FOSRICH COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2018

CHARTERED ACCOUNTANTS
CJB
CROOKS JACKSON BURNETT

FOSRICH COMPANY LIMITED

INDEX
YEAR ENDED DECEMBER 31, 2018

Independent auditors' report

To the Members of
FosRich Company Limited

Report on the audit of the financial statements

Opinion

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

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

Basis of Opinion

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

Our audit approach

Audit Scope

As part of designing our audit, we determined 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.

Key Audit Matters

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

Impairment of Trade Receivables

- **Key Audit Matter**
  The company has a wide range of customers, including certain corporate customers with material balances.

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

- **How our audit addressed the Key audit matter**
  Our audit procedures in response to this matter, included:

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

  Testing subsequent collections for selected customers.

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

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

Other information

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

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

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

Responsibilities of management for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

CrooksJacksonBurnett.

Chartered Accountants

February 28, 2019

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

FOSRICH COMPANY LIMITED

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

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

FOSRICH COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

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

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

M.Foster — Chairman
Marion Foster

Director
Peter Knibb

*** Restated*

** Restated to conform with the provisions of IFRS 9*

FOSRICH COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2018

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

FOSRICH COMPANY LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. INCORPORATION AND IDENTITY

(a) The company is incorporated under the Jamaican Companies Act and is domiciled in Jamaica, having its registered office at 79 Molynes Road, Kingston 10, Jamaica.

(b) The main activity of the company is distribution of lighting, electrical and solar energy products.

The financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency.

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

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

(a) Statement of Compliance

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

(b) Basis of preparation

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

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

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

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

- **IFRS 9, Financial Instruments** is effective for periods beginning on or after 1st January 2018

  This standard replaces IAS 39 - Financial Instruments: Recognition and Measurement and sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

  Classification and measurement

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

  (a) measured at amortised cost
  (b) fair value through other comprehensive income {FVOCI]
  (c) fair value through profit or loss [FVTPL]

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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

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

- **IFRS 9, Financial Instruments** (continued)

Impairment

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

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

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

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

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

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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

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

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

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

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

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

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

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

Significant Accounting Policies

(c) Revenue

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

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

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

(d) Other operating income

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

(e) Foreign Currency Transactions

i. Functional and presentation currency

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

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.

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, 2018

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

(o) Employee benefits

Annual leave entitlements

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

Pension

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

(p) Taxation

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

(i) Current taxation

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

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

(ii) Deferred taxation

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

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

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

(q) Related party transactions and balances

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

(1) A person or a close member of that person's family is related to a reporting entity if that person:
  i. has control or joint control over the reporting entity;
  ii. has significant influence over the reporting entity; or
  iii. is a member of the key management personnel of the reporting entity; or a parent of the reporting entity.

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

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

3. EXPENSE BY NATURE

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

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

FOSRICH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

3. EXPENSE BY NATURE (continued)

Administrative and selling expenses

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

4. STAFF COSTS

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

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

5. OTHER OPERATING INCOME

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

6. FINANCE COSTS

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

7. TAXATION

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

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

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 exceeed $500 million.

(iii) The company has at least 50 participating voting shareholders.

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

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

As a consequence of the company obtaining a remission of tax status, effective December 19, 2017, the deferred tax asset position 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, 2018

8. PROPERTY, PLANT & EQUIPMENT

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

Revaluation of assets

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

9. RELATED PARTY

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

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

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

10. INVESTMENTS

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

11. INVENTORIES

Inventories comprise:

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

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

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

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

13. CASH & BANK BALANCES

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

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

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

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

14. PAYABLES

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

15. SHARE CAPITAL

(a) Share capital

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

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, 2018

16. SHARE PREMIUM

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

17. CAPITAL RESERVES

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

18. EARNINGS PER STOCK UNIT

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

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

The weighted average number of ordinary shares in issue at prior year end was 405,398,297, reflecting the number of shares in issue up to December 18, 2017, the date before the IPO became binding and the 502.275,555 units in issue at the year end.

19. LONG-TERM LIABILITIES

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

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 Molynes 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 The Maberry Investment loan was received December 27, 2018 and matures December 2020. Interest accrues monthly at a rate of 7.75% per annum, and is unsecured

iii These are debt instruments raised on the open market and attract interest at the rate 9.5% per annum. and are secured, in part by assets pledged by the directors.

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

20. DIRECTORS' LOAN

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

21. DEFERRED TAX

Deferred income tax liability resulted as follows: -

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

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

22. FINANCIAL INSTRUMENTS

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

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

FOSRICH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

22. FINANCIAL INSTRUMENTS (continued)

(a) Market risk

(i) **Currency risk**

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

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

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

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

Sensitivity analysis

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

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

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

(ii) **Interest rate risk**

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

(iii) **Price risk**

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

22. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

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

Trade and other receivables

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

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

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

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

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

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

FOSRICH COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

22. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Reconciliation

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

(c) Liquidity risk

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

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

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

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

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

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

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

22. FINANCIAL INSTRUMENTS (continued)

(d) Capital management

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

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

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

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

(e) Fair value disclosure:

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

23. CONTINGENT LIABILITY & CAPITAL COMMITMENT

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

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