

Minutes of a Virtual Annual General Meeting of the Shareholders of FosRich Company Limited held on Tuesday the 18th. day of August, 2020 at 2:30 p.m.

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**Participants:**

**Board & Committee members:**

	<i>on site:</i> Mrs. Marion Foster	-	Executive Director/ <b>Chairperson</b> /Shareholder
	Mr. Cecil Foster	-	Chief Executive Officer (CEO)/ <i>Shareholder</i>
	Mr. Peter Knibb	-	Executive Director/ Mentor/ <i>Shareholder</i>
	Ms. Ruth Josephs	-	<b>Company Secretary</b>
<i>via Zoom:</i>	Mr. Ian Kelly	-	Independent Director
	Mrs. Marva Chang	-	Board Committee member
	Mr. Clive Nicholas	-	Board Committee member

**Stockholding Volume**

**Shareholders/Members:**

	<i>by proxy:</i> Warren Riley	-	224,867 Units
	Patrick Allen	-	1,528,387 Units
	Kerry-Ann Gray	-	500,000 Units
	Wendy-Ann Grey	-	125,000 Units
<i>via Zoom:</i>	David Rose	-	1 Unit

**Representing**

<b>Visitors:</b>			
<i>via Zoom:</i>	Effie Crooks	-	Crooks Jackson Burnett (Auditor)
<i>on site:</i>	Michelle Thame	-	FosRich Operations & HR Manager
	Tamioka Ricketts	-	Asst Manager Registrar JCSD
	Alyssa Dean	-	Registrar Officer JCSD
	Ginelda Brown	-	Registrar Officer JCSD
	Bradley Miller & Team	-	FosRich IT Specialist

**1.0 PRELIMINARIES**

**1.1 Call to order / Welcome/ Introduction / Apologies**

Chairperson, Marion Foster called the Meeting to order at precisely 2:30 p.m. She extended warm greetings to all the participants and welcomed them to FosRich’s first, fully virtual Annual General Meeting (AGM). The Chairperson thanked everyone for joining the meeting but gave special recognition to the following persons:

- ✦ Members of the FosRich’s Board on location: Chief Executive Officer (CEO), Mr. Cecil Foster; Chief Financial Officer (CFO), Mr. Peter Knibb; and the Company Secretary, Ms. Ruth Josephs.
- ✦ Board members participating via Zoom: Independent Director and Audit, Risk & Compliance Committee Chairman, Mr. Ian Kelly.

- ✦ Committee Board Committee members participating via Zoom Mrs. Marva Chang and Mr. Clive Nicholas.
- ✦ FosRich's Human Resource & Operations (HR&O) Manager Ms. Michelle Thame and FosRich's Information Technology (IT) team, on location;
- ✦ FosRich's Registrar the Jamaica Central Securities Depository Limited (JCSD), on location;
- ✦ Shareholders participating virtually;
- ✦ The independent auditors, Crooks Jackson Burnett, represented by Mrs. Effie Crooks participating by electronic means;
- ✦ Business Partners zooming in;
- ✦ Representative from Stocks & Securities Limited (SSL), the company's Financial Advisor via zoom;
- ✦ Representative from Mayberry Investments Limited, FosRich's Business Analyst and Financial Advisor, via Zoom; and
- ✦ Other visitors participating electronically.

## 1.2 Prayer

Ms. Michelle Thame, FosRich's Human Resource & Operations (HR&O) Manager, prayed. She gave thanks and praise to Father God for the support He had given to the Company over the past 27 years; and for providing a cadre of hardworking and dedicated staff. Ms. Thame asked the Lord for His continuous guidance for the Board and management team to execute well, consistently, and successfully. In closing she asked the Father to bless the proceedings and for it to be aligned to His will. She also prayed for good health for everyone at the meeting, in the Covid-19 virus pandemic.

## 1.3 Notice & Agenda of the Meeting

The Company Secretary informed the meeting that the Jamaica Stock Exchange (JSE) was successful in its application to the Supreme Court of Judicature of Jamaica (Supreme Court), and had obtained a formal order which permitted the holding of a fully or partially electronic 2020 AGM.

