

FosRich
COMPANY LIMITED

DEFYING THE ODDS. SHINING A LIGHT ON THE FUTURE.
BE DEFIANT.

2022 | ANNUAL
REPORT

MISSION

Improve people's lives through high-quality products.

VISION

We strive to make our customers' lives better through the offering of high-quality products. FosRich provides value through quality electrical, lighting, energy, and engineering solutions.

CORE VALUES

We hold a deep and abiding respect for each customer, every colleague, and our shareholders.

We commit to finding new, practical, and innovative ways to make the term "excellent customer service" more relevant to each customer - every day.

We commit to the relentless renewal of our enterprise through the constant training of our people at all levels.

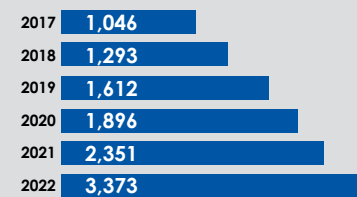
In our merit-based culture, individual reward and recognition will be a result of measured performance.

We treat all competitors as noble, but we compete fairly and vigorously to win.

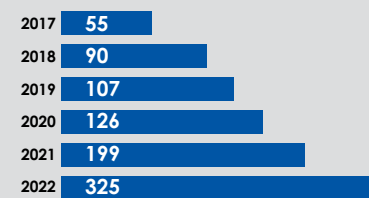
WHY INVEST IN FOSRICH

- ▶ Diversified product range and service offering providing sustainable earnings.
- ▶ Consistent growth in earnings
- ▶ Growth in dividends
- ▶ Long-term relationship with Fortune 500 companies with premium brands
- ▶ Focused on meeting the needs of the local and export market with core products
- ▶ Strong balance sheet with a huge inventory of items required by the market.
- ▶ Strong capital position
- ▶ Vision and strategic plan to capitalise on growth opportunities.
- ▶ Committed and trained management team

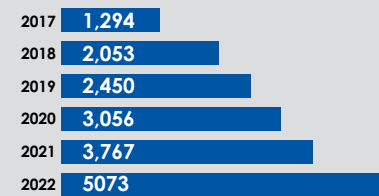
INCOME (\$M)



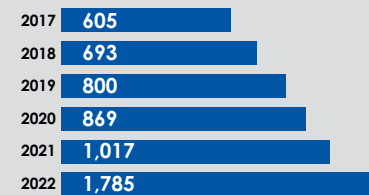
NET PROFIT (\$M)



ASSETS (\$M)



SHAREHOLDERS' EQUITY (\$M)



EARNINGS PER SHARE

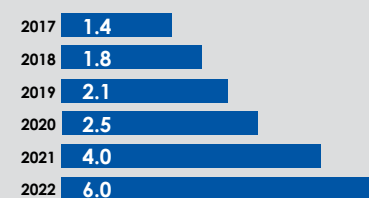


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YEAR IN REVIEW



APRIL

FosRich Million Dollar Sales Club Awards Banquet



APRIL

Signing of the agreement with Keller-Williams Realty



FosRich, under the deal signed with Keller Williams, will supply the realty company with Huawei FusionSolar residential smart photovoltaic systems which integrate digital and Internet technology with residential solar technology. The system has a built-in plug-and-play battery interface and smart home energy management, which allows individuals to track and manage energy usage with a smart device.

OCTOBER

ICWI Pink Run for Breast Cancer Awareness



NOVEMBER

FosRich Superstore Groundbreaking Ceremony



DECEMBER

Jamaica Stock Exchange's Best Practices Awards



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

DECEMBER

FosRich - Huawei Christmas Mingle



CHAIRMAN'S STATEMENT

The beauty of the earth finds reserves of strength and power that will endure as long as life lasts.



I am pleased to present the Chairman's Statement for our Company's annual report. Despite the volatile global environment, FosRich delivered a great performance as we completed the execution of Vision 2022, our 5-year strategy to guide the Company's transformation and growth.

Revenues for 2022 were \$3,373 million, an increase of 43% compared to the prior year's total of \$2,351 million. Gross Profit for the period was \$1,392 million, exceeding the prior year's total of \$1,043 million. Net Profit grew by 63% from \$199 million in 2021 to \$325 million in 2022. Access to funding continues to be a major contributing factor in the increased revenues, as well as, the increase in sales of ten of our eleven product groups. The continued growth of the industrial segment, solar energy line and the PVC manufacturing business are three other contributing factors. Given the strong performance of FosRich, the Board declared a dividend of \$0.012 per share, which was paid to our shareholders in December 2022.

FosRich has achieved considerable growth, expanded our customer base and increased our market share. We have also made significant investments in the purchasing of machinery for the manufacturing of PVC fittings and large-diameter pipes, as well as increasing our stock purchase of renewable energy products, positioning us for continued success in the years to come, benefitting all stakeholders.

The Board takes its responsibilities for strategy, risk, environment, and financial and human capital matters seriously, hence, we are led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the Company. We are also aware that our people are our most valuable asset, and we continue to invest in training and development, strengthening succession planning and deepening staff engagement. As such, the Company invested in our colleagues, from top management down, engaging them through continued training on the purpose and values that define our organization, as well as, increased product knowledge. These sessions are progressing well resulting in a more revitalized and knowledgeable workforce, a significant strengthening of authority in key areas and the delivery of improved sales performance.

FosRich has maintained its partnerships with large global brands such as Huawei, Philips Lighting, Victron Energy, Siemens, NEXANS, General Electric and Jinko. We continue to build on and deepen these relationships, while providing quality and cost-effective solutions to our customers.

I commend our dedicated members of the Board and Committees for the value they have added to the Company through their wide range of expertise and for their faithful support. I also welcome our newest Director, Mrs Marva Chang, who was appointed at our November 2022 Board meeting.

The Board of Directors congratulates the FosRich team and everyone involved, for achieving great financial results in 2022. We express our recognition for their dedication, hard work, and continued commitment.

To our shareholders, customers and other stakeholders, I would like to say thank you for your support as we continue to expand our business and bring greater value to all, going above your expectations.

Looking ahead to 2023, we will be defiant in our efforts to be the best despite the challenges in the economy, locally and internationally, such as high interest rates, high inflation, the possibility of a recession and supply chain issues. We are committed to pursuing opportunities for growth, while also maintaining a strong focus on sustainability. Our expectation is to increase the PVC line of business with the commencement of production of large diameter PVC pipes. Further, we expect to increase the sales of renewable energy systems, resulting in the reduction of the cost of energy consumption and helping to prevent further damage to the environment, which are of concern to the Company. We are confident in our ability to navigate the challenges of an ever-changing business environment and bring greater value to all stakeholders.

MARION FOSTER
Chairman Of The Board

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2023 Annual General Meeting of the shareholders of FosRich Company Limited ("the Company"), will be convened on Tuesday, June 20, 2023, at 79 Molyne Road, Kingston 10, Jamaica, and on Zoom, at 2:30 p.m. for the following purposes :

ORDINARY BUSINESS

1. To receive the Directors' Report, the Auditor's Report and the Audited Financial Statements of the Company for the financial year ended December 31, 2022.

To consider and if thought fit pass **Ordinary Resolution#1**

"That the Audited Financial Statements for year ended December 31, 2022, together with the Auditor's Report and the Report of the Directors of the Company be hereby received and adopted."

2. To retire one-third of the Directors by rotation in accordance with Article#98 and re-elect the retiring Directors as provided by Article#99 of the Company's Articles of Incorporation and to elect Marva Chang who was appointed a Director, subsequent to the last Annual General Meeting and being eligible is offering herself for election. The Directors retiring in 2023 are Steadman Fuller and Ian Kelly and being eligible are offering themselves for re-election.

To consider and if thought fit pass **Ordinary Resolution#2a.**

"That Steadman Fuller retires by rotation and being eligible is re-elected to continue to serve as Director of the Company for the ensuing year."

To consider and if thought fit pass **Ordinary Resolution#2b.**

"That Ian Kelly retires by rotation and being eligible is re-elected to continue to serve as Director of the Company for the ensuing year."

To consider and if thought fit pass **Ordinary Resolution#2c.**

"That Marva Chang retires, having been appointed a Director, subsequent to the last Annual General Meeting and being eligible is elected to continue to serve as Director of the Company for the ensuing year."

3. To ratify the dividend declared and paid by the Company for the year ended December 31, 2022.

To consider and if thought fit pass **Ordinary Resolution#3.**

"That a dividend declared of \$0.012 per share and paid on December 6th, 2022, to the shareholders on record as at November 18th, 2022, by the Company, be approved as the final dividend for 2022 at the date of the Annual General Meeting."

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

To consider and if thought fit pass **Ordinary Resolution#4.**

"That Messrs. Crooks Jackson Burnett, Chartered Accountants of, The Business District, 19 Cargill Avenue, Kingston 10, Jamaica, having agreed to continue in office as Auditor be and are hereby re-appointed to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

Dated this 21st day of March 2023

BY ORDER OF THE BOARD

Cube Corporate



Company Secretary

Registered Office: 79 Molyne Road, Kingston 10, Jamaica

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

Notes:

1. A member entitled to attend and vote at this Annual General meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. A Proxy Form is enclosed at the back of the annual report for your convenience.
3. Members can also download a proxy form from the Company's website (www.fosrich.com).
4. A Director and the Company Secretary are required to sign the proxy form of a corporate member under the common seal of that Company.
5. Amendments made to the proxy form must be initialled by the member(s) signing.
6. In the case of joint holders, any member may sign the proxy form to the exclusion of the other joint holder(s).
7. The completed form must be properly executed, stamped and together with the power of attorney or other documents appointing the proxy, must be deposited with the Secretary at the Registered Office of the Company at 79 Molyne Road, Kingston 10, no later than 2:30 p.m. Friday 16th June 2023.
8. The Proxy Form shall bear stamp duty in the amount of \$100.00 by way of postal adhesive stamp(s) which is to be cancelled by the person signing the form.
9. Voting virtually on the Zoom platform during the meeting will not be accommodated. Members attending virtually, and wishing to vote, must therefore submit a Proxy Form

MEETING ACCESS

Connection information for virtual access to the Hybrid Annual General Meeting is as follows:

Join Zoom Meeting
Topic: Annual General Meeting
Time: Jun 20, 2023, 02:30 PM Bogota

<https://us02web.zoom.us/j/83892558993?pwd=K0o0M09xZW5QSU12TzhnY3I2MUtNUT09>
Meeting ID: 838 9255 8993
Passcode: 328041

TEN YEAR STATISTICAL SUMMARY

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Income Statement										
Revenue	3,373	2,351	1,896	1,612	1,293	1,046	1,156	948	928	774
Gross Profit	1,392	1,043	825	710	534	473	469	363	401	363
Expenses	1,077	900	732	652	490	456	451	358	362	301
EBITDA	596	412	311	272	168	137	114	74	109	112
Profit After Tax	325	199	126	107	90	55	30	3	36	50
Earnings per share	\$0.06	\$0.40	\$0.25	\$0.21	\$0.18	\$0.14	\$0.08	\$0.01	\$0.09	\$0.12
Earnings per share <small>Adjusted for share split</small>	\$0.06	\$0.04	\$0.03	\$0.02	\$0.02	\$0.01	\$0.01	\$0.00	\$0.01	\$0.01
Balance Sheet										
Assets	5,073	3,767	3,056	2,450	2,053	1,294	1,120	1,103	992	956
Net Current Assets	1,235	1,503	1,429	1,242	1,350	566	285	307	324	455
Retained Earnings	853	588	441	363	256	165	114	84	81	174
Shareholders' Equity	1,785	1,017	869	800	693	605	399	369	366	458
Financing	1,734	1,565	1,291	1,125	1,005	318	335	391	330	283
Right-of-use Liability	583	540	378	201						
Ratios & Other										
Gross Profit %	41%	44%	44%	44%	41%	45%	41%	38%	43%	47%
Rate of stock turn per year	0.98	0.81	0.82	0.82	0.92	0.92	1.12	1.00	0.94	0.78
Days of sales in receivables	64	60	84	71	86	53	39	48	33	45
Current Ratio	1.69	2.83	3.46	4.30	5.02	2.71	1.60	1.71	1.98	3.08
Quick Ratio	0.43	0.66	0.95	1.20	1.98	0.82	0.29	0.31	0.27	0.51
Debt to Equity - Excluding Right-of-use Liability	0.97	1.54	1.49	1.41	1.45	0.53	0.84	1.06	0.90	0.62
Debt to Equity - Including Right-of-use Liability	1.30	2.07	1.92	1.66	1.45	0.53	0.84	1.06	0.90	0.62
Other										
Distribution Outlets	4	4	4	4	4	4	4	4	4	4
Average Team Size	161	165	132	138	92	77	105	87	87	85
No of shareholders	5,086	1,753	1,395	1,365	1,110	1,179	2	2	2	2

CORPORATE INFORMATION

CORPORATE DATA

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

ATTORNEYS-AT-LAW

Tavares-Finson Adams
Maryfield Place
58 Hope Road
Kingston 6, Jamaica W.I.

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

AUDITORS

Crooks Jackson Burnett
The Business District
19 Cargill Avenue
Kingston 10, Jamaica W.I.

BANKERS

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

Sagicor Bank Jamaica Limited
17 Dominica Drive
Kingston 5, Jamaica W.I.

Bank Of Nova Scotia
86 Slipe Road
Kingston 5, Jamaica W.I.

National Commercial Bank
94 Halfway Tree Road
Kingston 10, Jamaica W.I.

