

FosRich

Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Unaudited Financial Statements Three Months Ended 31 March 2019

The Board of Directors is pleased to report the unaudited results of the Company for the three (3) months ended 31 March 2019 and to report on the performance of the Company.

Financial Highlights

- Revenues - \$378.6 million up 39% from \$271.9 million in the prior period
- Gross profit - \$159.1 million up 24% from \$127.9 million in the prior period
- Net profit - \$32.9 million, up 7% from \$30.8 million in the prior period
- Earnings per stock unit - \$0.07, up from \$0.06 in the prior period

Income Statement

Income

The company generated income for the first quarter of \$378.6 million compared to \$271.9 million for the prior reporting period. The growth in revenue has been the direct result of the strategies implemented by the Company to increase its business within the distributive space of our business for specific products such as wires and wiring devices, control devices and panels. Gross profit for the period was \$159.1 million compared to \$127.9 million for the prior reporting period representing a growth of 24%. Notwithstanding the distribution focus, the Company was able to generate solid gross profit during the quarter.

We have received the machinery and support equipment required for the PVC production and have commenced factory renovation and machinery installation with the support of foreign engineers. We expect to be in full production mode in Q2.

Administration Expenses

Administration expenses for the period was \$114.1 million, reflecting an increase of \$17.9 million on the prior reporting period amount of \$96.2 million. The increases was driven primarily by staff related costs attributed to both the general increase in salary as well as the decision taken by the Company of strengthening its team in key areas in anticipation of future projects and new revenue streams. The impact on its staff costs is reflected without the associated revenue, however this timing issue will be reversed in the short term. Other investments resulting in increased legal and professional fees; increased selling and marketing costs and increased insurance costs were other factors.

Finance Cost

Finance cost for the period was \$21.2 million compared to \$11.0 million for the prior reporting period, an increase of \$10.2 million. This increase is being driven by a new bond issue, obtained to assist with the financing of new capital projects as well as the solidifying of the Company's working capital, an important pillar which is critical to the full implementation of the Company's Strategic Plan. This new facility was obtained at more favourable rates than the previous bank or line of credit facilities.

Profit After Tax

Profit-after-tax generated for the period was \$32.9 million, compared to the \$30.8 million reported for the prior reporting period.

Earnings Per Stock Unit

Earnings per stock unit was \$0.07 compared to \$0.06 in the prior period, reflecting an increase of 17%.

Balance Sheet**Inventories**

The company continues to closely manage its 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. The Company remain satisfied with the present levels of inventory on hand at the end of this reporting quarter.

Receivables

We continue to closely manage receivables with an emphasis being placed on balances over 180 days. Various strategies have been implemented within the quarter to ensure that these funds are collected, as well as to ensure that the other buckets are managed within acceptable limits. Seventy-nine percent (79%) of receivables reported are within the current to 60 days categories.

Trade Payables

Our trade payables are categorised by foreign purchases, local purchases and other goods and services. We are cognizant of the present movement in the exchange rate between the Jamaican Dollars and its major trading currencies and as such emphasis is placed on foreign payables to ensure that payments are made based on the payment schedule.

Shareholders' Equity

Shareholders' equity now stands at \$726.2 million, up from the \$693.3 million at 31 December 2018. The net increase of \$32.9 million arose as a result of retained profits for the period.

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

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. The Directors have evaluated the requirements of IFRS 16 - Leases. This new standard is effective for periods beginning on or after 1 January 2019. The new standard will have no significant effect on the amounts and disclosures in these financial statements as the company now accounts for all leases on balance sheet.

STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2019

	3 Months to Mar-19 \$	3 Months to Mar-18 \$
Turnover	378,579,922	271,854,051
Cost of Sales	<u>219,504,007</u>	<u>143,931,541</u>
Gross Profit	159,075,914	127,922,510
Other Income	<u>9,169,511</u>	<u>10,097,246</u>
	<u>168,245,426</u>	<u>138,019,756</u>
Expenses		
Administrative and selling expenses	114,112,985	96,234,837
Finance cost	<u>21,248,134</u>	<u>10,992,381</u>
	<u>135,361,119</u>	<u>107,227,218</u>
Operating profit	32,884,307	30,792,538
Taxation	<u>-</u>	<u>-</u>
Comprehensive income	<u>32,884,307</u>	<u>30,792,538</u>
Earning per stock unit	<u>0.07</u>	<u>0.06</u>
Average shares in issue	<u>502,275,555</u>	<u>502,275,555</u>

