

FOSRICH COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2023



FOSRICH COMPANY LIMITED

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DECEMBER 31, 2023

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Crooks Jackson Burnett
Chartered Accountants

"The Business District"
19 Cargill Avenue | Kingston 10, Jamaica W.I.
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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") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiary (together "the Group"), set out on pages 1 to 39, which comprise the group's and the company's statements of financial position as at December 31, 2023, statements 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 the group and the company as at December 31, 2023, and of the group's and the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the **Auditors' Responsibilities for the Audit of the Financial Statements** section of our report. We are independent of the group and 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 for 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
FosRich Company Limited**

Key Audit Matters (continued)

Expected Credit Losses on Trade Receivables

- **Key Audit Matter**

The determination of credit losses is highly subjective and requires management to make significant judgment 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 group 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 judgments and estimates and the application of forward-looking information.

The combination of estimates and judgments 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.**

In response to this matter, our audit procedure 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 group'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 credit loss calculations
- Assessing the adequacy of the disclosures of the key assumptions and judgments for compliance with IFRS 9.

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of the audit report.

**Independent auditor's report
FosRich Company Limited**

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 the 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 and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (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 Group's and 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 group and the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud to 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
FosRich Company Limited

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the company's 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 additional matters as required by the Jamaican Companies Act.

We have obtained all the information and explanations 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 required.

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



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

March 11, 2024

FOSRICH COMPANY LIMITED
GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023

	Note	2023 \$	2022 \$
Turnover		3,696,595,282	3,372,945,924
Cost of Sales	4{a}	<u>(2,134,064,789)</u>	<u>(1,980,686,522)</u>
Gross profit		1,562,530,493	1,392,259,402
Other income:			
Other operating income	5	<u>81,007,060</u>	<u>10,470,066</u>
		1,643,537,553	1,402,729,468
Administration, marketing and selling expenses	4{a}	<u>(1,029,888,365)</u>	<u>(790,011,425)</u>
Profit before depreciation and finance costs		613,649,188	612,718,043
Depreciation - owned assets	9	(67,214,031)	(58,208,436)
Depreciation - leased assets	10{iii}	<u>(49,483,702)</u>	<u>(46,353,156)</u>
Profit before finance costs		496,951,455	508,156,451
Finance costs	6	<u>(219,567,127)</u>	<u>(182,418,122)</u>
Net profit before taxation		277,384,328	325,738,329
Taxation	7	<u>(42,146,183)</u>	<u>(1,026,088)</u>
Net profit		235,238,145	324,712,241
Other comprehensive income:			
Items that will not be reclassified to profit or loss -			
Fair value gain on investment	13{b}	6,481,800	-
Unrealised fair value (loss)/gain on available-for-sale investments	13{a}	<u>(290,625)</u>	<u>600,625</u>
Total comprehensive income for the year		<u>241,429,320</u>	<u>325,312,866</u>
Earnings per stock unit	23	<u>\$0.05</u>	<u>\$0.06</u>

FOSRICH COMPANY LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	Note	2023 \$	2022 \$
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	886,130,896	846,110,055
Lease - right-of-use assets	10	646,476,503	605,568,225
Related party	11	393,034,362	689,522,593
Investments - fixed deposits	12	22,520,931	21,966,959
Investments - Other	13	16,090,744	6,830,791
Investment in associated company	16	226,000,000	226,000,000
		<u>2,190,253,436</u>	<u>2,395,998,623</u> *
Current Assets			
Inventories	17	2,118,750,405	2,248,793,424
Trade receivables	18	303,190,590	377,326,589
Other receivables and prepayments	18	119,837,084	92,634,440
Related party - current portion	11	745,451,364	80,000,000
Associated company	16	133,202,200	-
Cash and bank balances	19	67,858,120	103,799,830
		<u>3,488,289,763</u>	<u>2,902,554,283</u> *
Current Liabilities			
Payables	20	1,081,849,871	792,852,601
Bank overdraft		4,694,815	-
Associated company	16	-	357,037,639
Current portion of long-term liabilities	24	498,394,957	812,885,218
Taxation payable		7,144,998	1,026,089
Lease - right-of-use liabilities	10	69,879,526	50,434,215
		<u>1,661,964,167</u>	<u>2,014,235,762</u> *
Net Current Assets			
		<u>1,826,325,596</u>	<u>888,318,521</u>
		<u>4,016,579,032</u>	<u>3,284,317,144</u>

