FOSRICH COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2020

FOSRICH COMPANY LIMITED
INDEX
YEAR ENDED DECEMBER 31, 2020

Crooks Jackson Burnett
Chartered Accountants

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Independent auditor's report

To the Members of
FosRich Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of FosRich Company Limited (the Company) set out on pages 1 to 27, which comprise statement of financial position as at December 31, 2020, statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of company as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis of Opinion

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

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.

Key Audit Matters (continued)

1. **Carrying value of inventory**
   - At reporting date, December 31, 2020, inventory amounted to $1,458 Million, representing 47.7% of the company's total assets. Inventory consists of a wide range of products at several locations. Inherently, the varied product range and the large volume of inventory creates a challenge for management to conduct counts during the year, which contributes to the risk of inventory being misstated.

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

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

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

How our audit addressed the key audit matter.

Our audit procedures in response to this matter, included:

- Reviewed the company's standard operating procedure in order to assess the effectiveness of internal controls over inventory.

- Observed stock counts and conducted sample counts at several of the company's locations throughout the year.

- Verified the stock count results and our audit samples against the inventory system and where there were variances, they were corrected.

- Performed impairment assessment of inventories by measuring the movements of certain product lines during the year and also comparing recent sale price against cost price.

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

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 auditor's report thereon), which is expected to be made available to us after the date of this audit report.

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.

Other information

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

CrooksJacksonBurnett.

Chartered Accountants

February 25, 2021

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

FOSRICH COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2020

		2020	2019	
		$	$	
Turnover		**1,895,680,002**	1,612,164,170	
Cost of Sales	4{a}	**(1,070,926,098)**	(902,215,700)	
Gross profit		**824,753,904**	709,948,470	
Other income:				
Other operating income	5	**32,463,451**	51,983,250	
		857,217,355	761,931,720	
Administration, marketing and selling expenses	4{a}	**(505,750,293)**	(487,324,506)	*
Profit before depreciation and finance costs		**351,467,062**	274,607,214	
Depreciation	9, 10{iii}	**(65,749,764)**	(55,505,647)	
Profit before finance costs		**285,717,298**	219,101,567	
Finance costs	6	**(160,021,898)**	(109,424,411)	
Net profit before taxation		**125,695,400**	109,677,156	
Taxation	7	**-**	(2,791,096)	
Net profit		**125,695,400**	106,886,060	
Other comprehensive income:				
Items that will not be reclassified to profit or loss - Unrealised fair value loss on available-for-sale investments	13	**(465,000)**	(650,439)	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**125,230,400**	106,235,621	
Earnings per stock unit	21	**$0.25**	$0.21	

* *Restated to confiorm with IFRS 16*

FOSRICH COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Note	2020 $	2019 $	
ASSETS				
PROPERTY, PLANT & EQUIPMENT	9	**328,050,994**	319,487,346	
LEASE RIGHT-OF-USE ASSETS	10	**393,344,856**	208,914,652	
RELATED PARTY	11	**284,552,959**	282,611,824	
INVESTMENTS	12	**16,069,239**	19,396,942	
INVESTMENTS - OTHER	13	**1,453,125**	1,918,125	
INVESTMENT IN ASSOCIATED COMPANY	14	**24,311,792**	-	
		1,047,782,965	832,328,889	*
CURRENT ASSETS				
Inventories	15	**1,458,237,103**	1,168,297,433	
Trade receivables	16	**245,498,897**	214,306,605	
Other receivables and prepayments	16	**190,878,091**	98,636,369	
Related party	11	**80,000,000**	80,000,000	
Cash and bank balances	17	**33,991,322**	56,495,021	
		2,008,605,413	1,617,735,428	
CURRENT LIABILITIES				
Payables	18	**463,970,647**	268,873,132	
Current portion of long-term liabilities	22	**74,429,350**	72,108,207	
Right-of-use liabilities	10	**41,370,985**	32,179,146	
Taxation		**-**	2,786,023	
		579,770,982	375,946,508	
NET CURRENT ASSETS		**1,428,834,431**	1,241,788,920	
		2,476,617,396	2,074,117,809	
EQUITY				
SHARE CAPITAL	19	**361,075,082**	369,620,810	
CAPITAL RESERVES	20	**66,921,695**	67,386,695	
RETAINED EARNINGS		**440,566,587**	362,587,367	
		868,563,364	799,594,872	
NON-CURRENT LIABILITIES				
Right-of-use liabilities	10	**336,854,237**	168,722,672	
Long-term liabilities	22	**1,216,599,381**	1,053,099,583	
Director's loan	23	**54,600,414**	52,700,682	
		1,608,054,032	1,274,522,937	*
		2,476,617,396	2,074,117,809	