She reported that the application was made on the grounds that:

- The company's statutes required a shareholders' meetings to be held in person, allowing for discussions, debates and votes on matters and it was impractical to do so during the pandemic;
- Social distancing and other mandatory requirements associated with Covid-19 imposed on all Jamaicans by the Ministry of Health (MOH) were deterrents to the assembling of persons for a public meeting.

The Company Secretary informed the Shareholders that the notice of the meeting was subject to the Supreme Court's order permits which were granted on June 24, 2020. She reminded the meeting that all supporting documents in respect to the permit were available for viewing on FosRich's website. The Company Secretary read the notice of the 2020 AGM.

**Notice is hereby given** that the holding of the 2020 Annual General Meeting of FosRich Company Limited scheduled for Tuesday the 18<sup>th</sup>. day of August, 2020 at 2:30 p.m.

- i. will be held fully electronically by the Zoom video communication platform;
- ii. participants joining the Zoom meeting will use the following access numbers:  
*Meeting ID* - 845 5997 3004  
*Password* - 383544
- iii. Shareholders are required to use the name reflected on the JCSD account to ensure access is granted by the meeting's host;

- iv. There will be no voting at the meeting and votes on the meeting's resolutions, are required to be cast by way of a proxy form;
- v. All proxy forms are required to be completed and delivered to the registered office of the company, situate at 79 Molyne's Road, Kingston 10, by no later than 4:30 p.m. on Friday the 14<sup>th</sup>. day of August, 2020.

## 1.4 Proxy

The Company Secretary informed the meeting that there were seven (7) valid proxies submitted and received by the Registrar.

## 1.5 Quorum

The Company Secretary confirmed a quorum of shareholders was present pursuant to **Article #56** of the company's regulations.

## 2.0 **THE 2019 ANNUAL REPORT**

### 2.1 Board of Directors' Report to the Shareholders

The CEO was introduced by the Chairperson to the meeting. She commended him for the hard work, enthusiasm, focus, dedication and excellence he demonstrated in the execution of his work. The Chairperson said the CEO was always exploring new strategies to grow the company and thanked him for his admirable performance and the efforts expended during the year.

The CEO reported to the shareholders, on the Company's activities and achievements for 2019. The salient points of his presentation are noted below:

The CEO in his opening remarks, exclaimed that FosRich was faced with many challenges in 2019 but these challenges were used as stepping stones for the company's achievements. He stated that the Board's prime objective for 2019 was to improve profitability and as such, the following initiatives were undertaken:

- FosRich embarked on a new business enterprise, to manufacture Polyvinyl Chloride (PVC) electrical conduits, and PVC water and drain pipes in the second quarter (Q2) of 2019. This venture he said marked a re-birth of an industry which was dormant, for the benefit of the company and the people of Jamaica.
- New factory space was established for the manufacturing of sixteen (16) types of PVC products which was being used to supply about 18% of local PVC product market.
- FosRich continues its partnership with the Fortune 500 companies; Philips Lighting Company, Nexans and Siemens AG to expand its Electrical and Industrial divisions. The partners play a big role in driving the company's sales in 2019.
- The overall activities for 2019 were good and the figures in the financial report have demonstrated the Company's achievements:
  - Revenue achieved in 2019 was \$1.612B or 30% up on the prior financial year \$1.293B.
  - Profit after tax was \$99M and this was an improvement of \$9M on 2018 \$90M.
- The company displayed competitive dominance, throughout the Island, in sales and the needs of the Jamaican people were met.