FINANCIAL ADVISERS

Mayberry Investments Limited
1 1/2 Oxford Road
Kingston 5, Jamaica W.I.

REGISTRAR & TRANSFER AGENTS

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

BOARD OF DIRECTORS

Executive Directors
Marion Foster
Chairman
BSc

Cecil Foster
Managing Director

Peter Knibb
Chief Financial Officer
FCCA, FCA, MBA, JP

Non-Executive Directors

Ian Kelly
MSc, BSc

Rosalyn Campbell
Attorney-at-Law

Steadman Fuller
LLB

Marva Chang
FCCA, FCA

Board Committee Member

Clive Nicholas, FCCA, FCA

COMPANY SECRETARY

Cube Corporate Support Limited

SENIOR OFFICERS

Warren Riley
Senior Accountant

Vincent Mitchell
Route Sales Manager

Hector Mendoza
Commercial & Project Director

Kerry-Ann Gray
Marketing Manager

Michelle Thame
Operations & HR Manager

RETAIL OUTLETS

Kingston General
79 Molynes Road Kingston 10,
Jamaica W.I.
Tel: (876)937-2401
Fax: (876)901-2438
Email: sales@fosrich.com
Email: lighting@fosrich.com

Kingston Industrial

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

**Mandeville - Live Your
Dream Store**

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

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

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

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

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

DIRECTORS' REPORT

Success is a journey,
not a destination.



The Directors hereby present their Report and the Audited Financial Statements for the year ended December 31, 2022.

Financial Results: Results for the year are set out in pages 33 - 77.

Highlights thereof are set out below:

	2022	2021
	\$	\$
Turnover	3,372,945,924	2,351,146,322
Net Profit	324,712,241	199,309,658
Net Assets	1,785,112,648	1,016,737,331
Dividends Paid	60,273,066	51,734,383

The Board: The Directors who served the Company since the last Annual General Meeting are:

Mrs. Marion Foster	- Chairman - Executive
Mr. Cecil Foster	- Managing Director - Executive
Mr. Peter Knibb	- Executive
Mrs. Rosalyn Campbell	- Independent
Mr. Ian Kelly	- Independent
Mr. Steadman Fuller	- Independent
Mrs. Marva Chang	- Independent

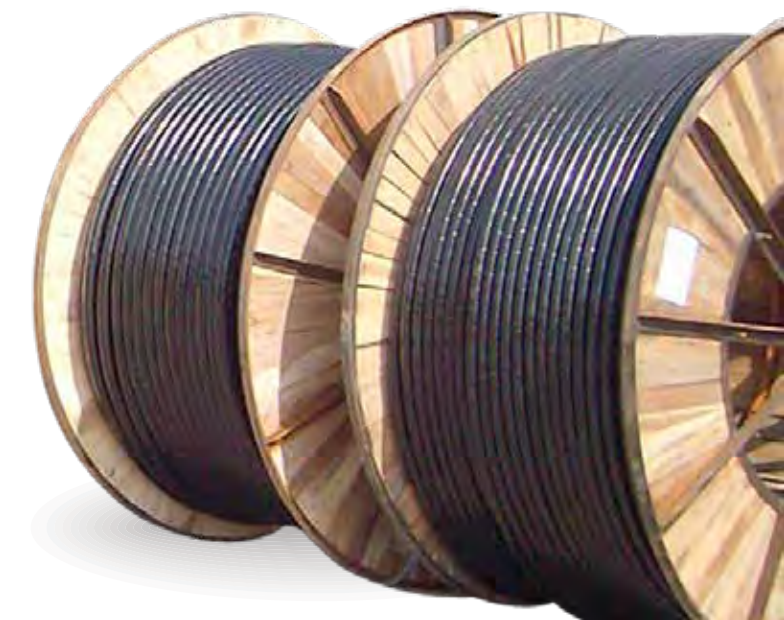
The Directors retiring by rotation in accordance with Article 97 of the Company's Articles of Incorporation are Steadman Fuller, Ian Kelly and Marva Chang, who being eligible for election or re-election as the case may be, offer themselves for re-election and election to the Board.

Auditors: Messrs. Crooks Jackson Burnett, Chartered Accountants, have signified their willingness to continue in office.

The Directors wish to express thanks to the management and staff for their continued commitment and hard work.

On behalf of the Directors
21st March 2023

MARION FOSTER
Chairman



BOARD OF DIRECTORS



MARION FOSTER

EXECUTIVE DIRECTOR & CHAIRMAN OF THE BOARD

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

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



CECIL FOSTER

EXECUTIVE DIRECTOR & MANAGING DIRECTOR

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

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

PETER KNIBB

EXECUTIVE DIRECTOR, BOARD MENTOR & CHIEF FINANCIAL OFFICER

Peter Knibb is a Chartered Accountant with 20 years of experience working in corporate groups and 14 years of experience working with two large audit firms. He has served as Chief Financial Officer for a large, highly regulated, publicly traded financial group for 20 years.

Peter has successfully managed all financial-related aspects of several mergers, acquisitions and integrations and has been an integral member of varied project teams, utilizing project management skills. He has served on strategic planning teams, where knowledge of local and global business management played a critical role in the level of contribution made to the process.

Peter is highly trained in taxation and management and applied his knowledge in the senior management roles held. He has conducted many external statutory audits and management control reviews in various industries while employed at audit firms and integrated the knowledge into corporate activities.

ROSALYN CAMPBELL

NON-EXECUTIVE DIRECTOR

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

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

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



IAN KELLY

NON-EXECUTIVE DIRECTOR

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

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

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



STEADMAN FULLER, C.D.

NON-EXECUTIVE DIRECTOR

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

Steadman completed a Bachelor of Law Degree (LLB Hons) at the University of Huddersfield in the United Kingdom. He was the second recipient of the prestigious Trail Blazer Award from the Book Industry Association of Jamaica (BIAJ). Steadman was installed as Custos Rotulorum for the Parish of Kingston on 25 February 2010.



MARVA CHANG

NON-EXECUTIVE DIRECTOR

Marva Chang is a resourceful Finance Executive with several years of experience in financial management across manufacturing, finance, facilities maintenance, and gaming industries for both publicly and privately held companies. Strong administrative and organizational skills as well as core finance functions of auditing and accounting, pensions management, training, strategic planning, budgeting/forecasting, and relationship building.

Marva is a Chartered Accountant and is highly trained in accounting and human resources management and applied her knowledge in the senior management roles held. She has conducted many external statutory audits and management control reviews in various industries while employed at audit firms and integrated the knowledge into corporate activities.

BOARD COMMITTEE MEMBER



CLIVE NICHOLAS, C.D.

BOARD COMMITTEE MEMBER

Clive Nicholas brings to the Board Committee over thirty (30) years of experience as a Senior Executive in the Jamaica Revenue Services, involved in all aspects of Tax Administration and Tax policy. Executive experience in transformation programs as Chairman of the Tax Administration Reform Project and the Customs Modernization Project. He was responsible for the implementation of General Consumption Tax in Jamaica in 1991 and for organizing and directing the policies and programs during the initial nine (9) year period. He was the Executive Member and Country Representative for Jamaica to the Inter-American Centre of the Tax Administration. He has functioned as a moderator and presented papers on several occasions. He was Team Leader and Tax Expert for U.W.I. Consulting Inc, a project to develop CARICOM Tax Database.

He has also received National Honour in 2002 for Service to the Public Sector, Order of Distinction in the Rank of Commander Class and was a member of the Parliament (Integrity of Members) Commission.

Clive has been a Chartered Accountant since 1987 and an expert in local and international tax systems, including, certification from Harvard University International Tax Program.



CUBE
CORPORATE

SUPPORT LTD

CUBE CORPORATE SUPPORT LIMITED

COMPANY SECRETARY

Cube Corporate Support Limited was selected Company Secretary for FosRich Company Limited effective from 1st February 2022

EXECUTIVE TEAM



CECIL FOSTER
EXECUTIVE DIRECTOR & MANAGING DIRECTOR

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Peter has successfully managed all financial-related aspects of several mergers, acquisitions and integrations and has been an integral member of varied project teams, utilizing project management skills. He has served on strategic planning teams, where knowledge of local and global business management played a critical role in the level of contribution made to the process.

Peter is highly trained in taxation and management and applied his knowledge in the senior management roles held. He has conducted many external statutory audits and management control reviews in various industries while employed at audit firms and integrated the knowledge into corporate activities.



KERRY-ANN GRAY
MARKETING MANAGER

Joining the FosRich team in October 2008 as Assistant to the Managing Director, Kerry-Ann Gray has grown through the ranks. In 2013 she was appointed Supervisor of Lighting. 2015 saw her promoted to Division head of Lighting. She spearheaded the build-out and renovation of our retail outlets in Kingston, Mandeville and both Montego Bay locations. She is a hands-on leader who strongly believes in demonstrating to others that which you expect of them, and she takes pride in being able to install anything, from a wall sconce to a chandelier, alongside her team members. After years of visiting different lighting showrooms, she still gets excited by beautiful lights.

Ms Gray holds a Bachelor of Science Degree in Management Studies Emphasis in Marketing from the Northern Caribbean University (NCU) and; a certificate in Supervisory Management from UWI Open Campus 2011. After spending nine (9) years with the team she was appointed to the position of Marketing Manager in October 2017.

Kerry-Ann Gray is a fun-loving individual who takes great pride in satisfying customer needs and is an avid promoter of excellent customer service.



MICHELLE THAME
OPERATIONS AND HR MANAGER

Ms Thame joined the Company in 2019. She is a certified Project Manager and holds a B.Sc. in Hotel Management from the University of the West Indies. Over the years she has held senior management positions and worked as a consultant, in various business sectors with a focus in general management, operations management and human resources development for most of her career.

She has served as a pension plan trustee, a representative for the Jamaica Employer's Federation, treasurer of the Jamaica Hotel & Tourist Association (Negril Chapter) and has served on the management advisory committee for the National Tools & Engineering Institute (HEART).

Ms Thame is currently an assessor with the National Council on Technical & Vocational Education & Training and is a member of the board of the Columbus Preparatory School.



VINCENT MITCHELL
ROUTE SALES MANAGER

Mr Vincent Mitchell has been employed at FosRich since January 2011 and has over 35 years of experience in the sales field.

In his role as Sales Manager, he proactively and systematically develops new business which in turn broadens the customer base. Additionally, he develops, manages, and mentors the sales and contract representative teams' performance in sales achievement and applies strategies to increase the profit margin.



HECTOR MENDOZA
COMMERCIAL & PROJECT DIRECTOR

Hector Mendoza is an entrepreneur and is the co-founder of Neo Digital Inc. & Neo Tech Panama SA, which focuses on innovating service level in lighting projects in Panama and Jamaica. He has more than 25 years of experience in regional management, possesses excellent interpersonal relations and is able to build and work with multidisciplinary and multicultural teams. Hector is skilled in key customer management and specialises in key project negotiation.

Hector has exceptional knowledge of the lighting and energy market. His main achievements were to triple the sales in 5 years for Central America and Caribbean business, which became the most profitable business in the Latin America region and to lead the restructuring process to improve Company efficiency.



WARREN RILEY
SENIOR ACCOUNTANT

Mr Riley joined the Company in January 2010. He is an accomplished accounting professional with more than 15 years of progressive experience in the energy/utility industry. He has a CPA with a B.Sc. in Business Administration (Accounts) with hands-on experience in internal audit, financial analysis and reporting, Sarbanes-Oxley, internal control analysis, process documentation and improvement. He also worked at JPS for 17 years and at HEART TRUST for 1 year.

He is responsible for the overall running of that department - communicating with customers, conflict resolution and compliance on customer deliveries and revenue, reporting to the Managing Director providing regular input on all account activities including status and call reports on a weekly basis, among others

EXECUTIVE TEAM EXPERTISE	Strategic Management	Lighting, Energy & Products	Supply Channel Management	Sales & Marketing	Technology	Financial Reporting & Audit	Accounting & Tax	Human Resources
Cecil Foster	✓	✓	✓	✓				✓
Peter Knibb	✓					✓	✓	✓
Michelle Thame	✓							✓
Hector Mendoza	✓	✓	✓	✓				
Kerry-Ann Gray		✓		✓				
Vincent Mitchell		✓		✓				
Warren Riley		✓	✓		✓	✓	✓	✓

DISCLOSURE OF SHAREHOLDINGS

Top Ten Stockholders

NAME	SHARES HELD	
	NUMBER	PERCENTAGE
1 Cecil Foster	2,001,463,819	39.8%
2 Marion Foster	2,001,463,819	39.8%
3 JCSD Trustee Services Ltd. - Barita Unit Trust Capital Growth Fund	202,266,472	4.0%
4 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	125,023,266	2.5%
5 Barita Investment Ltd - Long A/C (Trading)	61,634,336	1.2%
6 JCSD Trustee Services Ltd. - Sigma Global Ventures	47,042,690	0.9%
7 Sagicor Select Fund Limited - Class C - Manufacturing & Distribution	40,289,600	0.8%
8 Nigel Coke	33,368,240	0.7%
9 Jamaica Money Market Brokers Ltd	33,100,000	0.7%
10 Stocks & Securities Limited (Alpha)	22,689,783	0.5%
Total of Top Ten	4,568,342,025	91.0%
Others	454,413,525	9.0%
Total Shares Allotted	5,022,755,550	100%
Total Number Of Stockholders	5,086	

Stockholding of Directors, Board Committee Members & Connected Persons

NAME	SHARES HELD
DIRECTORS	
1 Cecil Foster	2,001,463,819
2 Marion Foster	2,001,463,819
3 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	125,023,266
4 Rosalyn Campbell	20,000,000
5 Ian Kelly	2,666,667
6 Steadman Fuller	Nil
7 Marva Chang	Nil
BOARD COMMITTEE MEMBERS	
8 Clive Nicholas	Nil

Stockholding of Senior Managers & Connected Persons

NAME	SHARES HELD
1 Cecil Foster	2,001,463,819
2 Peter Knibb & Elizabeth Knibb, Jenine Knibb, Brandon Knibb	125,023,266
3 Warren Riley & Cheryl Riley	2,115,337
4 Michelle Thame	80,000
5 Stephen Spencer	80,000
6 Vincent Mitchell	74,840
7 Hector Mendoza	Nil

Stockholder Information

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

FOSRICH STOCK TRADING SUMMARY

All amounts adjusted for the stock split.

