

FOSRICH COMPANY LIMITED

FINANCIAL STATEMENTS

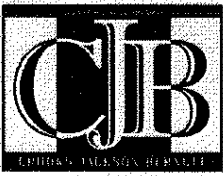
DECEMBER 31, 2019



FOSRICH COMPANY LIMITED

INDEX YEAR ENDED DECEMBER 31, 2019

	Page
INDEPENDENT AUDITORS' REPORT TO MEMBERS	
FINANCIAL STATEMENTS	
Statement of Profit or Loss and Other Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 22



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

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, 2019, 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, 2019, 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.

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 the controls over the recording of trade receivables, collections and the ageing of invoices, 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 for compliance with IFRS 9.

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

Completeness, Existence and Accuracy of Inventories

- **Key Audit Matter**

Due to the significant volume of stock items that the company carries and the high frequency of transactions, there is an inherent risk that material misstatement could arise due to the quantity or cost of inventory being incorrectly recorded.

Independent auditors' report
FosRich Company Limited

- **Key Audit Matter [continued]**

Due to the significant volume of stock items that the company carries and the high frequency of transactions, there is an inherent risk that material misstatement could arise due to the quantity or cost of inventory being incorrectly recorded.

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

Our audit procedures in response to this matter, included:

- Observing the annual inventory count for adherence to appropriate stock take process and testing samples of items by agreeing count quantities to final inventory report.
- Testing control over management review of costing.
- Testing samples of products manufactured inhouse to assess whether all elements of cost attributable to those products had been accurately reflected in the costing calculations and also agreeing the cost of purchased finished goods to supporting purchase invoices and costing sheets.

Other information

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

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

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

Independent auditors' report
FosRich Company Limited

Responsibilities of management for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Independent auditors' report
FosRich Company Limited

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

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

Report on other legal and regulatory requirements

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

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

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


Chartered Accountants

February 28, 2020

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

FOSRICH COMPANY LIMITED

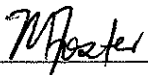
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019

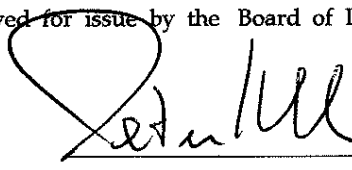
		2019	2018
		\$	\$
Turnover		1,612,164,170	1,293,223,605
Cost of Sales	3	<u>(902,215,700)</u>	<u>(759,227,812)</u>
Gross profit		709,948,470	533,995,793
Other income:			
Other operating income	5	<u>51,983,250</u>	<u>47,407,075</u>
		<u>761,931,720</u>	<u>581,402,868</u>
Expenses :			
Administration and selling expenses	3	560,572,448	422,793,468
Finance costs	6	<u>99,694,948</u>	<u>67,500,926</u>
Total expenses		<u>660,267,396</u>	<u>490,294,394</u>
Operating profit		101,664,324	91,108,474
Taxation	7	<u>(2,791,096)</u>	<u>(718,259)</u>
Net profit, being total comprehensive income		98,873,228	90,390,215
Other comprehensive income:			
Items that may be subsequently reclassified to profit or- loss unrealised loss on available-for-sale investments	10	<u>(650,439)</u>	<u>(1,962,498)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>98,222,789</u>	<u>88,427,717</u>
Earnings per stock unit	17	<u>\$0.20</u>	<u>\$0.18</u>

FOSRICH COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019 \$	2018 \$
ASSETS			
Property, plant and equipment	8	319,487,346	251,433,781
Related party	9	282,611,824	386,358,519
Investments	10a	19,396,942	16,557,173
Investment security	10b	1,918,125	2,568,564
		<u>623,414,237</u>	<u>656,918,037</u> *
CURRENT ASSETS			
Inventories	11	1,168,297,433	1,021,244,826
Trade receivables	12	214,306,605	161,610,657
Other receivables and prepayments	12	98,636,369	141,723,246
Related party	9	80,000,000	-
Cash and bank balances	13	56,495,021	71,094,564
		<u>1,617,735,428</u>	<u>1,395,673,293</u> *
CURRENT LIABILITIES			
Payables	14	268,873,131	300,152,574
Bank overdraft	13	-	453,844
Current portion of long-term liabilities	18	72,108,207	35,039,590
Taxation		2,786,023	14,689
		<u>343,767,361</u>	<u>335,660,697</u>
NET CURRENT ASSETS			
		<u>1,273,968,067</u>	<u>1,060,012,596</u>
		<u>1,897,382,304</u>	<u>1,716,930,633</u>
EQUITY			
Share capital	15	369,620,810	369,620,810
Capital reserves	16	67,386,695	68,037,134
Retained earnings		354,574,534	255,701,307
		<u>791,582,039</u>	<u>693,359,251</u>
NON-CURRENT LIABILITIES			
Long-term liabilities	18	1,053,099,583	969,742,710
Director's loan	19	52,700,682	53,828,672
		<u>1,105,800,265</u>	<u>1,023,571,382</u>
		<u>1,897,382,304</u>	<u>1,716,930,633</u>

