

FosRich

Electrical Sales
The Lighting World
Solar Energy

COMPANY LIMITED

ANNUAL REPORT

2018

2 5 t h A n n i v e r s a r y

MISSION

Improve people's lives through high quality products.

VISION

We strive to make our customers' lives better through the offerings of high quality products. **FosRich** is dedicated to providing value through quality electrical, lighting, energy and engineering solutions.

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CORE VALUES

- ◀ We hold a deep and abiding respect for each customer, every colleague and our shareholders.
- ◀ We commit to finding new, practical and innovative ways to make the term “**excellent customer service**” more relevant to each customer - everyday.
- ◀ We commit to the relentless renewal of our enterprise through the constant training of our people at all levels.
- ◀ In our merit-based culture, individual reward and recognition will be a result of measured performance.
- ◀ We treat all competitors as noble but we compete fairly and vigorously to win.

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CHAIRMAN'S STATEMENTS



I am pleased to report that FosRich has had a great 2018, where we continued to deliver great service to our customers and further business growth. This has been a very important year in which the Board has taken a series of decisions to move us closer to achieving our vision of providing value through quality electrical, lighting, energy and engineering solutions.

Revenues increased by 24% to \$1.293 billion from \$1.046 billion in 2017. Profit after tax grew by 64%, from \$55 million to \$90 million. The increase in revenue can be attributed to several reasons, two of which are, access to additional funding and growth of the industrial segment of the business. While the Company's inventory levels were constrained in the past by tight financing, access to additional financing in 2018 has aided in the expansion of the inventory levels which assisted significantly in meeting the needs of a growing customer base.

Our main objectives have been and will continue to be increasing revenues, increasing our presence in the industrial segment of the market, increase shareholder value and transforming Jamaica's energy consumption with more efficient and affordable energy saving alternatives. This we will do by developing a business that delivers long-term sustainable growth, achieved through financial discipline, the best use of funds,



the delivery of excellent service to our valued customers and a rigorous focus on execution. FosRich continues to deepen its relationship with its overseas supplier partners such as Philips, Nexans, Siemens and General Electric, who continue to supply first-world quality and widely used products, to the Jamaican market.

In 2019, FosRich will be embarking into the manufacturing sector. The equipment which is currently on location will be commissioned in short order. This business is projected to significantly boost the revenues in the coming months.

As we celebrate 25 years of operation this year, we are humbled yet determined to improve on the foundation that has been laid. We are committed to delivering and surpassing the expectations of all whom we serve, for many years to come.

The Board approaches 2019 with optimism. We will continue the upward climb on the strong foundation that has been laid and we expect to improve significantly on the performance of the Company in 2019.

I extend my profound thanks to everyone who has contributed in some way to the Company in the past and present and those who will support us in the future. I extend my gratitude to all my Board colleagues for the dedication, hard work and expertise they have brought to the Boardroom this year. I would also like to record the Board's thanks to all our 92 team members throughout our branches. They are the people who, day in and day out, make sure that our customers receive great service and their needs are met. We are most grateful to them. To our shareholders, we thank you for your support and engagement in 2018 and the Board looks forward to serving you in the exciting years ahead.

MARION FOSTER
Chairman Of The Board

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of FosRich Company Limited will be held at 79 Molyne Road, Kingston 10, Jamaica, on Tuesday the 13th day of August, 2019 at 2:30 p.m. for the purpose of transacting the following businesses: -

1. Audited accounts and reports

To receive the audited accounts for the year ended December 31, 2018 and the report of the Directors and Auditors thereon.

The Company is asked to consider, and if thought fit, pass the following Resolution:

Resolution No. 1

"That the Audited Accounts for year ended December 31, 2018 together with the report of the Directors and auditors thereon, be and are hereby adopted."

2. To elect the Directors

The Directors retiring by rotation in accordance with Article 97 of the Company's Articles of Incorporation are Rosalyn Campbell and Peter Knibb, who being eligible for re-election, offer themselves for re-election to the Board.

The Company is asked to consider, and if thought fit, pass the following Resolutions:

Ordinary Resolution No. 2(a)

"That Rosalyn Campbell, retiring by rotation, be and is hereby re-elected"

Ordinary Resolution No. 2(b)

"That Peter Knibb, retiring by rotation, be and is hereby re-elected"

3. To re-appoint the Auditors and authorize the Directors to fix their remuneration.

The Company is asked to consider, and if thought fit, pass the following Resolution:

Ordinary Resolution No. 3

"That Messrs Crooks Jackson Burnett, Chartered Accountants, who have signified their willingness to continue in office, be and are hereby re-appointed Auditor of the Company to hold office until the next Annual General Meeting and that their remuneration be fixed by the Directors of the Company."

4. To fix the fees of the Directors.

The Company is asked to consider, and if thought fit, pass the following Resolution:

Ordinary Resolution No. 4

"That the amount included in the Accounts of the Company for the year ended December 31, 2018 as Directors' fees for their services as Directors, be and is hereby approved."

Dated this 31st Day of March, 2019

By Order of the Board



Ruth Josephs
Company Secretary

Notes:

* A member entitled to attend and vote at this Annual General meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

** Enclosed is a Proxy Form for your convenience which must be completed, stamped and lodged at the Registered Office, 79 Molyne Road, Kingston 10, Jamaica, no later than 2:30 p.m. Friday 9th August 2019.

*** The Proxy Form shall bear the stamp duty of \$100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the proxy.



SIX-YEAR STATISTICAL SUMMARY

	2018 \$M	2017 \$M	2016 \$M	2015 \$M	2014 \$M	2013 \$M
INCOME STATEMENT						
Revenue	1,293	1,046	1,156	948	928	774
Gross Profit	534	473	469	363	401	363
Expenses	490	456	451	358	362	301
EBITDA	168	127	114	74	109	112
Profit After Tax	90	55	30	3	36	50
Earnings per share	\$0.18	\$0.14	\$0.08	\$0.01	\$0.09	\$0.12
BALANCE SHEET						
Assets	2,053	1,294	1,120	1,103	992	956
Net Current Assets	1,350	566	285	307	324	455
Retained Earnings	256	165	114	84	81	174
Shareholders' Equity	693	605	399	369	366	458
Financing	1,005	318	335	391	330	283
RATIOS & OTHER						
Gross Profit %	41%	45%	41%	38%	43%	47%
Rate of stock turn per year	0.74	0.92	1.10	0.97	0.93	0.73
Days of sales in receivables	73	45	33	41	28	38
Current Ratio	5.02	2.71	1.60	1.71	1.98	3.08
Quick Ratio	1.98	0.83	0.29	0.31	0.27	0.51
Debt to Equity	1.45	0.52	0.84	1.06	0.90	0.62
OTHER						
Distribution Outlets	4	4	4	4	4	4
Average Team Size	92	77	105	87	87	85
No. of shareholders	1,110	1,179	2	2	2	2

CORPORATE INFORMATION

CORPORATE DATA

Registered Office
FosRich Company Limited
79 Molynes Road
Kingston 10, Jamaica W.I.
Tel: (876)937-5099
Fax: (876)758-5508
Email: info@fosrich.com
Website: www.fosrich.com

ATTORNEYS-AT-LAW

Patterson Mair Hamilton
Temple Court
85 Hope Road
Kingston 6, Jamaica W.I.

AUDITORS

Crooks Jackson Burnett
Unit 9a, Seymour Park
2 Seymour Avenue
Kingston 6, Jamaica W.I.

BANKERS

First Global Bank
28-48 Barbados Avenue
Kingston 5, Jamaica W.I.

Sagicor Bank Jamaica Limited
17 Dominica Drive
Kingston 5, Jamaica W.I.

Bank Of Nova Scotia
86 Slipe Road
Kingston 5, Jamaica W.I.

National Commercial Bank
94 Half Way Tree Road
Kingston 10, Jamaica W.I.

FINANCIAL ADVISERS

Stocks & Securities Limited
33 ½ Hope Road
Kingston 10, Jamaica W.I.

Mayberry Investments Limited
1 ½ Oxford Road
Kingston 5, Jamaica W.I.

REGISTRAR & TRANSFER AGENTS

Jamaica Central Securities
Depository
40 Harbour Street
Kingston, Jamaica W.I.

BOARD OF DIRECTORS

Executive Directors
Marion Foster
Chairman
BSc

Cecil Foster
Managing Director

Peter Knibb
Chief Financial Officer
FCCA, FCA, MBA, JP

Non-Executive Directors

Ian Kelly
MSc, BSc

Rosalyn Campbell
Attorney-at-Law

Steadman Fuller
L.L.B.

COMPANY SECRETARY

Ruth Josephs
ACIS, MJIM

SENIOR OFFICERS

David Ffrench
Commercial, Engineering &
Industrial Products Manager

Kenneth Lawrence
Engineering Manager

Warren Riley
Senior Accountant

Vincent Mitchell
Route Sales Manager

Tricia Edwards
Supply Chain & Inventory
Manager

Kerry-Ann Gray
Marketing & Lighting Manager

RETAIL OUTLETS

Kingston General
79 Molynes Road Kingston 10,
Jamaica W.I. Tel: (876)927-2401
Fax: (876)901-2438
Email: sales@fosrich.com
Email: lighting@fosrich.com

Kingston Industrial

76 Molynes Road Kingston 10,
Jamaica W.I. Tel: (876)937-5099
Fax: (876)901-2438
Email: sales@fosrich.com

Mandeville - Live Your Dream Store

35 Ward Avenue, Mandeville
Jamaica W.I.
Tel: (876)625-0250-2
Email: sales@fosrich.com
Email: lighting@fosrich.com

Montego Bay - Cottage Road - Better Homes Store

3 Cottage Road
Montego Bay, Jamaica W.I.
Tel: (876)971-9117
Email: sales@fosrich.com
Email: lighting@fosrich.com

Montego Bay - Fairview - Lighting World Store

Shop #18 Fairview
Montego Bay, Jamaica W.I.
Tel: (876)684-9431
Email: sales@fosrich.com
Email: lighting@fosrich.com

DIRECTORS' REPORT

The Director's hereby present their Report and the Audited Financial Statements for the year ended December 31, 2018.

Financial Results: Results for the year are set out in pages 31 - 56 Highlights thereof are set out below:

	2018 \$	2017 \$
Turnover	1,293,223,605	1,046,241,522
Net Profit	90,390,215	54,941,175
Net Assets	693,348,187	604,931,534
Dividends Paid	-	-

Dividends : The Directors have not recommended that a dividend be paid in respect of the year ended December 31, 2018.

The Board : The Directors who served the Company since the last Annual General Meeting are:

Mrs. Marion Foster	- Chairman - Executive
Mr. Cecil Foster	- Managing Director - Executive
Mr. Peter Knibb	- Executive
Mrs. Rosalyn Campbell	- Independent
Mr. Ian Kelly	- Independent
Mr. Steadman Fuller	- Independent

The Directors retiring by rotation in accordance with Article 97 of the Company's Articles of Incorporation are Rosalyn Campbell and Peter Knibb, who being eligible for re-election, offer themselves for re-election to the Board.

Auditors: Messrs, Crooks Jackson Burnett, Chartered Accountants, have signified their willingness to continue in office.

The Directors wish to express their thanks to the management and staff for their continued commitment and hard work.