- Growth in sales was also achieved in all parishes with the exception of one.
- All business segments; *Electrical, Energy, Lighting World, Hardware, Industrial and PVC manufactured under the brand name Solid PVC*, contributed to the company's growth.
  - i. *The Electrical Segment* was the primary revenue stream and the driving force of the company. This segment generated \$981M or 61% of the total revenue, a 26% or \$780M growth on the prior year. The division provides panels, cables, wires breakers switches and other similar products to the retail and commercial customers.
  - ii. *The Energy Segment* did \$362M or 22% of total revenue, this was a marginal increase of 2% on 2018 total revenue of \$354M. Continuous growth is expected for the division, as demand for solar and Smart LED outdoor lights and other energy solutions products increase.
  - iii. *The Lighting World* contributed \$91M or 6% of total revenue but achieved no growth on the prior year. Focus was given in 2019 to the marketing of the lighting products to the housing developers and customers doing renovations.
  - iv. *The Industrial Segment* accomplished \$76M or 5% of total revenue, and this was a tremendous improvement of 58% on the prior year.
  - v. *PVC Manufacturing* realized \$66M or 4% of the overall revenue. The CEO stated that he anticipated that this new business will grow even further.
  - vi. *The Hardware Segment*- contributed \$36M or 2% of revenue. 80% growth was realized on the prior year and this remarkable achievement was supported by FosRich's customers who consistently asked for hardware products.
- The direct marketing teams exhibited good work ethics and customer team strategy interaction to realize a sizeable income of \$728M or 45% of total revenue. Route salesmen, operated Island wide to accomplish \$467M or 64% of the direct marketing team's revenue and this was a fair improvement on the prior year's \$332M.
- Transformer Repair was to be undertaken by the company. A contractual arrangement was established between FosRich and the Jamaica Public Service Company (JPSCo.) Limited, to renovate or refurbish damaged transformers. This business was slated to commence in a few months, under a new entity, *Blue Emerald Limited*, that will enjoy the benefits of the Jamaica Special Economic Zone (JSEZ). The CEO explained that a company operating under JSEZ enjoys 25-50 years of a free zone business, tax exemption, concessions and lower income tax.
- *Phase 1* of a construction project, to build a warehouse facility, had commenced at 76 Molynes Road, Kingston 10 and this warehouse was expected to be occupied by February 2021. *Phase 2* of the project, would follow and includes the building of a *superstore*, at the same location, by December 2021.

In closing, the CEO expressed his profound appreciation to his dedicated staff, Board and Board committee members for their commitment and support in growing FosRich. He also thanked the shareholders and stated that he had high expectations that the business will grow to increase shareholders' value.

## 2.2 **The Financial Highlights**

Chairperson Marion Foster introduced the company's CFO. She informed the meeting that he was the person at FosRich, charged with the responsible of investing the company's funds and ultimately its

present financial condition. The Chairperson stated that the CFO has demonstrated that he is quite capable of accomplishing whatever task is given to him and she thanked him for his consistent service and hard work of excellence. The Chairperson then asked the CFO to share the financial highlights for the year ended December 2019 and the first six (6) months of 2020 with the shareholders.

## 2.2.1 Financial Year 2019

The CFO, Peter Knibb presented the highlights of the 2019 financial year and the salient points are captured below:

- i. **Revenue** -The company was experiencing its third consecutive year of increased revenue. Revenue attained in 2017 was \$1.046B, in 2018, \$1.293B and in 2019 revenue of \$1.612B.
- ii. **Gross Profit (GP)**-There were five (5) consecutive years of growth in the company's gross profit (GP). For the last three (3) years GP achieved were: 2017, \$473M; 2018, \$534M and 2019, \$710M an impressive increase of \$176M on the prior year.
- iii. **Profit-after-tax**, increased by 9% on the prior year to achieve \$99M. The company experienced five (5) consecutive years of growth in its profit-after-tax. The yields for the past three (3) years were; \$55M in 2017, \$90M in 2018 and \$99M in 2019.
- iv. **Earnings per share (EPS)**- In five (5) years EPS moved from \$0.01 in 2015 to \$0.20 in 2019 and now an 11% growth on 2018 EPS.

## 2.2.2 First Six Months 2020

- i. **Revenue**, for the first six months ending June 30, 2020 was \$857M, an increase of \$110M on the prior reporting period.
- ii. **Gross Profit (GP)**, for the period was \$338M and this represented an increase of \$23M or 7% on the same period for the prior year.
- iii. **Net Profit (NP)**, showed a decline in the first six months and was \$22.3M compared to \$61.7M generated in the prior period.
- iv. **Earnings per share (EPS)**, was \$0.04, compared with \$0.12 in the prior compared period.