* Adjusted to conform with current year's presentation

FOSRICH COMPANY LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	Note	2023 \$	2022 \$
Equity			
Share capital	21	491,293,055	369,620,810
Capital reserves	22	569,101,976	562,910,801
Retained earnings		981,170,992	852,581,037
		<u>2,041,566,023</u>	<u>1,785,112,648</u>
Non-Current Liabilities			
Right-of-use liabilities	10	552,520,716	532,357,775
Long-term liabilities	24	1,372,904,752	921,539,811
Deferred tax liability	14	12,275,509	-
Director's loan	25	37,312,032	45,306,910
		<u>1,975,013,009</u>	<u>1,499,204,496</u>
		<u>4,016,579,032</u>	<u>3,284,317,144</u>

The financial statements set out on pages 1 to 39 were approved for issue by the Board of Directors on
March 11, 2024 and signed on its behalf by:

M Foster Director
 Marion Foster

Peter Knibb Director
 Peter Knibb

FOSRICH COMPANY LIMITED
GROUP STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2023

	Share capital \$	Capital reserves \$	Retained earnings \$	Total \$
Balance at January 1, 2022	361,499,399	67,096,070	588,141,862	1,016,737,331
Unrealised gain on available-for-sale investments	-	600,625	-	600,625
Net profit	-	-	324,712,241	324,712,241
Unrealised surplus on revaluation of freehold properties		495,214,106		495,214,106
Transactions with owners:				
Sale of treasury shares (note 21)	8,121,411	-	-	8,121,411
Dividend paid (note 8)	-	-	(60,273,066)	(60,273,066)
Balance at December 31, 2022	369,620,810	562,910,801	852,581,037	1,785,112,648
Unrealised loss on available-for-sale investments	-	(290,625)	-	(290,625)
Fiar value adjustment to financial instruments		6,481,800		6,481,800
Net profit	-	-	235,238,145	235,238,145
Transactions with owners:				
Purchase of treasury shares (note 21)	(8,706,945)			(8,706,945)
Issue of shares	130,379,190			130,379,190
Dividend paid (note 8)	-	-	(106,648,190)	(106,648,190)
Balance at December 31, 2023 (see notes 21 & 22)	491,293,055	569,101,976	981,170,992	2,041,566,023

FOSRICH COMPANY LIMITED
GROUP STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
	\$	\$
CASH FLOWS WERE PROVIDED BY/ (USED IN):		
Operating Activities		
Net profit	235,238,145	324,712,241
Items not affecting cash resources		
Depreciation - owned assets	67,214,031	58,208,436
Depreciation - leased assets	49,483,700	46,353,156
Interest on lease liability	11,161,536	13,284,240
Profit on disposal of items if property, plant and equipment	(3,549,940)	-
Taxation charge	42,146,183	1,026,088
Interest income	(67,799,404)	(116,504)
Interest expense	181,534,066	137,870,868
	<u>515,428,317</u>	<u>581,338,525</u>
Changes in non-cash working capital components:		
Inventories	130,043,019	(464,551,344)
Receivables	74,135,999	(103,293,269)
Other receivables and prepayments	(27,202,644)	(97,575,069)
Payables	288,192,029	196,674,654
Taxation paid	(20,786,930)	-
Related parties	(368,963,133)	(198,785,914)
Associated company	(264,239,839)	252,640,176
Rent paid	(80,248,187)	(74,317,281)
	<u>246,358,631</u>	<u>92,130,478</u> *
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(107,234,872)	(59,573,637)
Proceeds from disposal of items of property, plant and equipment	3,549,940	-
(Purchase)/Encashment of investment	(3,068,778)	6,348,953
	<u>(106,753,710)</u>	<u>(53,224,684)</u>
FINANCING ACTIVITIES		
Directors' loans repaid	(7,994,878)	(2,496,078)
Loans received	1,265,911,880	381,635,723
Loans repaid	(1,279,849,846)	(196,346,118)
Dividend paid	(106,648,190)	(60,273,066)
Interest received	1,384,638	116,504
Issue of shares	130,379,190	-
Acquisition of treasury shares	(8,706,945)	8,121,411
Interest paid	(174,717,295)	(137,870,868)
	<u>(180,241,446)</u>	<u>(7,112,492)</u>
Cash used in financing activities		
	<u>(40,636,525)</u>	<u>31,793,302</u>
(DECREASE)/INCREASE IN NET CASH BALANCES		

