

Company Limited

“We Foster Rich Customer Service”

Management Discussion & Analysis And Unaudited Financial Statements Three Months Ended 31 March 2021

The Board of Directors report the unaudited results of the Company for the three months ended 31 March 2021 and to report on the performance of the Company.

Financial Highlights

- Revenues - \$549.2 million, up 22% from \$448.8 million in the prior period
- Gross profit - \$191.7 million, up 13% from \$169.9 million in the prior period
- Net profit - \$38.4 million, up 697% from \$4.8 million in the prior period
- Earnings per stock unit - \$0.08, up from \$0.01 in the prior period

Income Statement

Income

The company generated income for the first quarter of \$549.2 million compared to \$448.8 million for the prior reporting period. Gross profit for the year-to-date was \$191.7 million compared to \$169.9 million for the prior reporting period. These increases were attributed primarily to increased sales in seven (7) of our eleven (11) Product Groups as follows: Electrical Lighting, Hardware, LED, Panels, PVC, Solar and Wiring Devices.

Administration Expenses

Administration expenses for the year-to-date was \$143.6 million, reflecting a reduction of \$2 million on the prior reporting period amount of \$145.6 million. The changes was driven primarily by reductions in legal and professional fees and computer expenses. There were increased staff related costs for salary adjustments, increased sales commission due to improved sales performance and improvements in staff benefits; increased motor vehicle expenses and increased occupancy cost due to the commencement of obligations in January for the second Hayes factory building.

Finance Cost

Finance cost for the year-to-date was \$24.8 million compared to \$26.2 million for the prior reporting period, a reduction of \$2 million. This reduction is being driven primarily by reductions in amortising facilities.

Net Profit

Net Profit generated for the period was \$38.4 million, up 697% compared to the \$4.8 million reported for the prior reporting period.

Earnings Per Stock Unit

Earnings per stock unit was \$0.08 compared to \$0.01 in the prior period.

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. Inventories have remained stable over both periods.

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. Sixty-eight and one-half percent (68.5%) 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. We have concentrated primarily on the foreign payables as the bulk of our inventories are sourced from overseas.

Non-current Liabilities

Non-current liabilities have increased by \$200 million due to our booking of the lease obligation in connection with the lease of the second Hayes factory building which commenced in January 2021.

Shareholders' Equity

Shareholders' equity now stands at \$906.7 million, up from the \$868.6 million at 31 December 2020. The net increase of \$38.1 million arose primarily as a result of retained profits for the year-to-date.

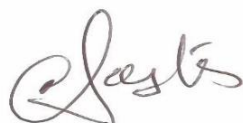
Our total shareholder count has increased to 1,524, up by 129 from the 1,395 at 31 December 2020.

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 several 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. Despite staff shortages resulting from quarantine we have managed to keep all our stores open. We continue to adopt and implement all of the safety measures being promulgated by the Government of Jamaica.

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. Standards, interpretations and amendments to existing standards that became effective after 1 January 2021 have been evaluated and will have no significant effect on the amounts and disclosures in these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2021

	3 Months to Mar-21 \$	3 Months to Mar-20 \$
Turnover	549,279,207	448,817,782
Cost of Sales	<u>357,593,816</u>	<u>278,909,522</u>
Gross Profit	191,685,391	169,908,260
Other Income	<u>15,120,718</u>	<u>6,749,089</u>
	<u>206,806,108</u>	<u>176,657,349</u>
Expenses		
Administrative and selling expenses	143,604,265	145,651,718
Finance cost	<u>24,836,687</u>	<u>26,189,309</u>
	<u>168,440,952</u>	<u>171,841,027</u>
Operating profit	38,365,156	4,816,322
Taxation	<u>-</u>	<u>-</u>
Comprehensive income	<u><u>38,365,156</u></u>	<u><u>4,816,322</u></u>
Earning per stock unit	<u><u>0.08</u></u>	<u><u>0.01</u></u>

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Unaudited Mar-21 \$	Audited Dec-20 \$
ASSETS		
Non-current assets:		
Property, plant and equipment	356,564,402	328,050,994
Right-of-use Assets	597,833,857	393,344,856
Due From Related Parties	276,671,406	284,552,959
Investments	20,080,268	16,069,239
Investments - Other	1,453,125	1,453,125
Investment - Associated Company	-	24,311,792
	<u>1,252,603,058</u>	<u>1,047,782,965</u>
Current assets:		
Inventories	1,486,726,754	1,458,237,103
Trade Receivables	299,799,369	245,498,897
Other Receivables	91,115,706	190,878,091
Due From Related Parties	80,000,000	80,000,000
Taxation Recoverable	90,031	-
Cash, cash equivalents and short-term deposits	71,188,868	33,991,322
	<u>2,028,920,728</u>	<u>2,008,605,413</u>
Less Current liabilities:		
Trade Payables, Accruals & Advances Associated Company	390,194,150	463,970,647
Current Portion of Long-term Liability	60,557,623	-
Right-of-use Liability	74,429,350	74,429,350
	41,370,985	41,370,985
	<u>566,552,108</u>	<u>579,770,982</u>
Net current assets	<u>1,462,368,620</u>	<u>1,428,834,431</u>
	<u>2,714,971,678</u>	<u>2,476,617,396</u>
EQUITY AND LIABILITIES		
Equity:		
Share capital	369,620,810	369,620,810
Treasury Shares	(8,818,004)	(8,545,728)
Capital reserves	66,921,695	66,921,695
Retained earnings	478,931,743	440,566,587
	<u>906,656,244</u>	<u>868,563,364</u>
Non-current liabilities:		
Right-of-use Liability	539,005,246	336,854,237
Long-term liabilities	1,222,215,728	1,216,599,381
Directors' loan	47,094,460	54,600,414
	<u>1,808,315,434</u>	<u>1,608,054,032</u>
	<u>2,714,971,678</u>	<u>2,476,617,396</u>