The financial statements set out on pages 1 to 27 were approved for issue by the Board of Directors on February 25, 2021 and signed on its behalf by:

M Foster ______ Director   Peter Knibb ______ Director

Marion Foster   Peter Knibb

* *Restated*

FOSRICH COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2020

	Share capital $	Capital reserves $	Retained earnings $	Total $
Balance at January 1, 2019	369,620,810	68,037,134	255,701,307	693,359,251
Unrealised loss on available-for-sale investments	-	(650,439)	-	(650,439)
Net profit, being total comprehensive income	-	-	106,886,060	106,886,060 *
Balance at December 31, 2019	369,620,810	67,386,695	362,587,367	799,594,872
Fair value adjustment on available-for-sale investments	-	(465,000)	-	(465,000)
Net profit, being total comprehensive income	-	-	125,695,400	125,695,400
Transactions with owners:				
Purchase of Treasury shares *(note 19)*	(8,545,728)			(8,545,728)
Dividend paid *(note 8)*			(47,716,180)	(47,716,180)
Balance at December 31, 2020 *(see notes 19 & 20)*	**361,075,082**	**66,921,695**	**440,566,587**	**868,563,364**

* *Restated*

FOSRICH COMPANY LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	2020	2019	
	$	$	
CASH FLOWS WERE PROVIDED BY/ (USED IN):			
Operating Activities			
Net profit	**125,695,400**	106,886,060	*
Items not affecting cash resources			
Depreciation	**65,749,764**	55,505,647	*
Interest on lease liability	**13,340,045**	9,729,463	
Unrealised foreign exchange gain (net)	**(15,755,483)**	(18,214,908)	
Interest income	**(139,929)**	(13,073,685)	
Interest expense	**85,576,363**	83,397,936	
Taxation expense	**-**	2,791,096	
	274,466,160	227,021,609	
Changes in non-cash working capital components:			
Inventories	**(289,939,670)**	(147,052,607)	
Receivables	**(31,192,292)**	(52,695,948)	
Other receivables and prepayments	**(92,241,722)**	43,086,877	
Payables	**200,652,499**	(13,064,534)	
Related parties	**(1,941,135)**	36,820,380	
Rent paid	**(54,099,528)**	(44,487,362)	
Taxation paid	**(2,786,023)**	(19,761)	
Cash used in operating activities	**2,918,289**	49,608,654	
INVESTMENT ACTIVITIES			
Investment in associated company	**(24,311,792)**	-	
Purchase of property, plant and equipment	**(43,258,645)**	(96,814,145)	
Encashment/(purchase) of investment	**3,327,703**	(2,839,769)	
Cash used in investment activities	**(64,242,734)**	(99,653,914)	
FINANCING ACTIVITIES			
Directors' loans repaid	**1,899,732**	(1,127,991)	
Bond issue	**100,000,000**	-	
Loans received	**130,423,405**	181,517,000	
Loans repaid	**(63,195,873)**	(60,159,266)	
Dividend paid	**(47,716,180)**	-	
Interest paid	**(82,890,338)**	(84,330,182)	
Cash provided by financing activities	**38,520,746**	35,899,561	
DECREASE IN NET CASH BALANCES	**(22,803,699)**	(14,145,699)	
NET CASH BALANCES - Beginning of year	**56,495,021**	70,640,720	
NET CASH BALANCES - End of year	**33,691,322**	56,495,021	
REPRESENTED BY:			
Cash and bank balances	**33,991,322**	56,495,021	