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


 _____ Chairman
 Marion Foster


 _____ Director
 Peter Knibb

FOSRICH COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019

	Share capital \$	Capital reserves \$	Retained earnings \$	Total \$
Balance at January 1, 2018	369,620,810	69,999,632	165,311,092	604,931,534
Unrealised loss on available-for-sale investments	-	(1,962,498) *	-	(1,962,498)
Net profit, being total comprehensive income	-	-	90,390,215	90,390,215
Balance at December 31, 2018	369,620,810	68,037,134	255,701,307	693,359,251
Fair value adjustment on available-for-sale investments	-	(650,439)	-	(650,439)
Net profit, being total comprehensive income	-	-	98,873,228	98,873,228
Balance at December 31, 2019 (<i>see notes 15 & 16</i>)	<u>369,620,810</u>	<u>67,386,695</u>	<u>354,574,534</u>	<u>791,582,039</u>

* Restated

FOSRICH COMPANY LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

	2019	2018
	\$	\$
CASH FLOWS WERE PROVIDED BY/ (USED IN):		
Operating Activities		
Net profit	98,873,228	90,390,215
Items not affecting cash resources		
Depreciation	28,760,580	20,641,533
Unrealised foreign exchange gain (net)	(18,214,908)	(27,172,058)
Interest income	(13,073,685)	(16,677,131)
Interest expense	83,397,936	61,623,043
Taxation expense	2,791,096	718,259
	<u>182,534,247</u>	<u>129,523,861</u>
Changes in non-cash working capital components:		
Inventories	(147,052,607)	(396,188,005)
Receivables	(52,695,948)	(76,157,322)
Other receivables and prepayments	43,086,877	(75,376,673)
Payables	(13,064,534)	3,519,200
Related parties	36,820,380	(261,383,546)
Taxation paid	(19,761)	(7,446,164)
Cash used in operating activities	<u>49,608,654</u>	<u>(683,508,649)</u>
INVESTMENT ACTIVITIES		
Purchase of investment	-	(4,531,062)
Purchase of property, plant and equipment	(96,814,145)	(20,096,872)
Investments	(2,839,769)	-
Cash used in investment activities	<u>(99,653,914)</u>	<u>(24,627,934)</u>
FINANCING ACTIVITIES		
Directors' loans repaid	(1,127,990)	(12,939,813)
Loans received	181,517,000	1,535,734,207
Loans repaid	(60,159,266)	(802,292,479)
Interest paid	(84,330,182)	(61,623,043)
Cash provided by financing activities	<u>35,899,562</u>	<u>658,878,872</u>
DECREASE IN NET CASH BALANCES	<u>(14,145,699)</u>	<u>(49,257,711)</u>
NET CASH BALANCES - Beginning of year	<u>70,640,720</u>	<u>119,898,431</u>
NET CASH BALANCES - End of year	<u><u>56,495,021</u></u>	<u><u>70,640,720</u></u>
REPRESENTED BY:		
Cash and bank balances	56,495,021	71,094,564
Bank overdraft	-	(453,844)
	<u>56,495,021</u>	<u>70,640,720</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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 Molyne's 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, 2019 and have determined that the following will affect the amounts and disclosures in these financial statements:

- **Amendment to IFRS 9, Financial Instruments** is effective retrospectively for annual periods beginning on or after January 1, 2019. The amendment clarifies the treatment of:
 - (a) **Prepayment features with negative compensation:**
Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income [FVOCI] if they meet the other relevant requirements of IFRS 9.
 - (b) **Modifications to financial liabilities:**
If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

This amendment has not impacted the 2019 financial statements.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

- **IFRS 16, 'Leases'** is effective for periods beginning on or after January 1, 2019. The new standard affects primarily the accounting by leases and has changed the recognition of almost all 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 liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value items valued at US\$5,000 or less. The accounting by lessors has not significantly changed.