Approved for issue by the Board of Directors on 27th April 2021 by:



Marion Foster
Chairman



Peter Knibb
Director

STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2021

	Share capital \$	Treasury shares \$	Capital reserve \$	Retained earnings \$	Total \$
Balance at 1 January 2020	369,620,810	-	67,386,695	362,587,367	799,594,872
Net profit for period	-	-	-	4,816,322	4,816,322
Balance at 31 March 2020	<u>369,620,810</u>	<u>-</u>	<u>67,386,695</u>	<u>367,403,689</u>	<u>804,411,194</u>
Balance at 1 January 2021	369,620,810	(8,545,728)	66,921,695	440,566,587	868,563,364
Treasury Shares Acquired	-	(272,276)	-	-	(272,276)
Net profit for period	-	-	-	38,365,156	38,365,156
Balance at 31 March 2021	<u>369,620,810</u>	<u>(8,818,004)</u>	<u>66,921,695</u>	<u>478,931,743</u>	<u>906,656,244</u>

STATEMENT OF CASH FLOWS

Period ended 31 March 2021

	3 Months to Mar-21 \$	3 Months to Mar-20 \$
Cash flows from operating activities:		
Results for the period	38,365,156	4,816,322
Adjustments to:		
Damaged Goods	-	47,619
Depreciation	9,778,402	6,961,850
Amortisation - Right Of Use Asset	10,995,966	-
	<u>59,139,524</u>	<u>11,825,791</u>
Changes in non-cash working capital components:		
Tax recoverable		
Inventories	(28,489,651)	(31,797,322)
Accounts receivable	45,461,913	(41,080,176)
Tax Recoverable	(90,031)	-
Accounts payable	(73,776,497)	(9,879,880)
Short term loan	-	40,989,954
Net cash provided/(used) by operations	<u>2,245,258</u>	<u>(29,941,633)</u>
Cash flows from investing activities:		
Purchase of Investment	(4,011,029)	1,700,269
Related Party	7,881,553	-
Investment in Associated Company	84,869,415	-
Purchase of property plant & equipment	(38,291,810)	(229,156)
Cash (used) in investing activities	<u>50,448,129</u>	<u>1,471,113</u>
Cash flows from financing activities:		
Treasury Shares	(272,276)	-
Directors' loan (repayments)/proceeds	(7,505,954)	946,808
Finance Lease	(13,333,958)	2,686,217
Long-term Loan	5,616,347	31,222,863
Cash provided by financing activities	<u>(15,495,841)</u>	<u>34,855,888</u>
Net increase/ (decrease) in cash and cash equivalents	37,197,546	6,385,368
Cash and cash equivalents at beginning of period	<u>33,991,322</u>	<u>56,495,021</u>
Cash and cash equivalents at end of period	<u><u>71,188,868</u></u>	<u><u>62,880,389</u></u>
Cash at bank	71,188,868	62,880,389
Bank overdraft	-	-
Cash and cash equivalents at end of period	<u><u>71,188,868</u></u>	<u><u>62,880,389</u></u>

STOCKHOLDER INFORMATION

As at 31 March 2021

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 JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	19,141,733	3.8%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	11,150,000	2.2%
5 Stocks & Securities Limited (Alpha)	10,195,126	2.0%
6 JMMB Securities Ltd - House Account #2	7,417,775	1.5%
7 JCSD Trustee Services Ltd. - Sigma Global Ventures	4,704,269	0.9%
8 Sagicor Select Fund Limited - Class C - Manufacturing & Distribution	4,028,960	0.8%
9 PAM - Pooled Equity Fund	3,000,788	0.6%
FosRich Company Limited - Treasury Share Account	2,293,626	0.5%
10 Barita Finance Limited	2,170,000	0.4%
Total of Top Ten	465,922,721	92.8%
Others	36,352,834	7.2%
Total Shares Allotted	502,275,555	100%
Total Number Of Stockholders	1,524	

Stockholding of Directors, Board Committees Members &

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 Vincent Mitchell	7,484
7 Michelle Thame	Nil
8 Stephen Spencer	Nil
9 Hector Mendoza	Nil