* *Restated*

1. INCORPORATION AND IDENTITY

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

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

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

2. Statement of Compliance and Basis of Preparation

(a) Statement of Compliance

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

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

During the year, certain new standards, interpretations and amendments to existing standards became effective. Management has assessed the relevance of all such new standards, interpretations and amendments that became effective January 1, 2020 and have determined that the following will affect the amounts and disclosures in these financial statements:

- Amendment to IAS 1, Presentation of the Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors [effective for annual periods beginning on or after January 1, 2020]. The standard provides the following definition of 'material' to guide preparers of financial statements, in making judgements about information to be included in the financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decision that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

- **Amendments to References to Conceptual Framework in IFRS Standards** [effective for annual periods beginning on or after January 1, 2020]. The revised framework covers all aspects of the standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and derecognised in the financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself.
  - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
  - A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

These new amendments have not materially changed the presentation of the 2020 financial statements.

2. Statement of Compliance and Basis of Preparation

(b) Basis of preparation

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

- **Use of estimates and judgements**

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

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

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

  (i) Judgements:

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

  Classification of financial assets:

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

  Impairment of financial assets:

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

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

(b) Basis of preparation (continued)

- Use of estimates and judgements (continued)

(ii) Key assumptions concerning the future and other sources of estimations uncertainty:
Allowance for impairment loss of financial assets:

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

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

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

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

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

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

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

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

3. Significant Accounting Policies

(a) Revenue

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

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

3. Significant Accounting Policies (continued)

(a) Revenue (continued)

Revenue is recognised when the significant risks and reward of ownership have been transferred to the buyer, usually when the company has delivered the goods to the customer and is accepted by the buyer; invoice is generated and the revenue is generated at that point. Invoices are usually payable within 30 to 60 days or other contractual terms.

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

(b) Other operating income

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

(c) Foreign Currency Transactions

i. Functional and presentation currency

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

ii. Transaction and balances

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

(d) Plant, Machinery and Equipment

Plant, machinery and equipment and other assets are carried at historical cost less accumulated depreciation and impairment losses, if any. Costs 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 amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

Depreciation is calculated on a straight line basis at annual rates estimated to write down the property, plant and equipment to their estimated residual values at the end of their expected useful lives.
No depreciation is charged on freehold land .
Annual rates used are as follows:

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

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

3. Significant Accounting Policies (continued)

(e) Inventories

Inventories are measured at lower of cost and net realisable value, cost being determined on the weighted average cost method. The cost of manufactured finished goods comprises the raw material ingredients, direct labour, other direct cost and a proportion of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events c onfirm conditions existing at the end of the year.

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

(f) 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.

(g) 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.

(h) 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.

(i) Investments

Investments are classified as amortised cost or fair value through other comprehensive income. Investments classified at amortised cost have a fixed or determinable payment and are not quoted in an active market. Amortised cost is calculated on the effective interest rate method, less impairment loss.

The fair value of *available-for sale* investments is based on their quoted market bid price at the balance sheet date. Where the quoted market price is not available, fair value is estimated using discounted cash flow techniques.

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

3. Significant Accounting Policies (continued)

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred and subsequently at amortised cost using the effective yield method. Interest charges, including direct issue costs are accounted for on an accrual basis in the profit and loss account and are added to the carrying amount of the loan to the extent that they are not settled in the period in which they arise.

(k) Impairment:

Non-financial assets

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

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

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

Financial assets

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

Trade receivables

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

Debt investment securities

These are considered low-risk.

Write-off

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

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

3. Significant Accounting Policies (continued)

(k) Impairment (continued):

Financial liabilities

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

(l) Employee benefits

Annual leave entitlements

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

Pension

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

(m) Taxation

Taxation expense in the profit or 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 or 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.

3. Significant Accounting Policies (continued)

(n) 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 n(1){ii}.
- vii. A person identified in n (1){i} has significant influence over the entity [or is a member of the key management personnel of the entity].