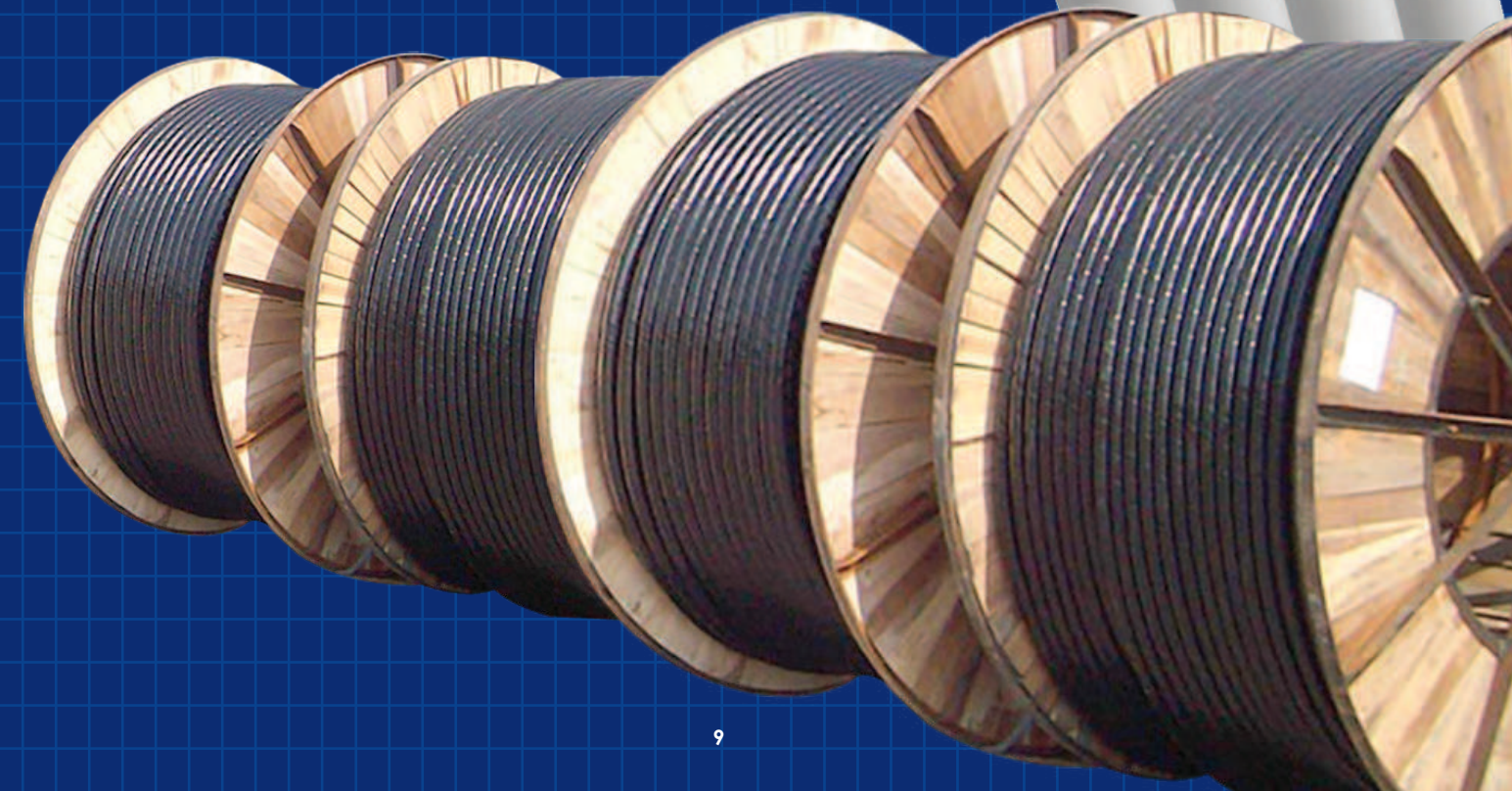
On behalf of the Directors
31st March 2019



MARION FOSTER
Chairman



Electrical, Lighting, Energy and Engineering Solutions.



BOARD OF DIRECTORS



MARION FOSTER
EXECUTIVE DIRECTOR & CHAIRMAN OF THE BOARD

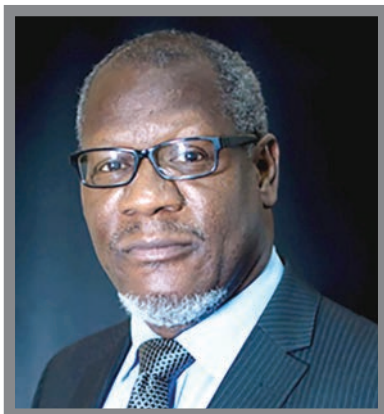
Marion Foster, together with her husband Cecil Foster, is a Founder of the Company. Marion holds a BSc Degree in Management Studies from the University of the West Indies. She has been at the Company full time since 1996 and was initially in charge of the Accounting department.

She graduated from the Mico Teachers' College in 1987 and thereafter taught in the Jamaica and the USA for 6 years.

CECIL FOSTER
EXECUTIVE DIRECTOR & MANAGING DIRECTOR

Cecil Foster, together with his wife Marion Foster, is a Founder of the Company. Under his stewardship the Company grew from a micro enterprise at the time of its incorporation in 1993, and survived the financial meltdown in Jamaica. It has now grown into one of the major importers and distributors of electrical products in Jamaica, serving all sectors.

Cecil pursued a Marketing Degree at the University of Technology (formerly CAST) in 1994 with emphasis on business development and marketing. He is member of the King's House Foundation Board of Governors, and Chairman for the Grounds, Security and Maintenance sub-committee of the Board.. He is also President of the Adventist's Layperson's and Services Industry (ASI) and a member of the Incorporated Master Builders' Association of Jamaica. Cecil is also the co-founder of the Good Samaritan Inn, a feeding program that provides meals 3 times per week to approximately 600 persons.



PETER KNIBB
EXECUTIVE DIRECTOR, BOARD MENTOR & CHIEF FINANCIAL OFFICER

Peter Knibb is a Chartered Accountant with 20 years' experience working in corporate groups and 14 years' experience working with 2 large audit firms. He has served as Chief Financial Officer for a large, highly regulated, publicly traded financial group for 20 years.

Peter has successfully managed all financial-related aspects of several mergers, acquisitions and integrations and has been an integral member of varied project teams, utilizing project management skills. He has served on strategic planning teams, where knowledge of local and global business management played a critical role in the level of contribution made to the process.

Peter is highly trained in taxation and management and applied his knowledge in the senior management roles held. He has conducted many external statutory audits and management control reviews in various industries while employed at audit firms and integrated the knowledge into corporate activities.



ROSALYN CAMPBELL
NON-EXECUTIVE DIRECTOR

Rosalyn Campbell is an attorney-at-law and has been the Chief Executive Officer of the Private Security Regulation Authority since May 2005. She has previously served as the Chief Executive Officer for Caymanas Track Limited (CTL) in Gregory Park, St. Catherine.

Rosalyn graduated from the University of London, England with honours and subsequently completed her Certificate in Legal Education at the Norman Manley Law School. She also obtained an MSc. In Business Administration from Barry University in Florida and is trained in Marketing and Project Management.

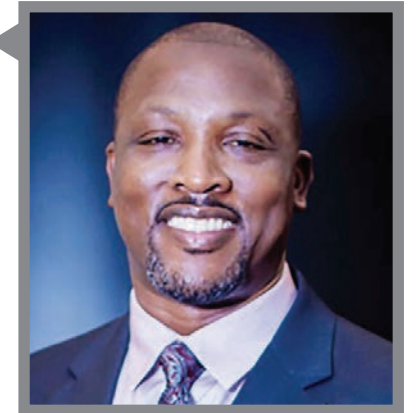
Rosalyn has also served as a director of the Trade Board, Caymanas Track Limited, the Land Taxation Relief Board and St. Dominic Business School, the Ashe Performing Arts Academy and as Chairman for the Jamaica Cultural Development Commission's Festival Queen Committee, and the United Way's Women, Leadership, Philanthropy and Volunteerism Committee.

IAN KELLY
NON-EXECUTIVE DIRECTOR

Ian Kelly is the Director, Finance of Derrimon Trading Company Limited and Caribbean Flavours and Fragrances Limited each of which are listed on the Junior Market. Ian is a seasoned financial and risk manager with senior level experience in the areas of treasury, corresponding banking, corporate finance, securities trading and asset management.

Ian is a Certified Public Accountant (U.S.A.) and a Chartered Accountant (Jamaica) by profession. He holds both a Bachelor and a Master of Science degree in Accounting from The University of the West Indies. Ian also completed the Executive Development Program at the Wharton Business School of the University of Pennsylvania.

Ian's past Directorships include Kingston Freezone, Postal Corporation of Jamaica, Wigton WindFarm Limited (Chairman) and Clarendon College. He currently serves as Chairman for Tydixon Primary School and is a Director of Calum Enterprises Limited, Derrimon Trading Company Limited and Caribbean Flavours and Fragrances Limited.



STEADMAN FULLER, C.D.
NON-EXECUTIVE DIRECTOR

Steadman Fuller is the Chairman and Managing Director of the Kingston Bookshop. He is also an entrepreneur and philanthropist. Steadman graduated from the Mico Teachers' College (now the Mico University College). After 2 years in the classroom, he took on the challenge of managing the Kingston Bookshop, moving the company from one retail store to 7 stores across Kingston and Spanish Town including 4 locations in downtown Kingston.

Steadman completed a Bachelor of Law Degree (LLB Hons) at the University of Huddersfield in the United Kingdom. He was the second recipient of the prestigious Trail Blazer Award from the Book Industry Association of Jamaica (BIAJ). Steadman was installed as Custos Rotulorum for the Parish of Kingston on 25 February 2010.

RUTH JOSEPHS
COMPANY SECRETARY

Ruth Josephs is a Chartered Secretary with over 20 years' experience serving on the Board of Directors for Jamaica Institute of Management (2009), Restaurants of Jamaica Limited and Buying House Cement Limited in the capacity of Corporate Secretary.

Ruth is a graduate of the University of Technology, Business Administration in the area of Chartered Secretary and an Associate of the Institute of Chartered Secretaries and Administrators, London since 1990.



EXECUTIVE TEAM



CECIL FOSTER
EXECUTIVE DIRECTOR & MANAGING DIRECTOR

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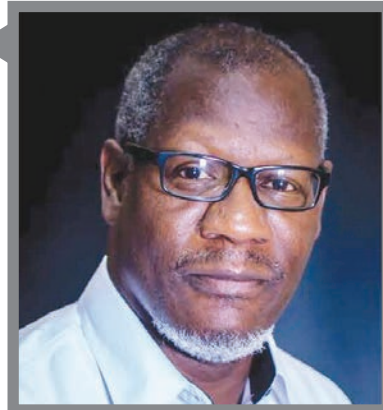
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DAVID FFRENCH
BUSINESS AND RELATIONSHIP MANAGER

Mr. David Ffrench joined FosRich recently as the Business and Relationship Manager. His primary duties include conceptualizing and implementing strategic initiatives to align with brand development, while maintaining strong relationships with all our partners. He is tasked with increasing shareholder value by growing sales and managing the overall risk portfolio of the company in what is a very competitive electrical industry.

Prior to joining FosRich, he worked at JPS developing his critical thinking as well as business acumen, working in various capacities including capital budgeting, insurance and procurement. In his last role, David successfully led the procurement process for the installation of Led Smart Street Lights Island wide.



KERRY-ANN GRAY
MARKETING & LIGHTING MANAGER

Joining the FosRich team in October 2008 as Assistant to the Managing Director, Kerry-Ann Gray has grown through the ranks. In 2013 she was assigned Supervisor of Lighting. 2015 saw her promoted to Division head of Lighting. She spearheaded the build-out and renovation of our retail outlets in Kingston, Mandeville and both Montego Bay locations. She is a hands-on leader who strongly believes in demonstrating to others that which you expect of them and she takes pride in being able to install anything, from a wall sconce to a chandelier, alongside her team members. After years of visiting different lighting showrooms she still gets excited by beautiful lights.

Ms. Gray holds a Bachelor of Science Degree in Management Studies Emphasis in Marketing from the Northern Caribbean University (NCU); certificate in Supervisory Management (Honors) UWI Open Campus 2011. After spending nine (9) years with the team she was assigned the position of Marketing Manager in October 2017.

Kerry-Ann Gray is a fun-loving individual who takes great pride in satisfying customer needs and is an avid promoter of excellent customer service.

KENNETH LAWRENCE
ENGINEERING MANAGER

As Manager Engineering Services for FosRich Company Limited, Kenneth Lawrence believes 100% in the tag line for the FosRich Energy Department "Making solar work for you". As the head of the Energy Division, he has always been an advocate for the use of solar and other renewable energy to power the earth.

He brings over a wealth of 20 years experiences ranging from, Space and Ergonomic Designs for businesses, Facilities Maintenance and Support, Commercial Equipment Services, Consulting, and Project Management along with Energy conservation and Product Specification. Recently, he was FosRich's Project Manager for Sabina Park Lighting Project, which was nominated for the Project of the year for the Jamaica Institute of Engineers (J.I.E)

Kenneth is a Utech Graduate with a Bachelors of Engineering Degree in Electrical Engineering (Power), Dip. Electronics and Telecommunications along with a Masters in Business Administration from the University of New Orleans.



