

2017 ANNUAL REPORT

STAY AHEAD  
GO BEYOND

**FosRich**  
COMPANY LIMITED

Electrical Sales  
The Lighting World  
Solar Energy



# MISSION

Improve people's lives through high quality products.

# VISION

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

# CORE VALUES

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



**FosRich** Electrical Sales  
The Lighting World  
Solar Energy  
COMPANY LIMITED  
2017 ANNUAL REPORT

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## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my privilege to present the annual report and financial statements of FosRich Company Limited for the year ended 31 December 2017.

2017 was a year punctuated by challenges and new opportunities. We are happy to report that despite those challenges, we maintained revenues of over \$1 billion for a second consecutive year.

We had a gross profit of \$473.2 million for the period. This marked an increase of \$4.3 million compared to 2016's \$468.9 million gross profit. We achieved this increase despite a reduction

in sales revenue from \$1,155.6 million in 2016 to \$1,046.2 million this year. Our gross profit percentage increased from 41% in the previous year to 45 %.

Our increase in gross profit performance is primarily attributed to the repricing of our inventories. This action was done to realign our offerings with current exchange rates. The reduction in sales was to a large extent due to initial market resistance to our new and advanced flexible multi-strand cables. We overcame the initial resistance as the new cables now receive wide market acceptance.

December 2017 ushered a major milestone in our history as we were listed on the Junior

Market of the Jamaica Stock Exchange. This created a tremendous advantage for us as current rules provide a major tax benefit. With effect from 19 December 2017, we are now enjoying a five-year income tax holiday which will be followed by a further five years with tax rates reduced by 50%. We also have been able to significantly reduce our financing cost.

We have raised approximately \$200 million from our valued shareholders. These funds have been utilised directly in the business to help significantly reduce supplier debts and purchase stock for the trade. With this new injection of capital, we are now poised for an acceleration in achieving our targets.

Relationships with major suppliers were maintained and strengthened, particularly with our overseas suppliers. We completed Phase 1 of the JPS Smart LED Street Light Project in partnership with Philips Lighting which involved the supply of 15,000 street lights. We are now moving to Phase 2 of this partnership. Our relationships with Siemens AG, the manufacturers of industrial electrical products; Nexans, the second largest cable manufacturer in the world of non-flammable, zero halogenic copper wires; Current Powered by GE, a Fortune 500 company that specializes in energy management systems; Victron Energy, among others, were also broadened and deepened. It is our aim to build on these strong partnerships so that we can continue to improve our product offering.

Our five-year Strategic Plan continues to guide our operations toward achieving our goals. Prime targets include increasing revenues; increasing our presence in the industrial segment of the market; transforming Jamaica to the more efficient LED environment; as well as increasing our support of industrial and residential energy users in transforming their operations for greater efficiency and reduced cost.

The progress we made this past year is due to the hard work and determination of our workforce and strategic action in all of our business dealings. We are steadfast in our commitment to growth and innovation and look forward to furthering our legacy of long-term value creation for our shareholders. Obstacles will present themselves, but with fiscal discipline and determination, we are energized to move forward and be successful with your support.

I wish to express thanks to our Board of Directors and shareholders who have placed their confidence in us and have bought into the vision, mission, and objectives of FosRich. I would also like to thank our clients and business partners for their continued trust and loyalty; and the commitment and professionalism of our management and staff, without whom we would not have achieved our goals.

We look forward to continue working on your behalf in 2018.

A handwritten signature in white ink that reads "M Foster". The signature is fluid and cursive, with the first letter 'M' being particularly large and stylized.

**Marion Foster** – Chairman Of The Board

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the shareholders of FosRich Company Limited (“the Company”) will be held at 79 Molyneux Road, Kingston 10, Jamaica, on Wednesday the 22nd of August, 2018 at 2:30 pm for the purpose of transacting the following businesses: -

1. To receive and consider and if thought fit approve the Directors’ Report, the Auditor’s Report and the Audited Accounts for the financial year ended December 31, 2017 annex thereto.

### **Ordinary Resolution#1**

“THAT the Audited Financial Statements of the Company for year ended December 31, 2017 together with the Auditor’s Report and the Report of the Directors be hereby adopted.”

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

### **Ordinary Resolution#2**

“THAT Crooks Jackson Burnett, Chartered Accountants of Unit 9a, 2 Seymour Avenue, Kingston 6, Jamaica, having agreed to continue as Auditors be and are hereby re-appointed Auditors of the Company until the conclusion of the next Annual General Meeting and the Directors are authorized to fix their remuneration.”

3. To retire Directors; Marion Foster, Rosalyn Campbell, Ian Kelly, Steadman Fuller and Peter Knibb, in accordance with the Articles of Incorporation of the Company and being eligible and with their consent be re-elected to serve as Directors of the Company.

### **Ordinary Resolution#3a**

“THAT Marion Foster retired by rotation as at the date of this meeting and being eligible she is hereby re-elected to serve as a Director of the Company for the ensuing year.”

### **Ordinary Resolution#3b**

“THAT Rosalyn Campbell retired by rotation as at the date of this meeting and being eligible she is hereby re-elected to serve as a Director of the Company for the ensuing year.”

### **Ordinary Resolution#3c**

“THAT Ian Kelly retired by rotation as at the date of this meeting and being eligible he is hereby re-elected to serve as a Director of the Company for the ensuing year.”

### **Ordinary Resolution#3d**

“THAT Steadman Fuller retired by rotation as at the date of this meeting and being eligible he is hereby re-elected to serve as a Director of the Company for the ensuing year.”

**Ordinary Resolution#3e**

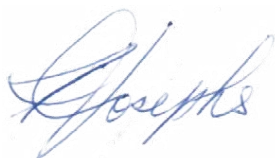
“THAT Peter Knibb retired by rotation as at the date of this meeting and being eligible he is hereby re-elected to serve as a Director of the Company for the ensuing year.”

4. To authorize the Board of Directors to fix the remuneration of the Directors.

**Ordinary Resolution#4**

“THAT the amount presented in the Audited Financials for the year ended December 31, 2017 as Directors’ Fees for Directors be and is hereby approved.”

**BY ORDER OF THE BOARD**



Ruth Josephs  
Company Secretary

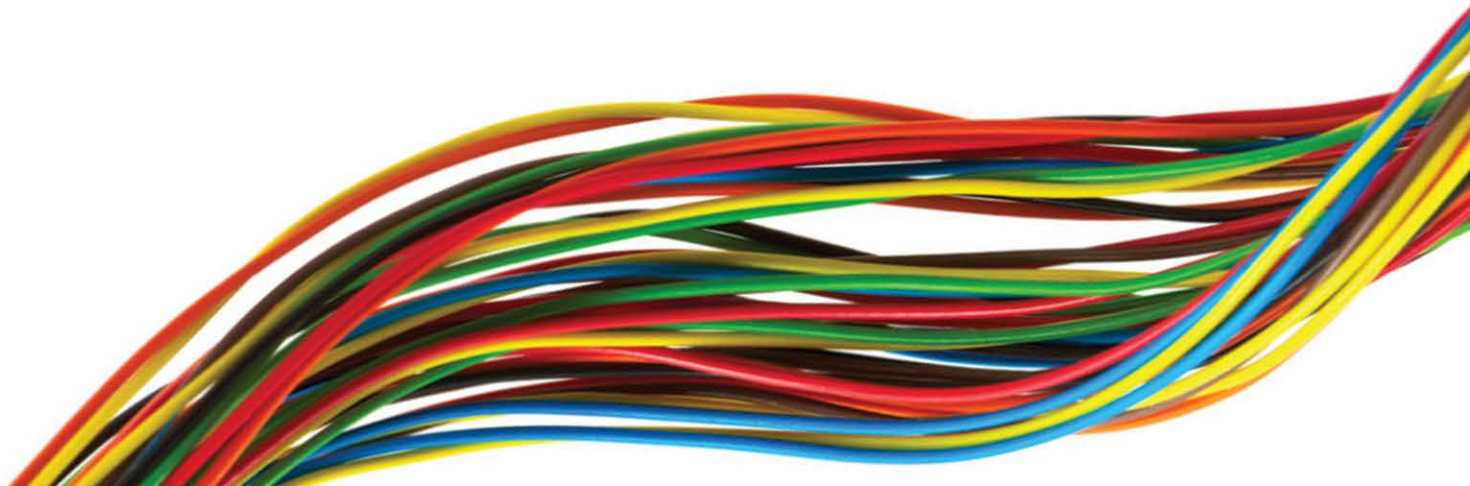
Dated this 3rd day of April, 2018

**Registered Office:** 79 Molyne Road, Kingston 10, Jamaica

**Registrar:** Jamaica Central Securities Depository Limited, 40 Harbour Street, Kingston, Jamaica

**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. Enclosed is a Proxy Form for your convenience which must be completed, stamped and lodged at the Registered Office at least 48 hours before the time fixed for the Meeting.
3. The proxy Form shall bear the stamp duty of \$100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the proxy.