* Adjusted to conform with current year's presentation

FOSRICH COMPANY LIMITED
GROUP STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
	\$	\$
(DECREASE)/INCREASE IN NET CASH BALANCES	(40,636,525)	31,793,302
NET CASH BALANCES - Beginning of year	103,799,830	72,006,528
NET CASH BALANCES - End of year	<u>63,163,305</u>	<u>103,799,830</u>
 REPRESENTED BY:		
Cash and bank balances	67,858,120	103,799,830
Bank overdraft	(4,694,815)	-
	<u>63,163,305</u>	<u>103,799,830</u>

FOSRICH COMPANY LIMITED
COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023

		2023	2022
		\$	\$
Turnover		3,663,867,243	3,357,523,895
Cost of Sales		<u>(2,119,713,792)</u>	<u>(1,970,882,059)</u>
Gross profit		1,544,153,451	1,386,641,836
Other income:			
Other operating income		<u>80,989,781</u>	<u>10,470,066</u>
		1,625,143,232	1,397,111,902
Administration, marketing and selling expenses		<u>(1,009,073,346)</u>	<u>(783,245,253)</u>
Profit before depreciation and finance costs		616,069,886	613,866,649
Depreciation - owned assets	9	(66,790,987)	(57,428,973)
Depreciation - leased assets	10{iii}	<u>(49,483,700)</u>	<u>(46,353,156)</u>
Profit before finance costs		499,795,199	510,084,520
Finance costs		<u>(218,180,297)</u>	<u>(181,332,374)</u>
Net profit before taxation		281,614,902	328,752,146
Taxation	7	<u>(42,146,183)</u>	<u>(1,026,088)</u>
Net profit		239,468,719	327,726,058
Other comprehensive income:			
Items that will not be reclassified to profit or loss -			
Fair value - investment instrument, insurance policy	13{b}	6,481,800	-
Unrealised fair value (loss)/gain on available-for-sale investments	13{a}	<u>(290,625)</u>	<u>600,625</u>
Total comprehensive income for the year		<u><u>245,659,894</u></u>	<u><u>328,326,683</u></u>

FOSRICH COMPANY LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	Note	2023 \$	2022 \$
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	878,863,793	839,448,086
Lease - right-of-use assets	10	646,476,503	605,568,225
Related party	11	393,034,362	689,522,593
Investments - fixed deposits	12	22,520,931	21,966,959
Investments - Other	13	16,090,744	6,830,791
Investment in subsidiary	15	10,307,145	10,307,145
Investment in associated company	16	226,000,000	226,000,000
		<u>2,193,293,478</u>	<u>2,399,643,799</u> *
Current Assets			
Inventories	17	2,074,906,847	2,214,741,168
Trade receivables	18	300,499,065	374,347,702
Other receivables and prepayments	18	119,319,352	92,634,440
Related party - current portion	11	745,451,364	80,000,000
Due from subsidiary	15	34,396,564	6,194,652
Associated company	16	133,202,200	-
Cash and bank balances	19	65,564,732	102,346,820
		<u>3,473,340,124</u>	<u>2,870,264,782</u> *
Current Liabilities			
Payables	20	1,069,972,074	770,373,697
Bank overdraft		4,694,815	-
Associated company	16	-	357,037,639
Current portion of long-term liabilities	24	497,295,921	812,885,218
Taxation payable		7,144,998	1,026,088
Lease liabilities - right-of-use, current portion	10	69,879,526	50,434,215
		<u>1,648,987,334</u>	<u>1,991,756,857</u>
Net Current Assets		<u>1,824,352,790</u>	<u>878,507,925</u>
		<u>4,017,646,268</u>	<u>3,278,151,724</u>