VINCENT MITCHELL
ROUTE SALES MANAGER

Mr. Vincent Mitchell has been employed at FosRich since January 2011 and has over 35 years' experience in the sales field.

In his role as Sales Manager, he proactively and systematically develops new business which in turn broadens the customer base. Additionally he develops, manages, and mentors the sales and contract representative teams' performance in sales achievement and applies strategies to increase the profit margin.

TRICIA EDWARDS

SUPPLY CHAIN & INVENTORY MANAGER

Miss Edwards joined FosRich Company Limited in 2005 as the organization's first Operations Manager. She brought with her 14 years' experience in the construction industry with an emphasis on retail and inventory management as well as wholesale distribution. During 2008 – 2009 Tricia lead the 6 months management information system conversion project from the rudimentary DacEasy accounting software to the more comprehensive Pastel Evolution, which better meets the needs of our growing organisation.

She is a graduate of the University of Technology, Jamaica where she earned her Bachelor of Arts with Honors in Business Administration – majoring in Management. In 2013 Tricia became a member of the Supply Chain Management Association of Ontario and is in her final year of the post diploma professional designation program. On and off the job Tricia is the consummate environmentalist and perfectionist, always striving for personal and professional excellence for herself and others.



WARREN RILEY

SENIOR ACCOUNTANT

Mr. Riley joined the company in January 2010. He is an accomplished accounting professional with more than 15 years progressive experience in the energy/utility industry. He has a CPA with a B.Sc. in Business Administration (Accounts) with hands-on experience in internal audit, financial analysis and reporting, Sarbanes-Oxley, internal control analysis, process documentation and improvement. He also worked at JPS for 17 years and at HEART TRUST for 1 year.

He is responsible for the overall running of that department – communicating with customers, conflict resolution and compliance on customer deliveries and revenue, reports to the Managing Director providing regular input on all account activities including status and call reports on a weekly basis among others.



EXECUTIVE TEAM EXPERTISE

Executive Team	Strategic Management	Lighting, Energy & Products	Supply Channel Management	Sales & Marketing	Technology	Financial Reporting & Audit	Accounting & Tax	Human Resources
Cecil Foster	√	√	√	√				√
Peter Knibb	√					√	√	√
David Ffrench	√	√	√	√				
Kerry-Ann Gray				√				
Kenneth Lawrence	√	√	√	√				
Vincent Mitchell		√		√				
Tricia Edwards			√	√	√		√	√
Warren Riley			√		√	√	√	√

TEAM AWARDS

A BIG THANK YOU to our Outstanding Team

At our annual year-end staff function we recognised the significant contribution being made by our engaged and energised team. Awards were presented in seven categories as follows:

- ▶ CEO's Award For Outstanding Sales Performance
- ▶ Sales Achievement Award – For Performance Over 85% Of Sales Target
- ▶ First In Class Award
- ▶ Above And Beyond Award
- ▶ Award Of Appreciation
- ▶ Commendations
- ▶ Team Of The Year



DISCLOSURE OF SHAREHOLDINGS

MAJOR STOCKHOLDERS

	SHARES HELD	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	9,136,073	1.8%
6 Patrick L. Allen & Kurt F. Allen	2,500,000	0.5%
7 SSL Money Managers Growth	2,366,370	0.5%
8 Rosalyn Campbell	2,000,000	0.4%
9 Loose Cannon Boat Charter & Tours Limited	1,500,000	0.3%
10 Shaneica Deborah Morrison	1,344,270	0.3%
Total of Top Ten	476,390,795	94.8%
Others	25,884,760	5.2%
TOTAL SHARES ALLOTTED	502,275,555	100%

Total ordinary stock in issue - 502,275,555
Total number of stockholders - 1,110

STOCKHOLDING OF DIRECTORS & CONNECTED PERSONS

	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

	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

STOCKHOLDER INFORMATION

The ordinary stocks of FosRich Company Limited are traded on the Jamaica Stock Exchange - Junior Market only

STOCK TRADING IN 2018

	Closing Price	High	Low
Ordinary Stock	\$3.86	\$4.49	\$2.25



MANAGEMENT DISCUSSION & ANALYSIS



CECIL FOSTER
Managing Director

PETER KNIBB
Chief Financial Officer

OVERVIEW

The Directors of FosRich Company Limited are pleased to present this analysis for the year ended December 31, 2018. The year presented many opportunities which we eagerly embraced. It also had its fair share of challenges which only served to strengthen our fortitude and increase the efficiency of our internal processes.

Major activities during the year included the continuation of our partnerships with Philips Lighting Company, which helped expand the Company's energy-based business line and with Siemens AG to expand our Electrical and Industrial Division.

REVENUES

Total Revenues - \$1,239 Million (Prior year \$1,046 Million)
GP% 41% (Prior year 45%)
Pre-tax Profit up 61%



PARISH SALES

LOCATION	2018	2017	Growth %	PERCENTAGE OF TOTAL	
	Sales \$	Sales \$		2018	2017
Kingston & St. Andrew	485,404,792	450,880,412	8%	38%	43%
St. James	207,193,845	187,179,476	11%	16%	18%
Manchester	126,829,501	107,036,193	18%	10%	10%
St. Catherine	100,599,393	71,740,005	40%	8%	7%
St. Ann	73,792,318	51,605,007	43%	6%	5%
Clarendon	73,288,818	32,874,225	123%	6%	3%
St. Elizabeth	57,855,863	43,136,795	34%	4%	4%
Westmoreland	57,328,533	25,286,414	127%	4%	2%
St. Mary	29,609,035	28,529,461	4%	2%	3%
Trelawny	28,940,561	13,953,124	107%	2%	1%
St. Thomas	23,273,286	12,918,094	80%	2%	1%
Hanover	17,459,837	11,353,106	54%	1%	1%
Portland	11,647,823	9,749,210	19%	1%	1%
Grand Total	1,293,223,605	1,046,241,522	24%	100%	100%

BUSINESS SEGMENT REPORT

FosRich has five revenue streams/business segments. Each division contributes positively to the viability and profitability of the Company. They are as follows:

1. Electrical
2. Energy
3. Lighting World
4. Hardware
5. Industrial

REVENUE STREAM 1 - ELECTRICAL

Electrical - \$780 Million or 60% of total revenues (23% growth on prior year \$632 Million)

This division provides boxes, panels, steel wire armoured (SWA) cables, wires, wiring devices, bulbs, contactors, breakers, switches, and similar apparatus, to both retail and commercial customers.

Siemens AG

Siemens AG is one of our Fortune 500 supply chain partners. The product categories we are focussing on include household circuit breakers and panels, transformers, powerline panel boards, contactors and industrial breakers. This quality product line has placed FosRich in a far superior position to the competition.

Nexans

Nexans is the second largest cable manufacturer in the world and is a Fortune 500 company. Some of its product offerings include underwater cables, solar cables, CAT7 cables, and LAN cables. We are their sole representatives in Jamaica through a supply chain partnership agreement.

During the period in review, we premiered Nexans' construction wires to the Jamaican marketplace. These flame retardant and non-halogenic wires are made of copper and offer a range of advantages. Not only will the wires not burn in the presence of fire, it also will not emit fumes that cause breathing problems or death if a fire should occur. This significantly increases safety in homes, offices, or factories.

Luminpulse

In 2017, we established a working relationship with Luminpulse Group. They specialise in the design and manufacture of high-performance architectural LED lighting solutions for commercial, institutional, and urban environments. Their durable fixtures are simple to configure and are suited to end users' needs.

Our electrical division is particularly proud to have partnered with the Urban Development Corporation to re-light Sabina Park stadium. This is part of a US\$2.7 million lighting renovation project sponsored by the Government of India and Jamaica's Tourism Enhancement Fund.

REVENUE STREAM 2 - ENERGY

Energy - \$354 Million or 27% of total revenues (31% growth on prior year \$271 Million)

The energy division has exhibited commendable performance in 2018. Most notably, with the substantial increase in the sales volume for its major product offering.

This segment has in recent years seen an average 40% price reduction for most component parts which affect our major revenue drivers. Given that the LED technology market is entering a phase of maturity, we expect that these prices will level off to offer price stability.

Since its inception in 2011, the division has focused on encouraging businesses and residential consumers to retrofit their offices and homes with LED products. This will produce long-term benefits to consumers. Most notable advantages include the reduction in energy consumption and up to 80% energy cost savings.

Our highly competent technical staff of professional engineers have the necessary expertise in electrical and alternative energy. The team of engineers is equipped to service residential projects as well as complex corporate and industrial projects. Our team also provides services to government entities.

Smart Streetlight Initiative
Our team is continuing our partnership with the Jamaica Public Service Company (JPS) and Philips Lighting on a Smart LED Street Lighting Replacement Project. This project is the first phase of several technologies that will be deployed to make New Kingston one of the first smart cities in the Caribbean. The initiative is one of Jamaica's largest energy efficiency projects and is being rolled out in phases which began in 2017 and will continue through to 2020.

JPS has announced that FosRich, along with Philips Lighting, is a preferred bidder for the second phase of the National Street Lighting Replacement Project.

REVENUE STREAM 3 - LIGHTING WORLD

Lighting World - \$91 Million or 7% of total revenues. (25% growth on prior year \$73 Million)

This division was launched in 2010. It was established to provide consumers with the option of buying quality and cost-efficient products locally rather than overseas. The division supplies a wide range of decorative lighting products. These include, but are not limited to, ceiling lamps, standing lamps, chandeliers, wall lighting, outdoor lighting fixtures, ceiling fans, assorted bulbs, and lighting accessories. In the year under review, we focused on working with housing developers and customers doing renovations.

REVENUE STREAM 4 - INDUSTRIAL

Industrial - \$48 Million or 4% of total revenues. (129% growth on prior year \$21 Million)

This division seeks to increase the Company's market share of industrial products and continue to lead in the projected growth for 2019. Product offerings are used by large operations, including power plants, bauxite plants, hotels, factories, offices, public buildings, high-rise buildings, and housing developments. The division plans to achieve this goal through its continuing partnership with two renowned international electrical brands, namely Siemens AG, which supplies industrial circuit breakers and panel boards, and Nexans which supplies industrial SWA cables, and fire-resistant cables.

REVENUE STREAM 5 - HARDWARE

Hardware - \$20 Million or 2% of total revenues. (59% reduction on prior year \$49 Million)

This division was established in the fourth quarter of the 2015 financial year, with the acquisition of the inventory of Better Homes Hardware Limited which was incorporated into the existing Cottage Road operations.

The Directors consider notwithstanding gross margins obtained from hardware products that are below the existing lighting, electrical and energy margins; some improvements in net profit should accrue from customer synergies in the medium-term by managing incremental costs.

OUR DISTRIBUTION CHANNELS

The executive team continues to seek new ways to grow the Company's customer base and takes pride in the slogan that says "We serve you better". Listed below are distribution channels we employ to connect with and serve our customers. All distribution channels achieved double-digit growth during 2018.

- Products and services are available from our four retail outlets.
- Direct Marketing teams provide additional support and accessibility to consumers.
- Periodic storewide sales (SUPER SALE) on all of our products. We have found that these events are eagerly anticipated by our customers.
- Despite not being one of our significant channels, leveraging internet sales exists as an opportunity for expansion in the future.

DIRECT MARKETING TEAMS

Direct Marketing Teams Revenues - \$508 Million - 39% of total. (Prior-year \$374 Million)

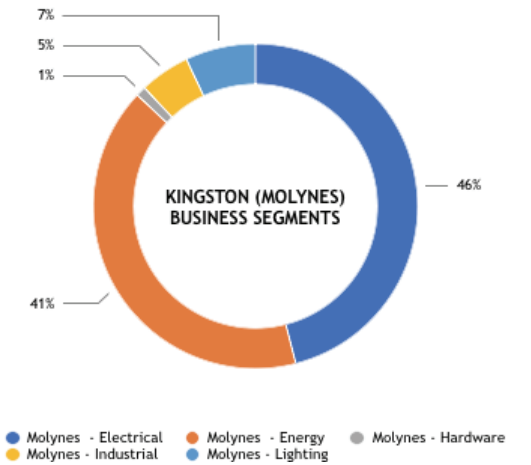
During the year this team captured the top spot and now provides 39% of revenues - Up from 36% in the prior year.

