

## Company Limited

*“We Foster Rich Customer Service”*

### **Management Discussion & Analysis And Unaudited Financial Statements Six Months Ended 30 June 2019**

The Board of Directors is pleased to report the unaudited results of the Company for the six months ended 30 June 2019 and to report on the performance of the Company.

### **Financial Highlights**

#### **Year-to-date**

- Revenues - \$746.4 million, up \$154.1 million or 26% from \$592.3 million in the prior period
- Gross Profit - \$315.2 million, up \$45.9 million or 17% from \$269.3 million in the prior period
- Net Profit - \$61.7 million, up \$1 million or 2% from \$60.6 million in the prior period
- Earnings per stock unit - \$0.12, flat for the current and prior period

#### **Quarter 2**

- Revenues - \$367.8 million, up \$47.4 million or 17% from \$320.4 million in the prior period
- Gross Profit - \$156.1 million, up \$14.7 million or 12% from \$141.3 million in the prior period
- Net Profit - \$28.8 million, down \$1 million or 3% from \$29.8 million in the prior period
- Earnings per stock unit - \$0.06, flat for the current and prior period

### **Income Statement**

#### ***Income***

Year-to-date income was \$746.4 million, compared to \$592.3 million for the prior reporting period. An increase of \$154.1 million. Gross Profit for the year-to-date is \$315.2 million compared to \$269.3 million for the prior reporting period. This represents an increase of \$45.9 million. These increases were attributed primarily to the greater availability of the products required by the market. Other income for the year-to-date benefitted from commissions earned on JPS streetlighting and other projects, amounting to \$12.5 million.

During the second quarter the company generated income of \$367.8 million compared to \$320.4 million for the prior reporting period, representing an increase of \$47.4 million. Gross profit for the quarter was \$156.1 million compared to \$141.4 million for the prior reporting period.

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

Administration expenses for the year-to-date was \$233.2 million, reflecting an increase of \$35 million on the prior reporting period amount of \$198.2 million. This was driven by a combination of building out of our Human resources expertise as we build capacity for the future, as well as cost associated with the 25<sup>th</sup> anniversary celebration of the company. The addition of a Business and Relationship Manager, new General Manager, increased sales commission due to improved sales performance and improvements in staff benefits; increased legal and professional fees; increased selling and marketing costs; increased insurance costs and increased irrecoverable GCT.

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

Finance cost for the year-to-date was \$43.8 million compared to \$28.5 million for the prior reporting period, an increase of \$15.3 million. This increase is being driven by a new bond issue, obtained to assist with the financing of operations. This new facility was obtained at more favourable rates than the previous bank or line of credit facilities.

**Taxation**

The Taxpayer Audit & Assessment Department also conducted an audit of our 2016 Income Tax returns and are seeking to raise additional Income Tax. We have agreed most aspects of their findings, however, we are also now in the appeal stage of the process in respect of some adjustments. We have begun to make provisions to cover these additional taxes.

**Profit After Tax**

Profit-after-tax generated for the period was \$61.7 million, compared to the \$60.6 million reported for the prior reporting period.

**Earnings Per Stock Unit**

Earnings per stock unit was \$0.12 for both the current and 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. Two new categories of inventories have been introduced during the quarter for PVC raw material and PVC finished goods. Monitoring is done both at the individual product level and by product categories. Industrial, LED, control devices, hardware, panels, wires and electrical lighting were the categories that reflected increases while solar and lighting were the inventory categories that reflected decreases.

**Trade Receivables**

We continue to closely 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.

**Non-current Liabilities**

Non-current liabilities have remained stable for the year-to-date.

**Shareholders' Equity**

Shareholders' equity now stands at \$755 million, up from the \$693.3 million at 31 December 2018. The net increase of \$61.7 million arose as a result of retained profits for the year-to-date.

**New Activity**

During the quarter we began PVC production with technical support from foreign engineers. During the quarter we produced a total of 183 thousand assorted electrical conduits, water pipes and drain pipes. Our interim production target is now 115 thousand per month.

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 30 June 2019

	3 Months to Jun-19 \$	3 Months to Jun-18 \$	6 Months to Jun-19 \$	6 Months to Jun-18 \$
Turnover	367,850,181	320,433,700	746,430,103	592,287,750
Cost of Sales	(211,719,824)	(179,039,309)	(431,223,831)	(322,970,849)
Gross Profit	156,130,357	141,394,391	315,206,272	269,316,901
Other Income	15,242,663	7,876,929	24,412,174	17,974,175
	171,373,020	149,271,320	339,618,446	287,291,076
Expenses				
Administrative and selling expenses	119,097,292	101,919,245	233,210,277	198,154,083
Finance cost	22,561,469	17,498,118	43,809,603	28,490,499
	141,658,762	119,417,363	277,019,881	226,644,581
Operating profit	29,714,259	29,853,957	62,598,566	60,646,495
Taxation	(930,365)	-	(930,365)	-
Comprehensive income	28,783,893	29,853,957	61,668,200	60,646,495
	-	-		
Earning per stock unit	0.06	0.06	0.12	0.12