Standards, Interpretations and Amendments to Existing Standards that are not yet effective and have not been early adopted by the Company

- **Definition of Material - Amendment to IAS 1 and ISA 8** [effective for annual periods beginning on or after January 1, 2020]. The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and errors, which use a consistent definition of materiality throughout International Financial Standards and the Conceptual Framework for Financial Reporting in IAS 1, clarify when information is material and incorporate some of the guidelines in IAS 1 about immaterial information.

The amendment further clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses material in the context of the financial statements as a whole. The standard also states that the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining these as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- **Definition of Business - Amendments to IFRS 3** [effective for annual periods beginning on or after January 1, 2020]. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. It also states that the definition of the term 'output' is amended to focus on goods and services provided to customer, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.
- **Revised Conceptual Framework for Financial Reporting** [effective for annual periods beginning on or after January 1, 2020]. The IASB has issued a revised conceptual Framework which will be used in standard-setting decisions with immediate effect. These new standards include increasing the prominence of stewardship with objective of financial reporting. It also includes changes in reinstating prudence as a component of neutrality. Further key changes include defining a reporting entity, which may be a legal entity, or a portion of an entity and revising the definitions of an asset and a liability as well as removing the probability threshold for recognition and adding guidance on de-recognition.

The standard further includes changes to adding guidance on different measurement basis and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Standards, Interpretations and Amendments to Existing Standards that are not yet effective and have not been early adopted by the Company [continued]

- **Revised Conceptual Framework for Financial Reporting**

The standard clarifies that no changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020.

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"].

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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

Significant Accounting Policies (continued)

(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, 2019

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, 2019

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

(o) Employee benefits

Annual leave entitlements

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

Pension

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

(p) Taxation

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

(i) Current taxation

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

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

(ii) Deferred taxation

A deferred tax charge is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

The tax rates used in these financial statements are those enacted at balance sheet date.

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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:

	2019	2018
	\$	\$
Cost of sales		
Cost of goods sold	869,910,560	730,479,207
Installation expense - contractors	10,995,684	12,069,659
Sales commission - contractors	21,309,456	16,678,946
	<u>902,215,700</u>	<u>759,227,812</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. EXPENSE BY NATURE (continued)

Administrative and selling expenses

	2019	2018
	\$	\$
Directors' emoluments (see note 4)	24,660,969	23,599,517
Depreciation	28,760,580	20,641,533
Auditor's remuneration - Current year	1,850,000	1,750,000
Staff costs (see note 4)	238,993,710	173,906,791
Rent, security, repairs and maintenance	76,086,922	67,976,598
Motor vehicle and other related expenses	40,607,665	32,720,560 *
General insurance and utilities	41,307,857	37,146,582
Other expenses	108,304,745	65,051,887
	<u>560,572,448</u>	<u>422,793,468</u>

4. STAFF COSTS

	2019	2018
	\$	\$
Salaries, commissions and bonus	208,630,111	157,919,897
Statutory contributions	22,797,685	15,156,080
Staff welfare	32,226,883	24,430,331
	<u>263,654,679</u>	<u>197,506,308 *</u>

The average number of persons employed full-time by the company during the year under review was 138.
 [2018 = 92]

5. OTHER OPERATING INCOME

	2019	2018
	\$	\$
Interest income	13,073,685	16,677,131
Foreign currency exchange gain - net	18,214,908	27,172,058
Other income	20,694,657	3,557,886
	<u>51,983,250</u>	<u>47,407,075</u>

6. FINANCE COSTS

	2019	2018
	\$	\$
Bank charges	8,635,688	10,760,873
Overdraft interest	-	7,639
Loan and credit card interest	83,397,936	61,615,404
Finance charge	13,710,129	1,078,056
Reversal of impairment loss	(6,048,805)	(5,961,046)
	<u>99,694,948</u>	<u>67,500,926</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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: -