Our Direct Marketing Team is structured as follows:

ROUTE SALE Revenues of \$332 million. (Prior year \$324 million)
A quick-response team of salesmen operating nationwide and servicing the needs of a network of customers. Clientele ranges from independent electrical contractors to hardware stores and large commercial and industrial operations.

IN-HOUSE MARKETING Revenues of \$160 million. (Prior year \$151 million) This is our foremost channel for connecting with customers. New products are offered by our in-house customer service teams who make cold calls and repeat calls to prospects and existing clientele.

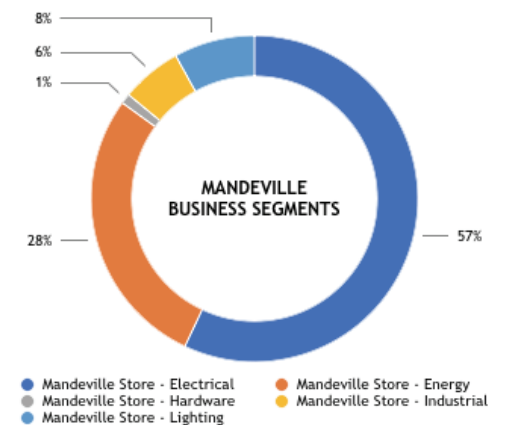
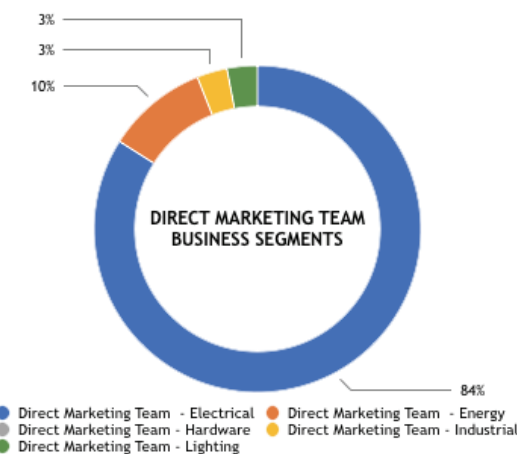
TELESALES Revenues of \$17 million. (Prior year \$17 million)
This team focuses its attention on capturing end users. The members make appointments and visit corporate offices to teach staff and customers ways to be energy efficient. These visits are also used as an opportunity to share information about product offerings. We have found that financial institutions are highly receptive to this mode of delivery.



MANDEVILLE - LIVE YOUR DREAM STORE

Revenues of \$143 million - 11% of total (Prior year \$120 Million)

The Live Your Dream Store showed an increase in sales revenue by 19% when compared to the prior year. The sale of electrical items has consistently been its main source of revenue. Though there have been challenges for the store over the past year, measures have been taken to ensure continued growth. Electrical and energy goods have shown steady growth at this location.



KINGSTON MAIN STORE

Kingston - \$465 Million - 36% of total. (Prior year \$413 Million)

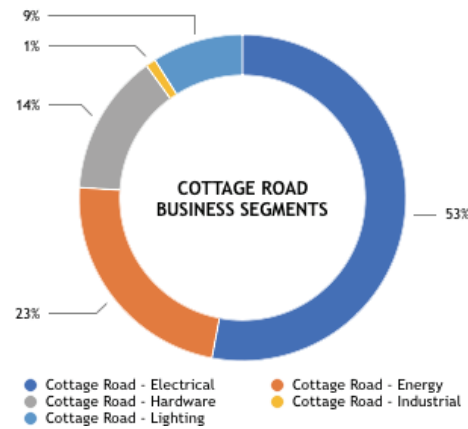
Our Kingston headquarters is the central store for FosRich and it produces the highest sales revenue compared to other distribution channels. It carries a wider range of energy, lighting, industrial, electrical, and hardware items than are available at the other locations. Over the years, this location has consistently outperformed all other distribution channels for all product lines.

COTTAGE ROAD - BETTER HOMES STORE

Cottage Road - \$99 Million - 8% of total (Prior year \$79 Million)

Predominantly known as 'the hardware store', Better Homes is being transitioned to offer more electrical items to meet the market demands of that segment in the Montego Bay community. Electrical and energy goods have shown steady growth at this location.

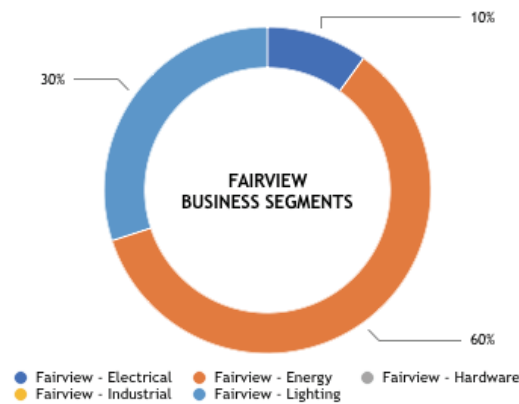
There continues to be strong strategic management within the store and the organization to ensure increased future sales revenues.



FAIRVIEW - LIGHTING WORLD STORE

Fairview - \$78 Million – 6% of total (Prior year \$60 Million)

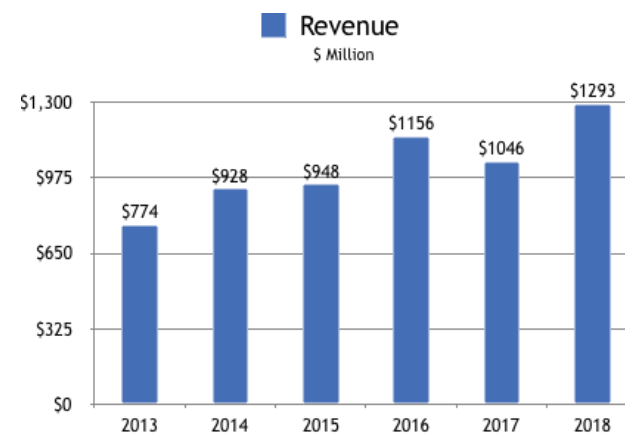
Lighting World product offerings increased by 30% over the prior-year period. Energy products and LED items continue to dominate in this location. We are continuing efforts to create a Montego Bay Hub to accommodate western customers. Such a move will increase efficiency and facilitate premium customer service by cutting down on lead time.



INCOME STATEMENTS

Income

During the year the Company generated income of \$1,293 million compared to \$1046 million for the prior year. An increase of 24% or \$247 million.



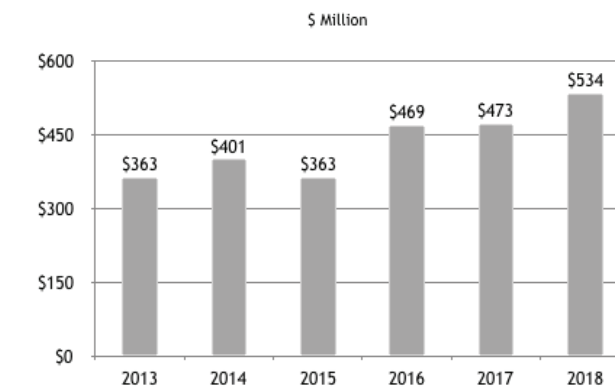
Gross Profit

Gross profit for the year was \$534 million compared to \$473 million for the prior year, an increase of \$61 million. These increases were attributed primarily to the greater availability of the products required by the market.

Other income

Other income for the year benefitted from favourable foreign exchange gains amounting to \$27 million and interest income totalling \$16 million.

Gross Profit



Administration Expenses

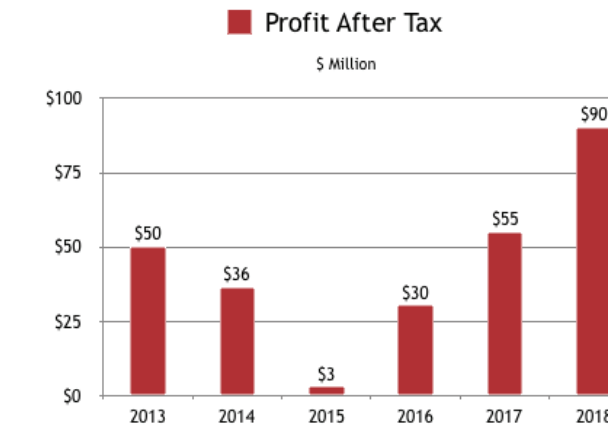
Administration expenses for the year was \$423 million, reflecting an increase of \$18 million on the prior reporting year's amount of \$405 million. There were increases in staff training, legal and professional fees, rent and bank charges. Decreases were driven primarily by efficiencies gained from the management of staff and related costs, reduced insurance costs and reductions in damaged goods write-off and warranty expenses.

Finance Cost

Finance cost for the year was \$68 million compared to \$51 million for the prior year, an increase of \$17 million. This increase is being driven by a new bond, which was obtained to assist with the financing of operations. This new facility was obtained at more favourable rates than the previous bank facilities.

Profit After Tax

Profit-after-tax generated for the year was \$90 million, an increase of \$35 million or 64% over the \$55 million reported for the prior year period.



Earnings Per Stock Unit

Earnings per stock unit was \$0.18 compared to \$0.14 in the prior year, reflecting an increase of 29%

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. Seventy-nine percent (79%) of receivables are within the current to 60 day category. We have adopted IFRS 9, which now measures credit loss on an expected loss basis, instead of the incurred loss basis, as previously obtained. We will continue to test the validity of the assumptions used in this analysis.

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, during the year we have reduced the balances on all three categories.

Shareholders' Equity

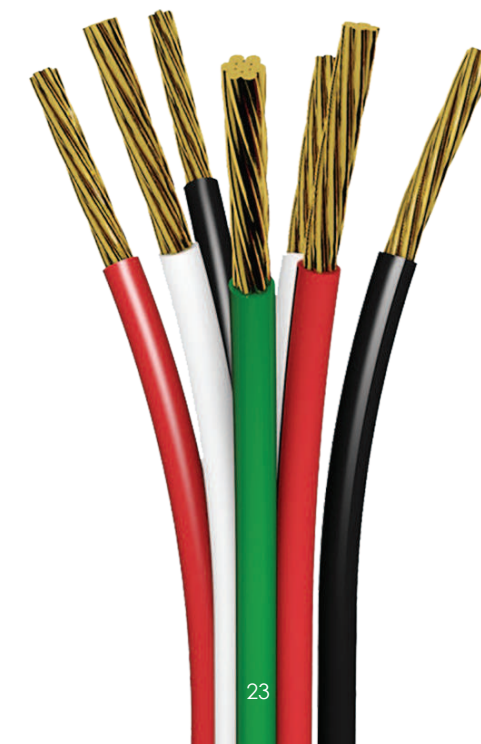
Shareholders' equity now stands at \$693 million, up from the restated \$605 million at 31 December 2017. The increase arose as a result of retained profits for the year.

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

Cecil Foster
Managing Director

Peter Knibb
Chief Financial Officer



CORPORATE GOVERNANCE

HIGH STANDARDS IN ACCOUNTABILITY

“As Chairman, it is my responsibility to ensure that the Directors of FosRich Company Limited share in the Company’s vision and are committed to executing their responsibilities of safely delegating, ensuring prudent management and sustainable business performance.

The Board is committed to improvement in investor confidence, through the promotion of good governance in the performance of its duties and the operation of the Company. I have all confidence that the Board and Management, charged with directing the Company, are engaged, equipped and understand their respective roles in developing a sound system of internal control, and that risk management is maintained to safeguard shareholder’s investments and the Company’s assets and the importance of their responsibilities, not just to the Company, but also to our shareholders and the wider communities where we conduct our business activities.”

Having a solid governance framework is key to building trust and transparency in any organisation, and as such, as Chairman, I feel we have the right balance of skills, experience and backgrounds in developing a sound system of internal control, to support and challenge the management team and to continue on the foundation laid to bring more growth and sustainable business performance in the ensuing years.

The Board is committed to improvement in investor confidence through the promotion of good governance in the performance of its duties and the operation of the Company while safeguarding shareholder’s investments and the Company’s assets”.