# FIVE-YEAR STATISTICAL SUMMARY

	2017	2016	2015	2014	2013
	\$M	\$M	\$M	\$M	\$M
<b>Income Statement</b>					
Revenue	1,046	1,156	948	928	774
Gross Profit	473	469	363	401	363
Expenses	456	451	358	362	301
EBITDA	137	121	81	114	127
Profit After Tax	55	30	3	36	50
Earnings per share	<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	1,298	1,120	1,103	992	956
Net Current Assets	569	285	307	324	455
Retained Earnings	169	114	84	81	174
Shareholders' Equity	609	399	369	366	458
Financing	318	335	391	330	283
<b>Ratios &amp; Other</b>					
Gross Profit %	45%	41%	38%	43%	47%
Rate of stock turn per year	0.92	1.10	0.97	0.93	0.73
Days of sales in receivables	46	33	41	28	38
Current Ratio	2.71	1.60	1.71	1.98	3.08
Quick Ratio	0.83	0.29	0.31	0.27	0.51
Debt to Equity	0.52	0.84	1.06	0.90	0.62
<b>Other</b>					
Distribution Outlets	4	4	4	4	4
Team Size	77	105	87	87	85
No. of shareholders	1179	2	2	2	2



# CORPORATE INFORMATION

## CORPORATE DATA

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

## ATTORNEYS-AT-LAW

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

## AUDITORS

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

## BANKERS

### First Global Bank

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

### Sagicor Bank Jamaica Limited

17 Dominica Drive  
Kingston 5, Jamaica W.I.

### Bank Of Nova Scotia

86 Slipe Road  
Kingston 5, Jamaica W.I.

### National Commercial Bank

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

## FINANCIAL ADVISERS

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

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

## REGISTRAR & TRANSFER AGENTS

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

## BOARD OF DIRECTORS

### Executive Directors

Marion Foster  
Chairman  
BSc

Cecil Foster  
Managing Director

Peter Knibb  
Chief Financial Officer  
FCCA, FCA, MBA

### Non-Executive Directors

Ian Kelly  
MSc, BSc

Rosalyn Campbell  
Attorney-at-Law

Steadman Fuller  
LLB

## COMPANY SECRETARY

Ruth Josephs  
AICS, MJIM

## SENIOR OFFICERS

Warren Riley  
Commercial & Operations Manager

Tricia Edwards  
Supply Chain & Inventory Manager

Kerry-Ann Gray  
Marketing & Lighting Manager

Kenneth Lawrence  
Commercial Engineering &  
Industrial Products Manager

Vincent Mitchell  
Route Sales Manager

## RETAIL OUTLETS

### Kingston General

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

### Kingston Industrial

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

### **Mandeville - Live Your Dream Store**

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

### **Montego Bay - Cottage Road - Better Homes Store**

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

### **Montego Bay - Fairview - Lighting World Store**

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





## DIRECTORS' REPORT

“With the growth being experienced in the construction industry we are well placed to take advantage of the opportunities that this will present. We are therefore expecting buoyancy in our Electrical and other Divisions in the medium-term.

The country is becoming more aware of the benefits to be derived from using more energy efficient products in their homes and offices. This will result in personal benefit and also go to reduce the energy requirements of the country.”

**Cecil Foster** – Managing Director

**FosRich**  
COMPANY LIMITED

Electrical Sales  
The Lighting World  
Solar Energy

# WE WILL GO FOR **BIG & BOLD** IN 2018

## OVERVIEW

The Directors of FosRich Company Limited are pleased to present this report for the year ended December 31, 2017. The year presented many opportunities which we eagerly embraced. It also had its fair share of challenges which only served to strengthen our fortitude and increase the efficiency of our internal processes.

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

**Total Revenues - \$1,046 Million**

**GP% 45% up from 41%**

**Pre-tax Profit up 67%**

2017 was another milestone year as our revenues climbed to over \$1 billion for the second consecutive year (\$1,046 million). We had a gross margin of 45% which rose from 41% in 2016. The repricing of select inventory items contributed to this growth.

Gross profit was \$473 million, which rose from \$469 million in the previous year. This increase was achieved despite being affected by slightly lower revenues for the period. Pre-tax profits were \$59 million, which reflected a 67% increase on the \$35 million earned in 2016.

## REVENUES

### BUSINESS SEGMENT REPORT

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

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

### REVENUE STREAM 1– ELECTRICAL

**Electrical - \$632 Million or 60% of total revenues**

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

#### Siemens AG

This year we established a supply chain partnership with Fortune 500 company Siemens AG. The product categories we are focussing on include household circuit breakers and panels, transformers, powerline panel boards, contractors and industrial breakers. This quality product line has placed FosRich in a far superior position to the competition.

## Nexans

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

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

## Luminpulse

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

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

## REVENUE STREAM 2—ENERGY

### Energy - \$271 Million or 26% of total revenues

The energy division has exhibited commendable performance in 2017. Most notably, with the substantial increase in the sales volume for its major product offering.

This segment had an average 40% price reduction for most component parts which affect our major revenue drivers. This prompted us to boost the volume for these items in an effort to surpass the \$264 million in revenue achieved in 2016. Given that the LED technology market is entering a phase of maturity, we expect that these prices will level off to offer price stability.

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

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

## Smart Streetlight Initiative

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

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

### REVENUE STREAM 3– LIGHTING WORLD

#### Lighting World - \$73 Million or 7% of total revenues

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

### REVENUE STREAM 4– HARDWARE

#### Hardware - \$49 Million or 5% of total revenues

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

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

### REVENUE STREAM 5–INDUSTRIAL

#### Industrial - \$21 Million or 2% of total revenues

This division seeks to increase the Company's market share of industrial products and lead in the projected growth for 2018. Product offerings are used by large operations, including power plants, bauxite plants,

hotels, factories, offices, public buildings, high-rise buildings, and housing developments. The division plans to achieve this goal through its partnership with two renowned international electrical brands, namely Siemens AG which supplies industrial circuit breakers and panel boards, and Nexans which supplies industrial SWA cables, and fire-resistant cables.

### OUR DISTRIBUTION CHANNELS

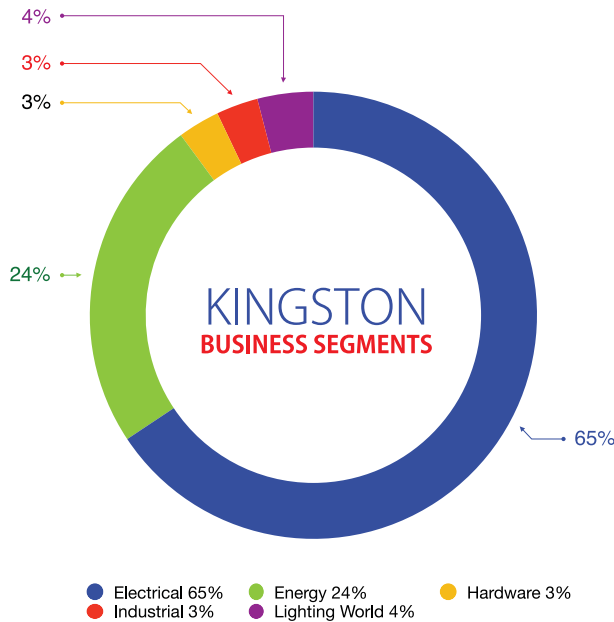
The executive team continues to seek new ways to grow the Company's customer base and takes pride in the slogan that says "We serve you better". Listed below are distribution channels we employ to connect with and serve our customers:

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

### KINGSTON MAIN STORE

#### Kingston - \$413 Million – 39% of total

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



visits are also used as an opportunity to share information about product offerings. We have found that financial institutions are highly receptive to this mode of delivery.

## MANDEVILLE - LIVE YOUR DREAM STORE

### Revenues of \$120 million - 11% of total

Over a two-year period, the Live Your Dream Store showed an increase in sales revenue by 3.13%. The sale of electrical items has consistently been its main source of revenue. Similarly, there has been an increase in the store’s customer base with a 5.17% increase from 2016 to 2017. Though there have been internal and external challenges for the store over the past year, measures have been taken to ensure continued growth.

## DIRECT MARKETING TEAMS

### Direct Marketing Teams Revenues - \$374 Million – 36% of total

Our Direct Marketing Team is structured as follows:

#### ROUTE SALE Revenues of \$206 million

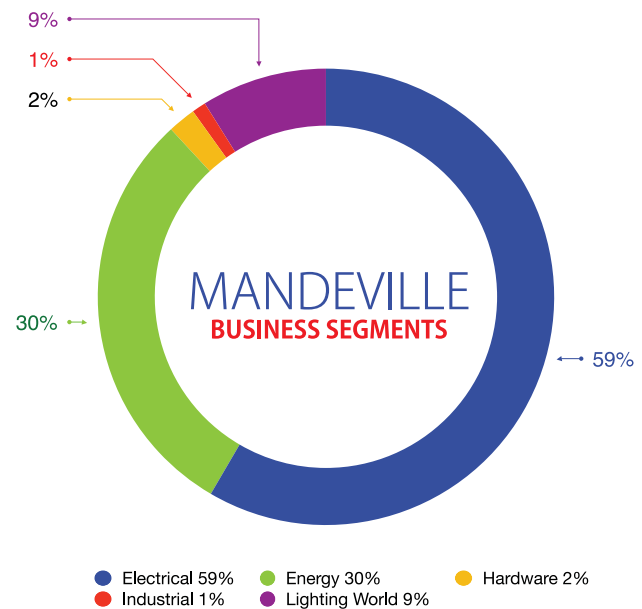
A quick-response team of salesmen operating nationwide and servicing the needs of a network of customers. Clientele ranges from independent electrical contractors to hardware stores and large commercial and industrial operations.

#### IN-HOUSE MARKETING Revenues of \$ 151 million

This is our foremost channel for connecting with customers. New products are offered by our in-house customer service teams who make cold calls and repeat calls to prospects and existing clientele.

