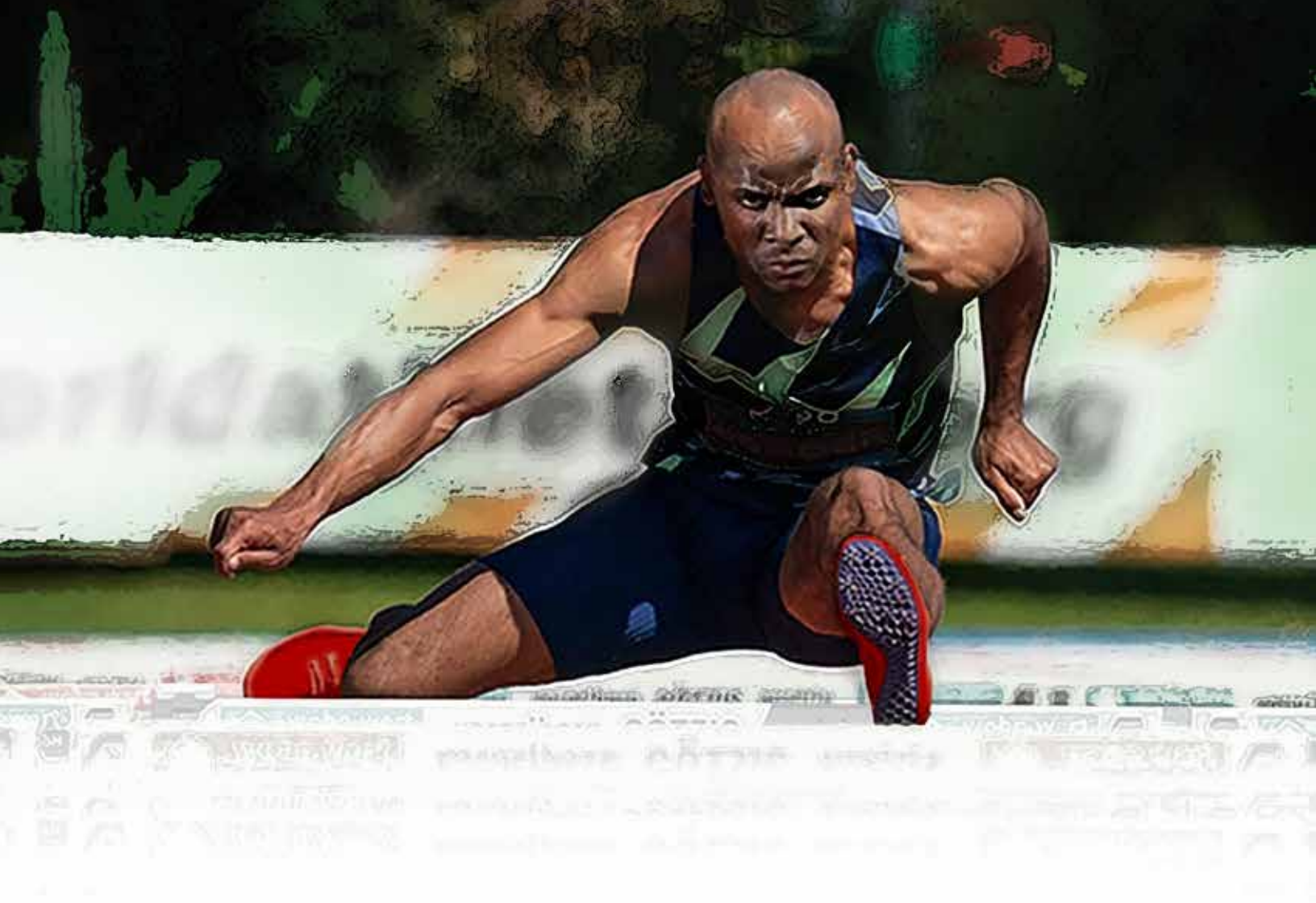


# *FosRich*

COMPANY LIMITED

ANNUAL REPORT 2021



**BE RELENTLESS, BE RESILIENT**  
In pursuit of building Jamaica to greatness



## MISSION

Improve peoples' lives through high-quality products.

## VISION

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

## 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 - every day.

We commit to the relentless renewal of our enterprise through the constant training of our people at all levels.

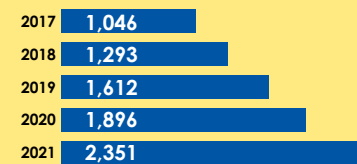
In our merit-based culture, individual reward and recognition will be a result of measured performance.

We treat all competitors as noble, but we compete fairly and vigorously to win.

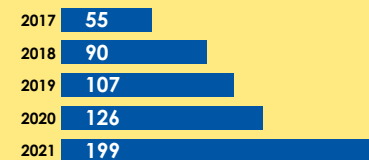
### WHY INVEST IN FOSRICH

- ▶ Diversified product range and service offering providing sustainable earnings
- ▶ Consistent growth in earnings
- ▶ Growth in dividends
- ▶ Long-term relationship with Fortune 500 companies with premium brands
- ▶ Focused on meeting the needs of the local and export market with core products
- ▶ Strong balance sheet with huge inventory of items required by the market
- ▶ Strong capital position
- ▶ Vision and strategic plan to capitalise on growth opportunities
- ▶ Committed and trained management team

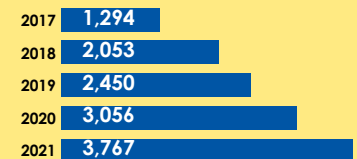
#### INCOME (\$M)



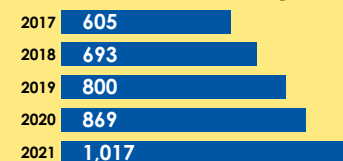
#### NET PROFIT (\$M)



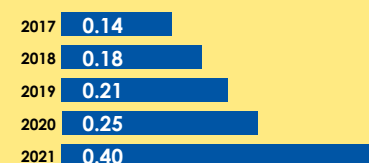
#### ASSETS (\$M)



#### SHAREHOLDERS' EQUITY (\$M)



#### EARNINGS PER SHARE



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# YEAR IN REVIEW



## **MAY**

Participation in JAMPRO/Jamaica Business Development Corporation/Jamaica Manufacturers Association's Export Max Program

## **JULY**

Shareholder's equity exceed \$1 billion for the first time

## **AUGUST**

Annual General Meeting held on Tuesday 17th August 2021

## **DECEMBER**

Export to Barbados

## **JUNE**

FosRich Corporate University

## **AUGUST**

Export to Guatemala

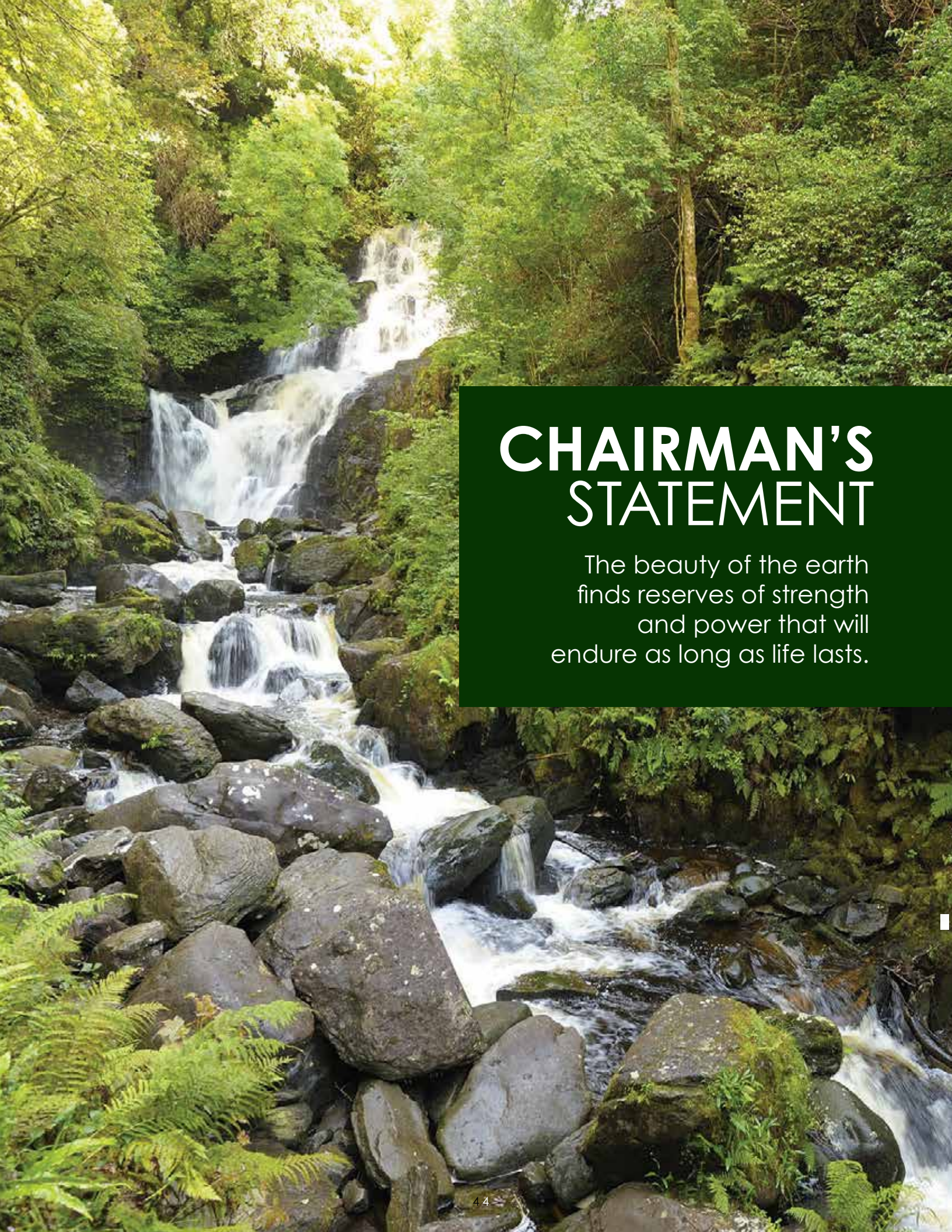
## **DECEMBER**

Dividend paid



# Annual Review 2021

+++ Information +++ News +++ Information +++ News



# CHAIRMAN'S STATEMENT

The beauty of the earth finds reserves of strength and power that will endure as long as life lasts.



### FINANCIAL PERFORMANCE

Despite the many challenges brought about by COVID-19, FosRich continues to strive for growth and success. We are pleased to report that the performance of the Company in 2021 was strong.

During the year, the Company generated income of \$2,351 million compared to \$1,896 million for the prior year; an increase of \$455 million. Gross profit for the year is \$1,043 million compared to \$825 million for the prior year, showing a 26% increase. Net Profit generated is \$199 million, an increase of \$73 million or 59% over the \$126 million reported in 2020. There was also a 60% increase in the earnings per stock unit; \$0.40 compared to \$0.25 in the prior year. One of the main driving forces for the increase in revenues was the PVC manufacturing arm of the business which has given us strong results. The overall results were achieved despite the reduced number of days that the stores were opened in August, due to the increased number of lockdown days enforced by the government as part of its Covid-19 strategy.

In appreciation of our shareholders for their continued confidence and support for FosRich in this difficult environment, the Board of Directors declared a dividend of \$0.103 per share which was paid in December.

### PARTNERSHIPS

Being true to our Vision – “We strive to make our customers’ lives better through the offerings of high-quality products while providing value through quality electrical, lighting, energy, and engineering solutions,” we continue the strong partnership with our Fortune 500 companies namely, Philips, Siemens, Nexans, General Electric and Huawei FusionSolar. It is our aim to keep building these relationships and improve on the products offered so that our customers will be satisfied.

### NEW ACTIVITIES

The new 30,000 square foot Fulfilment Centre, the first phase of the development located at 76 Molyne Road, has been completed and was occupied in October. This facility is fitted with a Digital Warehouse Management System (WMS) which has significantly improved our distribution process and is bringing benefits to the business and to our customers. We look forward to beginning construction of the next phase of the Fulfilment Centre in the first quarter of 2022.

One of the most important assets of FosRich is its human resource and therefore much emphasis is placed on their development as individuals and as a team, hence during the year the FosRich Corporate University was launched. Its mandate is to train and develop team members by providing enhanced, in-depth and focused training at all levels. With ongoing training, we aim to take the team to a corporate level of operation. The courses utilize MBA type case studies and role-play, and cover a broad spectrum of disciplines, facilitating the development of critical thinking and other skills necessary for the advancement of the organization.

Renewable Energy forms an integral part of the Company and so we will continue to explore opportunities in this area as we advance our presence in the renewables space.

### EXPORT

FosRich had its first export shipment of conduits to Barbados during the year and is anticipating increased shipments, as well as venturing into new territories in 2022 and beyond.

### ACKNOWLEDGMENT

I would like to thank my fellow directors for their commitment and valuable guidance during this past year, which has been quite challenging. On behalf of the Board of Directors, I express appreciation to the FosRich team members for their dedicated service to the Company. I am also grateful to our many partners, customers and stakeholders for their support and confidence in FosRich and ask for their continued support as we look forward with great anticipation to a productive year.

Despite the many uncertainties, we remain positive about our prospects in 2022. We have a clear vision of the future that we want to create. It looks promising and we are encouraged by how it has started. FosRich is resilient and resolute and will collaborate with our partners and stakeholders to build a sustainable future.

**MARION FOSTER**  
Chairman Of The Board

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2022 Annual General Meeting of the shareholders of FosRich Company Limited ("the Company"), will be convened on Tuesday, June 21, 2022, at 2:30 p.m. for the following purposes -:

## ORDINARY BUSINESS

1. To receive the Directors' Report, the Auditor's Report and the Audited Financial Statements of the Company for the financial year ended December 31, 2021.