* Adjusted to conform with current year's presentation

FOSRICH COMPANY LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	Note	2023 \$	2022 \$
Equity			
Share capital	21	491,293,055	369,620,810
Capital reserves	22	569,101,976	562,910,801
Retained earnings		<u>988,415,383</u>	<u>855,594,854</u>
		<u>2,048,810,414</u>	<u>1,788,126,465</u>
Non-Current Liabilities			
Right-of-use liabilities	10	552,520,716	532,357,775
Long-term liabilities	24	1,366,727,597	912,360,773
Deferred tax liability	14	12,275,509	-
Director's loan	25	<u>37,312,032</u>	<u>45,306,711</u>
		<u>1,968,835,854</u>	<u>1,490,025,259</u>
		<u>4,017,646,268</u>	<u>3,278,151,724</u>

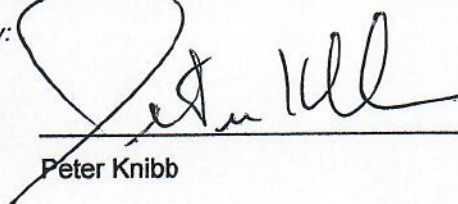
The financial statements set out on pages 1 to 39 were approved for issue by the Board of Directors on

March 11, 2024 and signed on its behalf by:



 Marion Foster

Director



 Peter Knibb

Director

FOSRICH COMPANY LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2023

	Share capital	Capital reserves	Retained earnings	Total
	\$	\$	\$	\$
Balance at January 1, 2022	361,499,399	67,096,070	588,141,862	1,016,737,331
Unrealised gain on available-for-sale investments	-	600,625	-	600,625
Net profit	-	-	327,726,058	327,726,058
Unrealised surplus on revaluation of freehold properties		495,214,106		495,214,106
Transactions with owners:				
Sale of treasury shares (note 21)	8,121,411	-	-	8,121,411
Dividend paid (note 8)	-	-	(60,273,066)	(60,273,066)
Balance at December 31, 2022	369,620,810	562,910,801	855,594,854	1,788,126,465
Unrealised loss on available-for-sale investments	-	(290,625)	-	(290,625)
Unrealised gain on investment security		6,481,800		6,481,800
Net profit	-	-	239,468,719	239,468,719
Transactions with owners:				
Purchase of treasury shares (note 21)	(8,706,945)			(8,706,945)
Issue of shares	130,379,190			130,379,190
Dividend paid (note 8)	-	-	(106,648,190)	(106,648,190)
Balance at December 31, 2023 (see notes 21 & 22)	491,293,055	569,101,976	988,415,383	2,048,810,414

FOSRICH COMPANY LIMITED
COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
	\$	\$
CASH FLOWS WERE PROVIDED BY/ (USED IN):		
Operating Activities		
Net profit	239,468,719	327,726,058
Items not affecting cash resources		
Depreciation - owned assets	66,790,987	57,428,973
Depreciation - leased assets	49,483,700	46,353,156
Interest on lease liability	11,161,536	13,284,240
Profit on disposal of items if property, plant and equipment	(3,549,940)	-
Taxation charge	42,146,183	1,026,088
Interest income	(67,782,125)	(116,504)
Interest expense	180,147,536	137,870,868
	<u>517,866,596</u>	<u>583,572,879</u>
Changes in non-cash working capital components:		
Inventories	139,834,321	(430,499,088)
Receivables	73,848,637	(100,314,382)
Other receivables and prepayments	(26,684,912)	(97,575,069)
Payables	299,598,377	174,195,551
Taxation paid	(20,786,930)	-
Related party	(368,963,133)	(198,785,914)
Associated company	(264,239,839)	252,640,176
Due from subsidiary	(28,201,912)	(6,194,652)
Rent paid	(80,248,187)	(74,317,281)
Cash provided by operating activities	<u>242,023,018</u>	<u>102,722,220</u> *
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(106,206,694)	(52,132,205)
Investment in subsidiary	-	(10,307,145)
Proceeds from disposal of items of property, plant and equipment	3,549,940	-
(Purchase)/encashment of investment	(3,068,778)	6,348,952
Cash used in investment activities	<u>(105,725,532)</u>	<u>(56,090,398)</u>
FINANCING ACTIVITIES		
Directors' loans repaid	(7,994,679)	(2,496,277)
Loans received	1,265,911,880	372,456,684
Loans repaid	(1,278,752,039)	(196,346,118)
Dividend paid	(106,648,190)	(60,273,066)
Interest received	1,367,359	116,504
Issue of shares	130,379,190	-
Acquisition/(disposal) of treasury shares	(8,706,945)	8,121,411
Interest paid	(173,330,765)	(137,870,868)
Cash used in financing activities	<u>(177,774,189)</u>	<u>(16,291,730)</u>
(DECREASE)/INCREASE IN NET CASH BALANCES	<u>(41,476,703)</u>	<u>30,340,092</u>