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

4[a] EXPENSE BY NATURE

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

	2020	2019
	$	$
Cost of sales		
Cost of goods sold	**1,046,217,797**	869,910,560
Installation expense - contractors	**6,973,852**	10,995,684
Sales commission - contractors	**17,734,449**	21,309,456
	1,070,926,098	902,215,700

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

4(a). EXPENSE BY NATURE (continued)

Administrative and selling expenses

	2020	2019
	$	$
Directors' emoluments (*see note 4{b}*)	**24,660,969**	23,599,517
Auditors' remuneration	**2,250,000**	1,850,000
Staff costs (*see note 4{b}*)	**252,934,049**	240,055,162
Rent, security , repairs and maintenance	**22,732,883**	28,000,353
Motor vehicle and other related expense	**33,325,520**	37,281,917
General and keyman insurance	**32,991,669**	26,175,544
Utilities	**28,433,653**	18,458,061
Advertising and promotion	**17,760,420**	24,650,167
Legal and professional fees	**49,166,161**	43,382,835
Other expenses	**41,494,969**	43,870,950
	505,750,293	487,324,506

4(b). STAFF COSTS

	2020	2019
	$	$
Salaries, commissions and bonus	**229,232,022**	208,630,111
Statutory contributions	**26,462,351**	22,797,685
Staff welfare	**21,900,645**	32,226,883
	277,595,018	263,654,679

The average number of persons employed full-time by the company during the year under review was 132. [2019 = 138]

5. OTHER OPERATING INCOME

	2020	2019
	$	$
Interest income	**139,929**	13,073,685
Foreign currency exchange gain - net	**15,755,483**	18,214,908
Other income	**16,568,039**	20,694,657
	32,463,451	51,983,250

6. FINANCE COSTS

	2020	2019
	$	$
Bank charges	**8,774,866**	8,635,688
Loan and credit card interest	**85,576,363**	83,397,936
Finance charge	**20,559,382**	13,710,129
Bad debt impairment provision/(reversal of impairment)	**31,771,242**	(6,048,805)
Interest on lease liability	**13,340,045**	9,729,463
	160,021,898	109,424,411

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

7. TAXATION

Taxation is based on profits for the year adjusted for taxation purposes, and is calculated at the rate of 25% (2019 = 25%). Taxation charge for the year comprise: -

	2020	2019
	$	$
Income tax adjustment - prior period	-	2,791,096

The prior period tax adjustment resulted from an under accrual of the 2016 taxation charge.

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.

8. DIVIDENDS

By resolution dated October 27, 2020 the directors declared the payment of a dividend of $.095 per share totalling $47,716,180 to be paid to shareholders on the company's register of members as at November 27, 2020.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

9. PROPERTY, PLANT & EQUIPMENT

	Freehold Land $	Freehold Building $	Leasehold Improvement $	Leasehold Property $	Equipment, Furniture & Fixtures $	Computers $	Motor Vehicles $	Total $
At cost or deemed cost:								
January 1, 2019	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
Additions	-	-	-	-	25,257,050	4,764,260	13,237,335	43,258,645
December 31, 2020	**29,980,000**	**181,440,499**	**52,898,470**	**30,000,000**	**124,367,874**	**28,300,922**	**94,217,496**	**541,205,261**
Accumulated Depreciation:								
January 1, 2019	-	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
Charge for the year	-	4,536,012	5,675,793	750,000	8,810,905	1,071,857	13,850,430	34,694,997
December 31, 2020	**-**	**39,636,091**	**51,184,604**	**6,000,000**	**43,000,991**	**17,859,950**	**55,472,631**	**213,154,267**
Net book values:								
December 31, 2020	**29,980,000**	**141,804,408**	**1,713,866**	**24,000,000**	**81,366,883**	**10,440,972**	**38,744,865**	**328,050,994**
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

Revaluation of assets

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

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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10. LEASE RIGHT-OF-USE

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

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

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

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

i. Right-of-use assets

	2020	2019
	$	$
Right-of-use assets		
Buildings [right-to-use upon adoption]	**235,659,719**	235,659,719
Additions to ***right-of-use*** Asset	**215,484,971**	-
	451,144,690	235,659,719
Accumulated depreciation brought forward	**26,745,067**	-
Depreciation charge for the year	**31,054,767**	26,745,067
	57,799,834	26,745,067
Balance at end of year	**393,344,856**	208,914,652 *

ii. Lease liabilities

	2020	2019
Maturity analysis - contractual undiscounted cash flows:		
Less than one year	**58,292,236**	45,223,660
One to five years	**152,814,044**	125,746,494
More than five years	**547,688,955**	241,301,402
	758,795,235	412,271,556
Less: Future interest	**(380,570,013)**	(211,369,738)
	378,225,222	200,901,818
Less: Current portion	**(41,370,985)**	(32,179,146)
Non-current	**336,854,237**	168,722,672

