

## Company Limited

*“We Foster Rich Customer Service”*

### **Management Discussion & Analysis And Unaudited Financial Statements Three Months Ended 31 March 2022**

The Board of Directors report the unaudited results of the Company for the three months ended 31 March 2022 and to report on the performance of the Company.

#### **Financial Highlights**

- Revenues - \$900.3 million, up 64% from \$549.3 million in the prior period
- Gross profit - \$371.3 million, up 94% from \$191.7 million in the prior period
- Net profit - \$158.9 million, up 314% from \$38.4million in the prior period
- Earnings per stock unit - \$0.32, up 316% from \$0.08 in the prior period

#### **Income Statement**

##### ***Income***

The company generated income for the first quarter of \$900.3 million compared to \$549.3 million for the prior reporting period. Gross profit for the year-to-date was \$371.3 million compared to \$191.7 million for the prior reporting period. These increases were attributed primarily to increased sales in eight (8) of our eleven (11) Product Groups as follows: Control Devices, Industrial, LED, Lighting World, PVC, Solar, Wires and Wiring Devices.

##### ***Administration Expenses***

Administration expenses for the year-to-date was \$195.2 million, reflecting an increase of \$58.5 million on the prior reporting period amount of \$136.7 million. The changes was driven primarily by increased staff related costs for salary adjustments, increased sales commission due to improved sales performance and improvements in staff benefits; increased occupancy cost due to the commencement of obligations for our new Fulfilment Centre at 76 Molynes Road; increased electricity cost; increased legal and professional fees; and increased depreciation due to increases in the carrying values of property plant and equipment. There were reductions in motor vehicle expenses.

##### ***Finance Cost***

Finance cost for the year-to-date was \$37.2 million compared to \$31.8 million for the prior reporting period, an increase of \$5.4 million. This increase is being driven primarily by increases in bank financing.

##### ***Net Profit***

Net Profit generated for the period was \$158.9 million, up \$120.5 million or 314% compared to the \$38.4 million reported for the prior reporting period.

##### ***Earnings Per Stock Unit***

Earnings per stock unit was \$0.32 up \$0.24 or 316%, compared to the \$0.08 reported for the prior reporting 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. The run-off of inventories reflected in Q1, is largely a function of the timing of new shipments.

### ***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. Seventy-two (72%) of receivables are within the current to 60 day category, up from the sixty-eight percent (68%) for the prior reporting period.

### ***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 reflect a net increase of \$120.9 million due to our booking of new motor vehicle and other bank loan facilities.

### ***Shareholders' Equity***

Shareholders' equity now stands at \$1,670.8 million, up from the \$1,016.7 million at 31 December 2021. The increase of \$654.1 million arose as a result of property revaluation gains of \$495.2 million, and retained profits for the year-to-date amounting to \$158.9 million.

Our total shareholder count has increased to 2,054, up by 301 from the 1,753 at 31 December 2021.

### ***Other Matters***

#### ***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 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.

We continue to adopt and implement all the safety measures being promulgated by the Ministry of Health & Wellness and have allowed our team members to work from home where practical.

#### ***Special Economic Zone Authority (SEZA) Application***

We are happy to report that we have now met all the pre-conditions in our application for our new company, Blue Emerald Limited, to be registered under The Special Economic Zone Authority, to take advantage of the significant long-term tax concessions that are available. We are informed that our application received no objection from Tax Administration Jamaica and the Jamaica Customs Agency. Additionally, consultations were carried out with the Minister with responsibility for Finance and the Minister has offered no objection to the establishment of the Zone. The application is now with the Ministry of Industry, Investment and Commerce for consideration by the Minister. It is anticipated that this process will be completed within thirty (30) days and then Gazetted. Activities being undertaken at the new Hayes facility in Clarendon, will be done through this new entity acting exclusively for FosRich under a contract manufacturing arrangement.

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.

A handwritten signature in black ink, appearing to read 'S. J. ...', is positioned above the title 'Managing Director'.

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 2022 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 2022

	3 Months to Mar-22 \$	3 Months to Mar-21 \$
Turnover	900,291,905	549,279,207
Cost of Sales	<u>528,963,786</u>	<u>357,593,816</u>
Gross Profit	371,328,119	191,685,391
Other Income	<u>19,959,178</u>	<u>15,120,718</u>
	<u>391,287,297</u>	<u>206,806,108</u>
Expenses		
Administrative and selling expenses	195,155,328	136,637,848
Finance cost	<u>37,238,109</u>	<u>31,803,104</u>
	<u>232,393,436</u>	<u>168,440,952</u>
Operating profit	158,893,861	38,365,156
Taxation	<u>-</u>	<u>-</u>
Comprehensive income	<u>158,893,861</u>	<u>38,365,156</u>
Earning per stock unit	<u>0.32</u>	<u>0.08</u>