To consider and if thought fit pass **Ordinary Resolution#1**

"That the Audited Financial Statements for year ended December 31, 2021, together with the Auditor's Report and the Report of the Directors of the Company be hereby received and adopted."

2. To retire one third of the Directors by rotation in accordance with Article#98 and re-elect the retiring Directors as provided by Article#99 of the Company's Articles of Incorporation. The Directors retiring in 2022 are Steadman Fuller and Peter Knibb and being eligible are offering themselves for re-election.

To consider and if thought fit pass **Ordinary Resolution#2a**

"That Steadman Fuller retires by rotation and being eligible he is re-elected to continue to serve as Director of the Company for the ensuing year."

To consider and if thought fit pass **Ordinary Resolution#2b**

"That Peter Knibb retires by rotation and being eligible is re-elected to continue to serve as Director of the Company for the ensuing year."

3. To ratify the dividend declared and paid by the Company for the year ended December 31, 2021.

To consider and if thought fit pass **Ordinary Resolution#3**

"That a dividend declared of \$0.103 per share and paid on December 6th, 2021, to the shareholders on record as at November 19th, 2021, by the Company, be approved as at the date of the Annual General Meeting."

4. To re-appoint the Auditors and authorize the Board of Directors to fix their remuneration.

To consider and if thought fit pass **Ordinary Resolution#4**

"That Messrs. Crooks Jackson Burnett, Chartered Accountants of Unit 9a, 2 Seymour Avenue, Kingston 6, Jamaica, having agreed to continue in office as Auditor be and are hereby re-appointed to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

## SPECIAL BUSINESS

5. Increase in Share Capital, Stock Split, Rights Issue and/or Additional Public Offering

To consider and if thought fit pass **Ordinary Resolution#5.1-5.6**

5.1 "THAT the authorised share capital of the Company be increased from 512,821,000 shares to 15,000,000,000 shares by the creation of an additional 14,487,179,000 ordinary shares each ranking pari passu in all respects with the existing ordinary shares or stock units in the capital of the Company."

5.2 "THAT each of the issued ordinary shares in the capital of the Company be subdivided into 10 ordinary shares with effect from the close of business on 6 July 2022 resulting in the total issued shares capital of the Company being increased from 502,275,555 ordinary shares of no par value to 5,022,755,550 ordinary shares of no par value."

5.3 "THAT the Company, be and is hereby authorised to issue up to 126,000,000 ordinary shares by way of a Rights Issue to existing stockholders, and/or an offer for subscription to the public pursuant to a prospectus in lieu of a rights issue to existing Stockholders. (herein an "Additional Public Offering")

5.4 "THAT the Board of Directors of the Company and/or any duly appointed Committee of the Board of Directors be and is hereby authorised to determine in their discretion any terms and conditions relating to the Rights issue and/or Additional Public Offering."

5.5 "THAT any pre-emption rights to which the existing stockholders may be entitled, howsoever arising, be and are hereby dis-applied for the purposes of the Rights issue and Additional Public Offering."

5.6 "THAT all ordinary shares issued in the Rights issue and Additional Public Offering once issued and allotted be and are hereby converted into stock units."

6. Ammendment to Articles of Incorporation.

To consider and if thought fit pass Special Resolution #6

"THAT the Articles of Incorporation of the Company be and are hereby amended by deleting the definition of Electronic Means in Article 1 and inserting new Articles numbered 1A, 1B and 1C respectively to provide as follows: -

"1A" A document or information required to be sent may be sent:-

- (a) In an "Electronic Form" if it is sent or supplied in an electronic form (for example by electronic mail, facsimile, or by other means while in an electronic form for example, sending a computer disk or tape, or QR code, by post or hand delivery).
- (b) By "Electronic Means" if it is sent:-
  - (i) Initially and received at its destination by means of a computer, laptop, tablet, mobile phone, scanning devices, QR code, automated or photographic devices or other electronic equipment for the processing (including digital compression), downloading or storage of data;
  - (ii) Entirely transmitted, conveyed and received by wire, by radio, optical means, scanning devices, QR code, mobile telephone, tablets, iPad, laptops, computers or other electromagnetic means;
  - (iii) By posting links to access documents or information via the Company's website;

"1B" Where in these Articles it is provided that a document or information may be sent in Electronic Form or by Electronic Means it means that the Company may send the document or information in Electronic form and Electronic means if the intended recipient has consented or is deemed to have consented in writing to such document or information being sent to him in that form or by that means and has provided the Company with an Electronic Address at which such document or information may be sent in Electronic Form or by Electronic Means. In the event that the Company requests any shareholder to consent to any document being sent to that shareholder by Electronic Form or Electronic means and such shareholder does not respond he or she shall be deemed to have consented to such document being sent to him or her in the Electronic Form or by Electronic Means in the manner proposed and if he has not provided an Electronic Address to the Company he or

she shall be deemed to have consented to such document being sent or served upon him or her by uploading same to the Company's website.

"1C" In the event that the Company uploads a document to its website and/or the Jamaica Stock Exchange website and publishes a notice in a daily newspaper that it has done so then such document shall be deemed to have been served or given to its shareholders.

Dated this 28th day of April 2022  
**BY ORDER OF THE BOARD**



**Company Secretary**

**Registered Office:** 79 Molynes Road, Kingston 10, Jamaica  
**Registrar:** Jamaica Central Securities Depository Limited, 40 Harbour Street, Kingston.

**Notes:**

1. 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.
2. A Proxy Form is enclosed at the back of the annual report for your convenience.
3. Members can also download a proxy form from the company's website (www.fosrich.com).
4. A Director and the Company Secretary are required to sign the proxy form of a corporate member under the common seal of that company.
5. Amendments made to the proxy form must be initialled by the member(s) signing.
6. In the case of joint holders, any member may sign the proxy form to the exclusion of the other joint holder(s).
7. The completed form must be properly executed, stamped and together with the power of attorney or other documents appointing the proxy, must be deposited with the Secretary at the Registered Office of the company at 79 Molynes Road, Kingston 10, no later than 2:30 p.m. Friday 17th June 2022.
8. The Proxy Form shall bear stamp duty in the amount of \$100.00 by way of postal adhesive stamp(s) which is to be cancelled by the person signing the form.
9. Voting virtually on the Zoom platform during the meeting will not be accommodated. Members attending virtually, and wishing to vote, must therefore submit a Proxy Form

**FosRich Limited is inviting you to a scheduled Zoom meeting.**

Topic: Annual General Meeting  
 Time: Jun 21, 2022 02:30 PM Bogota

Join Zoom Meeting  
<https://us02web.zoom.us/j/88981977764?pwd=MFh5b2tFOWR3bGwrL2dxNGsxQzdCCQT09>

Meeting ID: 889 8197 7764  
 Passcode: 139412



**JPS Engineers touring the Hayes Facilities.**



**Olivia Nelson & her son Brandon receiving a laptop from the FosRich Foundation**



**Ready for Export**



**Faydene Roye collects her prize from Cecil Foster**

# NINE-YEAR STATISTICAL SUMMARY

	2021	2020	2019	2018	2017	2016	2015	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<b>INCOME STATEMENT</b>									
Revenue	2,351	1,896	1,612	1,293	1,046	1,156	948	928	774
Gross Profit	1,043	825	710	534	473	469	363	401	363
Expenses	900	732	652	490	456	451	358	362	301
EBITDA	412	311	272	168	137	114	74	109	112
Profit After Tax	199	126	107	90	55	30	3	36	50
Earnings per share	\$0.40	<b>\$0.25</b>	<b>\$0.21</b>	<b>\$0.18</b>	<b>\$0.14</b>	<b>\$0.08</b>	<b>\$0.01</b>	<b>\$0.09</b>	<b>\$0.12</b>
<b>BALANCE SHEET</b>									
Assets	3,767	3,056	2,450	2,053	1,294	1,120	1,103	992	956
Net Current Assets	1,503	1,429	1,242	1,350	566	285	307	324	455
Retained Earnings	588	441	363	256	165	114	84	81	174
Shareholders' Equity	1,017	869	800	693	605	399	369	366	458
Financing	1,565	1,291	1,125	1,005	318	335	391	330	283
Right-of-use Liability	540	378	201						
<b>RATIOS &amp; OTHER</b>									
Gross Profit %	44%	44%	44%	41%	45%	41%	38%	43%	47%
Rate of stock turn per year	0.81	0.82	0.82	0.92	0.92	1.10	0.97	0.93	0.73
Days of sales in receivables	60	84	71	86	53	39	48	33	45
Current Ratio	2.83	3.46	4.30	5.02	2.71	1.60	1.71	1.98	3.08
Quick Ratio	0.66	0.95	1.20	1.98	0.82	0.29	0.31	0.27	0.51
Debt to Equity - Excluding Right-of-use Liability	1.54	1.49	1.41	1.45	0.53	0.84	1.06	0.90	0.62
Debt to Equity - Including Right-of-use Liability	2.07	1.92	1.66	1.45	0.53	0.84	1.06	0.90	0.62
<b>OTHER</b>									
Distribution Outlets	4	4	4	4	4	4	4	4	4
Average Team Size	165	132	138	92	77	105	87	87	85
No. of shareholders	1,753	1,395	1,365	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.

Tavares-Finson Adams  
58 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 Halfway 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.

### Board Committee Members

Marva Chang, FCCA, FCA  
Clive Nicholas, FCCA, FCA

## COMPANY SECRETARY

Cube Corporate Support Limited

## SENIOR OFFICERS

Warren Riley  
Senior Accountant

Vincent Mitchell  
Route Sales Manager

Hector Mendoza  
Commercial & Project Director

Kerry-Ann Gray  
Marketing Manager

Michelle Thame  
Operations & HR Manager

Stephen Spencer  
Business Development Manager

## RETAIL OUTLETS

### Kingston General

79 Molynes Road Kingston 10,  
Jamaica W.I.  
Tel: (876)937-2401  
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

Success is a journey, not a destination

The Directors hereby present their Report and the Audited Financial Statements for the year ended December 31, 2021.

Financial Results: Results for the year are set out in pages 36-74.

Highlights thereof are set out below:

	2021	2020
	\$	\$
<b>Turnover</b>	<b>2,351,146,322</b>	<b>1,895,680,002</b>
<b>Net Profit</b>	<b>199,309,658</b>	<b>125,695,400</b>
<b>Net Assets</b>	<b>1,016,737,331</b>	<b>868,563,364</b>
<b>Dividends Paid</b>	<b>51,734,383</b>	<b>47,716,180</b>

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

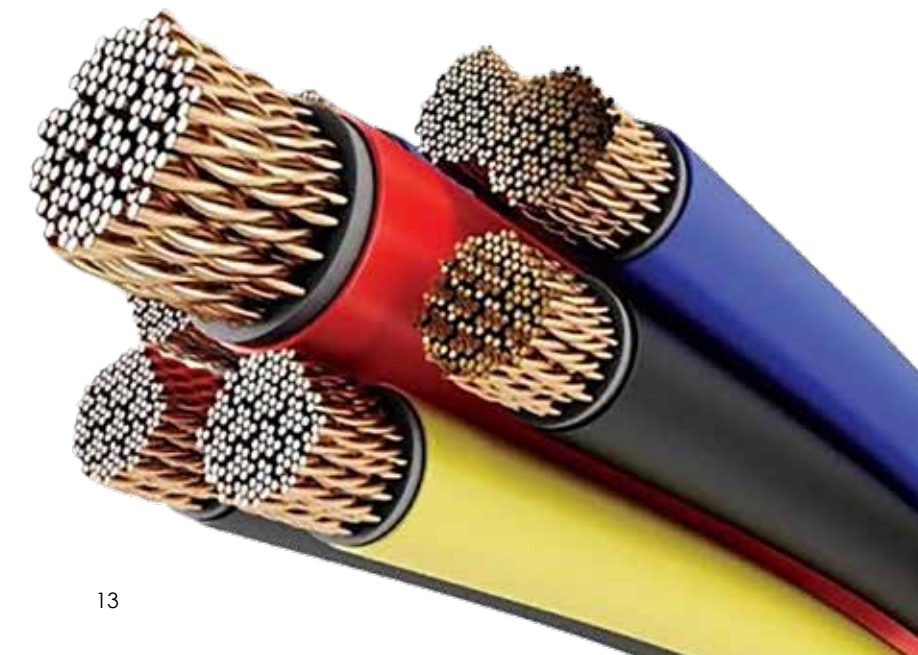
The Directors retiring by rotation in accordance with Article 97 of the Company's Articles of Incorporation are Cecil Foster and Peter Knibb, who being eligible for re-election, offer themselves for re-election to the Board.

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

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

On behalf of the Directors  
31st March 2022

**MARION FOSTER**  
Chairman





# 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 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 an emphasis on business development and marketing. He is a 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 three times per week to approximately six-hundred persons.

## PETER KNIBB

### EXECUTIVE DIRECTOR, BOARD MENTOR & CHIEF FINANCIAL OFFICER

Peter Knibb is a Chartered Accountant with 20 years of experience working in corporate groups and 14 years of experience working with two 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 was the Chief Executive Officer of the Private Security Regulation Authority. 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 of 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, both 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's 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 seven stores across Kingston and Spanish Town including four 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.

## BOARD COMMITTEE MEMBERS



## MARVA CHANG

### BOARD COMMITTEE MEMBER

Marva Chang is a resourceful Finance Executive with several years of experience in financial management across manufacturing, finance, facilities maintenance, and gaming industries for both publicly and privately held companies. Strong in administrative and organizational skills as well as core finance functions of auditing and accounting, pensions management, training, strategic planning, budgeting/forecasting, and relationship building.

Marva is a Chartered Accountant and is highly trained in accounting and human resources management and applied her knowledge in the senior management roles held. She 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.