MARION FOSTER - Chairman



COMMITMENT TO CORPORATE GOVERNANCE BEST PRACTICES & DISCLOSURE

FosRich’s business and affairs are managed by our Executive Team which is guided by the direction of our Board of Directors. The Board sets the tone for the highest ethical standard of performance for our entire workforce. They are also charged to promote prudent management and integrity throughout the Company. Our corporate governance practices are designed to align the interests of the Board and Management with those of our Stockholders.

The Board is committed to transparency. Disclosure of significant matters and developments concerning the organisation will be accurate, timely, and balanced. This ensures that all investors have access to clear information concerning company affairs.

Each Director is expected to commit sufficient time for attending Board meetings as well as those organized by its Committees and, if applicable, of the Independent Directors. Regular attendance at Board meetings is a requisite.

Thorough knowledge of the Company’s business proceedings is vital. This practice helps our Directors to make informed and objective decisions. Management offers support by facilitating direct intervention and sharing reviews of business activities. Notwithstanding, Directors are encouraged to liaise with the Executive Team to cultivate a fulsome perspective of FosRich affairs.

OUR BOARD’S ROLE AND ITS EXPERTISE

The Board’s primary responsibilities revolve around oversight of the business and its strategy whilst ensuring that these are framed within reasonable parameters. The Board is expected to support the management of the organisation through the appointment of Directors with the requisite knowledge to guide the institution’s management. A core operational objective of each Director is to drive for increased sales and increased profits, thereby creating greater shareholder value through its incentive and other appropriate policies. The Board also plays an important role in engaging and communicating material information to our shareholders in a timely manner.

The Directors at FosRich are from varied backgrounds and bring broad experiences, high levels of professionalism, expertise, and candour to our deliberations. Each individual has been determined to be in alignment with the requirements of the Company and provide essential corporate governance.

All Directors have been in leadership roles and have successfully helped to guide, either as directors or executives, companies through difficult economic conditions. Some continue to do so in the present environment. Notwithstanding, during the current year, all Directors will participate in formal Corporate Governance Training to further enhance their contributions and will also review in our succession planning activity.

BOARD EXPERTISE

Directors	Corporate Governance & Management	Human Resources & Compensation	Audit, Accounting & Tax	Financing	Industry	Engineering & Technical	Logistics, Supply Chain & Retail
Marion Foster	√	√			√	√	√
Cecil Foster	√			√	√	√	√
Steadman Fuller	√		√				√
Ian Kelly	√	√	√	√			√
Rosalyn Campbell	√	√	√				
Peter Knibb	√	√	√	√			

ADDITIONAL ATTENDEES TO THE MEETINGS BOARD COMMITTEES AND COMPOSITION

The Board encourages the Managing Director, where it assists the Board in executing their responsibilities, to bring managers and other team members to present at board meetings who: (a) can provide additional insight into the business or items being discussed because of responsibility for, or personal knowledge related to these areas, and/ or (b) are team members with future leadership potential who should be given exposure to Directors.

Our draft Corporate Governance Manual identifies the three relevant Committees. Each entail clearly defined terms of reference, procedures, responsibilities, powers, and structure. The membership and chairpersons are outlined below.

Names	Position (Executive/ Non-Executive/ Independent)	Audit & Compliance	Human Resources & Compensation	Corporate Governance
Ian Kelly	NE/I	Chairman		√
Rosalyn Campbell	NE/I	√	Chairman	
Steadman Fuller	NE/I		√	Chairman
Peter Knibb	E	√		√
Cecil Foster	E			
Marion Foster	E		√	

E - Executive NE - Non-Executive I - Independent

INDEPENDENT DIRECTOR

To be considered as an Independent Director, the Board must determine that the Director has no material relationship with FosRich Company Limited (direct or indirect). This means either as a stockholder, partner, director or officer of an organization that has a material interest in the Company that would preclude the Director from being independent. Materiality test for shareholding is 2.5% of FosRich Company Limited's outstanding shares.

Additionally, an Independent Director is a Director who:

- Has not been employed by the Company within the last two years.
- Has not been an employee or affiliate of our External Auditors within the last three years.
- Has not received any compensation other than director and committee fees within the last two years.

- Has not been employed by a Company of which an Executive Director/Officer has been a director within the last two years.
- Is not a member of the immediate family of an Executive Director/Officer, which would be defined as spouse, parent, child or sibling, in-law (mother, father, son, daughter, brother, sister) or anyone sharing the same home with any of the above?

THE BOARD'S REPORT CARD

During 2018, the Board and its Committees had scheduled meetings to execute their various mandates. We reported to shareholders on the financial results; reviewed and approved policies; discussed strategy and its implementation; and took decisions given our discussions on the business and our economy.

Names	Board	Audit & Compliance	Human Resources & Compensation	Corporate Governance	Annual General Meeting
No. Of Meetings	5	9	3	1	1
Marion Foster	5 of 5	-	3 of 3	-	1 of 1
Cecil Foster	5 of 5	8 of 9	-	-	1 of 1
Steadman Fuller	5 of 5	-	3 of 3	1 of 1	0 of 1
Ian Kelly	5 of 5	9 of 9	-	1 of 1	1 of 1
Rosalyn Campbell	5 of 5	-	3 of 3	-	0 of 1
Peter Knibb	5 of 5	9 of 9	-	1 of 1	1 of 1

AUDIT & COMPLIANCE COMMITTEE

Committee members are Ian Kelly (Chairman), Cecil Foster and Peter Knibb.

This statutory Committee is responsible for ensuring:

- The quality and integrity of the Company's accounting and reporting practices and controls as well as the completeness and accuracy of its financial statements and disclosures.
- The Company's compliance with legal and regulatory requirements.
- The qualifications and independence of the external auditor and the appropriateness of his methodology and accounting approach.
- The quality of internal controls as reported by the internal audit function and independent auditors.

The Audit & Compliance Committee is mandated to meet at least quarterly within thirty days by the end of each quarter. They may convene in other instances upon request by any Committee member.

During 2018, the Audit & Compliance Committee held nine meetings.

HUMAN RESOURCES & COMPENSATION COMMITTEE

Committee members are Rosalyn Campbell (Chairman), Marion Foster, and Steadman Fuller, a majority of non-executive Board members.

This Committee oversees:

- Senior management succession planning
- Identification and development of high potential people in the Company
- Senior management performance plans and evaluation

- Setting executive compensation
 - Aggregate performance and motivation of the Company's employees
 - Operation of the Company's pension plan
- During 2018, the Human Resources & Compensation Committee held three meetings.

CORPORATE GOVERNANCE COMMITTEE

Committee members are Steadman Fuller (Chairman), Ian Kelly, and Peter Knibb, a majority of non-executive Board members. In addition, FosRich Managing Director, Cecil Foster attends meetings by invitation.

This Committee is responsible for establishing the framework of corporate governance principles, policies, and procedures for the Company. It is tasked to oversee that Company practices are consistent and in accordance with requirements. It will develop standards of performance for the Board, Directors and Senior Officers, and routinely evaluates performance against these standards.

The Committee is also responsible for developing policy and procedures as well as overseeing:

- Director nomination and re-appointment
- Director compensation
- Shareholder relations including evaluation of their proposals
- Committee structure, operation, and performance
- Communication processes between management and the board

During 2018, the Corporate Governance Committee held one meeting.



SUPPLIERS & CUSTOMERS... BRIDGING THE GAP

FosRich Company Limited, a premier distributor of lighting, electrical and solar-energy products, has partnered with renowned international brand Siemen and Nexans, to bring to the Jamaican market innovative products for the building, construction and energy sectors.

This event showcased cutting-edge products from our major overseas supply partners, which included Nexans, Philips Lighting and Victron Energy. It also afforded face-to-face engagement with our valued customers from every segment of our operation.

Approximately 1200 persons were in attendance from the construction and engineering industries. Breakout sessions featured engineers from these companies who updated participants on the improvements in switchgear other product offerings.

During a recent Electrical Expo hosted by FosRich at The Jamaica Pegasus Hotel, New Kingston, Cecil Foster, chief executive officer, said the Company aims to differentiate itself from its competitors in the Jamaican marketplace by providing quality and cost-effective service and by collaborating with clients on technical solutions.

We are partnering to bring great results to Jamaica. These partnerships are our way of saying yes we can. Our team members are excited and ready to satisfy the needs of our clients as we aim to revolutionise the market.

Siemens is a global powerhouse focusing on the areas of electrification, automation and digitalisation. One of the world's largest producers of energy-efficient, resource-saving technologies, Siemens is a leading supplier of systems for power generation and transmission, as well as medical diagnosis. In infrastructure and industry solutions, the Company plays a pioneering role. With their first initial introduction to the Jamaican market, Lester Guillermo Morales Ruiz, digital factory control products, Siemens, said the company is known for core activities in the fields of electrification, automation and digitalisation. He said "We are happy to bring our cutting-edge technology to Jamaica. Our new generation of products offers a high level of engineering and innovation that people have come to expect from the leader in power distribution technology,"

Electrical Expo featuring Siemen and Nexans - Jamaica Pegasus Hotel



Marco Mendoza (left), an engineer at Siemens and Lester Guillermo Morales Ruiz, digital factory control products, Siemens shows Governor General Sir Patrick Allen, Cecil Foster, Marion Foster and Steadman Fuller one of the products that will be on offer in Jamaica at FosRich.



Rose-Marie Vial of Nexans business developer, Central America and Caribbean countries, world leaders in the cable industry. Their focus is meeting the vital needs of access to energy and information, building infrastructure safety, and the movements of goods and people. Nexans help our customers meet the challenges they face in the fields of energy resources, energy infrastructure, transport, buildings, telecommunications and data centres. We leverage their expertise and capacity for innovation to provide solutions for the most demanding environments.

CORPORATE SOCIAL RESPONSIBILITY



Corporate Social Responsibility is an integrated part of FosRich's philosophy and we always seek to make a lasting contribution to the communities in which we are active. While our primary focus lies on helping the disadvantaged, we still find time to be active in other areas of society.

In 2007, our Managing Director, Cecil Foster, co-founded the Good Samaritan Inn (GSI) — a charity that provides support to communities in Kingston. The GSI's mandate is to 'reflect the caring love of Jesus Christ' to those in need by providing them with cooked meals, clothing, and shelter. At FosRich, we want to ensure that our community outreach initiatives are highly impactful, therefore we have maintained our focus and commitment to the GSI programme. Over the years, the FosRich team has maintained a weekly presence in support of their finances and operations.

Since inception the GSI has supported over 35,000 persons in need at the facility. Through our support, along with others, meals are provided on Sundays, Tuesdays and Wednesdays. Volunteers assist with grooming and it is a joy to see that this act of kindness is truly appreciated by the beneficiaries. Persons may also enjoy a bath, and in some instances, receive a change of clothing whenever this is available. To date, over 15,000 articles of clothing and 2,000 pairs of shoes have been distributed.

We are proud to be associated with such a programme and are humbled by the growth and impact it has made since we opened the doors 11 years ago. Now, the GSI can expand its reach with the addition of a laundry facility; showers for both males and females; free health



clinics; free grooming services for men; and overnight accommodations for women and children in crisis among other services.

The FosRich family will continue to support this noble organization as its core values are aligned with ours. We believe that it is our great honor and responsibility to feed and clothe people, especially those in need. We look forward to making an even greater impact on our society this year and the years to come.

In 2018, FosRich partnered with the West Jamaica Conference during their Security Forces and Youth Mentorship Prayer Breakfast at the Conference Centre in Mount Salem, Montego Bay. During the conference the security forces who serve, primarily under the State of Emergency in the Parish of St. James, were showered with appreciation.

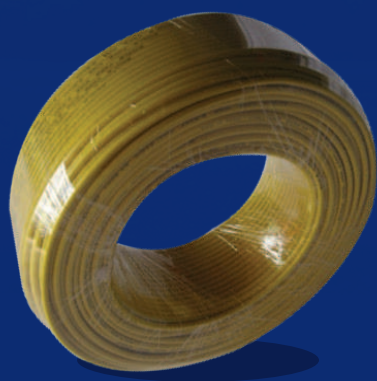
The Jamaica Constabulary Force (JCF) and the Jamaica Defence Force (JDF), who usually deal with numerous stressors and negative criticisms on the job, were called apart for a few hours to be shown gratitude for their sacrificial service as security personnel.