	Price Range	Volume	Opening Price	Closing Price
2022	0.905 - 5.170	250,581,872	0.905	3.910
2021	0.377 - 1.020	351,526,180	0.411	0.905
2020	0.231 - 0.450	180,639,100	0.428	0.411
2019	0.380 - 0.563	437,671,070	0.386	0.428



MANAGEMENT DISCUSSION & ANALYSIS

Honour and serve the people
who work for you. They will
honour and serve you.



CECIL FOSTER
Managing Director

PETER KNIBB
Chief Financial Officer

OVERVIEW

The Board of Directors of FosRich Company Limited is pleased to present this analysis for the year ended December 31, 2022, and to report on the performance of the Company. The 2022 financial year brought many uncertainties, and we were determined to use the uncertainties as opportunities, and we were relentless in doing so.

FosRich has become an integrated company offering a wide range of products and solutions from a number of industries that make us stronger than we were 5 years ago. While we previously distributed lighting, electrical and solar energy products; we are now manufacturing PVC conduits and pipes along with repairing of pole mount transformers for the Jamaica Public Service company.

FosRich aims to differentiate itself from its competitors by manufacturing and exporting Jamaican made products. We also provide a quality and cost-effective service by collaborating with clients on technical solutions. FosRich partners with large global brands seeking local distribution such as Huawei, Philips Lighting, Victron Energy, Siemens, NEXANS and GeneralElectric. FosRich has a staff complement of over one hundred and ninety (190) persons across nine (9) locations in Kingston, Clarendon,

Mandeville, and Montego Bay. FosRich also has a team of energy and electrical engineers who offer technical advice and install solar energy systems, solar water heaters and electrical panel boards.

REVENUES

Revenues were \$3,373 million - Up \$1,022 million or 43% compared to the prior period's \$2,351 million.

Gross profit was \$1,392 million - Up \$349 million or 33% compared to the prior period's \$1,043 million.

Net profit was \$325 million - Up \$126 million or 63% compared to the prior period's \$199 million.

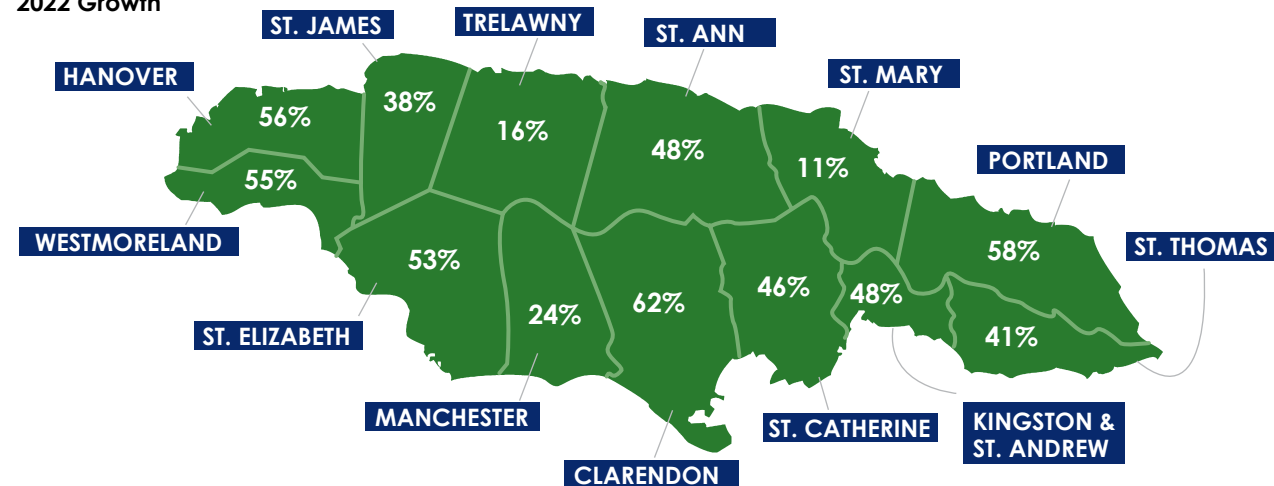
Earnings per stock unit was \$0.06 - Up \$0.02 or 50% compared to the prior period's \$0.04.

PARISH SALES

The product lines that had significant increases over the prior year were Solar Products, which grew by 96%, Control Devices which grew by 53%, Wires, which grew by 48%, PVC and LED Products, which both grew by 37% and Industrial Products & Wiring Devices which both grew by 30%.

PARISH SALES

2022 Growth



During the year we experienced a mix of fluctuations in volume and price increases. Price increases were driven by escalating copper and PVC ingredient prices on the international market and increased shipping costs.

OUR DISTRIBUTION CHANNELS

The Executive Team continues to seek new ways to grow the Company's customer base and takes pride in the slogan, "We serve you better." Listed below are the distribution channels we employ to connect with and serve our customers. All distribution channels achieved growth during 2022.

- Products and services are available from our four retail outlets.
- Direct Marketing teams provide additional support and accessibility to consumers.
- Periodic storewide sales (SUPER SALE) on all our products. We have found that these events are eagerly anticipated by our customers.

DIRECT MARKETING TEAMS

Direct Marketing Teams Revenues - \$1,176 Million, 27% Growth - 35% of total sales. (Prior-year \$928 Million - 39% of total)

During 2022 this team provided 35% of revenues - Down from 39% in the prior year. Our Direct Marketing Team is structured as follows:

ROUTE SALE Revenues of \$573 million.

(Prior year \$547 million)

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

PREMIUM SALES SUPPORT (In-house Sales Team)

Revenues of \$478 million. (Prior year \$317 million) This is our foremost channel for connecting with customers. New products are offered by our in-house customer service teams who make cold calls and repeat calls to prospects and existing clientele.

PROFESSIONAL & INDUSTRIAL SALE Revenues of \$125 million. (Prior year \$63 million)

A quick-response team focused on the needs of large commercial and industrial operations.

KINGSTON MAIN STORE

Kingston - \$1,357 Million, 68% Growth - 39% of total sales. (Prior year \$806 Million - 34% of total) Our Kingston headquarters is the central store for FosRich, and it produces the highest sales revenue compared to other distribution channels. It carries a wider range of energy, lighting, industrial, electrical, and hardware items than are available at the other locations. Over the years, this location has consistently outperformed all other distribution channels for all product lines.

MANDEVILLE - LIVE YOUR DREAM STORE

Revenues of \$400 million, 34% Growth - 12% of total sales. (Prior year \$298 Million - 13% of total) The Live Your Dream Store showed an increase in sales revenue by 16% when compared to the prior year. The sale of electrical items has consistently been its main source of revenue. Though there have been challenges for the store over the past year, measures have been taken to ensure continued growth. Electrical and energy goods have shown steady growth at this location.

COTTAGE ROAD - BETTER HOMES STORE

Cottage Road - \$342 Million, 56% Growth - 10% of total sales. (Prior year \$219 Million - 9% of total) Predominantly known as 'the hardware store,' Better Homes is being transitioned to offer more electrical items to meet the market demands of that segment in the Montego Bay community. Electrical and energy goods have shown steady growth at this location. There continues to be strong strategic management within the store and the organisation to ensure increased future sales revenues.

FAIRVIEW - LIGHTING WORLD STORE

\$98 Million, 1% Growth - 3% of total sales. (Prior year \$97 Million - 4% of total)

Lighting Energy products and LED items continue to dominate in this location. Montego Bay is one of our Distribution Hubs for the western region. From this Distribution Hub we can deliver to our customers, increase efficiency and facilitate premium customer service by cutting down on lead time.

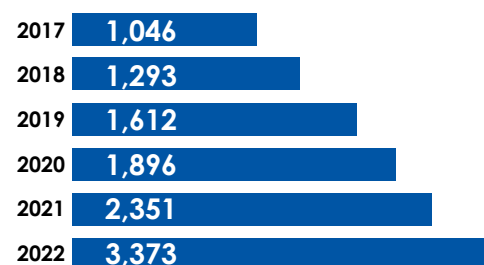
ONS MINI MART - \$29 Million – 1% of total sales
The revenues include the results of our new 100% subsidiary, O'N'S' Mini Mart & Electrical Supplies Limited, which was incorporated on 12th April 2022.

INCOME STATEMENTS

Income

During the year, the Company generated income of \$3,373 million compared to \$2,351 million for the prior year. An increase of \$1,022 million.

INCOME (\$M)



Gross Profit

Gross profit for the year was \$1,392 million compared to \$1,043 million for the prior year, an increase of \$349 million.

These increases were attributed primarily to the greater availability of the products required by the market.

Other Income

Other income for the year was \$10 million compared to \$56 million in the prior year.

Administration Expenses

Administration, marketing and selling expenses

for the year were \$790 million, reflecting an increase of \$158 million on the prior reporting year's amount of \$632 million. The changes were driven primarily by increased staff related costs for salary adjustments, increased sales commission due to improved sales performance and improvements in staff benefits; increased occupancy cost due to the commencement of obligations for our new Fulfilment Centre at 76 Molyne Road and disposal losses related to the early termination of the old 76 Molyne Road lease; increased selling and marketing costs; increased computer expenses; increased local travel and petrol costs; increased electricity cost; increased legal and professional fees; increased depreciation due to increases in the carrying values of property plant and equipment and increased security expense.

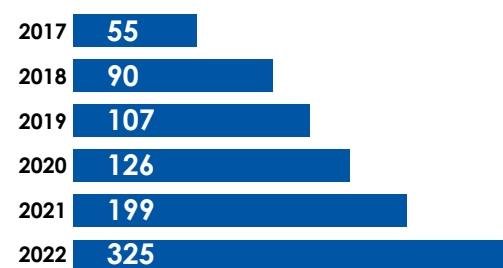
Finance Cost

Finance cost for the year was \$182 million compared to \$185 million for the prior year, a net decrease of \$3 million. This net decrease was driven primarily by reductions in receivables impairment provision of \$44 million. The increased financing costs is a result of increased financing obtained to assist with the financing of operations. This new financing was obtained at more favourable rates than the previous bank facilities.

Net Profit

Net Profit generated for the year was \$325 million, an increase of \$126 million or 63% over the \$199 million reported for the prior period.

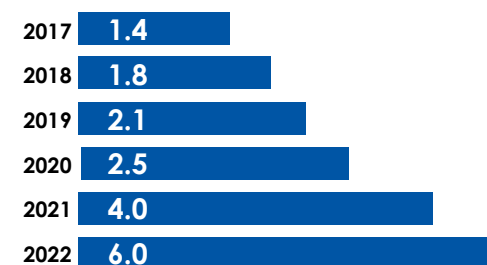
NET PROFIT (\$M)



Earnings Per Stock Unit

Earnings per stock unit was \$0.06 compared to \$0.04 in the prior year, reflecting an increase of 50%

EARNINGS PER SHARE ADJUSTED FOR SHARE SPLIT



Balance Sheet Inventories

The prior-year problems associated with global supply chain, trans-shipment availability and escalating shipping costs that affected both our North American and Asian suppliers, and that had a significant impact on our 2021 operations, did not have a significant impact on our operations for most of the current year. We however continue to manage inventory balances and the supply-chain, with a view to ensuring that inventory balances being carried are optimised, relative to the pace of sales, the time between the orders being made and when goods become available for sale, to avoid both overstocking and stock-outs. Monitoring is done both at the individual product level and by product categories. Increases in the carrying values of inventories reflect the increased cost of supplies. Sales in most categories remain strong and reflect increases over the prior year. We continue to monitor the effect of the Covid-19 pandemic on our supplier markets and our customers' buying patterns.

Receivables

With the increases in sales has come an uptick in receivables. We continue to actively manage trade receivables with an emphasis

being placed on balances in the over 180-day bucket. We have implemented strategies to collect these funds as well as to ensure that the other buckets are managed. As a result of the anticipated impact of Covid-19 on our customers, we have re-evaluated all credit relationships. Where necessary, credit limits have been reduced and credit periods shortened. For some inventory items, we have instituted seven (7) day credit or cash.

Trade Payables

Our trade payables are categorised by foreign purchases, local purchases and other goods and services. While we have concentrated primarily on foreign payables, as the bulk of our inventories are sourced from overseas, we continue to manage payables, for the most part, within the terms given by our suppliers.

Non-current Liabilities

Non-current liabilities have decreased by \$428 million. This decrease is caused primarily by the secured and unsecured bonds, which are now current. These bonds will be refinanced.

