

Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Summary Audited Financial Statements Year Ended 31 December 2019

The Board of Directors is pleased to report the audited results of the Company for the year ended 31 December 2019 and to report on the performance of the Company.

Financial Highlights

- Revenues was \$1,612 million – Up \$319 million or 25% compared to the prior period
- Gross profit was \$710 million – Up \$176 million or 33% compared to the prior period
- Net profit was \$99 million - Up \$9 million or 10% compared to the prior period
- Earnings per stock unit was \$0.20 – Up \$0.02 or 11% compared to the prior period

Income Statement

Income

During the year the company generated income of \$1,612 million compared to \$1,293 million for the prior year. An increase of \$319 million. Gross profit for the year was \$710 million compared to \$534 million for the prior year, an increase of \$176 million. These increases were attributed primarily to the greater availability of the products required by the market. Other income for the year benefitted from favourable foreign exchange gains amounting to \$18 million and interest income totalling \$13 million.

Administration Expenses

Administration expenses for the year was \$561 million, reflecting an increase of \$138 million on the prior reporting year's amount of \$423 million. There were increases in staff related costs associated with our commencement of PVC manufacturing, local travel associated with increased activity, legal and professional fees and rent. Decreases were driven primarily by efficiencies gained from reduced staff training, computer expenses, foreign travel, bank charges and reductions in damaged goods write-off and warranty expenses.

Finance Cost

Finance cost for the year was \$100 million compared to \$68 million for the prior year, an increase of \$32 million. This increase is being driven by increased financing obtained to assist with the financing of operations. This new financing was obtained at more favourable rates than the previous bank facilities.

Taxation

While we still retain our Junior Market tax free status, our tax returns for 2016 was audited by the Taxpayer Audit And Assessment Department, which resulted in a claim for additional taxes in respect of that year. While we are still in discussions with the department, we have made provision for taxes to the extent that we believe we are liable and continue to negotiate to reduce the assessment received.

Profit After Tax

Profit-after-tax generated for the year was \$99 million, an increase of \$9 million or 10% over the \$90 million reported for the prior year period.

Earnings Per Stock Unit

Earnings per stock unit was \$0.20 compared to \$0.18 in the prior year, reflecting an increase of 11%

Balance Sheet

Inventories

The company continues to closely 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. All our locations reflected increases in inventory values across all inventory categories.

Receivables

We continue to closely manage 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 percent (50%) of receivables are within the current to 60 day category.

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 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 \$82 million due to our drawdown on our existing line of credit facilities to assist with financing foreign purchases.

Shareholders' Equity

Shareholders' equity now stands at \$792 million, up from the restated \$693 million at 31 December 2018. The increase arose as a result of retained profits for the year.

The result for this, our second full year since our listing on the Junior Market of the Jamaica Stock Exchange on 19 December 2017, reflects the implementation of the first phase of specific strategies as outlined within our strategic plan. We are cognizant that despite the challenges ahead within our local operating space and the wider global space, 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

STOCKHOLDER INFORMATION

As at 31 December 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)	36,012,703	7.2%
4 JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	12,458,668	2.5%
5 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	11,150,000	2.2%
6 Errol A. Lewin	3,473,083	0.7%
7 JMMB Securities Ltd - House Account #2	2,417,775	0.5%
8 Barita Unit Trust Mgmt. Co. Ltd.	2,170,000	0.4%
9 SSL Money Managers Growth	2,008,939	0.4%
10 Rosalyn Campbell	2,000,000	0.4%
Total of Top Ten	473,511,612	94.3%
Others	28,763,943	5.7%
Total Shares Allotted	502,275,555	100%
Total Number Of Stockholders	1,365	

Stockholding of Directors, Board Committees Members & Connected Persons

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	11,150,000
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	11,150,000
3 Tricia Edwards	500,000
4 Kerry-Ann Gray & Kyra-Belle Gray	500,000
5 Warren Riley & Cheryl Riley	224,867
6 David Ffrench	14,238
7 Vincent Mitchell	7,484
8 Michelle Thame	Nil