#### TELESALES Revenues of \$17 million

This team focuses its attention on capturing end users. The members make appointments and visit corporate offices to teach staff and customers ways to be energy efficient. These



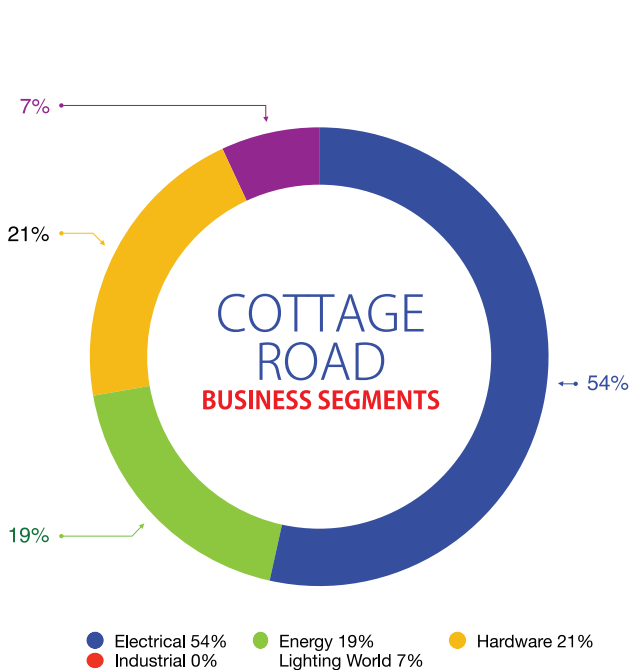
## COTTAGE ROAD - BETTER HOMES STORE

### Cottage Road - \$79 Million – 8% of total

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. This transition over the two year period resulted in a decline in sales revenue by 3%. Notwithstanding, there was a 26% increase in electrical sales revenue. The store’s customer base has also increased by 2%.

There continues to be strong strategic management within the store and the organization to ensure a smooth transition, as well as to ensure increased future sales revenues.

### Cottage Road - Business Segments

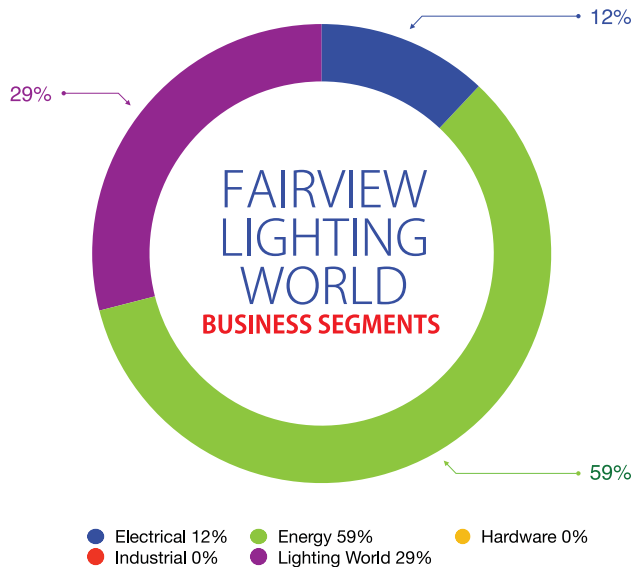


## FAIRVIEW - LIGHTING WORLD STORE

### Fairview - \$60 Million – 6% of total

Lighting World product offerings increased by 23% over the two-year period alongside the store’s customer base which also increased by 23%. The demand for LED items continues to dominate in this location. The decline in Energy sales by 2% during the year did not affect the store’s overall sales revenue, which increased by 2%. Efforts are being made 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.

### Fairview – Lighting World - Business Segments





## BRIDGING THE GAP BETWEEN OUR SUPPLIERS & CUSTOMERS

### FosRich AND PARTNERS SPECIAL EVENTS

In April 2017, FosRich embarked on the first FosRich & Partner Product Show. This event showcased cutting-edge products from our major overseas supply partners, which included Nexans, Philips Lighting and Victron Energy. It also afforded face-to-face engagement with our valued customers from every segment of our operation.

Approximately 850 persons were in attendance from the construction and engineering industries. The innovative 'intelligent' LED bulb showcased by Philips Lighting was the main attraction. Its energy saving features were a paramount attention-grabber. This bulb has the capability to switch to different levels of lighting intensity and colours. Another attractive feature is that it provides backup power for up to four hours following a power cut, thereby eliminating the need for expensive standby generators. Philips also showcased their newest LED technology in smart streetlight, outdoor lighting, professional lighting and digital technology.

On June 14, 2018, we will stage the Caribbean and Central America Industrial Cable & Distribution Forum. This event will feature two of our Industrial Division partners: Siemens AG and Nexans Cable Company. Breakout sessions will feature engineers from these companies who will update participants on the improvements in switchgear and copper cables.

### JAMAICA STOCK EXCHANGE JUNIOR MARKET LISTING

In 2017, the company moved from a privately-owned company to being publicly listed when we floated our

IPO in the fourth quarter. This resulted in the successful listing of 20% of the company on the Jamaica Stock Exchange Junior Market. The offer of just over 100 million shares at \$2 each was significantly oversubscribed. This resulted in the offer book being closed within 1 minute after the opening on December 4.

This injection of new funds provided the opportunity to ease the cash-tightness experienced during the year under review, allowing us to pay down our existing trade payables, thereby guaranteeing the new inventory supplies required.

We are humbled by the trust that the public has shown and welcome the 1165 new shareholders to our dynamic company.

### LOOKING AHEAD

Our plans for the future: Our inventory is one of the most important assets in our company and we intend to have a rotation of one and a half times in the value we carry. We are undertaking the project of digitising the inventory items this year, this will increase efficiency by double digits. We will be able to track the items coming in the warehouse, locate them easily and prevent over trading and theft. We will be able to invoice the products faster and serve our customers more efficiently.



**CECIL FOSTER**  
Managing Director



# SAVE *the* DATE

## ELECTRICAL EXPO 2018

A technician and market event, with several workshops and exclusive lectures about the segment!

**June 14th 2018**

At 10 a.m to 6 p.m + Cocktail and Dinner  
Pegasus Hotel - Kingston, Jamaica

PARTNERS:

**N**exans | **SIEMENS**



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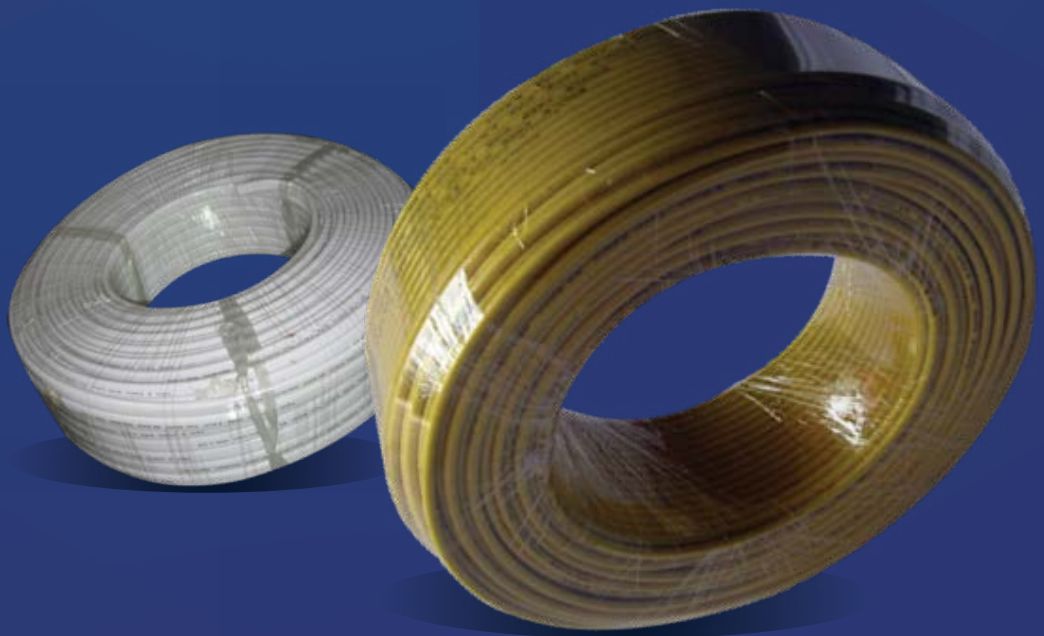
# THE BEGINNING

There is no need to look back on the past except to tell a great story of resilience, dedication and hard work that brings success. This is the hard truth that FosRich started in a little ten by ten warehouse space nestled at the rear of Princeville Plaza on Constant Spring Rd.

Cecil Foster would buy the electrical parts and store them at the location. He would use his studio apartment off Red Hills Rd as his office to make calls to hardwares across the Island. Sometimes he travelled as early as 5am to Westmoreland or Portland to deliver to his customers and return to Kingston early enough to

buy more goods and store them for delivery for the next day. The Molyne location was bought two years later and the first employees were two handy men to assist in the day to day sales activities.

Today FosRich employs approximately 100 staff members and has seven locations across the Island, including four retail locations. This is a true success story and young entrepreneurs should take note.





# BOARD OF DIRECTORS



## MARION FOSTER EXECUTIVE DIRECTOR & CHAIRMAN OF THE BOARD

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

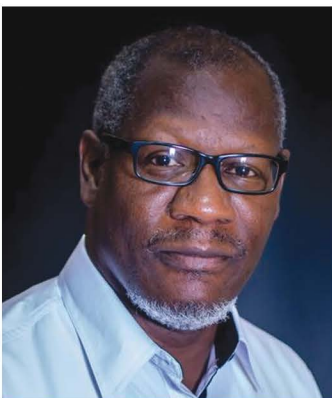
She graduated from the Mico Teachers' College in 1987 and thereafter taught in the Jamaica and the USA for 6 years.