The event was attended by the Attorney General of Jamaica Marlene Malahoo-Forte; the Member of Parliament (MP) for West Central St. James, Pastor Glen Samuels, President of the West Jamaica Conference and several members of the Police High Command including Mr. Donovan Graham, Assistant Commissioner of Police.

Prior to the state of public emergency (SOE) and the Zones of Special Operations (ZOSO), many lives, particularly, in the Parish of St. James, were severely affected and are still reeling from the effects of heinous crimes. However, with the response of the Security Forces, there have been significant improvements. The untold misery and bloodshed have been significantly curtailed.

The leadership of the JDF and JCF were also delighted by the kind gesture and are looking forward to the continuation of the annual event.

FosRich Company Limited
FINANCIALS
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Crooks Jackson Burnett
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Independent auditors' report

To the Members of
 FosRich Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of FosRich Company Limited (the Company) set out on pages 1 to 22, which comprise statement of financial position as at December 31, 2018, statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of company as at December 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the **Auditors' Responsibility for the Audit of the Financial Statements** section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Audit Scope

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we consider where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also address the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditors' report
FosRich Company Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Those matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Trade Receivables

- **Key Audit Matter**

The company has a wide range of customers, including certain corporate customers with material balances.

Recoverability of trade receivables is assessed as a key audit matter as the carrying value may not be recoverable due to changes in the business and economic environment in which these specific customers operate. There is judgement involved in determining the allowance for impairment on these balances, because of the inherent uncertainty involved in estimating and timing the amount of future collections.

- **How our audit addressed the Key audit matter**

Our audit procedures in response to this matter, included:

Testing and recording the accuracy of the ageing of trade receivables, as this is fundamental in assessment of impairment.

Testing subsequent collections for selected customers.

Evaluating the adequacy of the allowance for impairment in respect of trade receivables by assessing management's assumptions and testing their impairment computations.

Based on our independent evaluation we determined that adequate provision has been made for impairment of trade receivables.

Other information

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report
FosRich Company Limited

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

Independent auditors' report
FosRich Company Limited

- Evaluate the overall presentation, structure and content of the company's financial statements, including the disclosures, and whether the company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditors' report is Effie Crooks.


Chartered Accountants

February 28, 2019
2 Seymour Avenue, Kingston 6, Jamaica W.I.

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2018

		2018	2017
		\$	\$
Turnover		1,293,223,605	1,046,241,522
Cost of Sales	3	<u>(759,227,812)</u>	<u>(573,008,705)</u>
Gross profit		533,995,793	473,232,817
Other income:			
Other operating income	5	<u>47,407,075</u>	<u>41,906,321</u>
		581,402,868	515,139,138
Expenses :			
Administration and selling expenses	3	<u>422,793,468</u>	404,831,281
Finance costs	6	<u>67,500,926</u>	<u>51,430,751</u>
Total expenses		490,294,394	456,262,032
Operating profit		91,108,474	58,877,106
Taxation	7	<u>(718,259)</u>	<u>(3,935,931)</u>
Net profit, being total comprehensive income		90,390,215	54,941,175
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss -			
- unrealised loss on available-for-sale investments	10	<u>(1,973,562)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		88,416,653	54,941,175
Earnings per stock unit	18	<u>\$0.18</u>	<u>\$0.14</u>

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018 \$	2017 \$
ASSETS			
PROPERTY, PLANT & EQUIPMENT	8	251,433,781	255,570,518
RELATED PARTY	9	96,589,630	124,974,974
INVESTMENTS	10a	16,557,173	16,768,418
INVESTMENT SECURITY	10b	2,568,564	-
		<u>367,149,148</u>	<u>397,313,910</u>
CURRENT ASSETS			
Inventories	11	1,021,244,826	625,056,821
Trade receivables	12	161,610,657	85,453,334 *
Other receivables and prepayments	12	141,723,246	66,346,573
Related party	9	289,768,890	-
Short term deposit	13	-	103,736,000
Cash and bank balances	13	71,094,564	16,311,855
		<u>1,685,442,183</u>	<u>896,904,583</u>
CURRENT LIABILITIES			
Payables	14	300,163,638	296,644,438
Bank overdraft	13	453,844	149,424
Current portion of long-term liabilities	19	35,039,590	27,011,686 **
Taxation		14,689	7,400,602
		<u>335,671,761</u>	<u>331,206,150</u>
NET CURRENT ASSETS		<u>1,349,770,422</u>	<u>565,698,434</u>
		<u>1,716,919,570</u>	<u>963,012,344</u>
EQUITY			
SHARE CAPITAL	15	369,620,810	369,620,810
CAPITAL RESERVES	17	68,026,070	69,999,632
RETAINED EARNINGS		255,701,307	165,311,092 *
		<u>693,348,187</u>	<u>604,931,534</u>
NON-CURRENT LIABILITIES			
Long-term liabilities	19	969,742,710	291,312,323 **
Director's loan	20	53,828,673	66,768,486
		<u>1,023,571,383</u>	<u>358,080,809</u>
		<u>1,716,919,570</u>	<u>963,012,344</u>

The financial statements set out on pages 1 to 22 were approved for issue by the Board of Directors on February 28, 2019 and signed on its behalf by:


Chairman
Marion Foster


Director
Peter Knibb

** Restated

* Restated to conform with the provisions of IFRS 9

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2018

	Share capital \$	Share premium \$	Capital reserves \$	Retained earnings \$	Total \$
Balance at January 1, 2017	181,000,200	33,500,000	69,999,632	114,406,776	398,906,608
Re-organisation of share premium (see note 16)	-	(33,500,000)	-	-	(33,500,000)
Issue of shares, net of transaction costs	188,620,610	-	-	-	188,620,610
Net profit, being total comprehensive income	-	-	-	54,941,175	54,941,175
Balance at December 31, 2017	369,620,810	-	69,999,632	169,347,951	608,968,393
Prior year adjustment:					
Impairment loss adjustment				(4,036,859)	(4,036,859)
Balance at December 31, 2017 (restated)	369,620,810	-	69,999,632	165,311,092	604,931,534
Unrealised loss on available-for-sale investments			(1,973,562)		(1,973,562)
Net profit, being total comprehensive income	-	-	-	90,390,215	90,390,215
Balance at December 31, 2018 (see notes 15, 16 & 17)	<u>369,620,810</u>	<u>-</u>	<u>68,026,070</u>	<u>255,701,307</u>	<u>693,348,187</u>

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
	\$	\$
CASH FLOWS WERE PROVIDED BY/ (USED IN):		
Operating Activities		
Net profit	90,390,215	54,941,175
Items not affecting cash resources		
Depreciation	20,641,533	26,220,775
Gain on disposal of property, plant & equipment	-	(805,000)
Unrealised foreign exchange gain (net)	(27,172,058)	(19,042,238)
Interest income	(16,677,131)	(66,540)
Interest expense	61,623,043	38,162,334
Taxation expense	718,259	3,935,931
	<u>129,523,861</u>	<u>103,346,437</u>
Changes in non-cash working capital components:		
Inventories	(396,188,005)	(33,968,896)
Receivables	(76,157,322)	11,830,035
Other receivables and prepayments	(75,376,673)	(44,263,237)
Payables	3,519,200	(13,200,061)
Related parties	(261,383,546)	(57,919,560)
Taxation paid	(7,446,164)	(16,458,689)
Cash used in operating activities	<u>(683,508,649)</u>	<u>(50,633,971)</u>
INVESTMENT ACTIVITIES		
Purchase of investment	(4,531,062)	(1,546,431)
Purchase of property, plant and equipment	(20,096,872)	(6,492,116)
Interest received	-	66,540
Proceeds from disposal of property, plant and equipment	-	805,000
Cash used in investment activities	<u>(24,627,934)</u>	<u>(7,167,007)</u>
FINANCING ACTIVITIES		
Issue of shares	-	188,620,610
Directors' loans repaid	(12,939,813)	(1,034,414)
Loans received	1,535,734,207	306,104,291
Loans repaid	(802,292,479)	(254,846,401)
Interest paid	(61,623,043)	(38,162,334)
Cash provided by financing activities	<u>658,878,872</u>	<u>200,681,752</u>
(DECREASE)/INCREASE IN NET CASH BALANCES	<u>(49,257,711)</u>	<u>142,880,774</u>
NET CASH BALANCES - Beginning of year	<u>119,898,431</u>	<u>(22,982,343)</u>
NET CASH BALANCES - End of year	<u>70,640,720</u>	<u>119,898,431</u>
REPRESENTED BY:		
Cash and bank balances	71,094,564	16,311,855
Short term deposit	-	103,736,000
Bank overdraft	(453,844)	(149,424)
	<u>70,640,720</u>	<u>119,898,431</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. INCORPORATION AND IDENTITY

- (a) The company is incorporated under the Jamaican Companies Act and is domiciled in Jamaica, having its registered office at 79 Molynes Road, Kingston 10, Jamaica.
- (b) The main activity of the company is distribution of lighting, electrical and solar energy products. The financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency.
- Effective December 19, 2017, the company's shares were listed on the Junior Market of the Jamaica Stock Exchange.

2. Statement of Compliance, Basis of Preparation and Significant Accounting Policies**(a) Statement of Compliance**

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act.

(b) Basis of preparation

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed under their respective headings.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and future years if the revision affects both current and future periods.

Standards, Interpretations and Amendments to published Accounting Standards effective in the current year

During the year, certain new standards, interpretations and amendments to existing standards became effective. Management has assessed the relevance of all such new standards, interpretations and amendments that became effective January 1, 2018 and have determined that the following will affect the amounts and disclosures in these financial statements:

- **IFRS 9, Financial Instruments** is effective for periods beginning on or after 1st January 2018. This standard replaces IAS 39 - Financial Instruments: Recognition and Measurement and sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets and reflects the business model in which the asset is managed and the cash flow characteristics of the assets. Accordingly, the basis of measurement for the company's financial assets has been modified. The standard contains three principal classification categories for financial assets:

- measured at amortised cost
- fair value through other comprehensive income [FVOCI]
- fair value through profit or loss [FVTPL]

The standard eliminates the existing IAS 39 categories as held to maturity, loans and receivables available for sale.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

2. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (continued)

Standards, Interpretations and Amendments to published Accounting Standards effective in the current year (continued)

• IFRS 9, Financial Instruments (continued)

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' [ECL] model. This requires considerable judgement on how changes in economic factors affect ECLs, which is determined on a probability-weighted basis. The probability weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. This new standard is applicable to financial assets measured at amortised cost or FVOCI.

Under IFRS 9, loss allowance are measured on either of the following stages, based on the extent of credit deterioration since origination:

- i. Stage 1 - 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date. This stage differs from the current approach which estimates a collective allowance to recognise losses that have been incurred.
- ii. Stage 2 - Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. Provisions are higher at this stage because of the increased risk and the impact of a longer time horizon being considered compared to 12 months as in Stage 1
- iii. Stage 3 - Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

- IFRS 15, 'Revenue from Contracts with Customers' is effective for periods beginning on or after January 1, 2018. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must be allocated to the separate elements.

When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The implementation of this standard does not have a significant effect on how the company's revenue is reported.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

2. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (continued)

New, Revised and Amended Standards and Interpretations issued but not yet effective (continued):

- IFRS 16, 'Leases' is effective for periods beginning on or after January 1, 2019. The new standard will affect primarily the accounting by leases and will result in the recognition of almost leases on balance sheet. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and the financial to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases

The new standard will also affect the income statement because the total expense is typically higher in the earlier years of a lease and lower in the later years. Additionally, operating expenses will be replaced with interest and depreciation, so key metrics such as EBITDA will change.

The standard also states that operating cash flow will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflect interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company is currently assessing the impact of future adoption of the standard on its financial statements.

Management is evaluating the impact that the foregoing standards and amendments to standard may have on its financial statements when they are adopted.

Significant Accounting Policies

(c) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue from sale of goods is recognised when the significant risks and reward of ownership have been transferred to the buyer, usually when the company has delivered the goods to the customer or the service has been performed.

No revenue is recorded if there are significant uncertainties regarding recovery of the consideration due, the associated costs or possible return of goods.

Revenue is shown net of Consumption Tax, returns, rebates and discounts.

(d) Other operating income

Other operating income mainly comprised of commissions received or receivable through partnership arrangements between local utility entities and the company's international electrical suppliers. Other income includes interest, which is recognised as it accrues, using the effective interest method, unless collectibility is in doubt.