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Unaudited Mar-22 \$	Audited Dec-21 \$
<b>ASSETS</b>		
Non-current assets:		
Property, plant and equipment	866,388,882	349,530,748
Right-of-use Assets	554,295,631	564,845,958
Due From Related Parties	392,949,053	370,503,789
Investments	17,801,395	32,918,578
Investments - Other	1,627,500	1,627,500
Investment - Associated Company	209,877,544	121,602,537
	<u>2,042,940,004</u>	<u>1,441,029,110</u>
Current assets:		
Inventories	1,485,479,937	1,784,242,080
Trade Receivables	499,680,894	274,033,320
Other Receivables	126,436,473	115,292,261
Due From Related Parties	80,000,000	80,000,000
Taxation Recoverable	12,734	-
Cash, cash equivalents and short-term deposits	41,776,978	72,006,528
	<u>2,233,387,017</u>	<u>2,325,574,188</u>
Less Current liabilities:		
Trade Payables, Accruals & Advances	331,408,361	596,741,073
Current Portion of Long-term Liability	181,406,702	181,406,702
Right-of-use Liability	44,399,152	44,399,152
	<u>557,214,215</u>	<u>822,546,927</u>
Net current assets	<u>1,676,172,802</u>	<u>1,503,027,262</u>
	<u>3,719,112,806</u>	<u>2,944,056,372</u>
<b>EQUITY AND LIABILITIES</b>		
Equity:		
Share capital	369,620,810	369,620,810
Treasury Shares	(8,121,411)	(8,121,411)
Capital reserves	562,347,675	67,096,070
Retained earnings	747,035,722	588,141,862
	<u>1,670,882,797</u>	<u>1,016,737,331</u>
Non-current liabilities:		
Right-of-use Liability	483,758,697	495,975,214
Long-term liabilities	1,521,299,300	1,383,540,839
Directors' loan	43,172,012	47,802,988
	<u>2,048,230,009</u>	<u>1,927,319,041</u>
	<u>3,719,112,806</u>	<u>2,944,056,372</u>

Approved for issue by the Board of Directors on 28<sup>th</sup> April 2022 by:

  
**Marion Foster**  
 Chairman

  
**Peter Knibb**  
 Director

# STATEMENT OF CHANGES IN EQUITY

## Period ended 31 March 2022

	Share capital \$	Treasury shares \$	Capital reserve \$	Retained earnings \$	Total \$
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>
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>

# STATEMENT OF CASH FLOWS

Period ended 31 March 2022

	3 Months to Mar-22	3 Months to Mar-21
	₹	₹
Cash flows from operating activities:		
Results for the period	158,893,861	38,365,156
Adjustments to:		
Depreciation	14,787,245	9,778,402
Amortisation - Right Of Use Asset	10,550,332	10,995,966
	<u>184,231,437</u>	<u>59,139,524</u>
Changes in non-cash working capital components:		
Tax recoverable		
Inventories	298,762,142	(28,489,651)
Accounts receivable	(236,791,785)	45,461,913
Tax Recoverable	(12,734)	(90,031)
Accounts payable	(265,332,712)	(73,776,497)
Net cash provided by operations	<u>(19,143,653)</u>	<u>2,245,258</u>
Cash flows from investing activities:		
Purchase of Investment	15,117,183	(4,011,029)
Related Party	(22,445,264)	7,881,553
Investment in Associated Company	(88,275,007)	84,869,415
Purchase of property plant and equipment	(36,393,773)	(38,291,810)
Right-of-use Assets		
Cash provided by/(used in) investing activities	<u>(131,996,860)</u>	<u>50,448,129</u>
Cash flows from financing activities:		
Treasury Shares	-	(272,276)
Directors' loan (repayments)/proceeds	(4,630,975)	(7,505,954)
Finance Lease	(12,216,523)	(13,333,958)
Long-term Loan	137,758,461	5,616,347
Cash provided by financing activities	<u>120,910,963</u>	<u>(15,495,841)</u>
Net increase/ (decrease) in cash and cash equivalents	(30,229,550)	37,197,546
Cash and cash equivalents at beginning of period	72,006,528	33,991,322
Cash and cash equivalents at end of period	<u>41,776,978</u>	<u>71,188,868</u>
Cash at bank	41,776,978	71,188,868
Bank overdraft	-	-
Cash and cash equivalents at end of period	<u>41,776,978</u>	<u>71,188,868</u>

# STOCKHOLDER INFORMATION

As at 31 March 2022

## 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	21,935,810	4.4%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	10,150,000	2.0%
5 Jamaica Money Market Brokers Ltd	10,000,000	2.0%
6 JCSD Trustee Services Ltd. - Sigma Global Ventures	4,704,269	0.9%
7 Stocks & Securities Limited (Alpha)	4,053,431	0.8%
8 Sagicor Select Fund Limited - Class C - Manufacturing & Distribution	4,028,960	0.8%
9 Nigel Coke & Bobbette Coke, Sylvan Coke	3,113,055	0.6%
10 Barita Investment Ltd - Long A/C (Trading)	3,012,979	0.6%
Total of Top Ten	462,818,948	92.1%
Others	39,456,607	7.9%
Total Shares Allotted	502,275,555	100%
Total Number Of Stockholders	2,054	

## Stockholding of Directors, Board Committees Members &

Name	Shares Held
<b>Directors</b>	
1 Cecil Foster	200,910,222
2 Marion Foster	200,910,222
3 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	10,150,000
4 Rosalyn Campbell	2,000,000
5 Steadman Fuller	Nil
6 Ian Kelly	Nil
<b>Board Committee Members</b>	
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	10,150,000
3 Warren Riley & Cheryl Riley	224,867
4 Vincent Mitchell	7,484
5 Michelle Thame	Nil
6 Stephen Spencer	Nil
7 Hector Mendoza	Nil