Liquidity

At balance sheet date the excess of current assets over current liabilities amounted to \$1,226 million (2021 - \$1,503 million). It is expected that FosRich will continue to be able to generate sufficient cash to meet obligations when they fall due. Liquidity is provided primarily from sales revenues and loan financing.

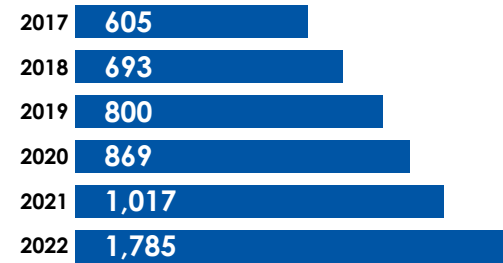
Shareholders' Equity

Shareholders' equity now stands at \$1,785 million, up by \$768 million from \$1,017 million on 31 December 2021. The net increase of \$768 million arose as a result of retained profits for the year amounting to \$325 million, property revaluation gains of \$495 million, net of dividend paid amounting to \$60 million and treasury shares sold amounting to \$8 million.

We now have 5,086 shareholders, an increase

of 3,333 or 290% on the 1,753 on 31 December 2021.

SHAREHOLDERS' EQUITY (\$M)



Critical Accounting Estimates

Judgment is required in the estimating of expected credit loss for trade receivables, and an appropriate model to predict this loss, based on historic trends is being used. We do not anticipate any notable change in the assumptions underlying the model, or the credit behaviour of our customers.

For the current year, we have noted a reduction in the proportion of cash sales to total sales when compared to prior years. This has declined from 32% in the prior year to 28% in the current year. Fifty-four percent (54%) of trade receivables are within the current to 60-day category. This reflects an improvement when compared to the prior year's 49%. There were no increases in provisions for losses on credit sales during the year.

Forward-Looking Statements

At present there are no risk factors or trends that are anticipated to have a material effect on FosRich's financial condition or future performance. Historical performance and past events are indicative of and will have a continuing impact on future performance. Except for anticipated growth in sales from our PVC line of business, no factors outside of usual and expected market fluctuations are anticipated to have any impact on the results going forward into the medium-term. Our expectation is to increase the PVC line of business from the current \$670 million to

over \$1 billion, with the commencement of production of large diameter PVC pipes. The long-term goal of FosRich is to continuously grow the twelve (12) business lines, using a mix of strategies. We do not anticipate that there will be any material change in future economic conditions, or financial performance, or the business strategy, from that employed in the previous year.

Except for the planned expenditures associated with outfitting and stocking our new superstore in Q2, 2024 and motor vehicle fleet upgrade, there are no other anticipated material capital expenditures.

Five hundred and sixty million (\$560 million) secured bonds and two hundred million (\$200 million) unsecured bonds are now current. These will be refinanced at market interest rates that are above the current interest rates.

We anticipate that there will be no change in FosRich's dividend policy, which continues to be subject to adequate available cash resources.

Having completed our first five (5) years on the Junior Market of the Jamaica Stock Exchange, the full exemption of the payment of income tax has ended. We are now commencing the five (5) year period of fifty percent (50%) tax exemption.

Risk Disclosures

These have been adequately addressed in the audited accounts.

Other Matters

New Activities

Construction of our new FosRich Superstore & Corporate Offices at 76 Molyne's Road has commenced. The completion date is projected to be Q2, 2024.

Special Economic Zone Authority (SEZA)

The venture into the Special Economic Zone by our contract-manufacturing Company, Blue

Emerald Limited, which is based in Hayes, Clarendon, was terminated, due to the narrow interpretation of the Customs Duties to be applied on our activities in the Special Economic Zone by the Customs Authorities. It soon became apparent that the manufacturing cost of operating within the Special Economic Zone was significantly higher than the cost of our manufacturing activities outside of the Zone. After a re-evaluation of our actions, it was determined that the additional cost was not offset by the long-term tax concessions that are available. Blue Emerald Limited will continue to manufacture exclusively for FosRich.

The result for this, our fifth full year since our listing on the Junior Market of the Jamaica Stock Exchange on 19 December 2017, reflects the implementation of the specific strategies as outlined within our strategic plan. We are cognizant that despite the challenges ahead within our local operating space and the wider global space, we have the right talents and leadership to deliver on our plans for the ensuing period. We will continue to execute on our plans to ensure that we remain competitive and deliver valued solutions to our customers.

As we report on the performance of FosRich, we thank our shareholders, employees, customers, and other stakeholders for their support as we continue to expand our business and bring greater value to our various stakeholders.

Cecil Foster
Managing Director

Peter Knibb
Chief Financial Officer



FOSRICH COMPANY LIMITED

CORPORATE GOVERNANCE STRUCTURE



Always working to maintain accountability, transparency, ethics and compliance.

FosRich is committed to upholding the highest standards of corporate governance, ensuring transparency, accountability, and ethical behaviour in all our operations, as a responsible member of the business community. As such, we have established clear, governance policies, procedures, and practices throughout the Company.

Our Company's board of directors is responsible for overseeing the Company's strategic direction, ensuring its financial stability, and protecting the interests of shareholders. Our board is composed of diverse members with varied backgrounds, skills, and experiences, bringing a wealth of perspectives and insights to our decision-making processes.

Governance is a key aspect of sustainability, and FosRich remains focused on corporate governance, compliance and risk management. In this Corporate Governance Report, we provide an overview of our corporate governance practices including our board structure, leadership, and responsibilities, among others. We continue to review and develop this framework in light of changes in the Company's business, the rules of the Jamaica Stock Exchange, the Jamaica Corporate Governance Code, legal and regulatory requirements, and international best practices in governance. This year we conducted a Board evaluation to assess the effectiveness of the Board's function and the results are being used to effect improvements as needed.

We value our stakeholders, including employees, customers, suppliers and shareholders and are committed to engaging with them in a transparent manner. We regularly seek feedback from stakeholders through various ways such as focus groups and other means of identifying areas where we can improve our performance and better meet their needs.

The Board is committed to the highest standards of governance and will continue to improve, increasing investors' confidence, while safeguarding shareholders' investments and the Company's assets.

MARION FOSTER - Chairman

COMMITMENT TO CORPORATE GOVERNANCE BEST PRACTICES & DISCLOSURE

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

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

Each Director is expected to commit sufficient time for attending Board meetings as well as those organised by its Committees and, if applicable, of the Independent Directors.

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

BOARD EXPERTISE

Executive Team	Corporate Governance & Management	Human Resources & Compensation	Audit, Accounting & Tax	Financing	Industry	Engineering & Technical	Logistics, Supply Chain & Retail
DIRECTORS							
Marion Foster	√	√			√	√	√
Cecil Foster	√			√	√	√	√
Steadman Fuller	√		√				√
Ian Kelly	√	√	√	√			√
Rosalyn Campbell	√	√	√				
Peter Knibb	√	√	√	√			
Marva Chang	√	√	√	√			
BOARD COMMITTEE MEMBERS							
Clive Nicholas	√		√				

OUR BOARD'S ROLE AND ITS EXPERTISE

The Board's primary responsibilities revolve around oversight of the business and its strategy whilst ensuring that these are framed within reasonable parameters. The Board is expected to support the management of the organisation through the appointment of Directors with the requisite knowledge to guide the institution's management. A core operational objective of each Director is to drive for increased sales and increased profits, thereby creating greater shareholder value through its incentive and other appropriate policies. The Board also plays an important role in engaging and communicating material information to our shareholders in a timely manner.

The Directors at FosRich are from varied backgrounds and bring broad experiences, high levels of professionalism, expertise, and candour to our deliberations. Each individual has been determined to be in alignment with the requirements of the Company and provide essential corporate governance.

All Directors have been in leadership roles and have successfully helped to guide, either as directors or executives, companies through difficult economic conditions. Some continue to do so in the present environment. Notwithstanding, during the current year, all Directors will participate in formal corporate governance

training to further enhance their contributions and will also review in our succession planning activity.

ADDITIONAL ATTENDEES TO THE MEETINGS

The Board encourages the Managing Director, who assists the Board in executing their responsibilities, to bring managers and other team members to present at board meetings who: (a) can provide additional insight into the business or items being discussed because of responsibility for, or personal knowledge related to these areas, and/ or (b) are team members with future leadership potential who should be given exposure to Directors.

BOARD COMMITTEES AND COMPOSITION

Our Corporate Governance Policy identifies the three relevant Committees. Each committee entails clearly defined terms of reference, procedures, responsibilities, powers, and structure. The membership and chairpersons are outlined below.

INDEPENDENT DIRECTOR

To be considered as an Independent Director, the Board must determine that the Director has no material relationship with FosRich Company Limited (direct or indirect). This means either as a stockholder, partner, director, or officer of an organisation that has a material interest in the Company that would preclude the Director

from being independent. Materiality test for shareholding is 2.5% of FosRich Company Limited's outstanding shares.

Additionally, an Independent Director is a Director who:

- Has not been employed by the Company within the last two years.
- Has not been an employee or affiliate of our External Auditors within the last three years.
- Has not received any compensation other than director and committee fees within the last two years.
- Has not been employed by a Company of which an Executive Director/Officer has been a director within the last two years.

- Is not a member of the immediate family of an Executive Director/Officer, who would be defined as spouse, parent, child or sibling, in-law (mother, father, son, daughter, brother, sister) or anyone sharing the same home with any of the above.

THE BOARD'S REPORT CARD

During 2022, the Board and its Committees had five (5) scheduled meetings to execute their various mandates. We reported to shareholders on the financial results; reviewed and approved policies; discussed strategy and its implementation; and took decisions given our discussions on the business and the economy.

The Board's Report Card	Board	Audit, Compliance & Risk	Human Resource & Compensation	Corporate Governance & Nomination	Annual General Meeting
NO. OF MEETINGS	5	4	4	4	1
BOARD MEMBERS					
Marion Foster	5 of 5		4 of 4		1 of 1
Cecil Foster	5 of 5				1 of 1
Peter Knibb	5 of 5	4 of 4		4 of 4	1 of 1
Ian Kelly	2 of 5	4 of 4			1 of 1
Rosalyn Campbell	4 of 5	4 of 4	3 of 4	1 of 4	1 of 1
Steadman Fuller	5 of 5		4 of 4	4 of 4	1 of 1
Marva Chang	1 of 1		4 of 4	4 of 4	1 of 1
COMMITTEE MEMBERS					
Clive Nicholas		4 of 4			1 of 1

AUDIT, COMPLIANCE & RISK COMMITTEE

Committee members are Ian Kelly (Chairman), Rosalyn Campbell, Clive Nicholas, and Peter Knibb.

This statutory Committee is responsible for ensuring:

- The quality and integrity of the Company's accounting and reporting practices and controls as well as the completeness and accuracy of its financial statements and disclosures.
- The Company's compliance with legal and regulatory requirements.
- The qualifications and independence of the external auditor and the appropriateness of his methodology and accounting approach.
- The quality of internal controls as reported by the internal audit function and independent auditors.

The Audit & Compliance Committee is mandated to meet at least quarterly within thirty days by the end of each quarter. They may convene in other instances upon request by any Committee member.

During 2022, the Audit, Compliance & Risk Committee held four meetings.

HUMAN RESOURCES & COMPENSATION COMMITTEE

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

This Committee oversees:

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

- Operation of the Company's pension plan

During 2022, the Human Resources & Compensation Committee held four meetings.

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Committee members are Steadman Fuller (Chairman), Rosalyn Campbell, Marva Chang, and Peter Knibb, a majority of non-executive Board members. In addition, FosRich Managing Director, Cecil Foster attends meetings by invitation.

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

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

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

During 2022, the Corporate Governance & Nomination Committee held four meetings.

Board Committees	Position (Executive/ Non-Executive/ Independent)	Audit, Compliance & Risk	Human Resources & Compensation	Corporate Governance & Nomination
DIRECTORS				
Ian Kelly	NE/I	Chairman		
Rosalyn Campbell	NE/I	√	Chairman	
Steadman Fuller	NE/I		√	√
Marva Chang	NE/I	√	√	Chairman
Peter Knibb	E	√		√
Cecil Foster	E			√
Marion Foster	E		√	
COMMITTEE MEMBERS				
Clive Nicholas	NE/I	√		

CORPORATE SOCIAL RESPONSIBILITY

The more time we spend with people, the more we find out about our business.



FOSRICH FOUNDATION

The FosRich Foundation was established in 2020 and is currently involved in the following activities:

The Foundation makes scholarships available for tertiary students at the University of Technology and Northern Caribbean University, who are pursuing Engineering and Renewable Energy related studies.

The Foundation assists at-risk youths in the western region of the island.

The Foundation sponsors activities supporting the Law Enforcement Officers in the Western Region of the island in collaboration with Footprints Of Hope

GOOD SAMARITAN INN

Corporate Social Responsibility is an integral part of FosRich's philosophy as we always seek to make a lasting contribution to the communities in which we are active. While our primary focus lies on helping the disadvantaged, we still find time to be active in other areas of society.

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

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

We are proud to be associated with such a programme and are humbled by the growth and impact it has made since we opened the doors 13 years ago. Now, the GSI has expanded its reach with the addition of a laundry facility; showers for both males and females; free health clinics; free grooming services for men; and overnight accommodations for women and children in crisis, among other services.

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

JAMAICA SOCIETY FOR THE BLIND - SUPERIOR CRAFT & MORE

Superior Craft & More is a small business which is operated by blind and visually impaired persons who are seeking to uplift themselves through hands on application in the areas of wicker work, caning, macrame and other related areas. They refurbish wicker chairs and other such pieces of furniture, and make wicker baskets, lampshades and wicker serving trays.