The CFO in closing, informed the meeting that the figures for the first six months of 2020 were released and uploaded to the JSE and the FosRich's websites for the shareholders' scrutiny.

## 2.3 The 2019 Independent Auditor's Report

The Chairperson introduced Mrs. Effie Crooks, the audit partner representing the audit firm Crooks Jackson Burnett, Chartered Accountants located at Unit #9 Seymour Park, 2 Seymour Avenue, Kingston 6. She apprised the meeting that Mrs. Crooks worked independently with her team and in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of Jamaica to audit the company's accounting records for 2019. The Chairperson pointed out that a FosRich team lead by the CFO supported the independent auditors by providing, in a timely manner, the requisite information for the audit. The Chairperson also acknowledged the Board audit committee chairman, Director Ian Kelly in supporting the CFO and his team with the audit.

Mrs. Effie Crooks read the Auditors' Report to the shareholders which was detailed on pages 33 to 37 of the 2019 Annual Report.

The following highpoints were noteworthy:

- The audited financial statements were comprised of:
  - i. A Statement of Financial Position which gives a true and fair view of the financial position of the company as at December 31, 2019;
  - ii. A Statement of Profit or Loss or Other Comprehensive Income for the year ended December 31, 2019;
  - iii. A Statement of Changes in Equity for the year ended December 31, 2019;
  - iv. A Statement in Cash Flows for the year ended December 31, 2019; and
  - v. Notes to the Financial Statements for the year ended December 31, 2019, including significant accounting policies and explanatory information.
- The audit was conducted in accordance with the International Standard of Auditing (ISA) and the requirement of the Companies Act of Jamaica;
- The auditors worked independently of the company, in pursuant to the International Ethics Standards Board of Accountants (IESBA) code of ethics for professional accountants.
- The key audit matters of most significance were:
  - i. The recovery of trade receivables, for the company as it carried a wide range of customers with material balances; and
  - ii. The completeness, existence and accuracy of the inventories and this was due to the significant volume of stock items and the high frequency of transactions.
- The auditors were responsible for obtaining reasonable assurances on the financial statements which were free from material misstatements.
- The engagement partner, Mrs. Effie Crooks, informed the shareholders, that in the auditors' opinion:
  - i. proper accounting records were kept; and
  - ii. the financial statements were in agreement and provide the information required by the Companies Act of Jamaica.

### **3.0 SHAREHOLDERS' RESPONSE TO THE REPORTS PRESENTED**

The Chairperson opened the meeting to receive the shareholders' concerns, questions and comments. She asked shareholders participating via Zoom, to use the "raise hand" feature and identify themselves by stating their names, or the name of company or person being represented. Questions and comments were limited to two per shareholder and she asked that everyone be respectful of each other.

**Question #1** Shareholder David Rose was first to the microphone and he asked,  
"What was the projected revenue to be earned by the PVC manufacture venture?"

**Response to Q1**

The CEO welcomed the question and assured Shareholder David Rose that the venture was very good and was projected to bring FosRich sizeable returns.

**Question #2** Shareholder David Rose asked;  
"The 2019 Aged Receivables showed a sizeable increase, will there be any write-offs?"

## ***Response to Q2***

CFO explained there were write-offs in 2020 due to some hardcore receivables. Various measures were deployed to make recovery, which included confiscation of assets but in the end some amounts had to be written off.

The CFO stated that the provision reflected in the financials was a fair representation of the losses anticipated from the receivables and there was a team dedicated to carefully manage receivables. The CFO said the team is giving special focus to the long overdue balances so as to mitigate any further losses from bad debt.

The CFO informed the meeting that, since the Covid-19 pandemic situation, the credit sales strategies were revised and as such some products were no longer sold on credit. He said most products were now distributed for:

- i. Cash on delivery;
- ii. Short-term credit sales, payable within 7 days of sale; and
- iii. Credit sales, payable within 30-45 days of purchase.