(e) Foreign Currency Transactions

i. Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ["the functional currency"].

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

2. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

(e) Foreign Currency Transactions

ii. Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the transaction of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(f) Financial Instruments

Financial Instruments carried on the balance sheet include cash, investments, bank balances, receivables and payables. The particular recognition methods are disclosed in the individual policy statements associated with each of them.

(g) Plant, Machinery and Equipment

Plant, machinery and equipment and other assets are carried at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight line basis at rates estimated to write off the cost of the assets over their expected useful lives. Annual rates used are as follows:

Freehold buildings	2 1/2%
Furniture, fixtures and equipment	10%
Computer systems	22 1/2%
Motor vehicles [commercial and private respectively]	2 1/2% & 20%

Gains and losses on disposal of plant, machinery and equipment are determined by comparing proceeds with the carrying amount and are included in the profit or loss account.

Repairs and maintenance expenditure are recognised in the profit or loss during the financial period in which they are incurred. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying value of the item if it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company.

(h) Inventories

Inventories are measured at lower of cost and net realisable value, cost being determined on the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

2. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (continued)

Significant Accounting Policies (continued)

(i) Impairment of Non-current Assets

Plant, machinery and equipment and other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of the asset's net selling price and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identified cash flows.

(j) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

(k) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings and interest expenses

Loans are recorded at proceeds received. Finance charges, including direct issue cost are accounted for on an accrual basis in the statement of comprehensive income and are added to the carrying amount of the loan to the extent that they are not settled in the period in which they arise.

(m) Leases

Lease of properties where the company has substantially all the risks and reward of ownership are classified as finance leases. Payments under finance leases are apportioned between interest expense and the outstanding liability. Interest expense is amortised to each period during the lease term to arrive at a constant rate of interest on the outstanding balance.

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, amounts held in savings account with banks and other short-term highly liquid investments with original maturities of three months or less net of bank overdraft.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

2. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (continued)
Significant Accounting Policies (continued)

(o) Employee benefits

Annual leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability, if any, for vacation leave, as a result of services rendered by employees up to the reporting date. At year-end the company had no liability for annual leave as a result of services rendered by employees.

Pension

The company operates a "contributory pension scheme" funded by employees and the company, to provide benefits for the employees of the company. The scheme is administered by and managed by Sagicor Life Jamaica Limited. Contributions to the scheme are charged to profit or Loss account in the period to which they relate.

(p) Taxation

Taxation expense in the profit and loss account comprises both current and deferred tax (*refer to note 7*).

(i) Current taxation

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date. Current and deferred taxes are recognised as income tax expense or benefit in the profit and loss account except, to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date. Current and deferred taxes are recognised as income tax expense or benefit in the profit and loss account except, to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

(ii) Deferred taxation

A deferred tax charge is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. The tax rates used in these financial statements are those enacted at balance sheet date.

Deferred tax charges are recognised for temporary differences between the carrying amounts of assets and liabilities and the amounts as measured for tax purposes, which will result in taxable amounts in future periods. The carrying amounts of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax to be utilised.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

2. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (continued)
Significant Accounting Policies (continued)

(q) Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions [referred to in *IAS 24 - Related Party Disclosures* as the "reporting entity"]. Related party transactions and balances are recognised and disclosed for the following:

- (1) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity; or a parent of the reporting entity.
- (2) The entity is related to a reporting entity if any of the following conditions apply:
 - i. The entity and the reporting entity are members of a group [which means that each parent, subsidiary and fellow subsidiary is related to the other].
 - ii. One entity is an associate or joint venture of the other entity [or an associate or joint venture of a member of a group of which the other entity is a member].
 - iii. Both entities are joint ventures of the same third party.
 - iv. The entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in q(1){ii}.
 - vii. A person identified in q(1){i} has significant influence over the entity [or is a member of the key management personnel of the entity].

A related party transaction is a transfer of resources, services or obligation between a reporting entity and a related party, regardless of price charged.

3. EXPENSE BY NATURE

The following items have been charged in arriving at operating profit:

	2018 \$	2017 \$
Cost of sales		
Cost of goods sold	730,479,207	550,304,255
Installation expense - contractors	12,069,659	12,878,360
Sales commission - contractors	16,678,946	9,826,090
	<u>759,227,812</u>	<u>573,008,705</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

3. EXPENSE BY NATURE (continued)

Administrative and selling expenses

	2018	2017
	\$	\$
Directors' emoluments (see note 4)	23,599,517	23,599,517
Depreciation	20,641,533	26,220,775
Auditor's remuneration - Current year	1,750,000	1,750,000
Staff costs (see note 4)	157,877,185	158,954,938
Rent, security, repairs and maintenance	67,976,598	63,688,611
Motor vehicle and other related expense	48,750,166	30,206,775
General insurance and utilities	37,146,582	39,021,341
Other expenses	65,051,887	61,389,324
	<u>422,793,468</u>	<u>404,831,281</u>

4. STAFF COSTS

	2018	2017
	\$	\$
Salaries, commissions and bonus	141,890,291	148,595,330
Statutory contributions	15,156,080	13,805,707
Staff welfare	24,430,331	20,153,418
	<u>181,476,702</u>	<u>182,554,455</u>

The average number of persons employed full-time by the company during the year under review was 92.

5. OTHER OPERATING INCOME

	2018	2017
	\$	\$
Interest income	16,677,131	66,540
Foreign currency exchange gain - net	27,172,058	19,042,238
Gain on disposal of fixed asset	-	805,000
Other income	3,557,886	21,992,543
	<u>47,407,075</u>	<u>41,906,321</u>

6. FINANCE COSTS

	2018	2017
	\$	\$
Bank charges	10,760,873	9,614,103
Overdraft interest	7,639	2,791,648
Loan and credit card interest	61,615,404	35,370,686
Finance charge	1,078,056	389,960
(Reversal of impairment loss)/impairment loss	(5,961,046)	3,264,354
	<u>67,500,926</u>	<u>51,430,751</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

7. TAXATION

Taxation is based on profits for the year adjusted for taxation purposes, and is calculated at the rate of 25% (2017 = 25%). Taxation charge for the year comprise: -

	2018	2017
	\$	\$
Current tax	-	11,797,706
Minimum Business Tax	60,000	-
Income tax adjustment - prior period	658,259	-
Deferred tax adjustment	-	(7,861,775)
	<u>718,259</u>	<u>3,935,931</u>

Remission of income tax:

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective December 19, 2017. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided it complies with the criteria of the Income Tax (Jamaica Stock Exchange Junior Market) Regulation.

To obtain the remission of income taxes, the following conditions should be adhered to over the period:

- The company remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE.
- The subscribed participating voting shareholders does not exceed \$500 million.
- The company has at least 50 participating voting shareholders.

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions. The periods are as follows:

Years 1 to 5 (December 19, 2017- December 18, 2022)	100%
Years 6 to 10 (December 19, 2022- December 18, 2027)	50%

As a consequence of the company obtaining a remission of tax status, effective December 19, 2017, the deferred tax asset position at the prior year-end was reversed resulting a nil deferred tax provision at year-end.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

8. PROPERTY, PLANT & EQUIPMENT

	Freehold Land \$	Freehold Building \$	Leasehold Improvement \$	Leasehold Property \$	Equipment, Furniture & Fixtures \$	Computers \$	Motor Vehicles \$	Total \$
At cost/valuation:								
January 1, 2017	29,980,000	176,139,252	51,626,867	30,000,000	39,486,428	18,774,935	33,378,077	379,385,559
Additions	-	-	-	-	1,694,930	984,186	3,813,000	6,492,116
Disposal	-	-	-	-	-	-	(1,250,000)	(1,250,000)
December 31, 2017	29,980,000	176,139,252	51,626,867	30,000,000	41,181,358	19,759,121	35,941,077	384,627,675
Additions	-	-	-	-	2,857,038	1,676,134	15,563,700	20,096,872
Reclassification	-	-	-	-	(3,592,076)	-	-	(3,592,076)
December 31, 2018	29,980,000	176,139,252	51,626,867	30,000,000	40,446,320	21,435,255	51,504,777	401,132,471
Accumulated Depreciation:								
January 1, 2017	-	21,145,601	27,722,935	3,000,000	20,794,338	12,050,166	19,373,342	104,086,382
Disposal	-	-	-	-	-	-	(1,250,000)	(1,250,000)
Charge for the year	-	4,732,851	10,942,337	750,000	3,232,030	2,161,480	4,402,077	26,220,775
December 31, 2017	-	25,878,452	38,665,272	3,750,000	24,026,368	14,211,646	22,525,419	129,057,157
Charge for the year	-	4,732,851	3,285,975	750,000	3,342,176	1,774,387	6,756,144	20,641,533
December 31, 2018	-	30,611,303	41,951,247	4,500,000	27,368,544	15,986,033	29,281,563	149,698,690
Net book values:								
December 31, 2018	29,980,000	145,527,949	9,675,620	25,500,000	13,077,776	5,449,222	22,223,214	251,433,781
December 31, 2017	29,980,000	150,260,800	12,961,595	26,250,000	17,154,990	5,547,475	13,415,658	255,570,518

Revaluation of assets

The company's freehold properties including land and buildings were valued on an open market basis by independent professioners in 2009 and 2011. The surplus on revaluation is included in capital reserves (see note 17).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

9. RELATED PARTY

	2018 \$	2017 \$
Amount due from:		
LCCM Investment Ventures Limited	386,358,520	124,974,974
Current portion of related party balance	(289,768,890)	-
	96,589,630	124,974,974

Fosrich Limited is related to LCCM Investment Ventures Limited by means of common directorship. There were no trading activities between the companies during the year.

The terms of the loan were not determined when the initial advances were made; subsequently, an agreement was established whereby the advances will be repaid within two years; 75% of the amount due would be payable within twelve months and the remainder in 2020. Interest is computed at the rate of 3.5% per annum from the date of the initial advance.

10. INVESTMENTS

	2018 \$	2017 \$
a. Deposits - First Global Bank Jamaica Limited	16,557,173	16,768,418
These funds are being held as security for the loans (see note 19)		
b. Quoted Securities at market value		
Shares acquired during the year	4,542,126	-
Loss from fair value adjustment	(1,973,562)	-
	2,568,564	-

11. INVENTORIES

Inventories comprise:

	2018 \$	2017 \$
Merchandise	887,291,011	608,788,931
Goods-in-transit	133,953,815	16,267,890
	1,021,244,826	625,056,821

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	2018 \$	2017 \$
Trade receivables	161,610,657	85,453,334 *
Other receivables and prepayments comprise:-		
Sundry receivables	40,571,785	24,441,500
Deposits with suppliers	28,868,970	32,520,414
Prepayments	32,809,309	4,838,185
Other deposits	39,473,182	4,546,474
	141,723,246	66,346,573

The company's exposure to credit risk and impairment loss associated to trade and other receivables are disclosed in note 22(b).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

13. CASH & BANK BALANCES

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	2018	2017
	\$	\$
Cash and current account balances	69,446,923	14,805,263
Savings account	1,647,641	1,506,592
	<u>71,094,564</u>	<u>16,311,855</u>
Short term deposit	-	103,736,000
Bank overdraft	(453,844)	(149,424)
	<u>70,640,720</u>	<u>119,898,431</u>

Short term deposit held with Stocks and Securities Limited (SSL).

Amounts held in savings accounts are denominated in United States Dollar and Jamaican Dollar and attract interest at rates up to 1% per annum during the year.

14. PAYABLES

	2018	2017
	\$	\$
Trade	224,200,184	246,794,030
Advances and other payables	72,366,470	47,463,916
Statutory payables	3,596,984	2,386,492
	<u>300,163,638</u>	<u>296,644,438</u>

15. SHARE CAPITAL

(a) Share capital

	2018	2018	2017
	Units	\$	\$
Authorised -			
Ordinary shares at no par value	<u>512,821,000</u>		
Issued and fully paid -			
Ordinary shares	<u>502,275,555</u>	<u>369,620,810</u>	<u>369,620,810</u>

At an extra-ordinary general meeting of the company held on November 17, 2017 the company unanimously passed the following resolutions:

- That the authorised share capital of the company be increased by 331,820,500 ordinary shares from 181,000,500 ordinary shares to 512,821,000 ordinary shares.
- That each of the existing shares in the company be split in the ratio of 2.22 : 1.
- On December 19, 2017, the company raised an additional \$200,910,222 from its initial public offering of 100,455,111 ordinary shares to the public. Transaction costs of the issue was \$12,289,612. All ordinary shares carry the same voting rights. The shares are listed on the Jamaica Stock Exchange Junior Market.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

16. SHARE PREMIUM

In the prior year the share premium, which represented the amount received in excess of the par value of shares was re-organised.