Because of their disability, it has been very difficult for them to be as effective as they would want, to keep their small business viable. Administratively they are not

very capable and there has been a lack of assistance for them through the government. They are also exploited by persons who frequently refuse to pay what is charged for the items they make. They often have had to settle for less just to stay afloat.

Further to a request for funding support, the Foundation has reviewed the activities of the organisation and has noted the goals of empowering and uplifting the lot of the visually impaired persons, as they strive to make themselves useful and productive citizens in our society. The areas of need initially identified were staff training, the purchasing of materials and the necessary tools for the tasks, marketing, and overseas debt servicing.

FosRich Foundation's partnering with this organization will make a meaningful difference in the lives of our visually impaired community. Our continuing support gives them the cushion they need, while they continue to develop and implement other marketing and earning plans.

FOSRICH CORPORATE UNIVERSITY

The FosRich Corporate University, the brainchild of the CEO, was launched in June 2021 and is a bold and necessary step in a time of reflection and change. It is one of the avenues to ensure that our team members are "cutting the edge" and that we "team up to excel". The HR Sub-committee of the Board has been in full support and the employees have embraced the modules delivered during the financial year under review.

FosRich operates in a globalized world and therefore is constantly challenged by the rapid changes in digital innovation and all the affectations of globalization. This has forced forward thinking companies, such as ours, to be proactive in the protection of its most valued resources for sustainable growth and competitive advantage. Companies have begun to make every effort to harness and manage the knowledge and maintain this advantage by having strong strategic plans, training staff to understand and operate in a dynamic market, to be uneasy with complacency, to create partnerships to drive efficiency and innovation, ensure that the local labour laws and corporate governance build the culture that is important to gain and maintain the competitive edge in the global marketplace.

Thus, employees at FosRich must constantly be evaluated and their skills and competencies be upgraded to adapt to these changing trends. Through globalization, knowledge is at everyone's doorstep as social media becomes the focal point of communication. The charge is to ALL FosRich employees to become more knowledge-based and be prepared to apply this knowledge where it is needed in the Company.

The result of their application when measured must reflect their contribution to the Company's growth and sustainability as well as in personal growth and development for upward mobility. It cannot be business as usual as this digital world is demanding that employees must play an active role in the decision-making and strategic planning processes. The team culture becomes imperative for full results.

It is FosRich's culture to promote from within, whenever possible, therefore making the modules relevant and setting the tone for leadership training. FosRich University can reinforce the culture of the organization, which would be difficult to achieve from outside institutions. The FosRich University supports innovation and development, therefore the university will become a breeding ground for new thoughts and ideas that fuel the fire for change and advancement, which will help to maintain the Company's cutting edge in the industry.

FosRich Company Limited
FINANCIALS
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CROOKS JACKSON BURNETT
Chartered Accountants

"The Business District"
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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 35, which comprise statement of financial position as at December 31, 2022, 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, 2022, 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

1. Carrying value of inventory

- At reporting date, December 31, 2022, inventory amounted to \$2,248,793,424 representing 43.9 % 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 at all its locations throughout the year.

- Certain items of inventory are susceptible to obsolescence as a result of technological changes. For example, the Jamaican Government has adopted new rules that set stricter energy efficient standards for light bulbs and has banned the sale of incandescent light-bulbs.

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

How the matter was addressed in our audit.

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.
- Confirmed with management and performed various tests to verify that the company had no incandescent light bulbs in its inventories.

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

2. Expected Credit Losses on Trade Receivables

• **Key Audit Matter**

The determination of credit losses is highly subjective and requires management to make significant judgement and estimates including the identification of increased credit risk exposure, determination of the appropriate variables and assumptions used and the application of forward-looking information.

The company is required to recognise expected credit losses [ECL] on trade receivables measured at amortised cost. The determination of ECL is highly subjective and requires management to make significant judgements and estimates and the application of forward-looking information.

The combination of estimates and judgements increases the risk that management's estimates could be materially misstated [see financial statements, notes 2{b}, 3{g} and 24{b}].

• **How the matter was addressed in our audit.**

Our audit procedures in response to this matter, included:

- Obtaining an understanding of the model used by management for the calculation of expected credit losses and trade receivables.
- Testing the completeness and accuracy of the data used in the expected credit loss model to the underlying accounting records on a sample basis, including testing the recording and ageing of trade receivables.
- Assessment of the appropriateness of the company's impairment methodology, management's assumptions and compliance with the requirements of IFRS 9, Financial Instruments.
- Evaluating the appropriateness of the economic parameters including the use of forward-looking information.
- Testing the accuracy of the expected credit loss calculation.
- Assessing the adequacy of the disclosures of the key assumptions and judgements for compliance with IFRS 9.

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.

INDEPENDENT AUDITOR'S REPORT

Other information (continued)

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 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.

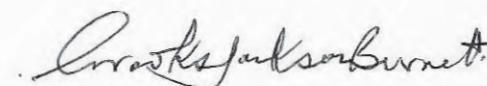
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Chartered Accountants

March 15, 2023

19 Cargill Avenue, Kingston 10, Jamaica W.I.

GROUP STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2022

		2022 \$	2021 \$
Turnover		3,372,945,924	2,351,146,322
Cost of Sales	4{a}	<u>(1,980,686,522)</u>	<u>(1,308,000,581)</u>
Gross profit		1,392,259,402	1,043,145,741
Other income:			
Other operating income	5	<u>10,470,066</u>	<u>56,130,209</u>
		1,402,729,468	1,099,275,950
Administration, marketing and selling expenses	4{a}	<u>(790,011,425)</u>	<u>(631,626,512)</u>
Profit before depreciation and finance costs		612,718,043	467,649,438
Depreciation	9, 10{iii}	<u>(104,561,592)</u>	<u>(83,136,788)</u>
Profit before finance costs		508,156,451	384,512,650
Finance costs	6	<u>(182,418,122)</u>	<u>(185,202,992)</u>
Net profit before taxation		325,738,329	199,309,658
Taxation	7	<u>(1,026,088)</u>	<u>-</u>
Net profit		324,712,241	199,309,658
Other comprehensive income:			
Items that will not be reclassified to profit or loss - Unrealised fair value loss on available-for-sale investments	13	<u>600,625</u>	<u>174,375</u>
Total comprehensive income for the year		<u>325,312,866</u>	<u>199,484,033</u>
Earnings per stock unit	21	<u>\$0.06</u>	<u>\$0.04</u>

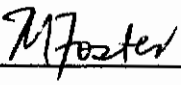
GROUP STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 \$	2021 \$
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	846,110,055	349,530,748
Lease - right-of-use assets	10	605,568,225	564,845,958
Related party	11	569,289,703	370,503,789
Investments	12	26,569,625	32,918,578
Investment - equity	13	2,228,125	1,627,500
Associated company	14{b}	<u>-</u>	<u>121,602,537</u>
		2,049,765,733	1,441,029,110
Current Assets			
Inventories	15	2,248,793,424	1,784,242,080
Trade receivables	16	377,326,589	274,033,320
Other receivables and prepayments	16	212,867,330	115,292,261
Related party	11	80,000,000	80,000,000
Cash and bank balances	17	103,799,830	72,006,528
		3,022,787,173	2,325,574,189
Current Liabilities			
Payables	18	792,852,601	596,741,073
Associated company	14{b}	131,037,639	-
Current portion of long-term liabilities	22	812,885,218	181,406,702
Taxation payable		1,026,089	-
Lease - right-of-use liabilities	10	50,434,215	44,399,152
		1,788,235,762	822,546,927
Net Current Assets		1,234,551,411	1,503,027,262
		3,284,317,144	2,944,056,372

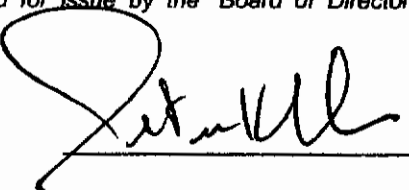
GROUP STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 \$	2021 \$
Equity			
Share capital	19	369,620,810	361,499,399
Capital reserves	20	562,910,801	67,096,070
Retained earnings		852,581,037	588,141,862
		<u>1,785,112,648</u>	<u>1,016,737,331</u>
Non-Current Liabilities			
Right-of-use liabilities	10	532,357,775	495,975,214
Long-term liabilities	22	921,539,811	1,383,540,839
Director's loan	23	45,306,910	47,802,988
		<u>1,499,204,496</u>	<u>1,927,319,041</u>
		<u>3,284,317,144</u>	<u>2,944,056,372</u>

The financial statements set out on pages 1 to 35 were approved for issue by the Board of Directors on March 15, 2023 and signed on its behalf by:



Marion Foster Director



Peter Knibb Director

GROUP STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022

	Share capital \$	Capital reserves \$	Retained earnings \$	Total \$
Balance at January 1, 2021	361,075,082	66,921,695	440,566,587	868,563,364
Unrealised gain on available-for-sale investments	-	174,375	-	174,375
Net profit	-	-	199,309,658	199,309,658
Transactions with owners:				
Sale of treasury shares (note 19)	424,317	-	-	424,317
Dividend paid (note 8)	-	-	(51,734,383)	(51,734,383)
Balance at December 31, 2021	361,499,399	67,096,070	588,141,862	1,016,737,331
Unrealised gain on available-for-sale investments	-	600,625	-	600,625
Unrealised surplus on revaluation of freehold properties	-	495,214,106	-	495,214,106
Net profit	-	-	324,712,241	324,712,241
Transactions with owners:				
Sale of treasury shares (note 19)	8,121,411	-	-	8,121,411
Dividend paid (note 8)	-	-	(60,273,066)	(60,273,066)
Balance at December 31, 2022 (see notes 19 & 20)	<u>369,620,810</u>	<u>562,910,801</u>	<u>852,581,037</u>	<u>1,785,112,648</u>

GROUP STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022 \$	2021 \$
CASH FLOWS WERE PROVIDED BY/ (USED IN):		
Operating Activities		
Net profit	324,712,241	199,309,658
Items not affecting cash resources		
Depreciation	104,561,592	83,136,788
Interest on lease liability	13,284,240	17,512,320
Unrealised foreign exchange gain (net)	-	(2,400,304)
Profit on disposal of items if property, plant and equipment	-	(6,540,496)
Taxation charge	1,026,088	-
Interest income	(116,504)	(26,911,763)
Interest expense	137,870,868	102,227,368
	<u>581,338,525</u>	<u>366,333,571</u>
Changes in non-cash working capital components:		
Inventories	(464,551,344)	(326,004,977)
Receivables	(103,293,269)	(28,534,423)
Other receivables and prepayments	(97,575,069)	75,585,830
Payables	196,674,654	138,201,098
Related parties	(198,785,914)	(111,692,862)
Associated company	252,640,176	(97,290,745)
Rent paid	(74,317,281)	(84,791,533)
	<u>-</u>	<u>-</u>
Cash provided by/(used in) operating activities	<u>92,130,478</u>	<u>(68,194,041)</u>
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(59,573,637)	(60,929,673)
Proceeds from disposal of items of property, plant and equipment	-	6,540,496
Encashment/(purchase) of investment	6,348,953	(16,849,339)
Cash used in investment activities	<u>(53,224,684)</u>	<u>(71,238,516)</u>
FINANCING ACTIVITIES		
Directors' loans repaid	(2,496,078)	(6,797,426)
Loans received	381,635,723	591,486,620
Loans repaid	(196,346,118)	(260,452,028)
Dividend paid	(60,273,066)	(51,734,383)
Interest received	116,504	1,169,734
Acquisition of treasury shares	8,121,411	424,312 *
Interest paid	(137,870,868)	(99,049,370)
Cash (used in)/provided by financing activities	<u>(7,112,492)</u>	<u>175,047,459</u>
INCREASE IN NET CASH BALANCES	<u>31,793,302</u>	<u>35,614,902</u>

* Restated to conform with current year's presentation

GROUP STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022 \$	2021 \$
INCREASE/(DECREASE) IN NET CASH BALANCES	31,793,302	35,614,902
Exchange effect on foreign currency cash balances	-	2,400,304
NET CASH BALANCES - Beginning of year	72,006,528	33,991,322
NET CASH BALANCES - End of year	103,799,830	72,006,528
REPRESENTED BY:		
Cash and bank balances	<u>103,799,830</u>	<u>72,006,528</u>

STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2022

	2022 \$	2021 \$
Turnover	3,357,523,895	2,351,146,322
Cost of Sales	<u>(1,970,882,059)</u>	<u>(1,308,000,581)</u>
Gross profit	1,386,641,836	1,043,145,741
Other income:		
Other operating income	<u>10,470,066</u>	56,130,209
	1,397,111,902	1,099,275,950
Administration, marketing and selling expenses	<u>(783,245,253)</u>	<u>(631,626,512)</u>
Profit before depreciation and finance costs	613,866,649	467,649,438
Depreciation	<u>(103,782,129)</u>	<u>(83,136,788)</u>
Profit before finance costs	510,084,520	384,512,650
Finance costs	<u>(181,332,374)</u>	<u>(185,202,992)</u>
Net profit before taxation	328,752,146	199,309,658
Taxation	<u>(1,026,088)</u>	-
Net profit	327,726,058	199,309,658
Other comprehensive income:		
Items that will not be reclassified to profit or loss - Unrealised fair value loss on available-for-sale investments	<u>600,625</u>	<u>174,375</u>
Total comprehensive income for the year	<u>328,326,683</u>	<u>199,484,033</u>
Earnings per stock unit	<u>\$0.07</u>	<u>\$0.04</u>


STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 \$	2021 \$
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	839,448,086	349,530,748
Lease - right-of-use assets	10	605,568,225	564,845,958
Related party	11	569,289,703	370,503,789
Investments	12	26,569,625	32,918,578
Investment - equity	13	2,228,125	1,627,500
Investment in subsidiary	14{a}	10,307,145	-
Associated company	14{b}	-	121,602,537
		<u>2,053,410,909</u>	<u>1,441,029,110</u>
Current Assets			
Inventories	15	2,214,741,168	1,784,242,080
Trade receivables	16	374,347,702	274,033,320
Other receivables and prepayments	16	212,867,330	115,292,261
Related party	11	80,000,000	80,000,000
Due from subsidiary		6,194,652	-
Cash and bank balances	17	102,346,820	72,006,528
		<u>2,990,497,672</u>	<u>2,325,574,189</u>
Current Liabilities			
Payables	18	770,373,697	596,741,073
Associated company	14{b}	131,037,639	-
Current portion of long-term liabilities	22	812,885,218	181,406,702
taxation payable		1,026,088	-
Lease - right-of-use liabilities	10	50,434,215	44,399,152
		<u>1,765,756,857</u>	<u>822,546,927</u>
Net Current Assets		<u>1,224,740,815</u>	<u>1,503,027,262</u>
		<u>3,278,151,724</u>	<u>2,944,056,372</u>

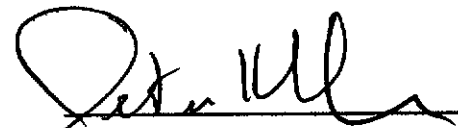
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 £	2021 £
Equity			
Share capital	19	369,620,810	361,499,399
Capital reserves	20	562,910,801	67,096,070
Retained earnings		855,594,854	588,141,862
		<u>1,788,126,465</u>	<u>1,016,737,331</u>
Non-Current Liabilities			
Right-of-use liabilities	10	532,357,775	495,975,214
Long-term liabilities	22	912,360,773	1,383,540,839
Director's loan	23	45,306,711	47,802,988
		<u>1,490,025,259</u>	<u>1,927,319,041</u>
		<u>3,278,151,724</u>	<u>2,944,056,372</u>

The financial statements set out on pages 1 to 35 were approved for issue by the Board of Directors on March 15, 2023 and signed on its behalf by:



Marion Foster Director



Peter Knibb Director

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022

	Share capital £	Capital reserves £	Retained earnings £	Total £
Balance at January 1, 2021	361,075,082	66,921,695	440,566,587	868,563,364
Unrealised gain on available-for-sale investments	-	174,375	-	174,375
Net profit	-	-	199,309,658	199,309,658
Transactions with owners:				
Sale of treasury shares (note 19)	424,317	-	-	424,317
Dividend paid (note 8)	-	-	(51,734,383)	(51,734,383)
Balance at December 31, 2021	361,499,399	67,096,070	588,141,862	1,016,737,331
Fair value adjustment on available-for-sale investments	-	600,625	-	600,625
Unrealised surplus on revaluation of freehold properties	-	495,214,106	-	495,214,106
Net profit	-	-	327,726,058	327,726,058
Transactions with owners:				
Sale of treasury shares (note 19)	8,121,411	-	-	8,121,411
Dividend paid (note 8)	-	-	(60,273,066)	(60,273,066)
Balance at December 31, 2022 (see notes 19 & 20)	<u>369,620,810</u>	<u>562,910,801</u>	<u>855,594,854</u>	<u>1,788,126,465</u>

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022 \$	2021 \$
CASH FLOWS WERE PROVIDED BY/ (USED IN):		
Operating Activities		
Net profit	327,726,058	199,309,658
Items not affecting cash resources		
Depreciation	103,782,129	83,136,788
Interest on lease liability	13,284,240	17,512,320
Unrealised foreign exchange gain (net)	-	(2,400,304)
Profit on disposal of items if property, plant and equipment	-	(6,540,496)
Taxation charge	1,026,088	-
Interest income	(116,504)	(26,911,763)
Interest expense	137,870,868	102,227,368
	<u>583,572,879</u>	<u>366,333,571</u>
Changes in non-cash working capital components:		
Inventories	(430,499,088)	(326,004,977)
Receivables	(100,314,382)	(28,534,423)
Other receivables and prepayments	(97,575,069)	75,585,830
Payables	174,195,551	138,201,094
Related parties	(198,785,914)	(111,692,862)
Associated company	252,640,176	(97,290,745)
Due from subsidiary	(6,194,652)	-
Rent paid	(74,317,281)	(84,791,533)
Cash provided by/(used in) operating activities	<u>102,722,220</u>	<u>(68,194,045)</u>
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(52,132,205)	(60,929,673)
Investment in subsidiary	(10,307,145)	-
Proceeds from disposal of items of property, plant and equipment	-	6,540,496
(Encashment)/purchase of investment	6,348,953	(16,849,339)
Cash used in investment activities	<u>(56,090,397)</u>	<u>(71,238,516)</u>
FINANCING ACTIVITIES		
Directors' loans repaid	(2,496,078)	(6,797,426)
Loans received	372,456,684	591,486,620
Loans repaid	(196,346,118)	(260,452,028)
Dividend paid	(60,273,066)	(51,734,383)
Interest received	116,504	1,169,734
Acquisition of treasury shares	8,121,411	424,316 *
Interest paid	(137,870,868)	(99,049,370)
Cash (used in)/provided by financing activities	<u>(16,291,531)</u>	<u>175,047,463</u>
INCREASE IN NET CASH BALANCES	<u>30,340,292</u>	<u>35,614,902</u>

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022 \$	2021 \$
INCREASE/(DECREASE) IN NET CASH BALANCES	30,340,292	35,614,902
Exchange effect on foreign currency cash balances	-	2,400,304
NET CASH BALANCES - Beginning of year	72,006,528	33,991,322
NET CASH BALANCES - End of year	<u>102,346,820</u>	<u>72,006,528</u>
REPRESENTED BY:		
Cash and bank balances	<u>102,346,820</u>	<u>72,006,528</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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. The company is listed on the Junior Market of the Jamaica Stock Exchange and has a wholly owned subsidiary, O'N'S Mini Mart & Electrical Supplies Limited, which was incorporated during the year.
- (b) The main activity of the company is the manufacture of PVC pipes and fittings, distribution of lighting, electrical and solar energy products; its subsidiary distributes electrical and lighting products.
- These financial statements represents the results of the Group.

2. Statement of Compliance and Basis of Preparation

(a) Statement of Compliance

The financial statements of the Group 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. The adoption of those standards and amendments did not have a significant impact on the amounts and disclosures in these financial statements.

New and amended standards issued but not yet effective:

At the date of authorisation of the financial statements, certain new and amended standards have been issued, which are not yet effective for the current year and which the Group has not early-adopted. The Group has assessed them with respect to its operations and has determined that the following may be relevant.

- Amendments to ISA 1: Presentation of financial statements, will apply retroactively for annual reporting periods beginning on or after January 1, 2023. The amendments promotes consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of a liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies liability that includes a counterparty conversion options, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of a company's own equity instruments, these would affect its classification as current or non-current. It has been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

2. Statement of Compliance and Basis of Preparation

(b) Basis of preparation

The financial statements are presented in Jamaican dollars, which is the Group's functional and presentation currency. These statements have been prepared on the historical cost basis, except for the valuation of *available-for-sale* investment securities, financial assets and liabilities and 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 Group'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.

(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].

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

(b) Basis of preparation (continued)

(ii) Key assumptions concerning the future and other sources of estimations uncertainty (continued):

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 value* 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) Judgement in evaluation of contingencies:

For a contingent liability to qualify for recognition there must be a present obligation a the probability of an outflow of economic benefit to settle that obligation. In recognising contingent liabilities of the Group, management determines the possibility of an outflow of resources and makes estimates of expenditure required to settle the present obligation at the reporting date.

No provision is made if management considers the possibility of any outflow in settlement to be remote.

(v) 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 Group.

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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 Group recognises revenue when it transfers control over a good or service to a customer.

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

Revenue is recognised when the significant risks and reward of ownership have been transferred to the buyer; usually when the company and its subsidiary have 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 Group'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 Group 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

Property, plant and equipment are stated at cost and valuation less accumulated depreciation, and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-construct assets includes the costs of materials, direct labour and related cost to put the asset into service. 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 Group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Significant Accounting Policies (continued)

(d) Plant, Machinery and Equipment (continued)

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.

(e) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents comprise investment securities with less than 90 days maturity from the date of acquisition including cash balances, short-term deposits, and overdrafts.

(f) 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 confirm 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.

(g) 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 Group 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Significant Accounting Policies (continued)

(h) Leases:

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

The right-to-use asset is subsequently depreciated using a straight-line method from commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those property and equipment. In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payment is an optional renewal period if the company is reasonably certain to exercise the option, and penalties for early termination of a lease unless the company is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under the residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Significant Accounting Policies (continued)

(h) Leases (continued):

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-valued assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight line basis over the life of the lease term.

(i) 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.

(j) 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)

(k) 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 statement of profit or loss 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.

(l) Impairment:

Non-financial assets

The carrying amount of the Group'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 or 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. Significant Accounting Policies (continued)

(l) Impairment (continued):

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.

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.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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:

	2022	2021
	\$	\$
Cost of sales		
Cost of goods sold	1,931,073,241	1,274,054,610
Installation expense - contractors	31,509,711	17,666,084
Sales commission - contractors	18,103,570	16,279,887
	<u>1,980,686,522</u>	<u>1,308,000,581</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

4(a). EXPENSE BY NATURE (continued)

	2022	2021
	\$	\$
Administrative and selling expenses		
Directors' emoluments	41,427,106	41,427,106
Directors' fees	1,189,337	1,045,337
Auditors' remuneration	5,260,000	2,500,000
Staff costs (see note 4(b))	364,688,192	321,899,741
Rent, security, repairs and maintenance	68,152,432	43,844,487
Motor vehicle and other related expense	71,278,899	44,246,060
General and keyman insurance	28,238,112	33,154,675
Utilities	74,343,464	22,599,626
Advertising and promotion	44,112,128	26,990,609
Legal and professional fees	44,017,355	39,721,548
Other expenses	47,304,400	54,197,323
	<u>790,011,425</u>	<u>631,626,512</u>

4(b). STAFF COSTS

	2022	2021
	\$	\$
Salaries, commissions and bonus	294,361,264	261,407,281
Statutory contributions	38,571,080	31,388,125
Staff welfare	31,755,848	29,104,335
	<u>364,688,192</u>	<u>321,899,741</u>

The average number of persons employed full-time by the company during the year under review was 161

[2021 = 165]

5. OTHER OPERATING INCOME

	2022	2021
	\$	\$
Interest income	116,504	26,911,763
Foreign currency exchange gain - net	-	2,400,304
Gain on disposal of items of property, plant and equipment	-	6,540,496
Other income	10,353,562	20,277,646
	<u>10,470,066</u>	<u>56,130,209</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

6. FINANCE COSTS

	2022	2021
	\$	\$
Bank charges	16,426,271	12,009,397
Interest on bonds	63,162,192	51,857,534
Interest on long-term and short-term borrowings	74,708,676	50,369,834
Other finance charges	14,836,743	9,666,764
Bad debt impairment provision	-	43,787,143
Interest on lease liability	13,284,240	17,512,320
	<u>182,418,122</u>	<u>185,202,992</u>

7. TAXATION

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:

- 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.
- The subscribed participating voting share capital does not exceed \$500 million.
- 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 was reversed in the year in which the company was listed and no further account has been taken of any potential deferred tax asset or liability.

8. DIVIDENDS

By resolution dated November 1, 2022 the directors declared the payment of a dividend of \$.012 per share totalling \$60,273,066 to be paid to shareholders on the company's register of members as at November 18, 2022.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. PROPERTY, PLANT & EQUIPMENT

	Freehold Land	Freehold Building	Leasehold Improvement	Leasehold Property	Equipment, Furniture & Equipment,	Computers	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At cost or deemed cost:								
January 1, 2021	29,980,000	181,440,499	52,898,470	30,000,000	124,367,874	28,300,922	94,217,496	541,205,261
Additions	-	-	-	-	21,206,116	14,364,468	25,359,089	60,929,673
Disposals	-	-	-	-	(440,000)	-	(13,956,388)	(14,396,388)
December 31, 2021	29,980,000	181,440,499	52,898,470	30,000,000	145,133,990	42,665,390	105,620,197	587,738,546
Revaluation	112,520,000	382,694,106	-	-	-	-	-	495,214,106
Additions	-	-	17,681,012	-	20,705,249	6,022,446	15,164,930	59,573,637
December 31, 2022	142,500,000	564,134,605	70,579,482	30,000,000	165,839,239	48,687,836	120,785,127	1,142,526,289
Accumulated Depreciation:								
January 1, 2021	-	39,636,091	51,184,604	6,000,000	43,000,991	17,859,950	55,472,631	213,154,267
Charge for the year	-	4,536,012	1,561,502	750,000	11,192,828	3,869,480	17,243,098	39,152,920
Eliminated on disposal	-	-	-	-	(143,000)	-	(13,956,389)	(14,099,389)
December 31, 2021	-	44,172,103	52,746,106	6,750,000	54,050,819	21,729,430	58,759,340	238,207,798
Charge for the year	-	18,785,682	227,167	750,000	14,165,089	5,151,427	19,129,071	58,208,436
December 31, 2022	-	62,957,785	52,973,273	7,500,000	68,215,908	26,880,857	77,888,411	296,416,234
Net book values:								
December 31, 2022	142,500,000	501,176,820	17,606,209	22,500,000	97,623,331	21,806,979	42,896,716	846,110,055
December 31, 2021	29,980,000	137,268,396	152,364	23,250,000	91,083,171	20,935,960	46,860,857	349,530,748

Freehold land and buildings comprising properties located at 77 Molyne's Road, 14 Burley Avenue and 8 - 8b Maverville Avenue, Kingston 10 were re-appraised by professional, independent real estate valuers: Langford Brown in January 2023. The combined market value was determined as \$732,134,604 using 'market approach' and 'sales comparison' valuation methods.