* Restated to conform with current year's presentation

FOSRICH COMPANY LIMITED
COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
	£	£
(DECREASE)/INCREASE IN NET CASH BALANCES	(41,476,703)	30,340,092
NET CASH BALANCES - Beginning of year	<u>102,346,620</u>	<u>72,006,528</u>
NET CASH BALANCES - End of year	<u><u>60,869,917</u></u>	<u><u>102,346,620</u></u>
 REPRESENTED BY:		
Cash and bank balances	65,564,732	102,346,820
Bank overdraft	<u>(4,694,815)</u>	<u>-</u>
	<u><u>60,869,917</u></u>	<u><u>102,346,820</u></u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 in the prior 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 Group and the company adopted the following standard, which came into effect during the current reporting period:

- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, effective for annual reporting periods beginning on or after January 1, 2023.

The amendments introduce a new definition for accounting estimates; clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

Developing an accounting estimate includes both:

- selecting a measurement technique [estimation or valuation technique], e.g. An estimation technique used to measure a loss allowance for expected credit losses when applying **IFRS 9 Financial Statements:** and
- choosing the inputs to be used when applying the chosen measurement technique - e.g. The expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies is unchanged.

The Group and the company have applied this new standard in this reporting period; however, it has not made a significant impact on the financial statements.

(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.

2. Statement of Compliance and Basis of Preparation

(b) Basis of preparation

- 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].

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 and 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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. STATEMENT OF COMPLIANCE and BASIS of PREPARATION (continued)

(b) Basis of preparation (continued)

(vi) Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, has rights to, variable returns from its involvement with the entity and has the ability to effect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values or at the non-controlling interest's proportionate share of the recognised amounts to acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

In the company stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Inter-company transactions, balances and unrealised gains on transactions between groups companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when the control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition to the amount recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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	3 1/3%	**
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.

** Following the revaluation of the company's freehold properties and the determination of their remaining useful lives, management adjusted the depreciation rate used for freehold buildings from 2.50% to 3 1/3%

(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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 13)

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.

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. Significant Accounting Policies (continued)

(k) 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.

(l) Employee benefits

Annual leave entitlements

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

Pension

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. Significant Accounting Policies (continued)

(m) 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:

	The Group	
	2023	2022
	\$	\$
Cost of sales		
Cost of goods sold	2,073,135,178	1,931,073,241
Installation expense - contractors	44,480,995	31,509,711
Sales commission - contractors	<u>16,448,616</u>	<u>18,103,570</u>
	<u>2,134,064,789</u>	<u>1,980,686,522</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

4(a). EXPENSE BY NATURE (continued)

Administrative and selling expenses

	The Group	
	2023	2022
	\$	\$
Directors' emoluments	41,888,386	41,427,106
Directors' fees	1,622,000	1,189,337
Auditors' remuneration	6,402,000	5,260,000
Staff costs (see note 4(b))	490,057,837	364,688,192
Rent, security, repairs and maintenance	96,192,236	68,152,432
Motor vehicle and other related expense	93,715,025	71,278,899
General and keyman insurance	56,033,418	28,238,112
Utilities	27,012,140	40,134,410
Advertising and promotion	65,717,345	44,112,128
Legal and professional fees	66,023,025	44,017,355
Other expenses	85,224,953	81,513,454
	<u>1,029,888,365</u>	<u>790,011,425</u>