17. CAPITAL RESERVES

Capital reserves represent unrealised surplus on the revaluation of the company's freehold properties over the period 2009 to 2011. The valuations were carried out by independent valuers.

18. EARNINGS PER STOCK UNIT

Basic earnings per ordinary stock unit is calculated by dividing the net profit attributable to equity holders by the weighted average number of stock units in issue during the year.

	2018	2017
	\$	\$
Net profit attributable to equity holders of the company	<u>90,390,215</u>	<u>54,941,175</u>
Weighted average number of ordinary stock units in issue	502,275,555	405,398,297
Basic earnings per stock unit	<u>\$0.18</u>	<u>\$0.14</u>

The weighted average number of ordinary shares in issue at prior year end was 405,398,297, reflecting the number of shares in issue up to December 18, 2017, the date before the IPO became binding and the 502,275,555 units in issue at the year end.

19. LONG-TERM LIABILITIES

	2018	2017
	\$	\$
Loans		
i First Global Bank Jamaica Limited- Consolidated Loan	283,272,936	306,104,291
ii Mayberry Investments Limited	50,010,684	-
iii Bonds	660,000,000	-
Total	<u>993,283,620</u>	<u>306,104,291</u>
Accrued interest on loans	2,977,655	517,861
	<u>996,261,275</u>	<u>306,622,152</u>
iv GK Investments - Finance lease obligation	8,521,025	11,701,857
	<u>1,004,782,300</u>	<u>318,324,009</u>
Less: Current portion of loans	(31,394,266)	(23,962,063)
Current portion of finance lease obligation	(3,645,324)	(3,049,623) *
	<u>969,742,710</u>	<u>291,312,323</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

19. LONG-TERM LIABILITIES (continued)

- i. First Global Bank - Consolidated Loan
All bank loans were consolidated into one facility in September 2017 and interest rates revised. The existing loan attracts interest at the rate of 12.35% per annum.
The loan is secured by:
- The personal guarantee of two of the company's directors and supported by the directors' personal assets in the form of real estates and the assignment of life insurance policies
 - Letters of subordination of director's loans to the bank borrowings.
 - Debenture over the company's assets
 - Mortgage over the company's commercial properties situated at:
77 Molyne's Road, Kingston 10
8A and 8B Maverly Avenue, Kingston 10
14 Burley Road, Kingston 10
 - The assignment of Fire and Allied Insurance over stock-in-trade and 'keyman' life insurance policies.
- ii The Maberry Investment loan was received December 27, 2018 and matures December 2020. Interest accrues monthly at a rate of 7.75% per annum, and is unsecured
- iii These are debt instruments raised on the open market and attract interest at the rate 9.5% per annum. and are secured, in part by assets pledged by the directors.
- iv. GK Investments assumed the lease arrangements formerly held with First Global Bank for the acquisition of motor vehicles. The leases are at interest rates of 13.70% and 15.00% per annum.

20. DIRECTORS' LOAN

This represents loan to the company by Directors. The loan is interest free and has no fixed date for repayment [see note 19 (b)].

21. DEFERRED TAX

Deferred income tax liability resulted as follows: -

	2018	2017
	\$	\$
Deferred tax asset at the beginning of year	-	7,861,775
Deferred tax charge for the year* (note 7)	-	(7,861,775)
Deferred tax liability at end of year	<u>-</u>	<u>-</u>

* The provision for deferred tax was written back as it is not expected that the deferred tax liability will be actualised in the foreseeable future [see note 7].

22. FINANCIAL INSTRUMENTS

The company's activities exposes it to a variety of financial risk: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk. It is the responsibility of the Board of Directors for the establishment and oversight of the company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adhere to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and in the company's activities.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

22. FINANCIAL INSTRUMENTS (continued)

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is exposed to currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than Jamaican Dollar. Foreign exchange risk arises from commercial transactions, primarily with respect to purchases, which are denominated in United States dollars. The company does not earn foreign currency to counter the effects of the fluctuation in exchange rates.

The company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept at an acceptable level by monitoring currency positions. The company manages this risk by maintaining foreign currency accounts to satisfy its foreign creditors.

The principal foreign currency risks of the company, represented by balances in United States Dollars are as follows:

	2018	2017
	US\$	US\$
Cash and cash equivalent	1,116	72,162
Trade and other payables	<u>(1,468,650)</u>	<u>(1,432,293)</u>
Net exposure	<u>(1,467,534)</u>	<u>(1,360,131)</u>

Sensitivity analysis

Strengthening or weakening of the currency against the Jamaica Dollar would have increased profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

	Increase/(decrease) in profit	
	Strengthening	Weakening
	1%	6%
United States dollar	Ja\$ <u>1,877,906</u>	Ja\$ <u>(11,267,438)</u>

The exchange rates applicable at balance sheet date are US\$ 1 = J\$126.8307 (2017= J\$124.0571) in respect of foreign currency assets and US\$ 1 = J\$127.9683 (2017 = J\$125.0936) in respect of foreign currency liabilities.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company's cash and cash equivalents are subject to interest rate risk; these are mainly in the form of bank deposits, which are held on short-term with interest rates fixed to maturity. Cash and cash equivalent are held to meet short-term demand and not for investment purposes. Interest earnings is not considered material and the company has no interest bearing liabilities.

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded on the market. The company's exposure in relation to financial instrument is minimal as these are recorded at face value and no diminution in value is expected.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

22. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Credit risk is the risk arising from a counterparty to a financial contract failing to discharge its obligations, and arises principally from the company's receivables from customers, cash and investment securities.

Trade and other receivables

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the company and a failure to make contractual payments for a period greater than 120 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within based operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The maximum exposure to credit risk at reporting date is represented by the carrying value of its financial assets. The company's exposure to this risk is influenced by the individual characteristics of each customer.

Computation of net impairment on financial assets in respect of the current and the prior year was recognised in the profit or loss and adjusted to retained earnings respectively:

December 31, 2018	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	91 - 120 Days Past Due	121 - 150 Days Past Due	151 - 180 Days Past Due	Over 180 Days Past Due	Total
Expected loss rate	5%	8%	11%	17%	25%	38%	57%	
	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount - trade receivables	105,446,572	43,464,252	8,539,742	-	-	-	31,716,498	189,167,064
Loss allowance	5,272,329	3,259,819	960,721	-	-	-	18,063,537	27,556,405
Actual Provision								33,517,451
Excess Provision								(5,961,046)

December 31, 2017	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	91 - 120 Days Past Due	121 - 150 Days Past Due	151 - 180 Days Past Due	Over 180 Days Past Due	Total
Expected loss rate	5%	8%	11%	17%	25%	38%	57%	
	\$	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount - trade receivables	32,701,188	25,066,526	5,700,870	2,944,008	1,709,577	2,783,132	48,065,485	118,970,786
Loss allowance	1,635,059	1,879,989	641,348	496,801	432,737	1,056,720	27,374,796	33,517,451
Actual Provision								29,480,593
Under Provision, adjusted in retained earnings								4,036,859

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

22. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Reconciliation

	2018	2017
	\$	\$
31 December - Calculated under IAS 39	29,480,593	26,216,239
Amount restated through opening retained earnings	4,036,859	-
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	33,134,918	26,216,239
Increase/(decrease) in provision recognised in profit or loss during the year	(5,578,513)	3,264,354
Receivables written off during the year as uncollectable	-	-
Unused amount reversed	-	-
At 31 December	27,556,405	29,480,593

(c) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. Its financial liability comprise payables and accruals.

The company's financial liabilities at December 31, 2018 and 2017 comprise payables, accruals and marketing fund activities which are due to be expended evenly throughout the year.

Assets available to meet all the above liabilities and to cover financial liabilities are substantially receivables and bank balances, which are current and are well managed.

Other than the financial liabilities quantified in these financial statements there are no *off balance sheet* items, contingent liabilities or capital commitments.

The company has commitments in respect of its lease obligations. The following tables summarises the company's exposure:

	2018	2017
	\$	\$
Lease payments due within one year	4,618,962	4,618,962
Later than one year but not later than five years		
Lease #1 - August 2020	669,794	1,674,484
Lease #2 - August 2022	9,939,246	13,553,517
	10,609,040	15,228,001
Minimum lease payment	15,228,002	19,846,963
Future finance charge	(6,706,977)	(8,145,106)
Recognised as a liability	8,521,025	11,701,857
Present value of finance lease liabilities is as follows:		
Within one year	3,645,324	3,049,623
Later than one year but not later than five years	4,875,701	8,652,234
Minimum lease payments	8,521,025	11,701,857

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

FORM OF PROXY

22. FINANCIAL INSTRUMENTS (continued)

(d) Capital management

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital as well as to meet its liabilities when they fall due and to provide returns for its shareholders. The Board of directors monitors the return on capital on a regular basis.

The company is not subjected to any externally imposed capital requirements.

Other than the financial liabilities quantified in these financial statements there are no *off balance sheet* items, contingent liabilities or capital commitments.

There were no changes in the company's approach to capital management during the year.

(e) Fair value disclosure:

Due to their short-term nature, the amounts reflected in the financial statements for cash and cash equivalents, accounts receivable and payables are considered to approximate to their respective fair values. Additionally, the cost of monetary assets and liabilities has been appropriately adjusted to effect the estimated losses on realisation or discounts on settlement.

23. CONTINGENT LIABILITY & CAPITAL COMMITMENT

In the normal course of business, the company is subject to various claims, disputes and legal proceedings. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the company, and the amount can be reasonably estimated.

At reporting date, there was a claim against the company in relation to a motor vehicle accident involving one of its drivers. The company has acknowledged the claim and negotiations are underway to have the matter settled within the limits of the insurance policy. No provision has been made in the company's books for a shortfall/(if any), resulting from under recovery of insurance proceeds.

A shareholder entitled to attend and vote at the Annual General Meeting, may appoint a proxy to attend and vote in his/her stead. A proxy need not be a shareholder of the Company. All completed original proxy forms, together with the power of attorney or other documents appointing the proxy, must be deposited at the registered office of the company, 79 Molyne's Road, Kingston 10, Jamaica, no later than 2:30 p.m. Friday 9th August 2019.

I/We _____ (insert name) of _____ (insert address) being a shareholder of FosRich Company Limited, hereby appoint(s) _____ of _____ (insert address) or failing him _____ (alternate proxy) of _____ as my/our proxy to vote for me/us and on my/our behalf at the 2019 Annual General Meeting of FosRich Company Limited, to be held on Tuesday, 13th of August, 2019 at 2:30 pm at 79 Molyne's Road, Kingston 10 Jamaica, and at any adjournment thereof. I desire this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit)

No.	Resolution Detail	Vote For Or Against (Tick As Appropriate)			
		For		Against	
1	To adopt the audited accounts for the year ended December 31, 2018 and the report of the Directors and Auditors thereon.				
2	The Directors retiring by rotation in accordance with Article 97 of the Company's Articles of Incorporation are Rosalyn Campbell and Peter Knibb, who being eligible for re-election, offer themselves for re-election to the Board.				
2a	To re-appoint Rosalyn Campbell to the Board				
2b	To re-appoint Peter Knibb to the Board				
3	To re-appoint Crooks Jackson Burnett, Chartered Accountants of Unit 9a, 2 Seymour Avenue, Kingston 6, as the auditors of the Company and to fix their remuneration.				
4	To authorize the Board of Directors to fix the remuneration of the Directors for the year ended 31 December 2018.				

Signed this _____ day of _____, 2019
 Signed: _____ (signature of primary shareholder / Director)
 Name: _____ (print name)
 Signed: _____ (signature of joint shareholder, if any / Director)
 Name: _____ (print name of joint shareholder, if any)

Seal

NB The Proxy Form shall bear the stamp duty of \$100.00. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the proxy.