These assets are reflected in the financial statements at their respective fair values and the surplus on revaluation was credited to capital reserves. All other items of property, plant and equipment are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. PROPERTY, PLANT & EQUIPMENT - THE COMPANY

1135122359	Freehold Land \$	Freehold Building \$	Leasehold Improvement \$	Leasehold Property \$	Equipment, Furniture & Equipment, \$	Computers \$	Motor Vehicles \$	Total \$
At cost or deemed cost:								
January 1, 2021	29,980,000	181,440,499	52,898,470	30,000,000	124,367,874	28,300,922	94,217,496	541,205,261
Additions	-	-	-	-	21,206,116	14,364,468	25,359,089	60,929,673
Disposals					(440,000)	-	(13,956,388)	(14,396,388)
December 31, 2021	29,980,000	181,440,499	52,898,470	30,000,000	145,133,990	42,665,390	105,620,197	587,738,546
Revaluation	112,520,000	382,694,106	-	-	-	-	-	495,214,106
Additions	-		14,108,645		16,949,184	5,909,446	15,164,930	52,132,205
December 31, 2022	142,500,000	564,134,605	67,007,115	30,000,000	162,083,174	48,574,836	120,785,127	1,135,084,857
Accumulated Depreciation:								
January 1, 2021	-	39,636,091	51,184,604	6,000,000	43,000,991	17,859,950	55,472,631	213,154,267
Charge for the year	-	4,536,012	1,561,502	750,000	11,192,828	3,869,480	17,243,098	39,152,920
Eliminated on disposal					(143,000)		(13,956,389)	(14,099,389)
December 31, 2021	-	44,172,103	52,746,106	6,750,000	54,050,819	21,729,430	58,759,340	238,207,798
Charge for the year	-	18,785,682	227,167	750,000	13,413,876	5,123,177	19,129,071	57,428,973
December 31, 2021	-	62,957,785	52,973,273	7,500,000	67,464,695	26,852,607	77,888,411	295,636,771
Net book values:								
December 31, 2021	142,500,000	501,176,820	14,033,842	22,500,000	94,618,479	21,722,229	42,896,716	839,448,086
December 31, 2020	29,980,000	137,268,396	152,364	23,250,000	91,083,171	20,935,960	46,860,857	349,530,748

Freehold land and buildings comprising properties located at 77 Molyne's Road, 14 Burley Avenue and 8 - 8b Mavely Avenue, Kingston 10 were re-appraised by professional, independent real estate valuers: Langford Brown in January 2023. The combined market value was determined as \$732,134,604 using 'market approach' and 'sales comparison' valuation methods.

These assets are reflected in the financial statements at their respective fair values and the surplus on revaluation was credited to capital reserves. All other items of property, plant and equipment are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

	2022 \$	2021 \$
Right-of-use assets		
Balance at January 1	666,629,660	451,114,690
Termination of <i>right-of-use</i> Asset	(199,149,004)	-
Additions to <i>right-of-use</i> Asset	227,131,627	215,514,970
	694,612,283	666,629,660
Accumulated depreciation brought forward	101,783,702	57,799,834
Depreciation eliminated on termination	(59,092,800)	-
Depreciation charge for the year	46,353,156	43,983,868
	89,044,058	101,783,702
Balance at end of year	605,568,225	564,845,958

ii. Lease liabilities

Maturity analysis - contractual undiscounted cash flows:

Less than one year	60,906,979	60,230,358
One to five years	213,540,111	193,699,848
More than five years	936,699,101	720,350,000
	1,211,146,191	974,280,206
Less: Future interest	(628,354,201)	(433,905,840)
	582,791,990	540,374,366
Less: Current portion	(50,434,215)	(44,399,152)
Non-current	532,357,775	495,975,214

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

10. LEASE RIGHT-OF-USE (continued)

Amount recognised in the statement of financial position:

iii. Amount recognised in the statement of comprehensive income:

	2022	2021
	\$	\$
Interest on lease liability	13,284,240	17,512,320
Depreciation charge for right-of-use assets	46,353,156	43,983,868 *

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	74,317,281	84,791,533
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11. RELATED PARTY

	2022	2021
	\$	\$
Amount due from:		
LCCM Investment Ventures Limited	450,503,789	351,671,406
Net movements	173,043,882	73,090,351
	623,547,671	424,761,757
Interest accrued	25,742,032	25,742,032
	649,289,703	450,503,789
Current portion of related party balance	(80,000,000)	(80,000,000)
	569,289,703	370,503,789

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

	2022	2021
	\$	\$
Keyman Insurance - cash surrender value	4,602,666	4,602,666
Deposits - Bonds/guarantees	10,867,351	6,449,338
Term Deposits	11,099,608	21,866,574
	26,569,625	32,918,578

The above 'term deposits' include amounts denominated in United States Dollars [US\$74,015] and Jamaican Dollars, which earn interest at rates of .85% and 2.95% respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

13. INVESTMENTS - OTHER

	2022	2021
	\$	\$
Quoted Securities at market value		
Shares at market value	1,627,500	1,453,125
Gain from fair value adjustment	600,625	174,375
	2,228,125	1,627,500

14{a}. INVESTMENT IN SUBSIDIARY - THE COMPANY

During the year the company incorporated O'N'S Mini Mart & Electrical Supplies Limited. The amount stated on the balance sheet represents the cost of the investment in that company.

14{b}. ASSOCIATED COMPANY

	2022	2021
	\$	\$
Blue Emerald Limited		
Amounts due from:	-	121,602,537
Amounts due to:	131,037,639	-

During the year the company purchased goods for resale from associated company, Blue Emerald Limited amounting to \$23,371,160. These transactions were conducted at 'arms length' deal.

15. INVENTORIES

Inventories comprise:

	The Company 2022	The Group 2022	2021
	\$	\$	\$
Merchandise	1,816,431,095	1,850,483,351	1,314,732,871
Raw material	24,391,314	24,391,314	59,101,147
	1,840,822,409	1,874,874,665	1,373,834,018
Goods-in-transit	373,918,759	373,918,759	410,408,062
	2,214,741,168	2,248,793,424	1,784,242,080

16. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	The Company 2022	The Group 2022	2021
	\$	\$	\$
Trade receivables	374,347,702	377,326,589	274,033,320
Other receivables and prepayments comprise:-			
Related party receivable	120,232,890	120,232,890	32,251,056
Sundry receivables	9,774,726	9,774,726	8,265,660
Statutory receivables	19,101,945	19,101,945	282,451
Prepayments	12,003,747	12,003,747	24,771,765
Other deposits	51,754,022	51,754,022	49,721,329
	212,867,330	212,867,330	115,292,261

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

17. CASH & BANK BALANCES

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

	The Company 2022	The Group 2022	2021
	\$	\$	\$
Cash and current account balances	75,952,478	76,920,291	42,652,346
Savings account	26,394,342	26,879,539	29,354,182
	<u>102,346,820</u>	<u>103,799,830</u>	<u>72,006,528</u>

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

	The Company 2022	The Group 2022	2021
	\$	\$	\$
Trade	581,579,945	604,059,048	521,286,561
Advances and other payables	168,939,550	168,939,351	57,901,439
Statutory payables	19,854,202	19,854,202	17,553,073
	<u>770,373,697</u>	<u>792,852,601</u>	<u>596,741,073</u>

19. SHARE CAPITAL

Share capital

	2022 Units	2022 \$	2021 \$
Authorised -			
Ordinary shares at no par value [2021 = 5,128,210,000]	15,000,000,000		
Issued and fully paid -			
Ordinary shares [2021 = 5,000,653,110]	5,022,755,550	369,620,810	369,620,810
Treasury shares	-	-	(8,121,411)
	<u>5,022,755,550</u>	<u>369,620,810</u>	<u>361,499,399</u>

On July 12, 2022, at the annual general meeting of the company, the shareholders approved the subdivision of each ordinary share into ten (10) ordinary shares with effect from July 27, 2022. To facilitate this subdivision of shares, the maximum number of shares that the company is authorised to issue was increased from 512,821,000 to 15,000,000,000. As a result of the stock split, all prior period stock data presented in the financial statements have been adjusted to reflect the subdivision.

During the year the company sold, at fair market value, all its remaining stock unit of treasury shares

20. CAPITAL RESERVES

Capital reserves represent:

- Unrealised surplus on the revaluation of the company's freehold properties was credited to capital reserves [see note 9].
- Movements in fair value on the revaluation of available -for-sale equity securities [see note 13].

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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.

	2022 \$	2021 \$
Net profit attributable to equity holders of the company	324,712,241	199,309,658
Weighted average number of ordinary stock units in issue	5,007,512,333	4,999,859,360
Basic earnings per stock unit	<u>\$0.06</u>	<u>\$0.04</u>

22. LONG-TERM LIABILITIES

	Interest Rate	2022 \$	2021 \$
Loans			
i First Global Bank Jamaica Limited - Non-Revolving Loan	[10.00%]	61,676,575	90,149,201
ii First Global Bank Jamaica Limited - Non-Revolving Loan	[10.00%]	214,516,958	257,939,691
iii First Global Bank Jamaica Limited - Motor Vehicle Loan	[9.75%]	6,848,805	9,060,445
iv First Global Bank Jamaica Limited - Motor Vehicle Loan	[9.75%]	3,736,960	6,126,558
v First Global Bank Jamaica Limited - Motor Vehicle Loan	[9.00%]	12,025,805	14,347,869
vi First Global Bank Jamaica Limited - Motor Vehicle Loan	[10.00%]	8,091,595	10,247,335
vii First Global Bank Jamaica Limited	[9.00%]	158,000,000	-
viii First Global Bank Jamaica Limited	[9.75%]	12,647,962	-
ix Mayberry Investments Limited	[7.95%]	93,750,000	101,666,935
x Mayberry Investments Limited/Development Bank of Jamaica	[7.95% & 10.5%]	383,333,332	300,000,000
xi Corporate Bonds - unsecured	[8.50%]	200,000,000	200,000,000
xii Corporate Bonds - secured	[6.25%]	560,000,000	560,000,000
xiii National Commercial Bank Jamaica	[9.75%]	9,179,038	-
Total		<u>1,723,807,030</u>	<u>1,549,538,034</u>
Accrued interest on loans		1,761,061	3,767,758
		<u>1,725,568,091</u>	<u>1,553,305,792</u>
xiv GK Investments - Finance lease obligation		8,856,938	11,641,749
		<u>1,734,425,029</u>	<u>1,564,947,541</u>
Less: Current portion of loans		(808,992,952)	(177,699,782)
Current portion of finance lease obligation		(3,892,266)	(3,706,920)
		<u>(812,885,218)</u>	<u>(181,406,702)</u>
Long-term liabilities		<u>921,539,811</u>	<u>1,383,540,839</u>

The company	=	\$912,360,773
The Group	=	\$921,539,811

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

22. LONG-TERM LIABILITIES (continued)

First Global Bank Loans -

- i. First Global Bank - Non-Revolver Loan
This loan is a consolidation of loans granted in July 2020 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. This is a variable rate interest rate loan, which initially, attracted interest at the rate of 8% per annum. At reporting date the applicable interest rate was 10% per annum.
- ii. First Global Bank - Non-Revolver Loan
This loan is a consolidation of new a facility and the facility repaid in [22(i)] above. The purpose of this new facility is to fund working capital requirements. This new loan was granted in October 2021 and attracts interest at a variable rate of 8.0% per annum on initiation. At reporting date the applicable interest rate was 10% per annum. It is repayable over a period of 60 months.
- iii. First Global Bank - Non-Revolver 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. Interest rate moved during the year to 9.75% at reporting date.
- iv. First Global Bank - Non-Revolver 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. Interest rate moved during the year to 9.75% at reporting date.
- v. First Global Bank - Non-Revolver 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. During the year the interest rate changed to 9.75% per annum.
- vi. This represents the balance of a new facility granted during the year to finance the purchase of a motor truck. The loan is repayable over a period of 60 months and attracts a variable interest rate of 7.75% per annum. During the year the interest rate changed to 9.75% per annum.
- vii. This is a short-term loan was granted in September 2022 and is repayable in March 2023. This loan attracts interest at a variable rate of 9.00%.
- viii. This was loan was granted in March 2022 and is repayable in March 2027. This loan attracts interest at a variable rate of 9.75%.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

22. LONG-TERM LIABILITIES (continued)

The loans granted by First Global Bank Limited as set out in items (i) to (viii) are secured as follows:-

- (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 Perils Insurance over stock-in-trade.
- (e) The assignment of Fire and Allied Perils Insurance over properties held as security for their full replacement values.
- (f) The assignment of 'keyman' life insurance policies on the lives of Cecil Foster and Marion Foster.
- (g) Lien in favour of the bank on 'term deposit' held by the company.
- (h) Letters of Subordination signed by Cecil Foster and Marion Foster.
- (i) Second mortgage over the company's commercial properties, registered in the names of Cecil Foster and Marion Foster situated at:
 - 79 Molynes Road, Kingston 10

In addition to the above securities First Global Bank Limited has set out certain conditions and covenants as outlined below, which are to be tested on an ongoing basis as a condition to the company's borrowings:

Covenants

Financial Covenants

- i. *Debt/Tangible Net Worth*
First Global Bank requires maintenance of a maximum Debt to Tangible Net Worth ratio of **.97 : 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 **341 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.