## CECIL FOSTER EXECUTIVE DIRECTOR & MANAGING DIRECTOR

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

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



## PETER KNIBB CHIEF FINANCIAL OFFICER

Peter Knibb has over 34 years experience as a Chartered Accountant, 20 years with corporate groups and 14 with two large audit firms. He was the Vice President - Finance & 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 this knowledge in the senior management roles held. He has conducted many external statutory audits and management control reviews in various industries while employed by audit firms and integrated that knowledge into corporate activities.



## ROSALYN CAMPBELL

### NON-EXECUTIVE DIRECTOR

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

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

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

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## IAN KELLY

### NON-EXECUTIVE DIRECTOR

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

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

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

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## STEADMAN FULLER, C.D.

### NON-EXECUTIVE DIRECTOR

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

Steadman completed a Bachelor of Law Degree (L.LB 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.

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## RUTH JOSEPHS

### COMPANY SECRETARY

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

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

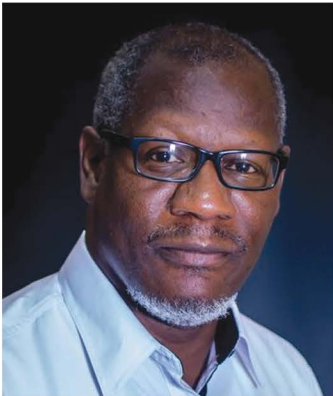
# EXECUTIVE TEAM



## CECIL FOSTER EXECUTIVE DIRECTOR & MANAGING DIRECTOR

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

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



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## WARREN RILEY COMMERCIAL & OPERATIONS MANAGER

Warren Riley joined the FosRich team in January 2010. He is an accomplished accounting professional with more than 15 years experience in the energy and utility industry. Warren is a CPA and holds a B.Sc. in Business Administration majoring in Accounts. He is highly proficient in conducting internal audits, financial analysis and reporting, Sarbanes-Oxley, internal control analysis, as well as process documentation and improvement.

Warren is responsible for the efficient management of the department. His core functions include 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





## KENNETH LAWRENCE

### COMMERCIAL, ENGINEERING & INDUSTRIAL PRODUCTS MANAGER

As the head of the Energy Division, Kenneth Lawrence is an ardent advocate for the use of solar and other renewable energy to power the earth. Described as 'energetic' and 'globally aware', Kenneth has a clear understanding of the energy sector and the burden faced by businesses who need to keep costs down to be competitive. He believes that for businesses to survive in today's ever-evolving global economy, organizations must look at skilled and creative measures to reduce the recurrent energy demand.

Kenneth brings to FosRich over 20 years of experience from diverse sectors. Since joining the team, he has acted as the Project Manager for the Sabina Park Lighting Project, which was nominated for the Jamaica Institute of Engineers' Project of the Year Award.

Kenneth has a B.Eng. in Electrical Engineering and a Diploma in Electronics and Telecommunications from the University of Technology, Jamaica. He also has a Msc. in Business Administration from the University of New Orleans. He is well versed in space and ergonomic designs for businesses, facilities maintenance and support, commercial equipment services, project management, as well as energy conservation and product specification.



## VINCENT MITCHELL

### ROUTE SALES MANAGER

Vincent Mitchell joined the FosRich team in January 2011. He has over 35 years of professional experience in sales.

He is charged to proactively and systematically develop new business opportunities to broaden FosRich's customer base. Vincent consistently tracks his team's performance and may often be found assiduously working out new angles to strategies in an effort to increase the profit margin.

Vincent takes pride in mentoring sales representatives to reach their highest potential and to achieve targets. He is also a major proponent for offering supreme customer service.



## TRICIA EDWARDS

### SUPPLY CHAIN & INVENTORY MANAGER

Tricia Edwards joined FosRich in 2005 as the organization's first Operations Manager. She brought with her 14 years of experience in the construction industry, retail and inventory management, as well as wholesale distribution.

She is the consummate environmentalist and perfectionist — always striving for personal and professional excellence for herself and others. Her eye for perfection was brought to the forefront during 2008 – 2009 when she led the six month management information system conversion project. Thanks to Tricia's leadership, FosRich discontinued outdated systems and installed an accounting framework that increased efficiency, which continues to produce consistent results to date.

Tricia holds a B.A. (Hons) in Business Administration with a major in Management from the University of Technology, Jamaica. Tricia is also a member of the Supply Chain Management Association of Ontario and is in her final year of the post-diploma professional designation programme.



## KERRY-ANN GRAY

### MARKETING & LIGHTING MANAGER

Kerry-Ann Gray joined the FosRich team in October 2008. Starting out as the Assistant to the Managing Director, Kerry-Ann has grown tremendously through the ranks. Having been assigned the position of Marketing Manager in October 2017, she continues to thrive and offer top-notch service.

A go-getter who is ready to take on any challenge, Kerry-Ann spearheaded the successful build-out and renovation of our retail outlets in Kingston, Mandeville and both Montego Bay locations. Kerry-Ann is a hands-on leader who is not afraid to 'get her hands dirty'. She leads by example and takes immense pride in being able to install anything, from a wall sconce to a chandelier.

Kerry-Ann holds a Bsc. in Management Studies with a major in Marketing from the Northern Caribbean University. She also is certified in Supervisory Management from the UWI Open Campus.



**FosRich** Electrical Sales  
The Lighting World  
Solar Energy  
COMPANY LIMITED

# DISCLOSURE OF SHAREHOLDINGS

# Major Stockholders

	Name	Shares Held	
		Number	Percentage
1	Cecil Foster	200,910,222	40.0%
2	Marion Foster	200,910,222	40.0%
3	Stocks and Securities Ltd. (Alpha)	45,154,000	9.0%
4	Peter Knibb & Elizabeth Knibb, Brandon Knibb and Jenine Knibb	10,000,000	2.0%
5	Errol A. Lewin	10,000,000	2.0%
6	Patrick L. Allen & Kurt F. Allen	2,500,000	0.5%
7	Michael Andrew Ammar	2,334,000	0.5%
8	Rosalyn Campbell	2,000,000	0.4%
9	Lascelles Davis	1,550,000	0.3%
10	Loose Cannon Boat Charters & Tours Ltd.	1,500,000	0.3%
	Total of Top Ten	476,858,444	94.9%
	Others	25,417,111	5.1%
	<b>TOTAL SHARES ALLOTTED</b>	<b>502,275,555</b>	<b>100.0%</b>

Total ordinary stocks in issue - **502,275,555**

Total no. of stockholders - **1,179**

# Stockholdings of Directors & Connected Persons

Director	Joint Holders	Stockholding
Cecil Foster	Nil	200,910,222
Marion Foster	Nil	200,910,222
Peter Knibb	Elizabeth Knibb, Jenine Knibb, Brandon Knibb	10,000,000
Rosalyn Campbell	Nil	2,000,000
Steadman Fuller	Nil	Nil
Ian Kelly	Nil	Nil

# Stockholdings of Senior Managers & Connected Persons

<b>Director</b>	<b>Joint Holders</b>	<b>Stockholding</b>
Cecil Foster	Nil	200,910,222
Peter Knibb	Elizabeth Knibb, Jenine Knibb, Brandon Knibb	10,000,000
Warren Riley	Nil	900,000
Tricia Edwards	Nil	500,000
Kerry-Ann Gray	Nil	500,000
Kenneth Lawrence	Nil	250,000
Vincent Mitchell	Nil	7,484

# Stockholder Information

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

## Stock Trading in 2017

	<b>Closing Stock</b>	<b>High</b>	<b>Low</b>
Ordinary Stock	\$3.27	\$3.70	\$2.30

## Team Member Stockholding (excluding Directors)

21 team members held 4,290,000 of the issued 502,275,555 shares of the Company at the end of December 2017.

This represents 27% of our workforce who have shares in FosRich.



## MANAGEMENT DISCUSSION & ANALYSIS



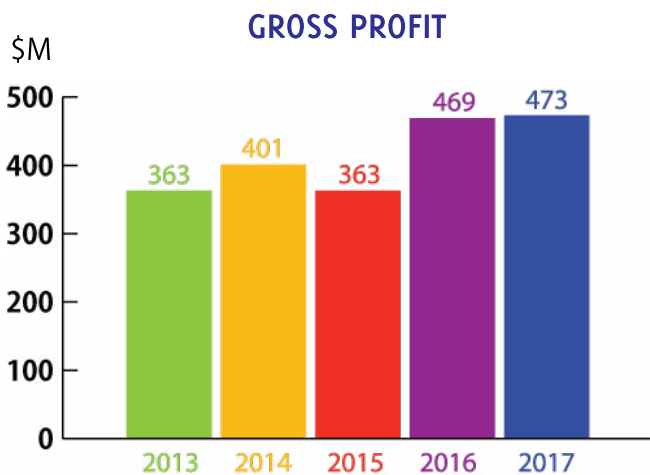
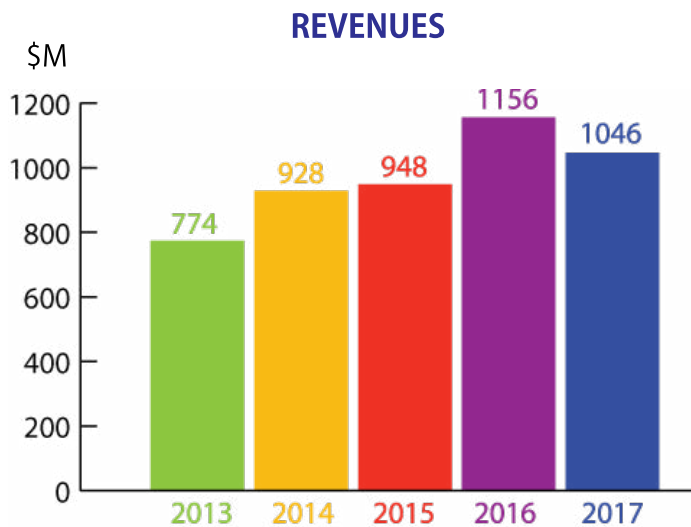
“International commodity prices, primarily copper, have a significant impact both positively and negatively, on the prices that we are able to source inventories to replace our stock. We actively monitor these markets and time our purchases to take advantage of anticipated movements. We also maintain supply channels in multiple geographic areas and with multiple competing suppliers, thereby ensuring the best possible prices.”