## CLIVE NICHOLAS, C.D.

### BOARD COMMITTEE MEMBER

Clive Nicholas brings to the Board Committee over thirty (30) years of experience as a Senior Executive in the Jamaica Revenue Services, involved in all aspects of Tax Administration and Tax policy. Executive experience in transformation programs as Chairman of the Tax Administration Reform Project and the Customs Modernization Project. He was responsible for the implementation of General Consumption Tax in Jamaica in 1991 and for organizing and directing the policies and programs during the initial nine (9) year period. He was the Executive Member and Country Representative for Jamaica to the Inter-American Centre of the Tax Administration. He has functioned as moderator and presented papers on several occasions. He was Team Leader and Tax Expert for U.W.I. Consulting Inc, a project to develop CARICOM Tax Database.

He has also received National Honour in 2002 for Service to the Public Sector, Order of Distinction in the Rank of Commander Class and was a member of the Parliament (Integrity of Members) Commission.

Clive has been a Chartered Accountant since 1987 and an expert in local and international tax systems, including, certification from Harvard University International Tax Program.



## CUBE CORPORATE SUPPORT LIMITED

### COMPANY SECRETARY

Cube Corporate Support Limited assumed the office of Company Secretary for FosRich Company Limited effective from 1st February 2022.

# EXECUTIVE TEAM



**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 an emphasis on business development and marketing. He is a member of the King's House Foundation Board of Governors, and Chairman of 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 three times per week to approximately six-hundred persons.



**PETER KNIBB**  
**EXECUTIVE DIRECTOR, BOARD MENTOR & CHIEF FINANCIAL OFFICER**

Peter Knibb is a Chartered Accountant with 20 years of experience working in corporate groups and 14 years of experience working with two 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.



**KERRY-ANN GRAY**  
**MARKETING 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 appointed 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) and; certificate in Supervisory Management from UWI Open Campus 2011. After spending nine (9) years with the team she was appointed to 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.



**MICHELLE THAME**  
**OPERATIONS AND HR MANAGER**

Ms Thame joined the Company in 2019. She is a certified Project Manager and holds a B.Sc. in Hotel Management from the University of the West Indies. Over the years she has held senior management positions and worked as a consultant, in various business sectors with a focus in general management, operations management and human resources development for most of her career.

She has served as pension plan trustee, a representative for the Jamaica Employer's Federation, treasurer of the Jamaica Hotel & Tourist Association (Negril Chapter) and has served on the management advisory committee for the National Tools & Engineering Institute (HEART).

Ms Thame is currently an assessor with the National Council on Technical & Vocational Education & Training and is a member of the board of the Columbus Preparatory School.



**VINCENT MITCHELL**  
**ROUTE SALES MANAGER**

Mr Vincent Mitchell has been employed at FosRich since January 2011 and has over 35 years of 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.



**HECTOR MENDOZA**  
**COMMERCIAL & PROJECT DIRECTOR**

Hector Mendoza is an entrepreneur and is the co-founder of Neo Digital Inc. & Neo Tech Panama SA, which has a focus on innovating service levels in lighting projects in Panama and Jamaica. He has more than 25 years of experience in regional management, possesses excellent interpersonal relations and is able to build and work with multidisciplinary and multicultural teams. Hector is skilled in key customer management and specialises in key projects negotiation.

Hector has exceptional knowledge of the lighting and energy market. His main achievements were to triple the sales in 5 years for Central America and Caribbean business, which became the most profitable business in the Latin America region and to lead the restructuring process to improve company efficiency.



**WARREN RILEY**  
**SENIOR ACCOUNTANT**

Mr Riley joined the Company in January 2010. He is an accomplished accounting professional with more than 15 years of 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.



**STEPHEN SPENCER**  
**BUSINESS DEVELOPMENT MANAGER**

Mr Spencer joined the Company in 2019. He has a B.Sc. Degree in Special Chemistry from the University of the West Indies. Over the years he has held senior management positions, working in various roles in various corporate organizations. In these roles he has garnered experiences in manufacturing, engineering, supply chain/distribution (Inventory management, in and out-bound logistics), sales, and general management.

Stephen is a dynamic, results-driven, motivational leader of several years, with excellent operational management skills in developing and driving strategic processes through to operational tactics on the shop floor. He drives the business development agenda for FosRich focussing on the western and central regions of the island which includes our stores in Mandeville and Montego Bay and drives some of the new revenue-generating streams for the Company.



**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	√					√	√	√
Michelle Thame	√							√
Hector Mendoza	√	√	√	√				
Kerry-Ann Gray		√		√				
Stephen Spencer	√	√	√	√				
Vincent Mitchell		√		√				
Warren Riley		√	√		√	√	√	√



# DISCLOSURE OF SHAREHOLDINGS

## Top Ten Stockholders

NAME	SHARES HELD	
	NUMBER	PERCENTAGE
1 Cecil Foster	200,910,222	40.0%
2 Marion Foster	200,910,222	40.0%
3 JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	21,349,428	4.3%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	10,150,000	2.0%
5 Jamaica Money Market Brokers Ltd	10,096,427	2.0%
6 Stocks & Securities Limited (Alpha)	5,553,431	1.1%
7 JCSD Trustee Services Ltd. - Sigma Global Ventures	4,704,269	0.9%
8 Sagicor Select Fund Limited - Class C - Manufacturing & Distribution	4,028,960	0.8%
9 Nigel Coke & Bobbette Coke, Sylvan Coke	3,689,428	0.7%
10 PAM - Pooled Equity Fund	2,500,788	0.5%
Total of Top Ten	463,893,175	92.4%
Others	38,382,380	7.6%
<b>TOTAL SHARES ALLOTTED</b>	<b>502,275,555</b>	<b>100%</b>
Total number of stockholders - 1,753		

## Stockholding of Directors, Board Committee Members & Connected Persons

NAME	SHARES HELD
<b>DIRECTORS</b>	
1 Cecil Foster	200,910,222
2 Marion Foster	200,910,222
3 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	10,150,000
4 Rosalyn Campbell	2,000,000
5 Steadman Fuller	Nil
6 Ian Kelly	Nil
<b>BOARD COMMITTEE MEMBERS</b>	
7 Marva Chang	Nil
8 Clive Nicholas	Nil

## Stockholding of Senior Managers & Connected Persons

NAME	SHARES HELD
1 Cecil Foster	200,910,222
2 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	10,150,000
3 Warren Riley & Cheryl Riley	224,867
4 Vincent Mitchell	7,484
5 Michelle Thame	Nil
6 Stephen Spencer	Nil
7 Hector Mendoza	Nil

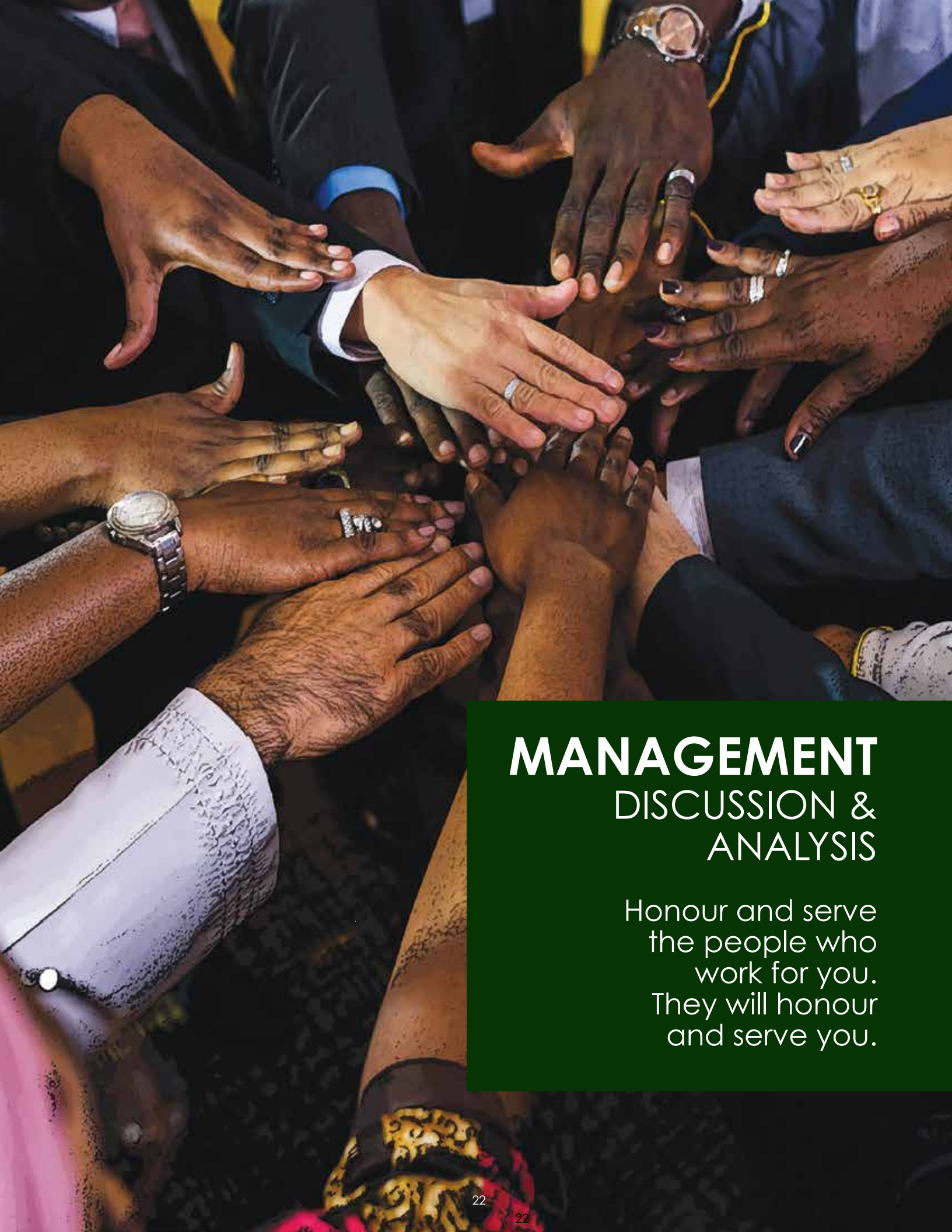
## Stockholder Information

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

### FOSRICH STOCK TRADING SUMMARY

	Price Range	Volume	Opening Price	Closing Price
2021	3.77 - 10.20	35,152,618	4.11	9.05
2020	2.31 - 4.50	18,063,910	4.28	4.11
2019	3.80 - 5.63	43,767,107	3.86	4.28





## MANAGEMENT DISCUSSION & ANALYSIS

Honour and serve  
the people who  
work for you.  
They will honour  
and serve you.



**CECIL FOSTER**  
Managing Director

**PETER KNIBB**  
Chief Financial Officer

**OVERVIEW**

The Board of Directors of FosRich Company Limited is pleased to present this analysis for the year ended December 31, 2021, and to report on the performance of the Company. 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.

**REVENUES**

Revenues was \$2,351 million - Up \$455 million or 24% compared to the prior period's \$1,896 million

Gross profit was \$1,043 million - Up \$218 million or 26% compared to the prior period's \$825 million

Net profit was \$199 million - Up \$74 million or 59% compared to the prior period's \$126 million

Earnings per stock unit was \$0.40 - Up \$0.15 or 60% compared to the prior period's \$0.25

The product lines that had significant increases over the prior year were Solar Products, which grew by 157%, Control Devices which grew by 55%, PVC Products,

which grew by 45% and Wiring Devices which grew by 37%. These increases were achieved despite the reduced number of days that the stores were opened in August, due to the increased number of lockdown days enforced by the government as part of their Covid-19 strategy.

During the year we experienced a mix of fluctuations in volume and price increases. Price increases were driven by escalating copper and PVC ingredient prices on the international market and increased shipping 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, "We serve you better." Listed below are distribution channels we employ to connect with and serve our customers. Most distribution channels achieved growth during 2021.

- 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 our products. We have found that these events are eagerly anticipated by our customers.

**DIRECT MARKETING TEAMS**

**Direct Marketing Teams Revenues - \$928 Million - 39% of total. (Prior-year \$787 Million)**

During 2021 this team maintained the top spot and now provides 39% of revenues – Down from 42% in the prior year. Our Direct Marketing Team is structured as follows:

**ROUTE SALE Revenues of \$547 million. (Prior year \$531 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.

**PROFESSIONAL SALE Revenues of \$107 million. (Prior year \$75 million)**

A quick-response team focused on the needs of large commercial and industrial operations.

**IN-HOUSE MARKETING Revenues of \$268 million. (Prior year \$174 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 \$5 million. (Prior year \$10 million)**

This team focuses its attention on capturing end users. The members make appointments and visit corporate offices to teach customers and their staff ways of being 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.