Mayberry Investments Limited - Repurchase Agreements

- ix & x The Mayberry Investments loans are 'reverse repurchase loans', were granted December 28, 2022 and mature March 29, 2023. Interest rate are rate of 7.95% and 10.5% per annum. The loans are unsecured.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

22. LONG-TERM LIABILITIES (continued)

- ix & x Mayberry Investments Limited/Development Bank of Jamaica Reverse Repo Loans
- This facility is in respect of loans funded by the Development Bank of Jamaica [DBJ] and on-lend through Mayberry Investments Limited. The loan was granted in two tranches totalling Three Hundred Million Dollars [\$300,000,000]
- Tranche 1 in the amount of \$200,000,000 was granted to the company to facilitate the installation of a 'solar System' project across Fosrich's various site locations,
- Tranche 2 in the amount of \$100,000,000 was granted to the company to be applied to the its existing line of credit with Mayberry Investments Limited.
- Tranche 3 in the amount of \$200,000,000 was granted to the company to be applied to the its existing line of credit with Mayberry Investments Limited.
- The third tranche in the amount of \$200,000,000 was granted for a period of seven [7] years, the first 12 months being a moratorium. The second tranche in the amount of \$100,000,000 was granted for a period of five [5] years the first 12 months being a moratorium.
- * The applicable interest rate on both tranches is at a fixed rate 7.95% per annum for the first five [5] years in respect of the first and second tranches and thereafter will be floating at the 6 months Weighted Average Treasury Bill Yield [WATBY] rate plus 6.45% per annum on the reducing balance basis. The tranche attracts an interest rate of 10.5% per annum.
- The security in respect of the above DBJ facilities are two duly signed promissory notes.
- xiii. This is in respect of two loans granted by the National Commercial Bank at variable interest rates.

Corporate Bonds

- xi. Corporate Bonds - unsecured
- These are debt instruments raised on the open market and attract a fixed interest rate of 8.5% per annum and are unsecured. These notes were issued in January 2020 with a tenor of three years.
- xii. Corporate Bonds - secured
- These are debt instruments raised on the open market and attract a fixed interest rate of 6.25% per annum and are secured, by assets pledged by the directors. These notes were issued in January 2020 with a tenor of three years.

GK Investments Limited lease

- xiv. This lease facility was fully repaid during the year.
- This represents the balance due on this lease facility, which was granted during the year by GK Investments for the financing of three [3] motor vehicles. The lease was granted for a period of four [4] years expiring January 28, 2025. The interest rate on this facility is at a fixed rate of 10.95%.

23. DIRECTORS' LOAN

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

24. FINANCIAL RISK MANAGEMENT

The Group'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 and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on its performance. Its management policies are designed to identify and analyse these risk, to set appropriate risk limits and control, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews the risk management policies and systems to reflect changes in market, products and emerging best practice.

The Group'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 and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on its performance. Its management policies are designed to identify and analyse these risk, to set appropriate risk limits and control, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews the risk management policies and systems to reflect changes in market, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and the oversight of the Group's risk management framework.

There has not been any significant change to the Group's exposure to financial risks or the manner in which it manages and measures risk. The types of risk considered most important to the Group are credit risk, liquidity risk and market risk. Market risk for the company includes currency risk, interest rate and price risks.

(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 Group 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 Group does not earn sufficient foreign currency to counter the effects of the fluctuation in exchange rates.

The company manages this risk by purchasing foreign currency in advance and maintaining foreign currency accounts to satisfy its foreign creditors.

The exchange rates applicable at balance sheet date are US\$ 1 = J\$149.9643 [2021 = J\$152.7521] in respect of foreign currency assets and US\$ 1 = J\$152.0521 [2021 = J\$155.0878] in respect of foreign currency liabilities.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

24. FINANCIAL RISK MANAGEMENT**(a) Market risk (continued)****(i) Currency risk (continued)**

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

	2022	2021
	<u>US\$</u>	<u>US\$</u>
Cash and cash equivalent	109,019	99,222
Trade and other payables	<u>(3,441,707)</u>	<u>(2,733,248)</u>
Net exposure	<u><u>(3,332,688)</u></u>	<u><u>(2,634,026)</u></u>

Foreign currency sensitivity

Changes in foreign currency exchange rates will have some effect, on the results of operations and/or the financial position of the Group as follows:

		Effect of movement in exchange rates <u>Ja\$</u>
4% - change in currency ratio (devaluation of the Jamaican dollar)	+/- US\$	<u>(20,269,688)</u>
1% - change in currency ratio (revaluation of the Jamaican dollar)	+/- US\$	<u>4,997,842</u>

The Group has a net foreign currency liability. The above analysis demonstrates that the Group is adversely affected by a devaluation of the Jamaica dollar against its United States counterpart and *vice versa* from a revaluation.

(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 Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of these instruments. Its 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.

Financial assets -

The Group'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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

24. FINANCIAL INSTRUMENTS (continued)**(a) Market risk (continued)****(ii) Interest rate risk (continued)****Financial liabilities-**

Approximately 72% [2021 = 68%] of the Group'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 Group's profit with all other variables held constant.

The Group's interest bearing financial assets are considered negligible. Interest bearing financial instruments are set out below::

	<u>Carrying Amounts</u>	
	2022	2021
	\$	\$
Fixed rate instruments:		
Financial assets	21,966,959	11,441,861
Financial liabilities	<u>1,245,940,270</u>	<u>1,173,308,684</u>
Variable rate instruments:		
Financial assets	26,879,539	12,598,467
Financial liabilities	<u>488,484,759</u>	<u>391,638,857</u>

Cash flow sensitivity analysis for variable rate instruments

Approximately 28% [2021 = 32%] of the Group's borrowings are variable 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 Group's profit with all other variables held constant.

Borrowings:

		<u>Effect on Net Profit</u>	
		2022	2021
		\$	\$
Change in basis points:			
Increase	+100 [2021 + 300]	4,640,605	9,869,299
Decrease	-50 [2021 - 50]	<u>(2,320,303)</u>	<u>(1,644,883)</u>

(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 Group's exposure in relation to financial instrument is minimal as these are recorded at face value and no diminution in value is expected.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

24. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

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

Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality accordingly, management does not expect any counterparty to accordingly, management does not expect any counterparty to fail to meet its obligations.

Loans receivable

The Group's exposure to credit risk for loans receivable is limited to related party, LCCM Investment Ventures Limited; which management does not expect to fail to meet its obligations.

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 Group and a failure to make contractual payments for a period greater than 180 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 Group's exposure to this risk is influenced by the individual characteristics of each customer.

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

December 31, 2022

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		\$	\$	
Current	2.50%	142,456,734	3,561,418	no
31 to 60 days past due	3.75%	92,649,017	3,474,338	no
61 to 90 days past due	5.50%	34,293,037	1,886,117	no
91 to 120 days past due	7.50%	33,739,204	2,530,440	no
121 to 150 days past due	9.00%	24,342,198	2,190,798	no
151 to 180 days past due	12.50%	13,881,798	1,735,225	no
Over 180 days	50.00%	96,731,363	48,367,233	no
		438,093,351	63,745,569	

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

24. FINANCIAL INSTRUMENTS (continued)

December 31, 2021

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		\$	\$	
Current	2.50%	88,227,377	2,206,084	no
31 to 60 days past due	3.75%	74,157,261	2,781,297	no
61 to 90 days past due	5.50%	16,211,054	891,608	no
91 to 120 days past due	7.50%	30,415,356	2,281,552	no
121 to 150 days past due	9.00%	22,229,674	2,001,071	no
151 to 180 days past due	12.50%	8,173,050	1,021,831	no
Over 180 days	48.06%	88,302,067	42,438,770	no
Over 180 days	100.00%	23,673,799	23,673,799	yes
		351,389,638	77,296,013	

the movements in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022 \$'000	2021 \$'000
Balance at 1st January	77,296,013	33,569,753
Impairment loss recognised	-	43,726,260
Bad debts recovered	(13,550,444)	-
	63,745,569	77,296,013

(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, 2022 and 2021 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

24. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

The Group's financial liabilities at 31st December 2022 and 2021 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 \$
At 31st December 2022					
Payables	645,840,119	133,217,916	-	-	779,058,035
Lease	952,580	2,939,686	3,919,582	1,045,090	8,856,938
Borrowings	955,248,238	111,744,714	451,568,375	215,863,702	1,734,425,029
Right-of-use liability	15,226,745	45,680,234	53,385,003	1,096,858,209	1,211,150,191
	1,617,267,682	293,582,550	508,872,960	1,313,767,001	3,733,490,193
At 31st December 2021					
Payables	580,672,100	9,079,163	-	-	589,751,263
Lease	802,873	2,551,714	3,743,579	4,543,583	11,641,749
Borrowings	125,658,660	55,769,483	902,452,566	469,385,684	1,553,266,393
Right-of-use liability	17,062,148	43,168,210	49,744,319	864,305,529	974,280,206
	724,195,781	110,568,570	955,940,464	1,338,234,796	3,128,939,611

(d) Capital management

The Group'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 Group 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 Group'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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 without merit and can be successfully defended. The following legal matter were pending at reporting date.

At reporting date, there was an outstanding claim by two persons against the company in relation to a motor vehicle accident involving one of the company's drivers. The incident occurred on March 30, 2017 and after mediation hearings, the matter was returned to the Supreme Court for Case Management Conference, which was held on November 12, 2020. At that hearing the Court made an Order for Trial by Judge alone for three [3] days on January 19, 20, and 21, 2026. The sum of the claims being made by both parties amounts to Eighteen Million Dollars [\$18,000,000].

The insurance policy limit is Twelve Million Dollars {\$12,000,000} and previously, another party to the claim accepted a settlement of Three Million Dollars [\$3,000,000], which was paid by the insurance company. No provision was made in these financial statements for a shortfall, if any, which could result under recovery of insurance proceeds.

PROXY FORM FOR HYBRID ANNUAL GENERAL MEETING



I/We _____

a shareholder of FosRich Company Limited, hereby appoint
_____ (name) of _____ (address)

proxy, or failing him
_____ (name) of _____ (address)

as my/our alternate proxy to vote for me/us and on my/our behalf at the 2022 Annual General Meeting of FosRich Company Limited, to be held at 79 Molyne Road, Kingston 10, Jamaica on Tuesday, June 20, 2023, at 2:30 pm, and at any adjournment thereof. I desire this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit)

Resolution Detail

Vote for or against

(Tick as appropriate)

Ordinary Business

FOR **AGAINST**

1 To adopt the audited accounts for the year ended December 31, 2022, and the report of the Directors and Auditors thereon.

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2 The Directors retiring by rotation in accordance with Article 97 of the Company's Articles of Incorporation are Steadman Fuller and Ian Kelly who being eligible for re-election, offer themselves for re-election to the Board. Marva Chang was appointed a Director, subsequent to the last Annual General Meeting, and being eligible is offering herself for re-election

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2a To re-elect Steadman Fuller to the Board.

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2b To re-elect Ian Kelly to the Board.

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2c To elect Marva Chang to the Board.

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3 To approve dividend declared of \$0.012 per share and paid on the 6th. day of December 2022 to the shareholders on record as at November 18, 2022, by the Company.

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4 To re-appoint Crooks Jackson Burnett, Chartered Accountants of, The Business District, 19 Cargill Avenue, Kingston 10, Jamaica, as the auditors of the Company and to fix their remuneration.

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PROXY FORM FOR HYBRID ANNUAL GENERAL MEETING

Signed this _____ day of _____ 2023

Signed: _____ Name: _____
(Primary Shareholder/Director) (Print name)

Signed: _____ Name: _____
(Joint Shareholder/Director/Secretary) (Print name)



1. A member entitled to attend and vote at this Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. A Proxy Form is enclosed at the back of the annual report for your convenience.
3. Members can also download a proxy form from the Company's website (www.fosrich.com).
4. A Director and the Company Secretary are required to sign the proxy form of a corporate member under the common seal of that Company.
5. Amendments made to the proxy form must be initialled by the member(s) signing.
6. In the case of joint holders, any member may sign the proxy form to the exclusion of the other joint holder(s).
7. The completed form must be properly executed, stamped and together with the power of attorney or other documents appointing the proxy, must be deposited with the Secretary at the Registered Office of the Company at 79 Molyne Road, Kingston 10, no later than **2:30 p.m. Friday 16th June 2023.**
8. The Proxy Form shall bear stamp duty in the amount of \$100.00 by way of postal adhesive stamp(s) which is to be cancelled by the person signing the form.
9. Voting virtually on the Zoom platform during the meeting will not be accommodated. Members attending virtually, and wishing to vote, must therefore submit a Proxy Form

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FosRich
COMPANY LIMITED

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ANNUAL REPORT
2022