	2019	2018
	\$	\$
Minimum Business Tax	-	60,000
Income tax adjustment - prior period	<u>2,791,096</u>	<u>658,259</u>
	<u><u>2,791,096</u></u>	<u><u>718,259</u></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%

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 in a nil deferred tax provision at year-end.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

8. PROPERTY, PLANT & EQUIPMENT

	Freehold Land \$	Freehold Building \$	Leasehold Improvement \$	Leasehold Property \$	Equipment, Furniture & Fixtures \$	Computers \$	Motor Vehicles \$	Total \$
At cost/valuation:								
January 1, 2018	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
Additions	-	5,301,247	1,271,603	-	58,664,504	2,101,407	29,475,384	96,814,145
December 31, 2019	29,980,000	181,440,499	52,898,470	30,000,000	99,110,824	23,536,662	80,980,161	497,946,616
Accumulated Depreciation:								
January 1, 2018	-	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
Charge for the year	-	4,488,776	3,557,564	750,000	6,821,542	802,060	12,340,638	28,760,580
December 31, 2019	-	35,100,079	45,508,811	5,250,000	34,190,086	16,788,093	41,622,201	178,459,270
Net book values:								
December 31, 2019	29,980,000	146,340,420	7,389,659	24,750,000	64,920,738	6,748,569	39,357,960	319,487,346
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

Revaluation of assets

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

9. RELATED PARTY

	2019	2018*
	\$	\$
Amount due from:		
LCCM Investment Ventures Limited	386,358,519	370,117,698
Principal repaid	<u>(36,628,248)</u>	-
	349,730,271	370,117,698
Interest accrued	<u>12,881,553</u>	16,240,821
	362,611,824	386,358,519
Current portion of related party balance	<u>(80,000,000)</u>	-
	<u>282,611,824</u>	<u>386,358,519</u>

This receivable attracts interest at the rate of 3.5% per annum. LCCM Investments Ventures Limited has given the company an undertaking to repay a minimum of \$80,000,000 on the principal balance during the ensuing year. Fosrich Limited is related to LCCM Investment Ventures Limited by means of common directors. There were no trading activities between the companies during the year.

10. INVESTMENTS

	2019	2018
	\$	\$
a. Deposits - First Global Bank Jamaica Limited	<u>19,396,942</u>	<u>16,557,173</u>
These funds are being held as security for the loans (<i>see note 19</i>)		
b. Quoted Securities at market value		
Shares at market value	2,568,564	4,531,062
Loss from fair value adjustment	<u>(650,439)</u>	<u>(1,962,498)</u>
	<u>1,918,125</u>	<u>2,568,564</u>

11. INVENTORIES

Inventories comprise:

	2019	2018
	\$	\$
Merchandise	1,143,906,119	887,291,011
Raw material	24,391,314	-
Goods-in-transit	-	133,953,815
	<u>1,168,297,433</u>	<u>1,021,244,826</u>

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	\$	\$
Trade receivables	<u>214,306,605</u>	<u>161,610,657</u>
Other receivables and prepayments comprise:-		
Sundry receivables	27,208,889	40,571,785
Deposits with suppliers	-	28,868,970
Prepayments	24,538,847	32,809,309
Other deposits	<u>46,888,633</u>	<u>39,473,182</u>
	<u>98,636,369</u>	<u>141,723,246</u>

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, 2019

13. CASH & BANK BALANCES

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

	2019	2018
	\$	\$
Cash and current account balances	54,578,491	69,446,923
Savings account	<u>1,916,530</u>	<u>1,647,641</u>
	56,495,021	71,094,564
Bank overdraft	<u>-</u>	<u>(453,844)</u>
	<u><u>56,495,021</u></u>	<u><u>70,640,720</u></u>

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

	2019	2018
	\$	\$
Trade	224,455,754	224,200,184
Advances and other payables	38,985,479	72,355,406
Statutory payables	<u>5,431,898</u>	<u>3,596,984</u>
	<u><u>268,873,131</u></u>	<u><u>300,152,574</u></u>

15. SHARE CAPITAL

(a) Share capital

	2019	2019	2018
	Units	\$	\$
Authorised -			
Ordinary shares at no par value	<u>512,821,000</u>		
Issued and fully paid -			
Ordinary shares	<u>502,275,555</u>	<u>369,620,810</u>	<u>369,620,810</u>

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

- 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, 2019

16. 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.