**COTTAGE ROAD - BETTER HOMES STORE**

**Cottage Road - \$219 Million - 9% of total (Prior year \$145 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.

**KINGSTON MAIN STORE**

**Kingston - \$806 Million - 34% of total. (Prior year \$680 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.

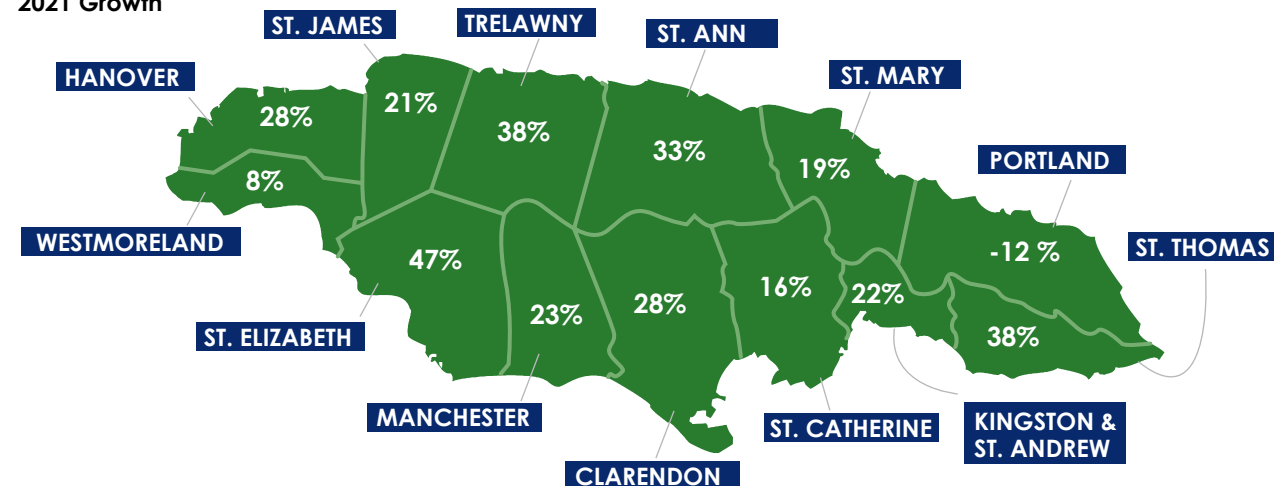
**FAIRVIEW - LIGHTING WORLD STORE**

**- \$97 Million – 4% of total (Prior year \$75 Million)**

Lighting 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.

**PARISH SALES**

2021 Growth



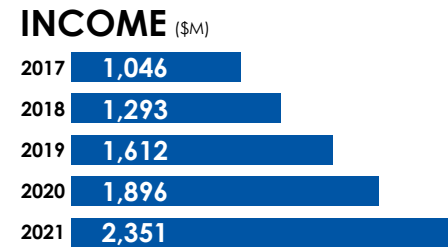
**MANDEVILLE - LIVE YOUR DREAM STORE**  
**Revenues of \$298 million - 13% of total**  
**(Prior year \$207 Million)**

The Live Your Dream Store showed an increase in sales revenue by 16% 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.

**INCOME STATEMENTS**

**Income**

During the year, the Company generated income of \$2,351 million compared to \$1,896 million for the prior year. An increase of \$455 million.



**Gross Profit**

Gross profit for the year was \$1,043 million compared to \$825 million for the prior year, an increase of \$218 million.

These increases were attributed primarily to the greater availability of the products required by the market.

**Other Income**

Other income for the year was \$56 million compared to \$32 million in the prior year.

**Administration Expenses**

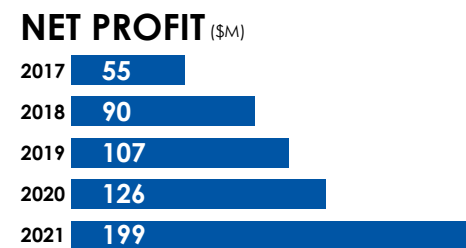
Administration expenses for the year were \$632 million, reflecting an increase of \$126 million on the prior reporting year's amount of \$506 million. There were increases in staff related costs for salary adjustments, increased sales commission due to improved sales performance and improvements in staff benefits, increased staff training cost with the launch of the new FosRich Corporate University and utilities, increases in the costs associated with our PVC manufacturing, increased selling, marketing and travelling costs, and increased occupancy cost due to the commencement of obligations in January for the second Hayes, Clarendon factory building and increased depreciation and amortisation charges. Decreases were driven primarily by reduced professional fees.

**Finance Cost**

Finance cost for the year was \$185 million compared to \$160 million for the prior year, an increase of \$25 million. This increase is being driven by increased financing obtained to assist with the financing of operations. This new financing was obtained at more favourable rates than the previous bank facilities. There were also increases in receivables impairment provisions of \$44 million compared to the \$32 million increase for the prior year.

**Net Profit**

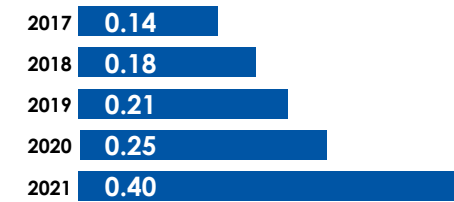
Net Profit generated for the year was \$199 million, an increase of \$73 million or 59% over the \$126 million reported for the prior period.



**Earnings Per Stock Unit**

Earnings per stock unit was \$0.40 compared to \$0.25 in the prior year, reflecting an increase of 60%

**EARNINGS PER SHARE**



**Balance Sheet Inventories**

The Company's forward purchasing arrangements have been affected by the now global supply chain problems associated with trans-shipment availability and escalating costs. This current problem is affecting both our North American and Asian suppliers. We, however, continue to 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 done both at the individual product level and by product categories. Increases in the carrying values of inventories reflect the increased cost of supplies. Sales in most categories remain strong and reflect increases over the prior year. We continue to monitor the effect of the Covid-19 pandemic on our customers' buying patterns.

**Receivables**

With the increases in sales has come an uptick in receivables. Also of note is a reduction in the proportion of cash sales to total sales made in the current year. We continue to actively manage trade receivables with an emphasis being placed on balances over

180 days. We have implemented strategies to collect these funds as well as to ensure that the other buckets are managed. As a result of the anticipated impact of Covid-19 on our customers, we have re-evaluated all credit relationships. Where necessary, credit limits have been reduced and credit periods shortened. For some inventory items we have instituted seven (7) day credit or cash. Forty-nine percent (49%) of trade receivables are within the current to 60-day category. This reflects a deterioration when compared to the prior year's fifty-eight percent (58%). Provision for losses on credit sales was increased by \$44 million during the year.

**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, as the bulk of our inventories are sourced from overseas. We continue to manage payables, for the most part, within the terms given by our suppliers.

**Non-current Liabilities**

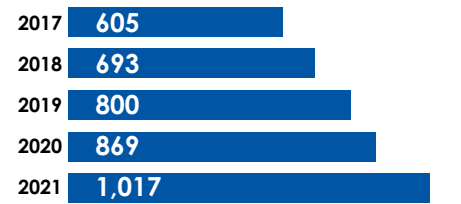
Non-current liabilities have increased by \$319 million. \$159 million of this increase is due to our booking of the lease obligation in connection with the lease of the second Hayes factory building which commenced in January 2021. \$167 million was attributable to net increases in our long-term loans.

**Shareholders' Equity**

Shareholders' equity now stands at \$1,016 million, up by \$147 million from \$869 million on 31 December 2020. The net increase arose primarily as a result of retained profits for the year amounting to \$199 million, net of dividend paid amounting to \$52 million.

We now have 1,753 shareholders, an increase of 358 or 26% on the 1,395 on 31 December 2020.

**SHAREHOLDERS' EQUITY** (\$M)



**Other Matters**

**Covid-19**

In the first quarter of 2020, the World Health Organization declared the Novel Coronavirus (COVID-19) outbreak a pandemic, and the Government of Jamaica declared the island a disaster area on 13th March 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity and business operations. This could have significant negative financial effects on the Company, our suppliers, our customers, and our financiers, depending on factors, such as the duration and spread of the outbreak, the restrictions and advisories from the Government of Jamaica and the governments of our overseas suppliers.

The prolonged epidemic threat increases the risk of economic slowdown, which may affect our financial performance. We continue to monitor and manage this risk. Despite staff shortages resulting from quarantine, we have managed to keep all our stores open. We have been adversely affected by the no-movement-days which saw our stores open for 2 ½ days per week for most of August, instead of the usual 5 ½ days.

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

**New Activities  
Export**

The export of PVC pipes is one of our strategic goals. We have invested in expanding our manufacturing capacity in order to meet the export market. During the year we commenced exporting five (5) months ahead of the scheduled plan. We are a part of the ExportMax Program in collaboration with JAMPRO, Jamaica Business Development Corporation and the Jamaica Manufacturers Association.

**New Warehouse**

Construction of our new 30,000 square foot distribution centre at 76 Molyne Road is now completed, and we are occupying the new facility.

**FosRich Corporate University**

During the year we launched FosRich Corporate University, with a mandate to train and develop team members by providing enhanced, in-depth, and focused training at all levels. The aim is to take the team to a corporate level of operation with this ongoing training. The courses will utilise MBA type case studies and role-plays and will cover a broad spectrum of disciplines, facilitating the development of the critical thinking and other skills necessary for the advancement of the organization.

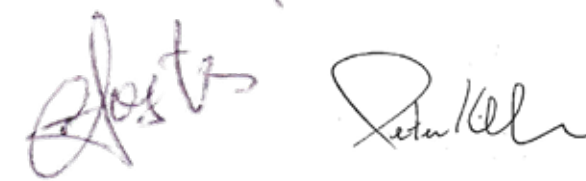
**Special Economic Zone Authority (SEZA) Application**

There are now only two preconditions outstanding in our application for our new company, Blue Emerald Limited, to be registered under The Special Economic Zone Authority, to take advantage of the significant long-term tax concessions that are available, both of which relate to the ownership of the

factory and lands. Our attorneys are vigorously attending to these matters. Activities being undertaken at the new Hayes facility in Clarendon will be done through this new entity acting exclusively for FosRich under a contract manufacturing arrangement.

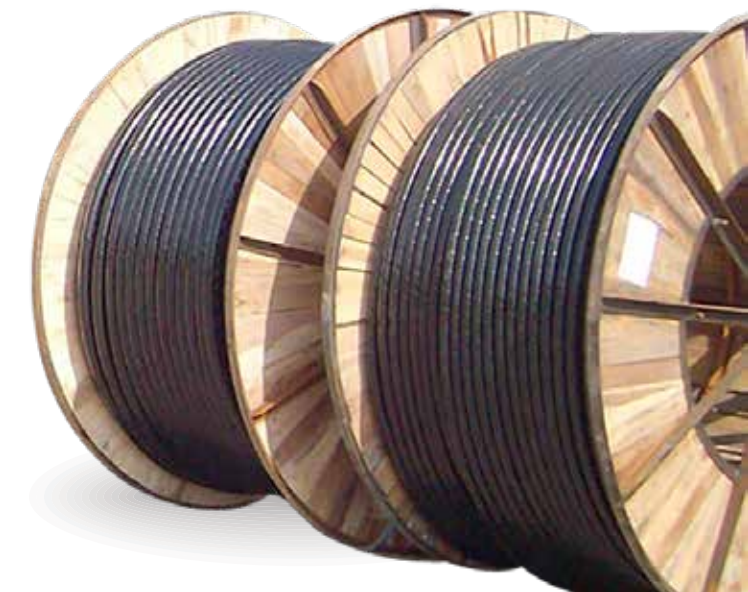
The result for this, our fourth full year since our listing on the Junior Market of the Jamaica Stock Exchange on 19 December 2017, reflects the implementation of the specific strategies as outlined within our strategic plan. We are cognizant that despite the challenges ahead within our local operating space and the wider global space due to Covid-19, we have the right talents and leadership to deliver on our plans for the ensuing period. We will continue to execute on our plans to ensure that we remain competitive and deliver value solutions to our customers.

As we report on the performance of our Company, we thank our shareholders, employees, customers, and other stakeholders for their support as we continue to expand our business and bring greater value to our various stakeholders



**Cecil Foster**  
Managing Director

**Peter Knibb**  
Chief Financial Officer







# CORPORATE GOVERNANCE

Always working to maintain accountability, transparency, ethics and compliance

Always working to maintain accountability, transparency, ethics, and compliance

FosRich is committed to a strong and effective Corporate Governance structure to ensure that the Board and its management operate in the best interest of all our stakeholders. Our rules, practices and processes are designed to ensure that the Company is continuously managed in a way that it can deliver on its strategic plans while applying the appropriate checks and balances that are in place.

In this Corporate Governance Report, outlined are some key aspects of the Company's corporate governance framework which includes the role and responsibilities of the Board and its Committees. We continue to challenge ourselves and look to improve our governance where possible.

It is the Board's commitment to improve investor confidence through the adherence of good governance policies in the performance of its duties and the operation of the Company, while safeguarding shareholders' investments and the Company's assets.

Succession planning for our board members and senior managers remains a priority and will enable us to attract and retain the diverse range of highly talented colleagues we need to lead the organisation, and ensure that it can deliver its strategic plans, so that the business is, at all times, resilient and sustainable in the face of a rapidly changing set of challenges and aligned with our values.

**MARION FOSTER** - Chairman

## CORPORATE GOVERNANCE INDEX RATING

The Jamaica Stock Exchange, through its Corporate Governance Index (CGI) Review Committee, measures annually how well companies conform to the various principles of corporate governance and provides an annual score for listed companies. The results for FosRich for the 2021 review are as follows:

FosRich's CGI Index Rating	:	B	√ Above average
The average company CGI Rating	:		CC

FosRich's CGI Rating Score – 2021	:	65.88
FosRich's CGI Rating Score – 2020	:	59.07
FosRich's CGI Rating Score – 2019	:	62.18

## 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 with promoting 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 organization 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 organised by its Committees and, if applicable, of the Independent Directors.

Thorough knowledge of the Company's business 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.

**BOARD EXPERTISE**

<b>Executive Team</b>	Corporate Governance & Management	Human Resources & Compensation	Audit, Accounting & Tax	Financing	Industry	Engineering & Technical	Logistics, Supply Chain & Retail
<b>DIRECTORS</b>							
Marion Foster	√	√			√	√	√
Cecil Foster	√			√	√	√	√
Steadman Fuller	√		√				√
Ian Kelly	√	√	√	√			√
Rosalyn Campbell	√	√	√				
Peter Knibb	√	√	√	√			
<b>BOARD COMMITTEE MEMBERS</b>							
Marva Chang	√	√	√	√			
Clive Nicholas	√		√				

**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.

**ADDITIONAL ATTENDEES TO THE MEETINGS**

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.