Peter Knibb – Chief Financial Officer

## INCOME STATEMENTS

### Gross Profit

Gross profit for the year was \$473.2 million. This marked an increase of \$4.3 million compared to \$468.9 million for the prior reporting period. Our gross profit percentage increased from 41% from the previous year to 45%. Despite a reduction in sales revenue by \$109.4 million to \$1,046.2 million (2016: \$1,155.6 million), we achieved some growth in gross profit performance.



### Administration Expenses

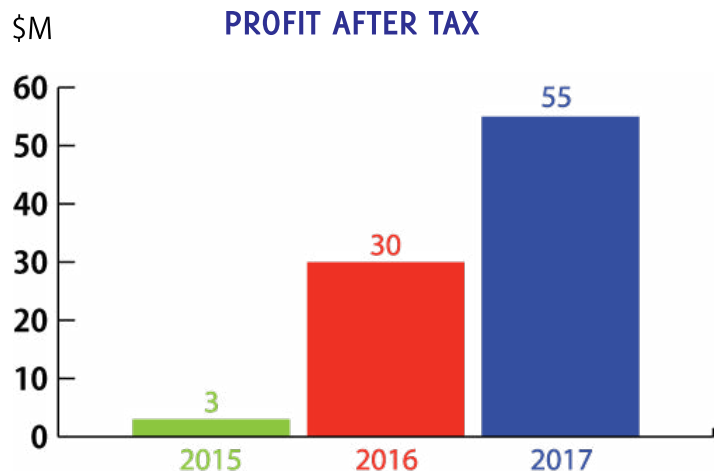
Administration expenses for the year amounted to \$404.8 million. This reflected an increase of \$20.5 million in the prior period expenses of \$384.3 million. This was driven primarily by increases in rent, associated with the new lease for the adjacent Molynes Road facility of \$16.2 million. Staff cost increases amounted to \$3.9 million. Warranty expenses associated with the recently established warranty reserve of 0.5% of sales revenue amounted to \$5.2 million. Increases in motor vehicle fuel costs amounted to \$4.3 million. Marketing and distribution expenses increased by \$3.9 million. Increases in electricity costs of \$1.3 million also contributed to administrative expenses for the period.

### Finance Cost

Finance cost for the year was \$51.4 million, compared to \$62.2 million for the prior reporting period, a decrease of \$10.8 million. This reduction is being driven primarily by the scheduled pay-down of some financing obligations and a re-negotiation of others at more favourable rates.

### Profit After Tax

Profit-after-tax for the year was \$54.9 million. This marked an increase of \$24.6 million (81%) on the \$30.3 million earned in the prior reporting period.



## Earnings Per Stock Unit

▶ **Earnings per stock unit were \$0.14. This figure reflected a 75% increase compared to \$0.08 in the prior period.**

### Inventories

The balance sheet was reorganized during the current year. The balance previously carried as share premium amounting to \$33.5 million was utilized as a provision for some slow-moving inventory items.

The company continues to closely manage inventory balances and the supply-chain, with a view to ensuring that inventory balances being carried are optimised, relative to the pace of sales, the time between the orders being made and when goods become available for sale, to avoid both overstocking and stock-outs. Monitoring is both at the individual product level and by product categories.

### Receivables

Receivables continue to be closely managed. A provision has been established for doubtful accounts and currently stands at \$29.4 million. This represents approximately 61% of balances over 180 days.

### Trade Payables

During the current-year, accounts payables for foreign goods, local goods, and for services decreased by \$32.3 million.

### Shareholders' Equity

Shareholders' equity increased by \$210 million during the year. The net increase of \$210 million was due to retained profits of \$55 million for the year, the utilization of share premium amounting to \$33 million, and the net proceeds from the issue of 100,455,111 new shares amounting to \$188 million.

▶ **This marked a significant increase from \$399 million to \$609 million.**



Peter Knibb – Chief Financial Officer





# CORPORATE GOVERNANCE

## **HIGH STANDARDS IN ACCOUNTABILITY**

"As Chairman, it is my responsibility to ensure that the Directors of FosRich Company Limited share in the company's vision and are committed to executing their responsibilities, ensuring prudent management and long-term business success.

I have all confidence that the Board and Management charged with directing the company are engaged, equipped, and understand their respective roles and the importance of their responsibilities, not just to the company, but also to our shareholders and the wider communities where we conduct our business activities."

Marion Foster - Chairman

**FosRich**  
COMPANY LIMITED

Electrical Sales  
The Lighting World  
Solar Energy



## COMMITMENT TO CORPORATE GOVERNANCE BEST PRACTICES & DISCLOSURE

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

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

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

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

### BOARD EXPERTISE

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

## 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 candor 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 draft Corporate Governance Manual identifies the three relevant Committees. Each entails clearly defined terms of reference, procedures, responsibilities, powers, and structure. All Committees require a majority of Non-Executive Independent Directors. The membership and chairpersons are outlined below.

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

E - Executive      NE - Non-Executive      I - Independent

## INDEPENDENT DIRECTOR

To be considered as an Independent Director, the Board must determine that the Director has no material relationship with FosRich Company Limited (direct or indirect). This means either as a stockholder,

partner, director or officer of an organization that has a material interest in the company that would preclude the Director from being independent. Materiality test for shareholding is 2.5% of FosRich Company Limited's outstanding shares.

Additionally, an Independent Director is a Director who:

- Has not been employed by the company within the last two years.
- Has not been an employee or affiliate of our External Auditors within the last three years.
- Has not received any compensation other than director and committee fees within the last two years.
- Has not been employed by a company of which an Executive Director/Officer has been a director within the last two years.
- Is not a member of the immediate family of an Executive Director/Officer, which would be defined as spouse, parent, child or sibling, in-law (mother, father, son, daughter, brother, sister) or anyone sharing the same home with any of the above.

## THE BOARD'S REPORT CARD

During 2017, the Board and its Committees had scheduled meetings to execute their various mandates. We reported to shareholders on the financial results; reviewed and approved policies; discussed strategy and its implementation; and took decisions given our discussions on the business and our economy.

Names	Board	Audit & Compliance	Human Resources & Compensation	Corporate Governance
<b>No. of Meetings</b>	12	1	0	0
Marion Foster	12	-	-	-
Cecil Foster	12	1	-	-
Steadman Fuller	2 of 3	-	-	-
Ian Kelly	3 of 3	1	-	-
Rosalyn Campbell	3 of 3	-	-	-
Peter Knibb	3 of 3	1	-	-

## AUDIT & COMPLIANCE COMMITTEE

Committee members are Ian Kelly (Chairman), Rosalyn Campbell and Peter Knibb, a majority of non-executive Board members

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 2017, the Audit Committee held one meeting.

## HUMAN RESOURCES & COMPENSATION COMMITTEE

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

This Committee oversees:

- Senior management succession planning
- Identification and development of high potential people in the Company
- Senior management performance plans and evaluation
- Setting executive compensation
- Aggregate performance and motivation of the Company's employees
- Operation of the Company's pension plan

The Committee is scheduled to meet at least twice each year. In 2017, no meeting was held.

## CORPORATE GOVERNANCE COMMITTEE

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

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

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

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

The Committee is scheduled to meet at least twice each year. No meeting was convened in 2017.



## EXECUTIVE TEAM EXPERTISE

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

# CORPORATE SOCIAL RESPONSIBILITY

POSITIVE ACTION IN OUR COMMUNITY



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

Corporate Social Responsibility is an integrated part of FosRich's philosophy and we always seek to make a lasting contribution to the communities in which we are active. Our primary focus lies on helping the disadvantaged.

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

We are proud to be associated with such a programme and are humbled by the growth and impact it has made since we opened the doors 11 years ago. Now the GSI is able to expand its reach with the addition of a laundry facility; showers for both males and females; free health clinics; free grooming services for men; and overnight accommodations for women and children in crisis among other services.

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



**FosRich** Electrical Sales  
The Lighting World  
Solar Energy  
COMPANY LIMITED  
2017 ANNUAL REPORT

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**Crooks Jackson Burnett**  
Chartered Accountants

Unit #9 | Seymour Park  
2 Seymour Avenue | Kingston 6, Jamaica W.I.  
Tel: (876) 978-6525 • (876) 978-6689

# Independent Auditors' 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 21, which comprise statement of financial position as at December 31, 2017, statement profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information

In our opinion, the accompanying financial statements give a true and fair view of the financial position of company as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

### **Basis of Opinion**

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

### **Our audit approach**

#### **Audit Scope**

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

## Independent auditors' report

### FosRich Company Limited

#### Key Audit Matters

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

#### 1. Accuracy of Inventories

##### • Key Audit Matter

The company carries a wide variety of product types and there is high frequency of transactions. As a result there is an inherent risk that material misstatement could arise due to incorrect recording at the point of sale and also when goods are brought back into stock.