17. 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.

	2019	2018
	\$	\$
Net profit attributable to equity holders of the company	<u>98,873,228</u>	<u>90,390,215</u>
Number of ordinary stock units in issue	502,275,555	502,275,555
Basic earnings per stock unit	<u>\$0.20</u>	<u>\$0.18</u>

18. LONG-TERM LIABILITIES

	2019	2018
	\$	\$
Loans		
i First Global Bank Jamaica Limited- Consolidated Loan	229,260,873	283,272,936
ii Mayberry Investments Limited	200,010,684	50,010,684
iii Corporate Bonds	660,000,000	660,000,000
iv First Global Bank Jamaica Limited- Motor Vehicle Loan	10,397,625	-
v First Global Bank Jamaica Limited- Motor Vehicle Loan	18,565,383	-
Total	<u>1,118,234,565</u>	<u>993,283,620</u>
Accrued interest on loans	<u>2,045,411</u>	<u>2,977,655</u>
	1,120,279,976	996,261,275
vi GK Investments - Finance lease obligation	<u>4,927,814</u>	<u>8,521,025</u>
	<u>1,125,207,790</u>	<u>1,004,782,300</u>
Less: Current portion of loans	(68,365,977)	(31,394,266)
Current portion of finance lease obligation	<u>(3,742,230)</u>	<u>(3,645,324)</u>
	<u>(72,108,207)</u>	<u>(35,039,590)</u>
	<u>1,053,099,583</u>	<u>969,742,710</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

18. 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 Mavery 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 7.5% per annum, and is unsecured.

iii Corporate Bonds

These are debt instruments raised on the open market and attract interest at the rate of 6.75% and 9.5% per annum and are secured, in part by assets pledged by the directors.

- iv. This represent financing loan for a commercial motor truck. The principal loan was Eleven Million, Five Hundred Twenty Two Thousand Dollars (\$11,522,000), interest at 7.75% (variable rate) and repayable over 60 months. Security being held by the bank is in the form stated in (i) (d) above.
- v. Financing of a motor vehicle for a director in the amount of Eighteen Million, Five Hundred Sixty Five Thousand, Three Hundred Eighty Three Dollars (\$18,565,383, repayable over eight years and interest at 7%.
- vi. 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.

19 DIRECTORS' LOAN

This represents loan to the company by Directors. The loan is interest free and has no fixed date for repayment [see note 18(b)].

20 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, 2019

20. 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:

	2019 <u>US\$</u>	2018 <u>US\$</u>
Cash and cash equivalent	7,120	1,116
Trade and other payables	<u>(1,243,002)</u>	<u>(1,468,650)</u>
Net exposure	<u><u>(1,235,882)</u></u>	<u><u>(1,467,534)</u></u>

Sensitivity analysis

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

	Increase/(decrease) in profit	
	Strengthening 4%	Weakening 6%
United States dollar	Ja\$ <u>6,598,433</u>	Ja\$ <u>(9,897,650)</u>

The exchange rates applicable at balance sheet date are US\$ 1 = J\$133.4762 (2018= J\$126.8307) in respect of foreign currency assets and US\$ 1 = J\$131.5887 (2018 = J\$127.9683) 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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

20. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Reconciliation

	2019	2018
	\$	\$
31 December - Calculated under IAS 39	27,556,405	29,480,593
Amount restated through opening retained earnings	-	4,036,858
Opening loss allowance as at 1 January 2019 - calculated under IFRS 9	27,556,405	33,517,451
Increase/(decrease) in provision recognised in profit or loss during the year	-	(5,961,046)
Receivables written off during the year as uncollectable	(4,650,327)	-
Unused amount reversed	(6,048,806)	-
At 31 December	16,857,272	27,556,405

(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, 2019 and 2018 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:

	2019	2018
	\$	\$
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
Lease #2 - August 2022	3,099,163	9,939,246
	3,099,164	10,609,040
Minimum lease payment	10,609,040	15,228,002
Future finance charge	(7,509,877)	(6,706,977)
Recognised as a liability	3,099,163	8,521,025
Present value of finance lease liabilities is as follows:		
Within one year	3,645,324	3,645,324
Later than one year but not later than five years	(546,161)	4,875,701
Minimum lease payments	3,099,163	8,521,025

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

20. 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.

21. 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.