10. LEASE RIGHT-OF-USE (continued)

Amount recognised in the statement of financial position:

iii. Amount recognised in the statement of comprehensive income:

	2020	2019
	$	$
Interest on lease liability	**13,340,045**	9,729,463
Depreciation charge for right-of-use assets	**31,054,767**	26,745,067

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

iv. Amount recognised in the statement of cash flows:

Total cash outflows for leases	**54,099,528**	44,487,364

11. RELATED PARTY

	2020	2019
	$	$
Amount due from:		
LCCM Investment Ventures Limited	**349,730,271**	386,358,519
Net movements	**1,941,135**	(36,628,248)
	351,671,406	349,730,271
Interest accrued	**12,881,553**	12,881,553
	364,552,959	362,611,824
Current portion of related party balance	**(80,000,000)**	(80,000,000)
	284,552,959	282,611,824

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

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

12. INVESTMENTS

	2020	2019
	$	$
Keyman Insurance - cash surrender value	**4,602,666**	4,602,666
Deposits - Bonds/guarantees	**1,115,365**	1,619,273
Term Deposits	**10,351,208**	13,175,003
	16,069,239	19,396,942

The above 'term deposits' include amounts denominated in United States Dollars [US$73,141] and Jamaican Dollars, which earn interest at rates of .75% and 2.95% respectively.

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

13. INVESTMENTS - OTHER

	2020	2019
	$	$
Quoted Securities at market value		
Shares at market value	**1,918,125**	2,568,564
Loss from fair value adjustment	**(465,000)**	(650,439)
	1,453,125	1,918,125

14. INVESTMENT IN ASSOCIATED COMPANY

	2020	2019
	$	$
Net investment in associated company	**24,311,792**	-

During the year, the company acquired a 20% share in Blue Emerald Limited, a company established to conduct the business of pole-mount and pad-mount transformer repairs, the manufacture of large diameter PVC pipes and PVC fittings.

At reporting date, the company had not yet commenced trading.

15. INVENTORIES

Inventories comprise:

	2020	2019
	$	$
Merchandise	**1,261,472,410**	1,143,906,119
Raw material	**40,832,054**	24,391,314
Goods-in-transit	**155,932,639**	-
	1,458,237,103	1,168,297,433

16. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	$	$
Trade receivables	**245,498,897**	214,306,605
Other receivables and prepayments comprise:-		
Sundry receivables	**9,019,308**	27,208,889
Deposits with suppliers	**85,330,264**	-
Statutory receivables	**25,946,983**	-
Prepayments	**23,011,539**	24,538,847
Other deposits	**47,569,997**	46,888,633
	190,878,091	98,636,369

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17. CASH & BANK BALANCES

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

	2020	2019
	$	$
Cash and current account balances	**33,402,834**	54,578,491
Savings account	**588,488**	1,916,530
	33,991,322	56,495,021

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

18. PAYABLES

	2020	2019
	$	$
Trade	**404,495,781**	224,455,754
Advances and other payables	**54,504,485**	38,985,479
Statutory payables	**4,970,381**	5,431,898
	463,970,647	268,873,131

19. SHARE CAPITAL

(a) Share capital

	2020	**2020**	2019
	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
Treasury shares	(2,372,038)	**(8,545,728)**	-
	499,903,517	**361,075,082**	369,620,810

During the year the company purchased 2,372,038 of its shares at fair value of $8,545,728.

20. 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.