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Unaudited Mar-19 \$	Audited Dec-18 \$
ASSETS		
Non-current assets:		
Property, plant and equipment (Including leasehold)	272,588,484	251,433,781
Due From Related Parties	96,589,630	96,589,630
Investments	20,484,688	19,125,737
	<u>389,662,802</u>	<u>367,149,148</u>
Current assets:		
Inventories	949,058,095	1,021,244,826
Accounts Receivables	297,268,730	303,333,903
Due From Related Parties	201,815,890	289,768,890
Cash, cash equivalents and short-term deposits	130,320,254	71,094,564
	<u>1,578,462,969</u>	<u>1,685,442,183</u>
Less Current liabilities:		
Trade Payables & Accruals	164,524,172	300,163,638
Taxation	55,172	14,689
Short Term Loans	14,327,681	-
Current Portion of Long Term Liability	27,960,126	35,039,590
Bank overdraft	600,174	453,844
	<u>207,467,325</u>	<u>335,671,761</u>
Net current assets	<u>1,370,995,644</u>	<u>1,349,770,422</u>
	<u>1,760,658,446</u>	<u>1,716,919,570</u>
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Capital reserves	68,026,070	68,026,070
Retained earnings	288,585,811	255,701,307
	<u>726,232,691</u>	<u>693,348,187</u>
Non-current liabilities:		
Long-term liabilities	972,093,861	964,867,009
Directors' loan	54,677,398	53,828,673
Finance Lease Obligation	7,654,496	4,875,701
	<u>1,034,425,755</u>	<u>1,023,571,383</u>
	<u>1,760,658,446</u>	<u>1,716,919,570</u>

Approved for issue by the Board of Directors on 7th May 2019 by:



Marion Foster
Chairman



Peter Knibb
Director

STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2019

	Share capital \$	Capital reserve \$	Retained earnings \$	Total \$
Balance at 1 January 2018	369,620,810	69,999,632	169,347,951	608,968,393
Net profit for period	-	-	30,792,538	30,792,538
Balance at 31 March 2018	<u>369,620,810</u>	<u>69,999,632</u>	<u>200,140,489</u>	<u>639,760,931</u>
Balance at 1 January 2019	369,620,810	68,026,070	255,701,307	693,348,187
Net profit for period	-	-	32,884,504	32,884,504
Balance at 31 March 2019	<u>369,620,810</u>	<u>68,026,070</u>	<u>288,585,811</u>	<u>726,232,691</u>

STATEMENT OF CASH FLOWS

Period ended 31 March 2019

	3 Months to Mar-19 \$	3 Months to Mar-18 \$
Cash flows from operating activities:		
Results for the period	32,884,504	30,792,538
Adjustments to:		
Damaged Goods	1,029	1,380,525
Adjustment - Bad debt provision	(2,125,000)	-
Depreciation & Ammortization	5,904,762	5,537,903
	<u>36,665,294</u>	<u>37,710,966</u>
Changes in non-cash working capital components:		
Tax recoverable		
Inventories	72,185,702	(86,025,077)
Accounts receivable	8,190,173	42,671,970
Tax Payable		(11,172,335)
Accounts payable	(135,598,983)	(239,716,267)
Short term loan	14,327,681	2,586,562
Net cash provided/(used) by operations	<u>(4,230,132)</u>	<u>(253,944,181)</u>
Cash flows from investing activities:		
Purchase of Investment	(1,358,951)	(5,978,963)
Related Party	87,953,000	(77,190,000)
Purchase of property plant & equipment	(27,059,465)	(13,319,528)
Cash (used) in investing activities	<u>59,534,583</u>	<u>(96,488,491)</u>
Cash flows from financing activities:		
Shareholders' Equity (Excluding Retained Earnings)		
Directors' loan (repayments)/proceeds	848,725	-
Finance Lease proceeds	2,778,796	11,234,356
Long-term Loan	147,388	262,418,520
Cash provided by financing activities	<u>3,774,908</u>	<u>273,652,876</u>
Net increase/ (decrease) in cash and cash equivalents	59,079,359	(76,779,796)
Cash and cash equivalents at beginning of period	70,640,720	119,898,431
Cash and cash equivalents at end of period	<u>129,720,079</u>	<u>43,118,635</u>
Cash at bank	130,320,254	43,118,635
Bank overdraft	(600,175)	-
Cash and cash equivalents at end of period	<u>129,720,079</u>	<u>43,118,635</u>

STOCKHOLDER INFORMATION

As at 31 March 2019

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 Stocks & Securities Limited (Alpha)	44,573,638	8.9%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	11,150,000	2.2%
5 Errol A. Lewin	8,644,606	1.7%
6 SSL Money Managers Growth	2,534,070	0.5%
7 Patrick L. Allen & Kurt F. Allen	2,500,000	0.5%
8 Rosalyn Campbell	2,000,000	0.4%
9 First Caribbean Int'l Sec Ltd A/C B.U.T.	1,742,353	0.3%
10 Shaneica Morrison	1,344,270	0.3%
Total of Top Ten	476,309,381	94.8%
Others	25,966,174	5.2%
Total Shares Allotted	502,275,555	100%

Stockholding of Directors & Connected Persons

Name	Shares Held
1 Cecil Foster	200,910,222
2 Marion Foster	200,910,222
3 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	11,150,000
4 Rosalyn Campbell	2,000,000
5 Steadman Fuller	Nil
6 Ian Kelly	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	11,150,000
3 Tricia Edwards	500,000
4 Kerry-Ann Gray & Kyra-Belle Gray	500,000
5 Warren Riley & Cheryl Riley	254,867
6 Vincent Mitchell	7,484