**BOARD COMMITTEES AND COMPOSITION**

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

**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, who 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 2021, 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 the economy.

**AUDIT, COMPLIANCE & RISK COMMITTEE**

Committee members are Ian Kelly (Chairman), Rosalyn Campbell, Clive Nicholas, and Peter Knibb.

<b>The Board's Report Card</b>	Board	Audit, Compliance & Risk	Human Resource & Compensation	Corporate Governance	Annual General Meeting
<b>NO. OF MEETINGS</b>	4	4	4	4	1
<b>BOARD MEMBERS</b>					
Marion Foster	4 of 4		4 of 4		1 of 1
Cecil Foster	4 of 4				1 of 1
Peter Knibb	4 of 4	4 of 4		4 of 4	1 of 1
Ian Kelly	4 of 4	4 of 4			X
Rosalyn Campbell	4 of 4	3 of 4	4 of 4	4 of 4	X
Steadman Fuller	2 of 4		3 of 4	4 of 4	X
<b>COMMITTEE MEMBERS</b>					
Marva Chang			4 of 4	4 of 4	1 of 1
Clive Nicholas		4 of 4			1 of 1

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 2021, the Audit, Compliance & Risk Committee held four meetings.

**HUMAN RESOURCES & COMPENSATION COMMITTEE**

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

- Senior management succession planning
- Identification and development of high potential team members 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 2021, the Human Resources & Compensation Committee held four meetings.

**CORPORATE GOVERNANCE COMMITTEE**

Committee members are Steadman Fuller (Chairman), Rosalyn Campbell, Marva Chang, 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 the Company's practices are consistent and in accordance with requirements. It will develop standards of performance for the Board, Directors, and Senior Officers, and will routinely evaluate 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 2021, the Audit, Compliance & Risk Committee held four meetings.

<b>Board Committees</b>	Position (Executive/ Non-Executive/ Independent)	Audit, Compliance & Risk	Human Resources & Compensation	Corporate Governance
<b>DIRECTORS</b>				
Ian Kelly	NE/I	Chairman		
Rosalyn Campbell	NE/I	√	Chairman	√
Steadman Fuller	NE/I		√	Chairman
Peter Knibb	E	√		√
Cecil Foster	E			
Marion Foster	E		√	
<b>COMMITTEE MEMBERS</b>				
Marva Chang	NE/I		√	√
Clive Nicholas	NE/I	√		



# CORPORATE SOCIAL RESPONSIBILITY

The more time we spend with people, the more we find out about our business.

## GOOD SAMARITAN INN

Corporate Social Responsibility is an integral part of FosRich's philosophy as 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 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 many thousands of persons in need. 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. 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 13 years ago. Now, the GSI has expanded 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 honour 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 in the years to come.

## FOSRICH CORPORATE UNIVERSITY

The FosRich Corporate University, the brainchild of the CEO, was launched in June 2021 and is a bold and necessary step in a time of reflection and change. It is one of the avenues to ensure that our team members are "cutting the edge" and that we "team up to excel". The HR sub-committee of the Board has been in full support and the employees have embraced the modules delivered during the financial year under review.

FosRich operates in a globalized world and therefore is constantly challenged by the rapid changes in digital innovation and all the affectations of globalization. This has forced forward thinking companies, such as ours, to be proactive in the protection of its most valued resources for sustainable growth and competitive advantage. Companies have begun to make every effort to harness and manage the knowledge and maintain

this advantage by having strong strategic plans, training staff to understand and operate in a dynamic market, to be uneasy with complacency, to create partnerships to drive efficiency and innovation, ensure that the local labour laws and corporate governance build the culture that is important to gain and maintain the competitive edge in the global marketplace.

Thus, employees at FosRich must constantly be evaluated and their skills and competences be upgraded to adapt to these changing trends. Through globalization, knowledge is at everyone's doorstep as social media becomes the focal point in communication. The charge is to ALL FosRich employees to become more knowledge based and be prepared to apply this knowledge where it is needed in the Company.

The result of their application when measured must reflect their contribution to the Company's growth and sustainability as well as in personal growth and development for upward mobility. It cannot be business as usual as this digital world is demanding that employees must play an active role in the decision making and strategic planning processes. The team culture becomes imperative for full results.

It is FosRich's culture to promote from within, whenever possible, therefore making the modules relevant and setting the tone for leadership training. FosRich University has the opportunity to reinforce the culture of the organization, which would be difficult to achieve from outside institutions. The FosRich University supports innovation and development, therefore the university will become a breeding ground for new thoughts and ideas that fuels the fire for change and advancement that will help to maintain the Company's cutting edge in the industry.

To date, one hundred and four employees have passed through the halls of the "platform". Administered by the Human Resources Department, the delivery of modules - Customer Service, Corporate Governance, Workplace Accountability, Decision Making, Problem Solving and Leadership in the Organisation, were completed in 2021 and were well received.

## FOSRICH FOUNDATION

The FosRich Foundation was established in 2020 and is currently involved in the following activities:

The Foundation makes scholarships available for tertiary students at the University of Technology and Northern Caribbean University, who are pursuing Engineering and Renewable Energy related studies.

The Foundation assists at-risk youths in the western region of the island.

The Foundation sponsors activities supporting the Law Enforcement Officers in the Western Region of the island in collaboration with Footprints Of Hope.

FosRich Company Limited  
**FINANCIALS**  
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Crooks Jackson Burnett  
Chartered Accountants

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**Independent auditor's report**

To the Members of  
FosRich Company Limited

**Report on the audit of the financial statements**

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**Opinion**

We have audited the financial statements of FosRich Company Limited (the Company) set out on pages 1 to 31, which comprise statement of financial position as at December 31, 2021, statement of profit or loss and other comprehensive income, 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, 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and 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 (including International Independence Standards) (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.

## INDEPENDENT AUDITOR'S REPORT

**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.

**1. Carrying value of inventory**

- At reporting date, December 31, 2021, inventory amounted to \$1,784 Million, representing 47.4 % of the company's total assets. Inventory consists of a wide range of products at several locations. Inherently, the varied product range and the large volume of inventory creates a challenge for management to conduct counts during the year, which contributes to the risk of inventory being misstated.

In determining the carrying value of inventory, management conducts regular periodic counts throughout the year.

- Certain items of inventory are susceptible to obsolescence as a result of technological changes.

Management is cognizant of those products lines and has implemented measures to reduce the stock level of those items.

**How the matter was addressed in our audit.**

Our audit procedures in response to this matter, included:

- Reviewed the company's standard operating procedure in order to assess the effectiveness of internal controls over inventory.
- Observed stock counts and conducted sample counts at several of the company's locations throughout the year.
- Verified the stock count results and our audit samples against the inventory system and where there were variances, they were corrected.
- Performed impairment assessment of inventories by measuring the movements of certain product lines during the year and also comparing recent sale price against cost price.

Based on the procedures conducted no further adjustment was required to the year-end inventory valuation.

## INDEPENDENT AUDITOR'S REPORT

**Key Audit Matters (continued)****2. Expected Credit Losses on Trade Receivables**

- **Key Audit Matter**

The determination of credit losses is highly subjective and requires management to make significant judgement and estimates including the identification of increased credit risk exposure, determination of the appropriate variables and assumptions used and the application of forward-looking information.

These estimates involve increased judgement as a result of the economic impact of COVID-19 on the company's receivables.

Management considered the following:

- The factors that created COVID-19 related changes in the business and economic environment in which specific customers operate.
- Increased uncertainty about potential future economic scenarios and their impact on credit losses.

- **How the matter was addressed in our audit.**

Our audit procedures in response to this matter, included:

- Obtaining an understanding of the model used by management for the calculation of expected credit losses and trade receivables.
- Testing the completeness and accuracy of the data used in the expected credit loss model to the underlying accounting records on a sample basis, including testing the recording and ageing of trade receivables.
- Assessment of the appropriateness of the company's impairment methodology, management's assumptions and compliance with the requirements of IFRS 9, Financial Instruments.
- Evaluating the appropriateness of the economic parameters including the use of forward-looking information.
- Testing the accuracy of the expected credit loss calculation.
- Assessing the adequacy of the disclosures of the key assumptions and judgements for compliance with IFRS 9.

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report.

## INDEPENDENT AUDITOR'S REPORT

**Other information (continued)**

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 when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and 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.

The Board of Directors is responsible for overseeing the company's financial reporting process.

**Auditor's 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 auditor's 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.

## INDEPENDENT AUDITOR'S REPORT

**Auditor's responsibilities for the audit of the financial statements (continued)**

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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 auditor's report is Effie Crooks.

  
Chartered Accountants

March 3, 2022

2 Seymour Avenue, Kingston 6, Jamaica W.I.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
YEAR ENDED DECEMBER 31, 2021

		2021 \$	2020 \$
<b>Turnover</b>		<b>2,351,146,322</b>	1,895,680,002
Cost of Sales	4{a}	<u>(1,308,000,581)</u>	<u>(1,070,926,098)</u>
<b>Gross profit</b>		<b>1,043,145,741</b>	824,753,904
<b>Other income:</b>			
Other operating income	5	<u>56,130,209</u>	<u>32,463,451</u>
		<b>1,099,275,950</b>	857,217,355
Administration, marketing and selling expenses	4{a}	<u>(631,626,512)</u>	<u>(505,750,293)</u>
<b>Profit before depreciation and finance costs</b>		<b>467,649,438</b>	351,467,062
<b>Depreciation</b>	9, 10{iii}	<u>(83,136,788)</u>	<u>(65,749,764)</u>
<b>Profit before finance costs</b>		<b>384,512,650</b>	285,717,298
Finance costs	6	<u>(185,202,992)</u>	<u>(160,021,898)</u>
<b>Net profit before taxation</b>		<b>199,309,658</b>	125,695,400
Taxation	7	<u>-</u>	<u>-</u>
<b>Net profit</b>		<b>199,309,658</b>	125,695,400
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss - Unrealised fair value loss on available-for-sale investments	13	<u>174,375</u>	<u>(465,000)</u>
<b>Total comprehensive income for the year</b>		<u><b>199,484,033</b></u>	<u>125,230,400</u>
Earnings per stock unit	21	<u><b>\$0.40</b></u>	<u>\$0.25</u>

\* Restated

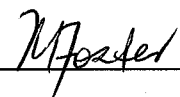
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2021

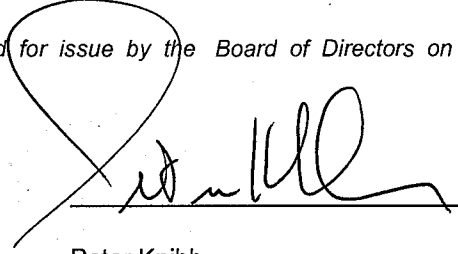
	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	9	<b>349,530,748</b>	328,050,994
Lease - right-of-use assets	10	<b>564,845,958</b>	393,344,856
Related party	11	<b>370,503,789</b>	284,552,959
Investments	12	<b>32,918,578</b>	16,069,239
Investment - equity	13	<b>1,627,500</b>	1,453,125
Associated company	14	<u><b>121,602,537</b></u>	<u>24,311,792</u>
		<u><b>1,441,029,110</b></u>	<u>1,047,782,965</u>
<b>Current Assets</b>			
Inventories	15	<b>1,784,242,080</b>	1,458,237,103
Trade receivables	16	<b>274,033,320</b>	245,498,897
Other receivables and prepayments	16	<b>115,292,261</b>	190,878,091
Related party	11	<b>80,000,000</b>	80,000,000
Cash and bank balances	17	<u><b>72,006,528</b></u>	<u>33,991,322</u>
		<u><b>2,325,574,189</b></u>	<u>2,008,605,413</u>
<b>Current Liabilities</b>			
Payables	18	<b>596,741,073</b>	463,970,647
Current portion of long-term liabilities	22	<b>181,406,702</b>	74,429,350
Lease - right-of-use liabilities	10	<u><b>44,399,152</b></u>	<u>41,370,985</u>
		<u><b>822,546,927</b></u>	<u>579,770,982</u>
<b>Net Current Assets</b>		<u><b>1,503,027,262</b></u>	<u>1,428,834,431</u>
		<u><b>2,944,056,372</b></u>	<u>2,476,617,396</u>

STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2021

	Note	2021 £	2020 £
<b>Equity</b>			
Share capital	19	361,499,399	361,075,082
Capital reserves	20	67,096,070	66,921,695
Retained earnings		588,141,862	440,566,587
		<u>1,016,737,331</u>	<u>868,563,364</u>
<b>Non-Current Liabilities</b>			
Right-of-use liabilities	10	495,975,214	336,854,237
Long-term liabilities	22	1,383,540,839	1,216,599,381
Director's loan	23	47,802,988	54,600,414
		<u>1,927,319,041</u>	<u>1,608,054,032</u>
		<u>2,944,056,372</u>	<u>2,476,617,396</u>

The financial statements set out on pages 1 to 31 were approved for issue by the Board of Directors on March 3, 2022 and signed on its behalf by:

  
\_\_\_\_\_  
Marion Foster Director

  
\_\_\_\_\_  
Peter Knibb Director

STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED DECEMBER 31, 2021

	Share capital £	Capital reserves £	Retained earnings £	Total £
Balance at January 1, 2020	369,620,810	67,386,695	362,587,367	799,594,872
Unrealised loss on available-for-sale investments	-	(465,000)	-	(465,000)
Net profit	-	-	125,695,400	125,695,400
<b>Transactions with owners:</b>				
Purchase of Treasury shares (note 19)	(8,545,728)	-	-	(8,545,728)
Dividend paid (note 8)	-	-	(47,716,180)	(47,716,180)
Balance at December 31, 2020	361,075,082	66,921,695	440,566,587	868,563,364
Fair value adjustment on available-for-sale investments	-	174,375	-	174,375
Net profit	-	-	199,309,658	199,309,658
<b>Transactions with owners:</b>				
Sale of Treasury shares (note 19)	424,317	-	-	424,317
Dividend paid (note 8)	-	-	(51,734,383)	(51,734,383)
Balance at December 31, 2021 (see notes 19 & 20)	<u>361,499,399</u>	<u>67,096,070</u>	<u>588,141,862</u>	<u>1,016,737,331</u>



STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2021

	2021	2020
	\$	\$
<b>CASH FLOWS WERE PROVIDED BY/ (USED IN):</b>		
<b>Operating Activities</b>		
Net profit	199,309,658	125,695,400
Items not affecting cash resources		
Depreciation	83,136,788	65,749,764
Interest on lease liability	17,512,320	13,340,045
Unrealised foreign exchange gain (net)	(2,400,304)	(15,755,483)
Profit on disposal of items if property, plant and equipment	(6,540,496)	-
Interest income	(26,911,763)	(139,929)
Interest expense	102,227,368	85,576,363
	<u>366,333,571</u>	<u>274,466,160</u>
Changes in non-cash working capital components:		
Inventories	(326,004,977)	(289,939,670)
Receivables	(28,534,423)	(31,192,292)
Other receivables and prepayments	75,585,830	(92,241,722)
Payables	138,625,410	200,952,499
Related parties	(111,692,862)	(1,941,138)
Associated company	(97,290,745)	(24,311,792)
Rent paid	(84,791,533)	(54,099,525)
Taxation paid	-	(2,786,023)
	<u>(67,769,729)</u>	<u>(21,093,503)</u>
Cash used in operating activities		
<b>INVESTMENT ACTIVITIES</b>		
Purchase of property, plant and equipment	(60,929,673)	(43,258,645)
Proceeds from disposal of items of property, plant and equipment	6,540,496	-
(Purchase)/encashment of investment	(16,849,339)	3,327,703
	<u>(71,238,516)</u>	<u>(39,930,942)</u>
Cash used in investment activities		
<b>FINANCING ACTIVITIES</b>		
Directors' loans repaid	(6,797,426)	1,899,732
Bond issue	-	100,000,000
Loans received	591,486,620	130,423,405
Loans repaid	(260,452,028)	(63,195,873)
Dividend paid	(51,734,383)	(47,716,180)
Interest received	1,169,734	-
Interest paid	(99,049,370)	(82,890,338)
	<u>174,623,147</u>	<u>38,520,746</u>
Cash provided by financing activities		
<b>INCREASE/(DECREASE) IN NET CASH BALANCES</b>	<u>35,614,902</u>	<u>(22,503,699)</u>

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2021

	2021	2020
	\$	\$
<b>INCREASE/(DECREASE) IN NET CASH BALANCES</b>	<b>35,614,902</b>	<b>(22,503,699)</b>
Exchange effect on foreign currency cash balances	<b>2,400,304</b>	<b>-</b>
<b>NET CASH BALANCES - Beginning of year</b>	<b>33,991,322</b>	<b>56,495,021</b>
<b>NET CASH BALANCES - End of year</b>	<b>72,006,528</b>	<b>33,991,322</b>
<b>REPRESENTED BY:</b>		
Cash and bank balances	<u>72,006,528</u>	<u>33,991,322</u>

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**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 the manufacture of PVC pipes and fittings, distribution of lighting, electrical and solar energy products.

Effective December 19, 2017, the company's shares were listed on the Junior Market of the Jamaica Stock Exchange.

**2. Statement of Compliance and Basis of Preparation**

**(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 (IASB), and comply with the provisions of the Jamaican Companies Act.

**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. The adoption of those standards and amendments did not have a significant impact on the amounts and disclosures in these financial statements.

**New and amended standards issued but not yet effective:**

At the date of authorisation of the financial statements, certain new and amended standards have been issued, which are not yet effective for the current year and which the company has not early-adopted. The company has assessed them with respect to its operations and has determined that the following may be relevant.

- Amendments to ISA 1: Presentation of financial statements, will apply retroactively for annual reporting periods beginning on or after January 1, 2023. The amendments promotes consistency in application and and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of a liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies liability that includes a counterparty conversion options, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of a company's own equity instruments, these would affect its classification as current or non-current. It has been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**2. Statement of Compliance and Basis of Preparation**

**(b) Basis of preparation**

The financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency. These statements have been prepared on the historical cost basis, except for the valuation of *available-for-sale* investment securities, financial assets and liabilities and the revaluation of certain items of property, plant and equipment. Those significant accounting policies stated below conform in all material respects with IFRS.

**- Use of estimates and judgements**

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.

Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are as follows:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

*Classification of financial assets:*

The assessment of the business model within which the assets are held and assessment of whether the contractual cash flows from a financial asset are solely payments of principal and interest [SPPI] on the principal amount requires management to make certain judgements on its business operations.

*Impairment of financial assets:*

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss [ECL] and selection and approval of models used to measure ECL requires significant judgement.

(ii) Key assumptions concerning the future and other sources of estimations uncertainty:

Allowance for impairment loss of financial assets:

*Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour [e.g. the likelihood of customers defaulting and the resulting losses].

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**2. Statement of Compliance and Basis of Preparation (continued)**

**(b) Basis of preparation (continued)**

(ii) Key assumptions concerning the future and other sources of estimations uncertainty (continued):

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purpose of measuring ECL.

(iii) Net realisable value of inventories:

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

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iv) Judgement in evaluation of contingencies:

For a contingent liability to qualify for recognition there must be a present obligation a the probability of an outflow of economic benefit to settle that obligation. In recognising contingent liabilities of the company, management determines the possibility of an outflow of resources and makes estimates of expenditure required to settle the present obligation at the reporting date.

No provision is made if management considers the possibility of any outflow in settlement to be remote.

(v) Depreciation methods, useful lives and residual values:

Depreciation methods, useful lives and residual values rely on judgement and estimates by management one of which is that the relevant assets will continue to be used for their current purpose within the company.

In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation and the net book value of property, plant and equipment [see note 9] within the next financial year.

It is reasonably possible, that based on existing knowledge, that outcomes within the next financial year that are different from those assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**3. Significant Accounting Policies**

**(a) Revenue**

**Performance obligations and revenue recognition policies:**

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over a good or service to a customer.

The company's revenue is derived from the sale of manufactured PVC pipes and fittings, distribution of lighting, electrical, solar energy and other related products.

Revenue 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 and is accepted by the buyer, invoice is generated and the revenue is generated at that point. Invoices are usually payable within 30 to 60 days or other contractual terms.

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

**(b) 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.

**(c) 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"].

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.

**(d) Plant, Machinery and Equipment**

Property, plant and equipment are stated at cost and valuation less accumulated depreciation, and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-construct assets includes the costs of materials, direct labour and related cost to put the asset into service. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**3. Significant Accounting Policies (continued)**

**(d) Plant, Machinery and Equipment (continued)**

Depreciation is calculated on a straight line basis at annual rates estimated to write down the property, plant and equipment to their estimated residual values at the end of their expected useful lives.

No depreciation is charged on freehold land.

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]	20%

Gains and losses on disposal of plant, machinery and equipment are determined by comparing proceeds with the carrying amount and are included in other operating income in the income statement.

**(e) Cash and cash equivalents**

Cash and cash equivalents are carried on the statement of financial position at cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents comprise investment securities with less than 90 days maturity from the date of acquisition including cash balances, short-term deposits, and overdrafts.

**(f) Inventories**

Inventories are measured at lower of cost and net realisable value, cost being determined on the weighted average cost method. The cost of manufactured finished goods comprises the raw material ingredients, direct labour, other direct cost and a proportion of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. 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.

The cost of other inventories comprising purchased finished goods is based on their cost and expenses incurred in acquiring and bringing them to their existing location and condition.

**(g) 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.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**3. Significant Accounting Policies (continued)**

**(g) Leases:**

At inception of a contract, the company assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property the company has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

The right-to-use asset is subsequently depreciated using a straight-line method from commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those property and equipment. In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payment is an optional renewal period if the company is reasonably certain to exercise the option, and penalties for early termination of a lease unless the company is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under the residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**3. Significant Accounting Policies (continued)**

**(g) Leases (continued):**

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-valued assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight line basis over the life of the lease term.

**(h) 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.

**(i) Investments**

Investments are classified as amortised cost or fair value through other comprehensive income. Investments classified at amortised cost have a fixed or determinable payment and are not quoted in an active market. Amortised cost is calculated on the effective interest rate method, less impairment loss. The fair value of *available-for sale* investments is based on their quoted market bid price at the balance sheet date. Where the quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Unrealised gain and losses arising from changes in the fair value of these securities are recognised in equity revaluation reserve. When securities classified as *available-for-sale* are sold or impaired, the accumulated fair value adjustments are included in other comprehensive income as gains and losses from investment securities. (see note 12)

**(j) Borrowings**

Borrowings are recognised initially at fair value, net of transaction cost incurred and subsequently at amortised cost using the effective yield method. Interest charges, including direct issue costs are accounted for on an accrual basis in the statement of profit or loss 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.

**(k) Impairment:**

**Non-financial assets**

The carrying amount of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit [CGU] exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**3. Significant Accounting Policies (continued)**

**(k) Impairment (continued):**

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

**Financial assets**

The company recognises loss allowances for expected credit losses [ECLs] on financial assets measured at amortised cost and at fair value through OCI.

**Trade receivables**

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company consider reasonable and supportive information relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on historical information and informed credit assessment. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**Debt investment securities**

These are considered low-risk.

**Write-off**

The gross carrying amount of a financial asset is written off [either partially or in full] when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the company determines that the debtor does not have assets or sources of income that would generate sufficient cash flows to repay the amount subject to the write-off.

Recoverables of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

**Financial liabilities**

All financial assets are recognised initially at fair value. Financial liabilities include borrowings, trade and other payables. Subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

**(l) 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.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

3. Significant Accounting Policies (continued)

(m) 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:
- has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - 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:
- 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].
  - 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].
  - Both entities are joint ventures of the same third party.
  - The entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - 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.
  - The entity is controlled, or jointly controlled by a person identified in n(1){ii}.
  - A person identified in n(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.

4(a). EXPENSE BY NATURE

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

	2021	2020
	\$	\$
<b>Cost of sales</b>		
Cost of goods sold	1,274,054,610	1,046,217,797
Installation expense - contractors	17,666,084	6,973,852
Sales commission - contractors	16,279,887	17,734,449
	<u>1,308,000,581</u>	<u>1,070,926,098</u>

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

4(a). EXPENSE BY NATURE (continued)

Administrative and selling expenses

	2021	2020
	\$	\$
Directors' emoluments	41,427,106	37,816,524
Directors' fees	1,045,337	1,578,669
Auditors' remuneration	2,500,000	2,250,000
Staff costs (see note 4{b})	321,899,741	252,934,049
Rent, security, repairs and maintenance	43,844,487	22,732,883
Motor vehicle and other related expense	44,246,060	33,325,520
General and keyman insurance	33,154,675	32,991,669
Utilities	22,599,626	28,433,653
Advertising and promotion	26,990,609	17,760,420
Legal and professional fees	39,721,548	34,431,937 *
Other expenses	54,197,323	41,494,969
	<u>631,626,512</u>	<u>505,750,293</u>

4(b). STAFF COSTS

	2021	2020
	\$	\$
Salaries, commissions and bonus	261,407,281	204,571,053
Statutory contributions	31,388,125	26,462,351
Staff welfare	29,104,335	21,900,645
	<u>321,899,741</u>	<u>252,934,049 *</u>

The average number of persons employed full-time by the company during the year under review was 165

[2020 = 132]

5. OTHER OPERATING INCOME

	2021	2020
	\$	\$
Interest income	26,911,763	139,929
Foreign currency exchange gain - net	2,400,304	15,755,483
Gain on disposal of items of property, plant and equipment	6,540,496	-
Other income	20,277,646	16,568,039
	<u>56,130,209</u>	<u>32,463,451</u>

\* Restated to conform with current year's presentation

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**6. FINANCE COSTS**

	2021	2020
	\$	\$
Bank charges	12,009,397	8,774,866
Interest on bonds	51,857,534	51,742,433 *
Interest on long-term and short-term borrowings	50,369,834	33,833,930 *
Other finance charges	9,666,764	20,559,382
Bad debt impairment provision	43,787,143	31,771,242
Interest on lease liability	17,512,320	13,340,045
	<u>185,202,992</u>	<u>160,021,898</u>

**7. TAXATION**

**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:

- (i) 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.
- (ii) The subscribed participating voting share capital does not exceed \$500 million.
- (iii) 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 was reversed in the year in which the company was listed and no further account has been taken of any potential deferred tax asset or liability.

**8. DIVIDENDS**

By resolution dated November 10, 2021 the directors declared the payment of a dividend of \$.103 per share totalling \$51,734,383 to be paid to shareholders on the company's register of members as at December 6, 2021.