21. EARNINGS PER STOCK UNIT

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

	2020	2019
	$	$
Net profit attributable to equity holders of the company	**125,695,400**	106,886,060
Weighted average number of ordinary stock units in issue	**501,238,269**	502,275,555
Basic earnings per stock unit	**$0.25**	$0.21

22. LONG-TERM LIABILITIES

		Interest Rate	**2020** $	2019 $
Loans				
i	First Global Bank Jamaica Limited - Consolidated Loan	[8.50%]	**176,936,541**	229,260,873
ii	First Global Bank Jamaica Limited - Non-Revolving Loan	[8.00%]	**116,538,884**	-
iii	First Global Bank Jamaica Limited - Motor Vehicle Loan	[7.75%]	**11,117,717**	-
iv	First Global Bank Jamaica Limited - Motor Vehicle Loan	[7.75%]	**8,345,626**	10,397,625
v.	First Global Bank Jamaica Limited - Motor Vehicle Loan	[7.00%]	**16,533,852**	18,565,383
vi	Mayberry Investments Limited	[7.50%]	**200,059,745**	200,010,684
vii	Corporate Bonds - unsecured	[8.50%]	**200,000,000**	200,000,000
viii	Corporate Bonds - secured	[6.25%]	**560,000,000**	460,000,000
Total			**1,289,532,365**	1,118,234,565
	Accrued interest on loans		**560,510**	2,045,411
			1,290,092,875	1,120,279,976
ix.	GK Investments - Finance lease obligation		**906,606**	4,927,814
	GK Investments - Finance lease obligation, accrued interest		**29,250**	-
			1,291,028,731	1,125,207,790
Less:	Current portion of loans		**(73,522,743)**	(68,365,977)
	Current portion of finance lease obligation		**(906,607)**	(3,742,230)
			(74,429,350)	(72,108,207)
			1,216,599,381	1,053,099,583

22. LONG-TERM LIABILITIES (continued)

First Global Bank Loans -

i. First Global Bank - Consolidated Loan

The terms of this loan was revised on June 25, 2018 at a variable interest rate of 8.5% per annum. The loan period is 60 months, repayable on or before the maturity date and computed based on a 96 months amortization schedule, allowing for 'bullets payments' to liquidate the loan on its expiry date.

ii. First Global Bank - Non-Revolving Loan

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

iii. First Global Bank - Non-Revolving motor vehicle Loan

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

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

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

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

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

Security being held by the bank is in the form stated below:

The First Global loans are 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

- Supported by Mortgages 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

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

(e) The assignment of 'keyman' life insurance policies on the lives of Cecil Foster and Marion Foster.

(f) Lien on term deposit held by the company.

(g) Letters of Subordination signed by Cecil Foster and Marion Foster.

22. LONG-TERM LIABILITIES (continued)

Mayberry Investments Limited - Repurchase Agreements

vi. The Mayberry 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

Corporate Bonds

vii. Corporate Bonds - unsecured
These are debt instruments raised on the open market and attract a fixed interest rate of 8.5% per annum and is unsecured, in part by assets pledged by the directors. These notes were issued in January 2020 with a tenor of three years.

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

ix. 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.

Covenants

Financial Covenants

i. *Debt/Tangible Net Worth*
First Global Bank requires maintenance of a maximum Debt to Tangible Net Worth ratio of ***2.1 : 1*** .
At year-end, it satisfies the bank's requirement by maintaining at Debt to Tangible Net Worth of ***1.47:1.***

ii. *Inventory Days*
The bank requires, that at year-end the maximum inventory days should not exceed 500 days. At reporting date, the value of inventory on hand as a measure of the product cost of goods sold during the current year amounted to ***454 days*** .

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

23. DIRECTORS' LOAN

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

24. 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.

24. FINANCIAL INSTRUMENTS

(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:

	2020	2019
	US$	US$
Cash and cash equivalent	**157,567**	91,984
Trade and other payables	**(2,460,815)**	(1,243,002)
Net exposure	**(2,303,248)**	(1,151,018)

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**
	2%	**6%**
United States dollar	Ja$ **6,604,951**	Ja$ **(19,814,852)**

The exchange rates applicable at balance sheet date are US$ 1 = J$141.5233 (2019= J$129.7847) in respect of foreign currency assets and US$ 1 = J$143.3834 (2019 = J$132.56907) in respect of foreign current liabilities.