##### • How our audit addressed the Key Audit Matter

Our audit procedures response to this matter, included:

Tests of the controls surrounding the recording of inventory being brought into stock, goods issued from stocks and the costing methods in practice. We tested sample of products on the final priced inventory listing to the costing sheets to verify costing calculations.

The company's controls were tested and assessed and found to be reasonable.

#### 2. Impairment of Trade Receivables

##### • Key Audit Matter

The company has offered extensive credit period to certain customers and one-third of its receivables are over 60 days.

In view of this, there is the risk that the carrying value of trade receivables may not be recoverable. There is judgement involved in determining the provision for impairment on these balances because of the inherent uncertainty involved in estimating and timing the amount of future collections.

##### • How our audit addressed the Key audit matter

Our audit procedures in response to this matter, included:

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

Testing subsequent collections for selected customers.

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

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



## Independent auditors' report

### FosRich Company Limited

#### Other information

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

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

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

#### Responsibilities of management for the financial statements

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

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

#### Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent auditors' report FosRich Company Limited

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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.

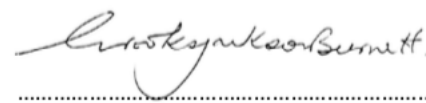
### Report on other legal and regulatory requirements

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.

The financial statements of the company for the financial year ended December 31, 2016 were audited by another auditor, who expressed an unmodified opinion on those financial statements.

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

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



.....  
Chartered Accountants

February 27, 2018

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

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2017**

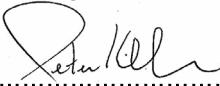
		2017	2016
		₹	₹
<b>Turnover</b>		1,046,241,522	1,155,557,852
Cost of Sales	3	<u>(573,008,705)</u>	<u>(686,663,459)</u>
<b>Gross profit</b>		473,232,817	468,894,393
<b>Other income:</b>			
Other operating income	5	<u>41,906,321</u>	<u>12,879,059</u>
		<u>515,139,138</u>	<u>481,773,452</u>
<b>Expenses :</b>			
Administration and selling expenses	3	404,831,281	384,296,428
Finance costs	6	<u>51,430,751</u>	<u>62,189,587</u>
<b>Total expenses</b>		<u>456,262,032</u>	<u>446,486,015</u>
<b>Operating profit</b>		58,877,106	35,287,437
Taxation	7	<u>(3,935,931)</u>	<u>(4,949,823)</u>
<b>Net profit, being total comprehensive income</b>		<u>54,941,175</u>	<u>30,337,614</u>
Earnings per stock unit for profit attributable to stockholders of the company during the year	18	<u>\$0.14</u>	<u>\$0.08</u>

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2017**

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
PROPERTY, PLANT & EQUIPMENT	8	255,570,518	275,299,177
RELATED PARTY	9	124,974,974	67,055,414
INVESTMENTS	10	16,768,418	15,221,987
		<u>397,313,910</u>	<u>357,576,578</u>
<b>CURRENT ASSETS</b>			
Inventories	11	625,056,821	624,587,925
Trade receivables	12	89,490,193	101,320,228
Other receivables and prepayments	12	66,346,573	22,083,336
Short term deposit	13	103,736,000	-
Cash and bank balances	13	16,311,855	14,115,768
		<u>900,941,442</u>	<u>762,107,257</u>
<b>CURRENT LIABILITIES</b>			
Payables	14	296,644,438	328,886,737
Bank overdraft	13	149,424	37,098,111
Current portion of long-term liabilities	19	27,960,126	99,157,214
Taxation		7,400,602	12,175,374
		<u>332,154,590</u>	<u>477,317,436</u>
<b>NET CURRENT ASSETS</b>		<u>568,786,852</u>	<u>284,789,821</u>
		<u>966,100,762</u>	<u>642,366,399</u>
<b>EQUITY</b>			
SHARE CAPITAL	15	369,620,810	181,000,200
SHARE PREMIUM	16	-	33,500,000
CAPITAL RESERVES	17	69,999,632	69,999,632
RETAINED EARNINGS		169,347,951	114,406,776
		<u>608,968,393</u>	<u>398,906,608</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term liabilities	19	290,363,883	167,795,116
Director's loan	20	66,768,486	67,802,900
Deferred tax	21	-	7,861,775
		<u>357,132,369</u>	<u>243,459,791</u>
		<u>966,100,762</u>	<u>642,366,399</u>

The financial statements set out on pages 1 to 21 were approved for issue by the Board of Directors on February 27, 2018 and signed on its behalf by:

  
 ..... Chairman  
 Marion Foster

  
 ..... Director  
 Peter Knibb

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2017**

	<b>Share capital \$</b>	<b>Share premium \$</b>	<b>Capital reserves \$</b>	<b>Retained earnings \$</b>	<b>Total \$</b>
Balance at January 1, 2016	181,000,200	33,500,000	69,999,632	84,069,162	368,568,994
Net profit, being total comprehensive income				30,337,614	30,337,614
Balance at December 31, 2016	181,000,200	33,500,000	69,999,632	114,406,776	398,906,608
Re-organisation of share premium		(33,500,000)			(33,500,000)
Net profit, being total comprehensive income				54,941,175	54,941,175
Issue of shares, net of transaction costs	188,620,610				188,620,610
Balance at December 31, 2017 ( <i>see notes 15, 16 &amp; 17</i> )	<u>369,620,810</u>	<u>-</u>	<u>69,999,632</u>	<u>169,347,951</u>	<u>608,968,393</u>

**FOSRICH COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

	2017	2016
	\$	\$
<b>CASH FLOWS WERE PROVIDED BY/ (USED IN):</b>		
<b>Operating Activities</b>		
Net profit	54,941,175	30,337,614
Items not affecting cash resources		
Depreciation	26,220,775	26,734,403
Gain on disposal of property, plant & equipment	(805,000)	(794,604)
Unrealised foreign exchange gain (net)	(19,042,238)	(238,310)
Interest income	(66,540)	(53,957)
Interest expense	38,162,334	47,332,485
Taxation expense	3,935,931	4,949,823
	<u>103,346,437</u>	<u>108,267,454</u>
Changes in non-cash working capital components:		
Inventories	(33,968,896)	(27,146,272)
Receivables	11,830,035	7,469,624
Other receivables and prepayments	(44,263,237)	-
Payables	(13,200,061)	38,176,727
Related parties	(57,919,560)	12,853,624
Taxation paid	(16,458,689)	(60,000)
Cash provided by operating activities	<u>(50,633,971)</u>	<u>139,561,157</u>
<b>INVESTMENT ACTIVITIES</b>		
Purchase of investment	(1,546,431)	(2,153,785)
Purchase of property, plant and equipment	(6,492,116)	(9,698,325)
Interest received	66,540	53,957
Proceeds from disposal of property, plant and equipment	805,000	1,245,000
Cash used in investment activities	<u>(7,167,007)</u>	<u>(10,553,153)</u>
<b>FINANCING ACTIVITIES</b>		
Issue of shares	188,620,610	-
Directors' loans	(1,034,414)	-
Loans received	306,104,291	-
Loan repaid	(254,846,401)	(89,574,056)
Interest paid	(38,162,334)	(47,993,011)
Cash used in financing activities	<u>200,681,752</u>	<u>(137,567,067)</u>
<b>INCREASE/(DECREASE) IN NET CASH BALANCES</b>	<b>142,880,774</b>	<b>(8,559,063)</b>
<b>NET CASH BALANCES - Beginning of year</b>	<b>(22,982,343)</b>	<b>(14,423,280)</b>
<b>NET CASH BALANCES - End of year</b>	<b><u>119,898,431</u></b>	<b><u>(22,982,343)</u></b>
<b>REPRESENTED BY:</b>		
Cash and bank balances	16,311,855	14,115,768
Short term deposit	103,736,000	-
Bank overdraft	(149,424)	(37,098,111)
	<u>119,898,431</u>	<u>(22,982,343)</u>

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**1. INCORPORATION AND IDENTITY**

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

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

**(a) Statement of Compliance**

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

**(b) Basis of preparation**

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

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

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

During the year, certain new standards, interpretations and amendments to existing standards became effective. Management has assessed the relevance of all such new standards, interpretations and amendments that became effective January 1, 2017; the majority of these standards did not have a significant effect on the amounts and disclosures in these financial statements. They included:

- **Amendment to IAS 7, 'Statement of Cash Flows' on Disclosure Initiative** (effective for the periods beginning on or after January 1, 2017). Amendments made to IAS 7 in January 2017 clarify that going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdown's and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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

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

- **Amendment to IAS 7, 'Statement of Cash Flows' on Disclosure Initiative (continued)**

The new amendments also clarifies that changes in financial assets must be included in this disclosure if cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

The amendment also states that entities may include changes in other terms as part of this disclosure, for example, by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from changes in liabilities arising from financing activities.

The information must be disclosed in tabular format as reconciliation from closing balances, but a specific format is not mandated.

**New, Revised and Amended Standards and Interpretations issued but not yet effective:**

- **IFRS 9, Financial Instruments** is effective for periods beginning on or after 1st January 2018. Earlier adoption is permitted. This standard replaces the existing guidance in *IAS 39 - Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income [FVOCI] and fair value through profit or loss [FVTPL] - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.
- **IFRS 15, 'Revenue from Contracts with Customers'** is effective for periods beginning on or after January 1, 2018. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must be allocated to the separate elements.