\* Restated to conform with current year's presentation

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**9. PROPERTY, PLANT & EQUIPMENT**

	Freehold Land \$	Freehold Building \$	Leasehold Improvement \$	Leasehold Property \$	Equipment, Furniture & Equipment, \$	Computers \$	Motor Vehicles \$	Total \$
<b>At cost or deemed cost:</b>								
January 1, 2020	29,980,000	181,440,499	52,898,470	30,000,000	99,110,824	23,536,662	80,980,161	497,946,616
Additions	-	-	-	-	25,257,050	4,764,260	13,237,335	43,258,645
December 31, 2020	29,980,000	181,440,499	52,898,470	30,000,000	124,367,874	28,300,922	94,217,496	541,205,261
Additions	-	-	-	-	21,206,116	14,364,468	25,359,089	60,929,673
Disposals	-	-	-	-	(440,000)	-	(13,956,388)	(14,396,388)
<b>December 31, 2021</b>	<b>29,980,000</b>	<b>181,440,499</b>	<b>52,898,470</b>	<b>30,000,000</b>	<b>145,133,990</b>	<b>42,665,390</b>	<b>105,620,197</b>	<b>587,738,546</b>
<b>Accumulated Depreciation:</b>								
January 1, 2020	-	35,100,079	45,508,811	5,250,000	34,190,086	16,788,093	41,622,201	178,459,270
Charge for the year	-	4,536,012	5,675,793	750,000	8,810,905	1,071,857	13,850,430	34,694,997
December 31, 2020	-	39,636,091	51,184,604	6,000,000	43,000,991	17,859,950	55,472,631	213,154,267
Charge for the year	-	4,536,012	1,561,502	750,000	11,192,828	3,869,480	17,243,098	39,152,920
Eliminated on disposal	-	-	-	-	(143,000)	-	(13,956,389)	(14,099,389)
<b>December 31, 2021</b>	<b>-</b>	<b>44,172,103</b>	<b>52,746,106</b>	<b>6,750,000</b>	<b>54,050,819</b>	<b>21,729,430</b>	<b>58,759,340</b>	<b>238,207,798</b>
<b>Net book values:</b>								
<b>December 31, 2021</b>	<b>29,980,000</b>	<b>137,268,396</b>	<b>152,364</b>	<b>23,250,000</b>	<b>91,083,171</b>	<b>20,935,960</b>	<b>46,860,857</b>	<b>349,530,748</b>
December 31, 2020	29,980,000	141,804,408	1,713,866	24,000,000	81,366,883	10,440,972	38,744,865	328,050,994

**Revaluation of assets**

The company's freehold properties including land and buildings were valued on an open market basis by independent professionals in 2009 and 2011. The surplus on revaluation is included in capital reserves (see note 20).

Subsequently, in August 2015, the company's freehold land and buildings were professionally valued on a fair value basis by W. & L. Associates Limited. The sum of the values of these properties amounts to Three Hundred and Seventy-Six Million, Nine Hundred Thousand Dollars [\$376,900,000]. This surplus has not been incorporated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

10. LEASE RIGHT-OF-USE

The company leases a number of properties to conduct its operations which were previously classified as operating leases under IAS 17. These lease contracts were contracted for varying periods ranging from two to ten years, with options to renew. Some leases provide for additional rent payments that are based on changes in local price indices.

The current lease contracts are recognised in the statement of financial position as a *right-of-use asset* and the corresponding credit as a *lease liability*.

Assets and liabilities are initially measured on a present value basis and lease liabilities include net present value of the fixed payments less any lease incentives receivable. The company has elected not to recognise *right-to-use* assets and lease liabilities for short-term [non-renewable leases and/or leases of low-value items].

Amount recognised in the statement of financial position [IFRS16]:

i. Right-of-use assets

	2021	2020
	\$	\$
Right-of-use assets		
Buildings [right-to-use upon adoption]	451,114,690	235,659,719
Additions to <i>right-of-use</i> Asset	<u>215,514,970</u>	<u>215,484,971</u>
	<u>666,629,660</u>	<u>451,144,690</u>
Accumulated depreciation brought forward	57,799,834	26,745,067
Depreciation charge for the year	<u>43,983,868</u>	<u>31,054,767</u>
	<u>101,783,702</u>	<u>57,799,834</u>
Balance at end of year	<u><u>564,845,958</u></u>	<u><u>393,344,856</u></u>

ii. Lease liabilities

Maturity analysis - contractual undiscounted cash flows:

Less than one year	60,230,358	58,292,236
One to five years	193,699,848	152,814,044
More than five years	<u>720,350,000</u>	<u>547,688,955</u>
	<u>974,280,206</u>	758,795,235
Less: Future interest	<u>(433,905,840)</u>	<u>(380,570,013)</u>
	<u>540,374,366</u>	378,225,222
Less: Current portion	<u>(44,399,152)</u>	<u>(41,370,985)</u>
Non-current	<u><u>495,975,214</u></u>	<u><u>336,854,237</u></u>

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

10. LEASE RIGHT-OF-USE (continued)

Amount recognised in the statement of financial position:

iii. Amount recognised in the statement of comprehensive income:

	2021	2020
	\$	\$
Interest on lease liability	17,512,320	13,340,045
Depreciation charge for right-of-use assets	<u>43,983,868</u>	<u>31,054,767</u>

Right-of-use assets are measured at cost based on the amount of the initial measurement of the lease liability. The asset is subsequently depreciated using the straight-line method from the commencement date of the lease term.

iv. Amount recognised in the statement of cash flows:

Total cash outflows for leases	<u>84,791,533</u>	<u>54,099,528</u>
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11. RELATED PARTY

	2021	2020
	\$	\$
Amount due from:		
LCCM Investment Ventures Limited	351,671,406	349,730,271
Net movements	<u>73,090,351</u>	<u>1,941,135</u>
	<u>424,761,757</u>	351,671,406
Interest accrued	<u>25,742,032</u>	<u>12,881,553</u>
	<u>450,503,789</u>	364,552,959
Current portion of related party balance	<u>(80,000,000)</u>	<u>(80,000,000)</u>
	<u><u>370,503,789</u></u>	<u><u>284,552,959</u></u>

LCCM Investments Ventures Limited has given the undertaking to repay a minimum of \$80,000,000 on the principal balance during the ensuing year

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.

12. INVESTMENTS

	2021	2020
	\$	\$
Keyman Insurance - cash surrender value	4,602,666	4,602,666
Deposits - Bonds/guarantees	6,449,338	1,115,365
Term Deposits	<u>21,866,574</u>	<u>10,351,208</u>
	<u><u>32,918,578</u></u>	<u><u>16,069,239</u></u>

The above 'term deposits' include amounts denominated in United States Dollars [US\$73,547] and Jamaican Dollars, which earn interest at rates of .85% and 2.95% respectively.

These funds are being held as security for the loans (see note 22)



NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

13. INVESTMENTS - OTHER

	2021	2020
	\$	\$
<b>Quoted Securities at market value</b>		
Shares at market value	1,453,125	1,918,125
Gain/(loss) from fair value adjustment	174,375	(465,000)
	<u>1,627,500</u>	<u>1,453,125</u>

14. ASSOCIATED COMPANY

	2021	2020
	\$	\$
<b>(a) Amounts due from:</b>		
Blue Emerald Limited	<u>121,602,537</u>	<u>24,311,792</u>

This balance represents advances made to Blue Emerald Limited to facilitate the establishment of its manufacturing and repair facilities for pole-mount and pad-mount transformers.

At reporting date, Blue Emerald Limited had not yet commenced trading.

15. INVENTORIES

Inventories comprise:

	2021	2020
	\$	\$
Merchandise	1,314,732,871	1,277,913,150
Raw material	59,101,147	24,391,314
Goods-in-transit	410,408,062	155,932,639
	<u>1,784,242,080</u>	<u>1,458,237,103</u>

16. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	\$	\$
Trade receivables	<u>274,033,320</u>	<u>245,498,897</u>
Other receivables and prepayments comprise:-		
Related party receivable	32,251,056	-
Sundry receivables	8,265,660	9,019,308
Deposits with suppliers	-	85,330,264
Statutory receivables	282,451	25,946,983
Prepayments	24,771,765	23,011,539
Other deposits	49,721,329	47,569,997
	<u>115,292,261</u>	<u>190,878,091</u>

The company's exposure to credit risk and impairment loss associated to trade and other receivables are disclosed in note 24(b).

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020

17. CASH & BANK BALANCES

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

	2021	2020
	\$	\$
Cash and current account balances	42,652,346	33,402,834
Savings account	29,354,182	588,488
	<u>72,006,528</u>	<u>33,991,322</u>

Amounts held in savings accounts are denominated in United States Dollar and Jamaican Dollar and attract interest at rates 0.75% and 2.95% per annum respectively during the year.

18. PAYABLES

	2021	2020
	\$	\$
Trade	521,286,561	404,495,781
Advances and other payables	57,901,439	54,504,485
Statutory payables	17,553,073	4,970,381
	<u>596,741,073</u>	<u>463,970,647</u>

19. SHARE CAPITAL

(a) Share capital

	2021	2021	2020
	Units	\$	\$
<b>Authorised -</b>			
Ordinary shares at no par value	512,821,000		
<b>Issued and fully paid -</b>			
Ordinary shares	502,275,555	369,620,810	369,620,810
Treasury shares	(2,210,244)	(8,121,412)	(8,545,728)
	<u>500,065,311</u>	<u>361,499,398</u>	<u>361,075,082</u>

During the year the company sold 161,794 of its Treasury shares at fair value of \$1,103,292. The total number of Treasury shares held by the company at year end was 2,210,244 [2020 = 2,372,038].

20. CAPITAL RESERVES

Capital reserves represent:

- Unrealised surplus on the revaluation of the company's freehold properties over the period 2009 to 2011 [see note 9]. The valuations were carried out by independent valutors.
- Movements in fair value on the revaluation of *available-for-sale* securities [see note 13].

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**21. 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.

	2021	2020
	\$	\$
Net profit attributable to equity holders of the company	<u>199,309,658</u>	<u>125,695,400</u>
Weighted average number of ordinary stock units in issue	<u>499,985,936</u>	501,238,269
Basic earnings per stock unit	<u>\$0.40</u>	<u>\$0.25</u>

**22. LONG-TERM LIABILITIES**

	Interest Rate	2021	2020
	Rate	\$	\$
Loans			
i. First Global Bank Jamaica Limited - Consolidated Loan	[8.50%]	-	176,936,541
ii. First Global Bank Jamaica Limited - Non-Revolver Loan	[8.00%]	90,149,201	116,538,884
iii. First Global Bank Jamaica Limited - Non-Revolver Loan	[8.00%]	257,939,691	-
iv. First Global Bank Jamaica Limited - Motor Vehicle Loan	[7.75%]	9,060,445	11,117,717
v. First Global Bank Jamaica Limited - Motor Vehicle Loan	[7.75%]	6,126,558	8,345,626
vi. First Global Bank Jamaica Limited - Motor Vehicle Loan	[7.00%]	14,347,869	16,533,852
vii. First Global Bank Jamaica Limited - Motor Vehicle Loan	[7.75%]	10,247,335	-
viii. Mayberry Investments Limited	[7.50%]	101,666,935	200,059,745
xv. Mayberry Investments Limited/Development Bank of Jamaica	[7.95%] *	300,000,000	-
x. Corporate Bonds - unsecured	[8.50%]	200,000,000	200,000,000
xi. Corporate Bonds - secured	[6.25%]	560,000,000	560,000,000
Total		<u>1,549,538,034</u>	<u>1,289,532,365</u>
Accrued interest on loans		<u>3,767,758</u>	560,510
		<u>1,553,305,792</u>	1,290,092,875
xii. GK Investments - Finance lease obligation		-	906,606
xiii. GK Investments - Finance lease obligation		11,641,749	-
GK Investments - Finance lease obligation, accrued interest		-	29,250
		<u>1,564,947,541</u>	<u>1,291,028,731</u>
Less: Current portion of loans		(177,699,782)	(73,522,743)
Current portion of finance lease obligation		(3,706,920)	(906,607)
		<u>(181,406,702)</u>	<u>(74,429,350)</u>
		<u>1,383,540,839</u>	<u>1,216,599,381</u>

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**22. LONG-TERM LIABILITIES (continued)**

**First Global Bank Loans -**

i. First Global Bank - Consolidated Loan

The terms of this loan was revised on June 25, 2018 at a variable interest rate of 8.5% per annum.

The loan period is 60 months, repayable on or before the maturity date and computed based on a 96 months amortization schedule, allowing for 'bullets payments' to liquidate the loan on its expiry date.

This loan was consolidated with a new facility granted during the year [see iii. Below]

ii. First Global Bank - Non-Revolver Loan

This loan is a consolidation of loans granted in July 2020 to fund the company's service contract with the Jamaica Public Service Company to repair transformers. The loan is for a period of 48 months, expiring in November 2024. It attracts a variable rate interest at the rate of 8% per annum.

iii. First Global Bank - Non-Revolver Loan

This loan is a consolidation of new a facility and the facility repaid in [22(i)] above. The purpose of this new facility is to fund working capital requirements. This new loan was granted during the year and attracts interest at a variable rate of 8.0% per annum. It is repayable over a period of 60 months applying prevailing interest rate.

iv. First Global Bank - Non-Revolver motor vehicle Loan

This loan was granted in August 2020 and attracts interest at a variable rate of 7.75%. It is repayable over a period of 60 months applying prevailing interest rate.

v. First Global Bank - Non-Revolver motor vehicle Loan

This loan was granted in May 2019 and attracts interest at a variable rate of 7.75%. It is repayable over a period of 60 months applying prevailing interest rate.

vi. First Global Bank - Non-Revolver motor vehicle Loan

This loan was granted in March 2019 and attracts a variable rate interest of 7% per annum. It expires in March 2027.

vii. This represents the balance of a new facility granted during the year to finance the purchase of a motor truck. The loan is repayable over a period of 60 months and attracts a variable interest rate of 7.75% per annum.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**22. LONG-TERM LIABILITIES (continued)**

The loans granted by First Global Bank Limited as set out in items (i) to (viii) are secured as follows:-

- (a) 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
- (b) Letters of subordination of director's loans to the bank borrowings.
- (c) Debenture over the company's assets
  - Supported by Mortgages over the company's commercial properties situated at:
    - 77 Molyne's Road, Kingston 10
    - 8A and 8B Mavelly Avenue, Kingston 10
    - 14 Burley Road, Kingston 10
- (d) The assignment of Fire and Allied Perils Insurance over stock-in-trade.
- (e) The assignment of Fire and Allied Perils Insurance over properties held as security for their full replacement values.
- (f) The assignment of 'keyman' life insurance policies on the lives of Cecil Foster and Marion Foster.
- (g) Lien in favour of the bank on 'term deposit' held by the company.
- (h) Letters of Subordination signed by Cecil Foster and Marion Foster.
- (i) Second mortgage over the company's commercial properties, registered in the names of Cecil Foster and Marion Foster situated at:
  - 79 Molyne's Road, Kingston 10

In addition to the above securities First Global Bank Limited has set out certain conditions and covenants as outlined below, which are to be tested on an ongoing basis as a condition to the company's borrowings:

**Covenants**

**Financial Covenants**

- i. *Debt/Tangible Net Worth*  
First Global Bank requires maintenance of a maximum Debt to Tangible Net Worth ratio of **2.1 : 1**.  
At year-end, it satisfies the bank's requirement by maintaining at Debt to Tangible Net Worth of **1.47:1**.
- ii. *Inventory Days*  
The bank requires, that at year-end the maximum inventory days should not exceed 500 days. At reporting date, the value of inventory on hand as a measure of the product cost of goods sold during the current year amounted to **394 days**.