## ***Comment #3***

Shareholder David Rose was concerned about the low shareholder participation and made this comment.

*“I believe shareholders’ participation was low because the proxy form for the meeting were not circulated on time, by the JCSD, for the shareholders to submit their votes for the electronic meeting.”*

## ***Response to Q3***

The CEO disagreed with Shareholder David Rose’s comment and stated that the proxy form was mailed out by the JCSD and delivered on time to the shareholders and also stated the decision for the shareholders to cast their votes only by proxy at the virtual meeting.

## ***Question #4***

Shareholder Rose asked

*“Could you explain the write off of the overdue receivables”*

*“Was the approach for the write off prudent?”*

## ***Response to Q4***

The Audit Committee Chairman, Director Kelly responded to Shareholder David Rose’s questions. He stated that the approach taken to write-off the receivables was quite prudent and was relevant to the activities of the company. He informed the shareholder that the Audit Committee examines the approach undertaken by management on a continuous basis to determine if there were any issues.

The committee Chairman apprised the shareholder that the new IFRS 9 accounting standards provides for key changes in the provision for impairment of receivables, which is calculated as the difference between the carrying value and the recoverable amount.

#### **4.0 ADOPTION OF THE REPORTS**

Subsequent to the shareholders comments and interactions, the Chairperson asked for the voting result on resolution 1. The Company Secretary stated that 7 valid proxies were received and all votes were in favour of the resolution which was declared approved

##### ***Resolution 1***

*"THAT the Audited Financial Statements of the FosRich Company Limited for the year ended December 31, 2019 together with the Independent Auditors' Report and the Report of the Directors be approved as at the 18<sup>th</sup>. day of August, 2020."*

#### **5.0 THE RE-ELECTION OF THE RETIRING DIRECTORS**

The Directors retiring by rotation at the AGM, as stipulated by **Article#97**, represents one-third of the Board composition. Directors Steadman Fuller and Ian Kelly will retire and being eligible, they have offered themselves for re-election pursuant to **Article #99**.

The Company Secretary reported that 7 valid proxies were received and all votes were in favour of **Resolution 2a** and it was agreed:

*"THAT Director Steadman Fuller retires by rotation as at the date of the meeting and being eligible he is hereby re-elected to serve as a director of the company for the ensuing year."*

The Company Secretary stated 7 valid proxies were received and all voted in favour of **Resolution 2b** and it was therefore decided;

*"THAT Director Ian Kelly retires by rotation as at the date of the meeting and being eligible he is hereby re-elected to serve as a director of the company for the ensuing year."*

#### **6.0 RE-APPOINTMENT OF THE AUDITORS**

The Company Secretary informed the Chairperson that 7 valid proxies were received and the votes were all in favour of **Resolution #3**, so it was agreed;

*"THAT the independent auditors of the audit firm of Messrs. Crooks Jackson Burnett, Chartered Accountants of Unit 9a, 2 Seymour Avenue, Seymour Park, Kingston 6, Jamaica, continue in office until the conclusion of the next annual general meeting and the Directors are authorized to fix their remuneration."*

#### **7.0 DIRECTORS' FEE**

In accordance with **Article#77** of the company's regulations, the Board was required to fix the Independent Directors' fee. The Company Secretary stated that 7 proxies deposited, were in favour of the resolution so it was declared;





**Resolution 4**

*“THAT the amount presented in the Audited Financial Statement for the year ended December 31, 2019 as Director's Fees be hereby approved as at the date of the meeting.”*

**8.0. TERMINATION**

- \* There being no other matter for discussion, the Chairperson expressed her appreciation to all the participants for making the time to join the virtual meeting, in spite of the difficulties facing the nation. She also thanked everyone for their continued support.
- \* A motion to terminate was moved by Shareholder Cecil Foster and confirmed by Shareholder Peter Knibb at 3:40 p.m.
- \* A prayer was offered by Chairperson Marion Foster in closing the fully virtual 2020 AGM.

CONFIRMED .....

*Marion Foster*  
**Chairperson**

DATE.....