments - Other	1,627,500	2,228,125	1,627,500
	<u>2,321,637,192</u>	<u>2,049,765,733</u>	<u>1,966,708,607</u>
Current assets:			
Inventories	1,937,867,615	2,248,793,424	1,857,283,408
Trade Receivables	499,933,282	377,326,589	534,608,103
Other Receivables	372,744,156	212,867,330	125,958,070
Due From Related Parties	80,000,000	80,000,000	80,601,477
Taxation Recoverable	-	-	26,429
Cash, cash equivalents and short-term deposits	197,400,157	103,799,830	62,315,596
	<u>3,087,945,210</u>	<u>3,022,787,173</u>	<u>2,660,793,083</u>
Less Current liabilities:			
Trade Payables, Accruals & Advances	999,418,256	792,852,601	466,602,891
Associated Company	-	131,037,639	-
Current Portion of Long-term Liability	181,406,702	812,885,218	188,561,119
Right-of-use Liability	44,399,152	50,434,215	44,399,151
Taxation	1,628,828	1,026,089	-
	<u>1,226,852,938</u>	<u>1,788,235,762</u>	<u>699,563,161</u>
Net current assets	<u>1,861,092,272</u>	<u>1,234,551,411</u>	<u>1,961,229,922</u>
	<u>4,182,729,464</u>	<u>3,284,317,144</u>	<u>3,927,938,529</u>
EQUITY AND LIABILITIES			
Equity:			
Share capital	500,000,000	369,620,810	369,620,810
Treasury Shares	(7,548,635)	-	-
Capital reserves	562,347,675	562,910,801	562,347,675
Retained earnings	988,047,203	852,581,037	976,019,591
	<u>2,042,846,243</u>	<u>1,785,112,648</u>	<u>1,907,988,076</u>
Non-current liabilities:			
Right-of-use Liability	499,792,782	532,357,775	553,053,716
Long-term liabilities	1,601,818,985	921,539,811	1,424,382,690
Directors' loan	38,271,454	45,306,910	42,514,047
Deferred Tax	-	-	-
	<u>2,139,883,221</u>	<u>1,499,204,496</u>	<u>2,019,950,453</u>
	<u>4,182,729,464</u>	<u>3,284,317,144</u>	<u>3,927,938,529</u>

Approved for issue by the Board of Directors on 24th October 2023 by:



Marion Foster
Chairman



Peter Knibb
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 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			495,251,605		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>
Balance at 1 January 2023	369,620,810	-	562,910,801	852,581,037	1,785,112,648
Shares Issued	130,379,190				130,379,190
Treasury Shares Purchased		(7,548,635)			(7,548,635)
Revaluation of Real Estate	-	-	(563,126)	-	(563,126)
Net profit for period	-	-	-	135,466,166	135,466,166
Balance at 30 September 2023	<u>500,000,000</u>	<u>(7,548,635)</u>	<u>562,347,675</u>	<u>988,047,203</u>	<u>2,042,846,243</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2023

	9 Months to Sep-23	9 Months to Sep-22
	\$	\$
Cash flows from operating activities:		
Results for the period	135,466,166	387,877,729
Adjustments to:		
Taxation expense	19,026,376	-
Profit on Deposal of Asset	(2,549,940)	-
Depreciation	51,517,962	45,781,163
Amortisation - Right Of Use Asset	30,816,898	36,374,734
	234,277,462	470,033,626
Right-of-use Assets	-	(88,539,522)
Lease Obligations - Right Of Use Asset	(38,600,056)	57,078,502
Changes in non-cash working capital components:		
Tax recoverable	-	(26,429)
Inventories	310,925,809	(73,041,328)
Accounts receivable	(282,483,519)	(271,240,592)
Income Tax	(18,423,637)	-
Accounts payable	206,565,655	(130,138,182)
Short term loan	-	7,154,417
Net cash provided by/(used in) by operations	412,261,714	(28,719,508)
Cash flows from investing activities:		
Investment	12,116,015	15,117,183
Related Party	(172,644,442)	(112,835,332)
Investment in Associated Company	(255,513,048)	118,839,876
Purchase of property plant and equipment	(68,215,669)	(45,767,471)
Proceeds from disposal of property plant and equipment	1,000,000	-
Cash used in investing activities	(483,257,144)	(24,645,744)
Cash flows from financing activities:		
Share Capital	130,379,190	-
Treasury Shares	(7,548,635)	8,121,410
Directors' loan (repayments)/proceeds	(7,035,456)	(5,288,941)
Long-term Loan	48,800,658	40,841,851
Cash provided by financing activities	164,595,757	43,674,320
Net decrease in cash and cash equivalents	93,600,327	(9,690,932)
Cash and cash equivalents at beginning of period	103,799,830	72,006,528
Cash and cash equivalents at end of period	197,400,157	62,315,596
Cash at bank	197,400,157	62,315,596
Bank overdraft	-	-
Cash and cash equivalents at end of period	197,400,157	62,315,596

STOCKHOLDER INFORMATION

30 September 2023

Top 10 Stockholders

Name	Shares Held	
	Number	Percentage
1 Cecil Foster & Marion Foster, Madison-Grace Foster	2,037,802,570	40.1%
2 Marion Foster	2,023,664,260	39.8%
3 JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	186,136,448	3.7%
4 Peter Knibb & Elizabeth Knibb, Janelle Knibb, Jenine Knibb, Brandon Knibb	136,187,192	2.7%
5 Barita Investment Ltd - Long A/C (Trading)	64,777,278	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	22,783,342	0.4%
10 PAM Pooled Equity Fund	20,667,856	0.4%
Total of Top Ten	4,623,127,236	91.0%
Others	455,357,961	9.0%
Total Shares Allotted	5,078,485,197	100%
Total Number Of Stockholders	5,459	

Stockholding of Directors, Board Committees Members & Connected Persons

Name	Shares Held
Directors	
1 Cecil Foster & Marion Foster, Madison-Grace Foster	2,037,802,570
2 Marion Foster	2,023,664,260
3 Peter Knibb & Elizabeth Knibb, Janelle Knibb, Jenine Knibb, Brandon Knibb	136,187,192
4 Ian Kelly	2,666,667
5 Steadman Fuller	Nil
6 Marva Chang	Nil
Board Committee Member	
7 Clive Nicholas	Nil

Stockholding of Senior Managers & Connected Persons

Name	Shares Held
1 Cecil Foster & Marion Foster, Madison-Grace Foster	2,037,802,570
2 Peter Knibb & Elizabeth Knibb, Janelle Knibb, Jenine Knibb, Brandon Knibb	136,187,192
3 Warren Riley & Cheryl Riley	2,115,337
4 Michelle Thame	213,500
5 Vincent Mitchell	74,840
6 Hector Mendoza	Nil