In respect of other covenants, tests were conducted and confirmation received that at the date of signing, the insurance coverage in respect of those properties held by the bank as security for the loans remained fully insured.

**Mayberry Investments Limited - Repurchase Agreements**

- viii. The Mayberry Investment loan is a 'reverse repurchase loan', which was granted December 29, 2021 and matures January 28, 2022. Interest accrues monthly at a rate of 7.5% per annum. The loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**22. LONG-TERM LIABILITIES (continued)**

**ix. Mayberry Investments Limited/Development Bank of Jamaica Reverse Repo Loans**

This facility is in respect of loans funded by the Development Bank of Jamaica [DBJ] and on-lend through Mayberry Investments Limited. The loan was granted in two tranches totalling Three Hundred Million Dollars [\$300,000,000]

Tranche 1 in the amount of \$200,000,000 was granted to the company to facilitate the installation of a 'solar System' project across Fosrich's various site locations,

Tranche 2 in the amount of \$100,000,000 was granted to the company to be applied to the its existing line of credit with Mayberry Investments Limited.

The first tranche in the amount of \$200,000,000 was granted for a period of seven [7] years, the first 12 months being a moratorium. The second tranche in the amount of \$100,000,000 was granted for a period of five [5] years the first 12 months being a moratorium.

- \* The applicable interest rate on both tranches is at a fixed rate 7.95% per annum for the first five [5] years and thereafter will be floating at the 6 months Weighted Average Treasury Bill Yield [WATBY] rate plus 6.45% per annum on the reducing balance basis.

The security in respect of the above DBJ facilities are two duly signed promissory notes.

**Corporate Bonds**

**x. Corporate Bonds - unsecured**

These are debt instruments raised on the open market and attract a fixed interest rate of 8.5% per annum and are unsecured. These notes were issued in January 2020 with a tenor of three years.

**xi. Corporate Bonds - secured**

These are debt instruments raised on the open market and attract a fixed interest rate of 6.25% per annum and are secured, by assets pledged by the directors. These notes were issued in January 2020 with a tenor of three years.

**GK Investments Limited lease**

xii. This lease facility was fully repaid during the year.

xiii. This represents the balance due on this lease facility, which was granted during the year by GK Investments for the financing of three [3] motor vehicles. The lease was granted for a period of four [4] years expiring January 28, 2025. The interest rate on this facility is at a fixed rate of 10.95%.

**23. DIRECTORS' LOAN**

This represents loan to the company by Directors. The loan is interest free and has no fixed date for repayment.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**24. FINANCIAL RISK MANAGEMENT**

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 and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on its performance. Its management policies are designed to identify and analyse these risk, to set appropriate risk limits and control, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews the risk management policies and systems to reflect changes in market, products and emerging best practice.

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The Board of Directors is ultimately responsible for the establishment and the oversight of the company's risk management framework.

The COVID-19 pandemic has caused a contraction in many sectors of the economy; however, the converse has applied to the company. The spread of the virus has resulted in an increase in sales, in particular the disinfectant line as consumer demands for those product rise.

There has not been any significant change to the company's exposure to financial risks or the manner in which it manages and measures risk. The types of risk considered most important to the company are credit risk, liquidity risk and market risk. Market risk for the company includes currency risk, interest rate and price risks.

**(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 sufficient foreign currency to counter the effects of the fluctuation in exchange rates.

The company manages this risk by purchasing foreign currency in advance and maintaining foreign currency accounts to satisfy its foreign creditors.

The exchange rates applicable at balance sheet date are US\$ 1 = J\$152.7521 (2020 = J\$145.1721) in respect of foreign currency assets and US\$ 1 = J\$155.0878 (2020 = J\$146.2150) in respect of foreign currency liabilities.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**24. FINANCIAL RISK MANAGEMENT**

**(a) Market risk (continued)**

**(i) Currency risk (continued)**

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

	<b>2021</b>	2020
	<b>US\$</b>	US\$
Cash and cash equivalent	<b>99,222</b>	157,567
Trade and other payables	<b>(2,733,248)</b>	(2,460,815)
Net exposure	<b>(2,634,026)</b>	(2,303,248)

*Foreign currency sensitivity*

Changes in foreign currency exchange rates will have some effect, on the results of operations and/or the financial position of the company as follows:

		<b>Effect of movement in exchange rates</b>
		<b>Ja\$</b>
8% - change in currency ratio (devaluation of the Jamaican dollar)	+/- US\$	<b>(32,680,424)</b>
2% - change in currency ratio (revaluation of the Jamaican dollar)	+/- US\$	<b>7,647,742</b>

The company has a net foreign currency liability. The above analysis demonstrates that the company is adversely affected by a devaluation of the Jamaica dollar against its United States counterpart and *vice versa* from a revaluation.

**(ii) Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Variable rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of these instruments. It's interest rate risk arises from long-term borrowings and other debt instruments.

The sensitivity of the profit or loss to this risk is the effect of the assumed changes in interest rates on profits based on variable rate borrowings and other debt instruments.

**Financial assets -**

The company's financial assets subject to interest rate risks are in the form of bank deposits, cash and cash equivalents, which are not considered material and are being held on a short-term basis.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

24. FINANCIAL INSTRUMENTS (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Financial liabilities-

Approximately 68% [2020 = 74%] of the company's borrowings are fixed rate instruments. The following reflects the sensitivity, based on its level of variable rate borrowings to a reasonable possible change in interest rates on the company's profit with all other variables held constant.

The company's interest bearing financial assets are considered negligible. Interest bearing financial instruments are set out below::

	<u>Carrying Amounts</u>	
	2021	2020
	\$	\$
Fixed rate instruments:		
Financial assets	11,441,861	10,351,208
Financial liabilities	<u>1,173,308,684</u>	<u>960,059,745</u>
Variable rate instruments:		
Financial assets	12,598,467	2,900,487
Financial liabilities	<u>391,638,857</u>	<u>330,968,986</u>

**Cash flow sensitivity analysis for variable rate instruments**

Approximately 74% [2020 = 74%] of the company's borrowings are fixed rate instruments. The following reflects the sensitivity, based on its level of variable rate borrowings to a reasonable possible change in interest rates on the company's profit with all other variables held constant.

Borrowings:

		<u>Effect on Net Profit</u>	
		2021	2020
		\$	\$
Change in basis points:			
Increase	+300 [2020 + 100]	9,869,299	2,767,570
Decrease	-50 [2020 + 100]	<u>(1,644,883)</u>	<u>(2,767,570)</u>

(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, 2021

24. 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.

Investments

The company limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality accordingly, management does not expect any counterparty to accordingly, management does not expect any counterparty to fail to meet its obligations.

Loans receivable

The company's exposure to credit risk for loans receivable is limited to related party, LCCM Investment Ventures Limited; which management does not expect to fail to meet its obligations.

**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 180 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within 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, 2021

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		\$	\$	
Current	2.50%	88,227,377	2,206,084	no
31 to 60 days past due	3.75%	74,157,261	2,781,297	no
61 to 90 days past due	5.50%	16,211,054	891,608	no
91 to 120 days past due	7.50%	30,415,356	2,281,552	no
121 to 150 days past due	9.00%	22,229,674	2,001,071	no
151 to 180 days past due	12.50%	8,173,050	1,021,831	no
Over 180 days	48.06%	88,302,067	42,438,770	no
Over 180 days	100.00%	<u>23,673,799</u>	<u>23,673,799</u>	yes
		<u>351,389,638</u>	<u>77,296,013</u>	

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

24. FINANCIAL INSTRUMENTS (continued)

December 31, 2020

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		\$	\$	
Current	2.50%	96,127,764	2,403,194	no
31 to 60 days past due	3.75%	60,838,545	2,281,445	no
61 to 90 days past due	5.50%	12,987,053	714,288	no
91 to 120 days past due	7.50%	18,079,572	1,355,968	no
121 to 150 days past due	9.00%	20,051,010	1,804,591	no
151 to 180 days past due	12.50%	11,869,300	1,483,663	no
Over 180 days	39.75%	59,115,656	23,526,854	no
		<b>279,068,900</b>	<b>33,569,753</b>	

(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, 2021 and 2020 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.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

24. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

The company's financial liabilities at 31st December 2021 and 2020 comprise long-term loans, payables and accruals as set out below:

	Within 3 months £	3 to 12 months £	1 to 2 years £	Over 2 years £	Total £
At 31st December 2021					
Payables	580,672,100	9,079,163	-	-	589,751,263
Lease	802,873	2,551,714	3,743,579	4,543,583	11,641,749
Borrowings	125,658,660	55,769,483	902,452,566	469,385,684	1,553,266,393
Right-of-use liability	17,062,148	43,168,210	49,744,319	864,305,529	974,280,206
	<b>724,195,781</b>	<b>110,568,570</b>	<b>955,940,464</b>	<b>1,338,234,796</b>	<b>3,128,939,611</b>
At 31st December 2020					
Payables	457,319,559	6,651,088	-	-	463,970,647
Lease	311,952	623,904	-	-	935,856
Borrowings	18,371,017	55,682,987	285,863,047	930,146,574	1,290,063,625
Right-of-use liability	10,342,746	31,028,239	58,386,425	278,467,812	378,225,222
	<b>486,345,274</b>	<b>93,986,218</b>	<b>344,249,472</b>	<b>1,208,614,386</b>	<b>2,133,195,350</b>

(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.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

**25. 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.

In respect of claims asserted against the company for which, according to the principles outlined above, no provision has been made, management is of the opinion that such claims are within merit and can be successfully defended. The following legal matter were pending at reporting date.

At reporting date, there was an outstanding claim by two persons against the company in relation to a motor vehicle accident involving one of the company's drivers. The incident occurred on March 30, 2017 and after mediation hearings, the matter was returned to the Supreme Court for Case Management Conference, which was held on November 12, 2020. At that hearing the Court made an Order for Trial by Judge alone for three [3] days on January 19, 20, and 21, 2026. The sum of the claims being made by both parties amounts to Eighteen Million Dollars [\$18,000,000].

The insurance policy limit is Twelve Million Dollars {\$12,000,000} and previously, another party to the claim accepted a settlement of Three Million Dollars [\$3,000,000], which was paid by the insurance company. No provision was made in these financial statements for a shortfall, if any, which could result under recovery of insurance proceeds.

**26. IMPACT OF COVID-19 PANDEMIC**

The novel Coronavirus (COVID-19) outbreak was declared a global pandemic in March, 2020 by the World Health Organisation. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. The Government has implemented a number of measures to reduce the spread of the virus, including nightly curfews, quarantines and restrictions on large public gatherings. These restrictions have had adverse economic effects on the financial operations of many stakeholders.

To address these challenges and risks identified, the company has implemented a number of measures to safeguard its staff, customers and re-organise the way it interacts with other third parties.

Based on management's assessment, the impact on the company's revenue has been positive, resulting in an increase in revenue of 24% over the previous year. Worldwide, there has been disruptions in supply chain; however, the company has not been adversely affected and has maintained ample supply of the imported supplies required for distributive trade and the manufacturing process. There is an emerging trend of a longer collection period for its trade receivables, which management believes is a *spin-off* from the downturn in other sectors. There are indications however, that business activities in the country may return to full normalcy in the near future.

**PROXY FORM  
FOR HYBRID ANNUAL  
GENERAL MEETING**



I/We \_\_\_\_\_  
a shareholder of FosRich Company Limited, hereby appoint  
\_\_\_\_\_ (name) of \_\_\_\_\_ (address)  
proxy, or failing him  
\_\_\_\_\_ (name) of \_\_\_\_\_ (address)  
as my/our alternate proxy to vote for me/us and on my/our behalf at the 2022 Annual General Meeting of FosRich Company Limited, to be held at 79 Molynees Road, Kingston 10, Jamaica on Tuesday, June 21, 2022 at 2:30 pm, 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)

**Resolution Detail**

Vote for or against  
(Tick as appropriate)

<b>Ordinary Business</b>			
No.	RESOLUTION	FOR	AGAINST
1	To adopt the audited accounts for the year ended December 31, 2021, 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 Marion Foster and Peter Knibb who being eligible for re-election, offer themselves for re-election to the Board.		
2a	To re-appoint Steadman Fuller to the Board.		
2b	To re-appoint Peter Knibb to the Board.		
3	To approve dividend declared of \$0.103 per share and paid on the 6th. day of December 2021 to the shareholders on record as at November 19, 2021, by the Company.		
4	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 them remuneration.		
<b>Special Business</b>			
5	Increase share capital, stock split, rights issue and/or additional public offering		
6	To amend Articles of Incorporation		







ANNUAL REPORT 2021

*FosRich*  
C O M P A N Y L I M I T E D

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**BE RELENTLESS, BE RESILIENT**  
In pursuit of building Jamaica to greatness