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Unaudited Jun-19 \$	Audited Dec-18 \$
<b>ASSETS</b>		
Non-current assets:		
Property, plant and equipment (Including leasehold)	319,954,097	251,433,781
Due From Related Parties	96,589,630	96,589,630
Investments	18,935,928	19,125,737
	<u>435,479,655</u>	<u>367,149,148</u>
Current assets:		
Inventories	1,101,537,470	1,021,244,826
Accounts Receivables	267,048,361	303,333,903
Due From Related Parties	246,820,890	289,768,890
Cash, cash equivalents and short-term deposits	28,270,447	71,094,564
	<u>1,643,677,168</u>	<u>1,685,442,183</u>
Less Current liabilities:		
Trade Payables & Accruals	248,355,069	300,163,638
Taxation	983,843	14,689
Short Term Loans	14,470,328	-
Current Portion of Long Term Liability	35,039,590	35,039,590
Bank overdraft	832,232	453,844
	<u>299,681,062</u>	<u>335,671,761</u>
Net current assets	<u>1,343,996,106</u>	<u>1,349,770,422</u>
	<u>1,779,475,761</u>	<u>1,716,919,570</u>
<b>EQUITY AND LIABILITIES</b>		
Equity:		
Share capital	369,620,810	369,620,810
Capital reserves	68,026,070	68,026,070
Retained earnings	317,369,508	255,701,307
	<u>755,016,387</u>	<u>693,348,187</u>
Non-current liabilities:		
Long-term liabilities	962,722,076	964,867,009
Directors' loan	54,677,398	53,828,673
Finance Lease Obligation	7,059,899	4,875,701
	<u>1,024,459,373</u>	<u>1,023,571,383</u>
	<u>1,779,475,761</u>	<u>1,716,919,570</u>

Approved for issue by the Board of Directors on 23 July 2019 by:



**Marion Foster**  
Chairman



**Peter Knibb**  
Director

## STATEMENT OF CHANGES IN EQUITY

### Period ended 30 June 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	-	-	60,646,495	60,646,495
Balance at 30 June 2018	<u>369,620,810</u>	<u>69,999,632</u>	<u>229,994,446</u>	<u>669,614,888</u>
Balance at 1 January 2019	369,620,810	68,026,070	255,701,307	693,348,187
Net profit for period	-	-	61,668,200	61,668,200
Balance at 30 June 2019	<u>369,620,810</u>	<u>68,026,070</u>	<u>317,369,507</u>	<u>755,016,387</u>

# STATEMENT OF CASH FLOWS

## Period ended 30 June 2019

	6 Months to Jun-19 \$	6 Months to Jun-18 \$
Cash flows from operating activities:		
Results for the period	61,668,200	60,646,495
Adjustments to:		
Taxation expense	930,365	-
Damaged Goods	13,801	2,975,702
Adjustment - Bad debt provision	(5,703,769)	-
Depreciation & Ammortization	11,166,918	10,781,882
	<u>68,075,515</u>	<u>74,404,079</u>
Changes in non-cash working capital components:		
Inventories	(80,306,444)	(186,298,966)
Accounts receivable	41,989,311	7,932,578
Tax Payable	-	(7,365,566)
Accounts payable	(51,769,780)	(262,039,448)
Short term loan	14,470,328	10,821,362
Net cash provided/(used) by operations	<u>(7,541,070)</u>	<u>(362,545,961)</u>
Cash flows from investing activities:		
Purchase of Investment	189,809	(5,978,963)
Related Party	42,948,000	(118,071,396)
Purchase of property plant & equipment	(79,687,233)	(14,101,749)
Cash (used) in investing activities	<u>(36,549,425)</u>	<u>(138,152,108)</u>
Cash flows from financing activities:		
Directors' loan (repayments)/proceeds	848,725	(1,953,850)
Finance Lease proceeds	2,184,199	10,728,480
Long-term Loan	(2,144,933)	383,943,358
Cash provided by financing activities	<u>887,990</u>	<u>392,717,988</u>
Net increase/ (decrease) in cash and cash equivalents	(43,202,506)	(107,980,081)
Cash and cash equivalents at beginning of period	70,640,720	119,898,431
Cash and cash equivalents at end of period	<u>27,438,214</u>	<u>11,918,350</u>
Cash at bank	28,270,447	18,287,420
Bank overdraft	(832,233)	(6,369,070)
Cash and cash equivalents at end of period	<u>27,438,214</u>	<u>11,918,350</u>

# STOCKHOLDER INFORMATION

As at 30 June 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 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	11,150,000	2.2%
5 First Caribbean International Securities Limited - A/C B.U.T	9,887,436	2.0%
6 Errol A. Lewin	7,382,506	1.5%
7 SSL Money Managers Growth	2,510,228	0.5%
8 JMMB Securities Ltd - House Account #2	2,417,775	0.5%
9 Rosalyn Campbell	2,000,000	0.4%
10 Patrick L. Allen & Kurt F. Allen	1,528,387	0.3%
Total of Top Ten	474,709,479	94.5%
Others	27,566,076	5.5%
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 David Ffrench	14,238
7 Vincent Mitchell	7,484