When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The company is currently assessing the impact of future adoption of the standard on its financial statements.



**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

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

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

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

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

**Significant Accounting Policies**

**(c) Revenue**

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

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

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

**(d) Other operating income**

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

**(e) Foreign Currency Transactions**

**i. Functional and presentation currency**

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

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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

**Significant Accounting Policies (continued)**

**(e) Foreign Currency Transactions**

ii. Transaction and balances

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

**(f) Financial Instruments**

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

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

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

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

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

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

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

**(h) Inventories**

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

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

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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

**Significant Accounting Policies (continued)**

**(i) Impairment of Non-current Assets**

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

**(j) Trade receivables**

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

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

**(k) Payables**

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

**(l) Borrowings and interest expenses**

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

**(m) Leases**

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

**(n) Cash and cash equivalents**

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

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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

**(o) Employee benefits**

*Annual leave entitlements*

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

*Pension*

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

**(p) Taxation**

Taxation expense in the profit and loss account comprises both current and deferred tax.

**(i) Current taxation**

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

**(ii) Deferred taxation**

A deferred tax charge is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. The tax rates used in these financial statements are those enacted at balance sheet date. Deferred tax charges are recognised for temporary differences between the carrying amounts of assets and liabilities and the amounts as measured for tax purposes, which will result in taxable amounts in future periods. The carrying amounts of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax to be utilised.

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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

**(q) Related party transactions and balances**

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

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

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

**3. EXPENSE BY NATURE**

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

	2017	2016
	<u>₹</u>	<u>₹</u>
Direct costs		
Cost of goods sold	550,304,255	671,887,732
Installation expense - contractors	12,878,360	7,097,106
Sales commission - contractors	9,826,090	7,678,621
	<u>573,008,705</u>	<u>686,663,459</u>

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**3. EXPENSE BY NATURE (continued)**

## Administrative and selling expenses

	2017	2016
	\$	\$
Directors' emoluments (see note 4)	23,599,517	23,503,592
Depreciation	26,220,775	26,734,403
Auditor's remuneration - Current year	1,750,000	1,600,000
Staff costs (see note 4)	158,954,938	164,029,083
Rent, security, repairs and maintenance	63,688,611	45,573,608
Motor vehicle and other related expense	30,206,775	31,457,822
General insurance and utilities	39,021,341	40,938,208
Other expenses	61,389,324	50,459,712
	<u>404,831,281</u>	<u>384,296,428</u>

**4. STAFF COSTS**

	2017	2016
	\$	\$
Salaries, commissions and bonus	148,595,330	154,254,782
Statutory contributions	13,805,707	16,907,071
Staff welfare	20,153,418	16,370,822
	<u>182,554,455</u>	<u>187,532,675</u>

The average number of persons employed full-time by the company during the year under review was 77.

**5. OTHER OPERATING INCOME**

	2017	2016
	\$	\$
Other income	21,992,543	16,973,190
Interest income	66,540	53,957
Foreign currency exchange gain/(loss) - net	19,042,238	(4,942,692)
Gain on disposal of fixed asset	805,000	794,604
	<u>41,906,321</u>	<u>12,879,059</u>

**6. FINANCE COSTS**

	2017	2016
	\$	\$
Bank charges	9,614,103	6,734,514
Overdraft interest	2,791,648	4,950,067
Loan and credit card interest	35,370,686	42,351,929
Finance charge	389,960	30,489
Bad debt provision	3,264,354	8,122,588
	<u>51,430,751</u>	<u>62,189,587</u>

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**7. TAXATION**

Taxation is based on profits for the year adjusted for taxation purposes, and is calculated at the rate of 25% (2016 = 25%). Taxation charge for the year comprise: -

	2017	2016
	\$	\$
Current tax	11,797,706	9,045,131
Deferred tax adjustment (see note 22)	<u>(7,861,775)</u>	<u>(4,095,308)</u>
	<u>3,935,931</u>	<u>4,949,823</u>

The taxation charge differs from the theoretical amount that would arise using the income tax rate as follows:

	2017	2016
	\$	\$
Surplus for the year before taxation	<u>58,877,106</u>	<u>35,287,437</u>
Computed "expected" tax at 25%	14,719,276	8,821,859
Income tax consequence of the following:		
Employment Tax Credit	(5,213,426)	(3,876,485)
Expenses not allowable for tax purposes	323,527	4,449
Income not taxable	(201,250)	-
Remission of tax	(433,495)	-
Unutilised timing difference	2,603,075	-
Deferred tax adjustment	<u>(7,861,775)</u>	<u>-</u>
	<u>3,935,931</u>	<u>4,949,823</u>

**Remission of income tax:**

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

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

- (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 shareholders 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%

The taxation charge in these financial statements is based on the chargeable profits of the pre-remission tax period: January 1, 2017 to December 18, 2017.

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

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**8. PROPERTY, PLANT & EQUIPMENT**

	Freehold Land \$	Freehold Building \$	Leasehold Improvement \$	Leasehold Property \$	Equipment, Furniture & Fixtures \$	Computers \$	Motor Vehicles \$	Total \$
<b>At cost/valuation:</b>								
January 1, 2016	29,980,000	176,139,252	51,626,867	30,000,000	34,134,575	15,329,750	34,398,066	371,608,510
Additions	-	-	-	-	5,351,853	3,445,185	901,287	9,698,325
Disposal							(1,921,276)	(1,921,276)
December 31, 2016	29,980,000	176,139,252	51,626,867	30,000,000	39,486,428	18,774,935	33,378,077	379,385,559
Additions	-	-	-	-	1,694,930	984,186	3,813,000	6,492,116
Disposal	-	-	-	-			(1,250,000)	(1,250,000)
December 31, 2017	<b>29,980,000</b>	<b>176,139,252</b>	<b>51,626,867</b>	<b>30,000,000</b>	<b>41,181,358</b>	<b>19,759,121</b>	<b>35,941,077</b>	<b>384,627,675</b>
<b>Accumulated Depreciation:</b>								
January 1, 2016	-	16,742,120	22,560,248	2,250,000	16,845,695	7,325,806	13,098,990	78,822,859
Disposal	-	-	-	-	-	-	(1,470,880)	(1,470,880)
Charge for the year		4,403,481	5,162,687	750,000	3,948,643	4,724,360	7,745,232	26,734,403
December 31, 2016	-	21,145,601	27,722,935	3,000,000	20,794,338	12,050,166	19,373,342	104,086,382
Disposal	-	-	-	-			(1,250,000)	(1,250,000)
Charge for the year		4,732,851	10,942,337	750,000	3,232,030	2,161,480	4,402,077	26,220,775
December 31, 2017	-	<b>25,878,452</b>	<b>38,665,272</b>	<b>3,750,000</b>	<b>24,026,368</b>	<b>14,211,646</b>	<b>22,525,419</b>	<b>129,057,157</b>
<b>Net book values:</b>								
December 31, 2017	<b>29,980,000</b>	<b>150,260,800</b>	<b>12,961,595</b>	<b>26,250,000</b>	<b>17,154,990</b>	<b>5,547,475</b>	<b>13,415,658</b>	<b>255,570,518</b>
December 31, 2016	29,980,000	154,993,651	23,903,932	27,000,000	18,692,090	6,724,769	14,004,735	275,299,177

**Revaluation of assets**

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



**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**9. RELATED PARTY**

	2017	2016
	<u>\$</u>	<u>\$</u>
<b>Amount due from:</b>		
LCCM Investment Ventures Limited	<u>124,974,974</u>	<u>67,055,414</u>

Fosrich Limited is related to LCCM Investment Ventures Limited by means of common directorship. There were not trading activities between the companies during the year.

**10. INVESTMENTS**

	2017	2016
	<u>\$</u>	<u>\$</u>
Deposits - First Global Bank Jamaica Limited	<u>16,768,418</u>	<u>15,221,987</u>

These funds are being held as security for the loans (*see note 19*)

**11. INVENTORIES**

Inventories comprise:

	2017	2016
	<u>\$</u>	<u>\$</u>
Merchandise	608,788,931	601,736,541
Goods-in-transit	<u>16,267,890</u>	<u>22,851,384</u>
	<u>625,056,821</u>	<u>624,587,925</u>

**12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS**

	2017	2016
	<u>\$</u>	<u>\$</u>
Trade receivables	<u>89,490,193</u>	<u>101,320,228</u>
Other receivables and prepayments comprise:-		
Sundry receivables	24,441,500	18,988,654
Deposits with suppliers	32,520,414	-
Prepayments	4,838,185	3,094,682
Other deposits	<u>4,546,474</u>	<u>-</u>
	<u>66,346,573</u>	<u>22,083,336</u>

During the year, net bad debt recognised in profit or loss aggregated \$3,264,354 [2016 = \$8,122,588]. The trade receivables at year-end are stated net of provision for bad debts of \$29,480,593 [2016 = \$26,216,239]. The company's exposure to credit risk and impairment loss associated to trade and other receivables are disclosed in note 22(b).

**13. CASH & BANK BALANCES**

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

	2017	2016
	<u>\$</u>	<u>\$</u>
Short term deposit	103736000	-
Cash and current account balances	14,805,263	7,155,829
Savings account	<u>1,506,592</u>	<u>6,959,939</u>
	120,047,855	14,115,768
Bank overdraft	<u>(149,424)</u>	<u>(37,098,111)</u>
	<u>119,898,431</u>	<u>(22,982,343)</u>

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. CASH & BANK BALANCES (continued)**

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

Amounts held in savings accounts are denominated in United States Dollar and Jamaican Dollar and attract interest at the rates of 0.00% to 1% per annum during the year.