(ii) Interest rate risk

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

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

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

24. FINANCIAL INSTRUMENTS (continued)

(a) Market risk (continued)

(ii) **Interest rate risk (continued)**

Financial assets -

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

Financial liabilities-

Approximately 74% [2019 = 77%]of the company's borrowings are fixed rate instruments. The following reflects the sensitivity, based on its level of variable rate borrowings to a reasonable possible change in interest rates on the company's profit with all other variables held constant.

			Effect on Net Profit	
			2020	2019
			$	$
Change in basis points:				
Increase	+100	[2019 + 100]	2,767,570	2,169,081
Decrease	-100	[2019 + 100]	(2,767,570)	(2,169,081)

(iii) **Price risk**

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

(b) Credit risk

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

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 operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

FOSRICH COMPANY LIMITED

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YEAR ENDED DECEMBER 31, 2020

24. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

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, 2020

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		$	$	
Current	2.50%	96,127,764	2,403,194	no
31 to 60 days past due	3.75%	60,838,545	2,281,445	no
61 to 90 days past due	5.10%	12,987,053	662,340	no
91 to 120 days past due	7.35%	18,079,572	1,328,849	no
121 to 150 days past due	8.94%	20,051,010	1,791,558	no
151 to 180 days past due	10.95%	11,869,300	1,299,688	no
Over 180 days	32.50%	73,239,892	23,802,929	no
		293,193,136	33,570,003	

December 31, 2019

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		$	$	
Current	3.59%	69,218,936	2,484,960	no
31 to 60 days past due	4.36%	51,353,877	2,239,029	no
61 to 90 days past due	5.29%	16,473,116	872,087	no
91 to 120 days past due	6.44%	6,973,275	448,709	no
121 to 150 days past due	7.81%	11,307,292	883,100	no
151 to 180 days past due	9.48%	10,876,209	1,031,065	no
Over 180 days	11.51%	77,309,502	8,898,324	no
		243,512,207	16,857,273	

(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, 2020 and 2019 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.

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24. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

The company's financial liabilities at 31st December 2020 and 2019 comprise long-term loans, payables and accruals as set out below:

	Within 3 months $	3 to 12 months $	1 to 2 years $	Over 2 years $	Total $
As at 31st December 2020					
Payables	457,319,559	6,651,088	-	-	463,970,647
Lease	311,952	623,904	-	-	935,856
Borrowings	18,371,017	55,682,987	285,863,047	930,146,574	1,290,063,625
Right-of-use liability	10,342,746	31,028,239	58,386,425	278,467,812	378,225,222
	486,345,274	**93,986,218**	**344,249,472**	**1,208,614,386**	**2,133,195,350**

	Within 3 months $	3 to 12 months $	1 to 2 years $	Over 2 years $	Total $
As at 31st December 2019					
Payables	266,929,365	1,943,767	-	-	268,873,132
Lease	516,153	1,548,458	2,863,203	-	4,927,814
Borrowings	12,410,497	31,095,259	245,086,472	836,615,562	1,125,207,790
Right-of-use liability	8,044,787	24,134,360	51,552,074	117,170,597	200,901,818
	287,900,802	58,721,844	299,501,749	953,786,159	1,599,910,554

(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.

25. CONTINGENT LIABILITY & CAPITAL COMMITMENT

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

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

i. At reporting date, there was a claim by two persons against the company in relation to a motor vehicle accident involving one of its drivers. The incident occurred on March 30, 2017 and after mediation hearings was returned to the Supreme Court for Case management Conference, which was held on November 12, 2020. Since then the matter concerning one of the claimant was settled.

The matter is expected to be 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.

ii. A claim was filed against the company by a contractor in respect of damages for breach of contract in respect of 'finder's fee/commission' payable to him on a project undertaken by the company between April to July 2014.

The claimant requested and obtained that a default judgement be entered against the company; however, this was set aside on March 16, 2020. The matter is now for the 'Mediation to ensue. The dates for the hearings have not yet been determined.

26. IMPACT OF COVID-19 PANDEMIC

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

Based on management's assessment, the impact has not been significant, as its supply of raw materials and commodities for sale was not interrupted and its sales were inline with projections for most product lines.

Although, it may take awhile before businesses return to full normalcy, having regards to the precautionary measures taken, management maintain that the going concern assumption remain appropriate and the company is not expected to be significantly impacted by the COVID-19 pandemic.