**14. PAYABLES**

	2017	2016
	\$	\$
Trade	246,794,030	279,074,349
Advances and other payables	47,463,916	38,653,803
Statutory payables	2,386,492	11,158,585
	<u>296,644,438</u>	<u>328,886,737</u>

**15. SHARE CAPITAL**

(a) Share capital

	2017	2017	2016
	Units	\$	\$
<b>Authorised -</b>			
512,821,000 [2016: 181,000,500] Ordinary shares of no par value			
<b>Issued and fully paid -</b>			
Brought forward	181,000,200	181,000,200	181,000,200
Stock split of 2.2 : 1	220,820,244	-	-
	<u>401,820,444</u>	<u>181,000,200</u>	<u>181,000,200</u>
New issue	100,455,111	200,910,222	-
	<u>502,275,555</u>	<u>381,910,422</u>	<u>181,000,200</u>
Transaction costs	-	(12,289,612)	-
	<u>502,275,555</u>	<u>369,620,810</u>	<u>181,000,200</u>

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

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

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**16. SHARE PREMIUM**

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

**17. CAPITAL RESERVES**

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

**18. EARNINGS PER STOCK UNIT**

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

	2017	2016
	\$	\$
Net profit attributable to equity holders of the company	54,941,175	30,337,614
Weighted average number of ordinary stock units in issue	405,398,297	401,820,444
Basic earnings per stock unit	\$0.14	\$0.08

The weighted average number of ordinary shares in issue at year end reflects the 401,820,444 shares in issue up to December 18, 2017, the date before the IPO became binding and the 502,275,555 units in issue at the year end.

**19. LONG-TERM LIABILITIES**

	2017	2016
	\$	\$
Bank loans		
First Global Bank - 8% DBJ Petro Caribe	-	1,573,871
First Global Bank - 12.50%	-	16,302,704
First Global Bank - 13.50%	-	35,167,975
First Global Bank - 9.50% DBJ loan	-	8,929,988
First Global Bank - 11.25%	-	45,734,407
First Global Bank - 11.00%	-	53,155,338
First Global Bank - 13.50%	-	91,059,293
First Global Bank - Consolidated Loan	306,104,291	-
Total	306,104,291	251,923,576
Accrued interest on loans	517,861	404,072
	306,622,152	252,327,648
GK Investments - Finance lease obligation	11,701,857	14,624,682
	318,324,009	266,952,330
Less: Current portion of bank loans	(23,962,063)	(95,428,549)
Current portion of finance lease obligation	(3,998,063)	(3,728,665)
	290,363,883	167,795,116

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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

## i. First Global Bank - Consolidated Loan

All bank loans were consolidated into one facility in September 2017 and interest rates revised. The existing loan attracts interest at the rate of 12.35% per annum.

The loan is secured by:

(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

(d) Mortgage over the company's commercial properties situated at:

77 Molyne's Road, Kingston 10

8A and 8B Maverly Avenue, Kingston 10

14 Burley Road, Kingston 10

(e) The assignment of Fire and Allied Insurance over stock-in-trade and 'keyman' life insurance policies.

ii. GK Investments assumed the lease arrangements formerly held with First Global Bank in relation to the acquisition of motor vehicles. The leases are at interest rates of 13.70% and 15.00% per annum.

**20. DIRECTORS' LOAN**

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

**21. DEFERRED TAX**

Deferred income tax liability resulted as follows: -

	2017	2016
	\$	\$
Deferred tax asset at the beginning of year	7,861,775	11,957,083
Deferred tax charge for the year* (note 7)	<u>(7,861,775)</u>	<u>(4,095,308)</u>
Deferred tax liability at end of year	<u><u>-</u></u>	<u><u>7,861,775</u></u>

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

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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## 22. FINANCIAL INSTRUMENTS

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

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

### (a) Market risk

#### (i) Currency risk

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

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

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

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
Cash and cash equivalent	72,162	46,198
Trade and other payables	<u>(1,432,293)</u>	<u>(1,241,426)</u>
Net exposure	<u><u>(1,360,131)</u></u>	<u><u>(1,195,228)</u></u>

#### *Sensitivity analysis*

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

	<b>Increase/(decrease) in profit</b>	
	<b>Strengthening</b>	<b>Weakening</b>
	<b>2%</b>	<b>4%</b>
United States dollar	<u>Ja\$ (3,402,873)</u>	<u>Ja\$ (7,166,827)</u>

The exchange rates applicable at balance sheet date are US\$ 1 = J\$124.0571 (2016 = J\$127.6024) in respect of foreign currency assets and US\$ 1 = J\$125.0936 (2016 = J\$128.3623) in respect of foreign currency liabilities.

#### (ii) Interest rate risk

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

**FOSRICH COMPANY LIMITED**  
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**22. FINANCIAL INSTRUMENTS (continued)**

(a) Market risk (continued)

(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.

(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.

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.

*Trade and other receivables*

The company's exposure to this risk is considered 'moderate', as some major customers are classified as wholesalers, who are granted extended credit periods. Management has established a credit policy under which each customer is analysed for creditworthiness prior to being offered a credit facility. Each customer is given a maximum time allowed for having balances outstanding and procedures are in place to restrict customer orders if outstanding debts are not cleared within the credit period. The company fixes the credit limits and periods based on its assessment of the risk profile of the customers.

	2017			
	0 - 30 days	31 - 60 days	Over 61 days	Total
	<u>I\$</u>	<u>I\$</u>	<u>I\$</u>	<u>I\$</u>
Trade receivables	50,509,405	6,694,589	32,286,199	89,490,193
Deposits, prepayments and other receivables	50,986,515	537,577	14,822,481	66,346,573
	101,495,920	7,232,166	47,108,680	155,836,766

Impairment is assessed for each customer balance in excess of 90 days and a provision is made where collectibility is deemed doubtful. Trade receivables considered impaired were fully provided for. At year end the provision for bad debts amounted to \$29,480,593 (2016: \$26,216,239).

*Cash and cash equivalents*

Cash and investments are held with financial institutions which management considers to be sound and financially strong.

Management monitors the company's exposure to this type of risk on an ongoing basis.

(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.

**FOSRICH COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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**22. FINANCIAL INSTRUMENTS (continued)**

**(c) Liquidity risk (continued)**

The company's financial liabilities at December 31, 2017 and 2016 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.

**(d) Capital management**

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

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

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

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

**(e) Fair value disclosure:**

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

**23. CONTINGENT LIABILITY & CAPITAL COMMITMENT**

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

At reporting date, the company had no outstanding legal matters being pursued in the Courts; however, a third has made a claim on the company for breach of contract arising from a matter in 2014. The claim has not been filed, and the proposal is for resolution by commercial arbitration. Those proceedings have not yet commenced. Accordingly, no provision has been made in these financial statements in respect of this matter.









## FORM OF PROXY

A shareholder entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in his/her stead. A proxy need not be a shareholder of the Company. All completed original proxy forms, together with the power of attorney or other documents appointing the proxy, must be deposited at the registered office of the company, 79 Molynes Road, Kingston 10, Jamaica, at least 48 hours before the time fixed for the Annual General Meeting.

I/We \_\_\_\_\_ (insert name)  
of \_\_\_\_\_ (address)  
being a shareholder of FosRich Company Limited, hereby appoint(s) \_\_\_\_\_  
of \_\_\_\_\_ (address) or failing him \_\_\_\_\_ (alternate proxy)  
of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our  
behalf at the 2018 Annual General Meeting of FosRich Company Limited, to be held on Wednesday the 22<sup>nd</sup> of  
August, 2018 at 2:30 pm at 79 Molynes Road, Kingston 10 Jamaica, and at any adjournment thereof. I desire  
this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit)

NO.	RESOLUTION DETAIL	VOTE FOR OR AGAINST (TICK AS APPROPRIATE)			
<b>ORDINARY RESOLUTIONS</b>					
1	To adopt the Audited Financial Statements of the Company, the Auditor's Report and Director's Report for year ended December 31, 2017	For	Against		
2	To re-appoint Crooks Jackson Burnett, Chartered Accountants of Unit 9a, 2 Seymour Avenue, Kingston 6, as the auditors of the company and to fix their remuneration.	For	Against		
3	To retire Directors; Marion Foster, Rosalyn Campbell, Ian Kelly, Steadman Fuller and Peter Knibb, in accordance with the Articles of Incorporation of the Company who being eligible have consented to act on re-appointment.				
3a	To re-appoint Marion Foster to the Board.	For	Against		
3b	To re-appoint Rosalyn Campbell to the Board.	For	Against		
3c	To re-appoint Ian Kelly to the Board.	For	Against		
3d	To re-appoint Steadman Fuller to the Board.	For	Against		
3e	To re-appoint Peter Knibb to the Board.	For	Against		
4	To authorize the Board of Directors to fix the remuneration of the Directors for the year ended 31 December 2017.	For	Against		

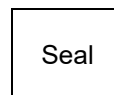
Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2018

Signed: \_\_\_\_\_ (signature of primary shareholder / Director)

Name: \_\_\_\_\_ (print name)

Signed: \_\_\_\_\_ (signature of joint shareholder, if any / Director)

Name: \_\_\_\_\_ (print name of joint shareholder, if any)



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



COMPANY LIMITED

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