4(b). STAFF COSTS

	2023	2022
	\$	\$
Salaries, commissions and bonus	385,492,440	294,361,264
Statutory contributions	54,029,052	38,571,080
Staff welfare	50,536,345	31,755,848
	<u>490,057,837</u>	<u>364,688,192</u>

The average number of persons employed full-time by the company during the year under review was 175
[2022 = 161]

5. OTHER OPERATING INCOME

	The Group and the Company	
	2023	2022
	\$	\$
Interest income	67,799,404	116,504
Gain on disposal of items of property, plant and equipment	3,549,940	-
Other income	9,657,716	10,353,562
	<u>81,007,060</u>	<u>10,470,066</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

6. FINANCE COSTS

	The Group	
	2023	2022
	\$	\$
Bank charges	35,227,687	16,426,271
Interest on bonds	7,550,685	63,162,192
Interest on long-term and short-term borrowings	173,983,381	74,708,676
Other finance charges	6,287,500	14,836,743
Bad debt recovered	(14,643,968)	-
Interest on lease liability	11,161,542	13,284,240
	<u>219,566,827</u>	<u>182,418,122</u>

7. TAXATION

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

	The company	
	2023	2022
	\$	\$
Current tax	27,931,931	1,026,088
Tax adjustment *	1,938,744	-
Deferred taxation asset (See note 14)	12,275,509	-
	<u>42,146,183</u>	<u>1,026,088</u>

*Tax adjustment

Tax adjustment to account for 'corporate tax credit' not included in prior year's computation.

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

	\$	\$
Surplus for the year before taxation	<u>281,614,902</u>	<u>328,752,146</u>
Computed "expected" tax at 25%	70,403,725	82,188,037
Income tax consequence of the following:		
Tax adjustment - prior year	1,938,744	(1,938,744)
Adjustment	(1,711,940)	(1,745,780)
Income not taxable	(887,485)	(572,599)
Tax remission	(27,931,931)	(78,225,948)
Expenses not allowable for tax purposes	335,068	1,321,122
	<u>42,146,183</u>	<u>1,026,088</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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:

- (i) The company remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE.
- (ii) The subscribed participating voting share capital does not exceed \$500 million.
- (iii) The company has at least 50 participating voting shareholders.

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

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

8. DIVIDENDS

By resolution dated October 31, 2023 the directors declared the payment of a dividend of **\$.021** per share to be paid to shareholders on the company's register of members as at November 17, 2023.

	2023	2022
	\$	\$
Dividend paid	<u>106,648,190</u>	<u>60,273,066</u>

9. PROPERTY, PLANT & EQUIPMENT

The Group :

	Freehold Land	Freehold Building	Construction in Progress	Leasehold Improvement	Leasehold Property	Equipment, Furniture & Equipment	Computers	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At cost or deemed cost:									
January 1, 2022	29,980,000	181,440,499	-	52,898,470	30,000,000	145,133,990	42,665,390	105,620,197	587,738,546
Adjustment		(44,134,603)							(44,134,603)
Restated	29,980,000	137,305,896	-	52,898,470	30,000,000	145,133,990	42,665,390	105,620,197	543,603,943
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	520,000,002	-	70,579,482	30,000,000	165,839,239	48,687,836	120,785,127	1,098,391,686
Additions			3,627,400			29,377,025	14,513,927	59,716,520	107,234,872
Disposals								(13,251,058)	(13,251,058)
December 31, 2023	142,500,000	520,000,002	3,627,400	70,579,482	30,000,000	195,216,264	63,201,763	167,250,589	1,192,375,500
Accumulated Depreciation:									
January 1, 2022	-	44,172,103	-	52,746,106	6,750,000	54,050,819	21,729,430	58,759,340	238,207,798
Adjustment	-	(44,134,603)	-	-	-	-	-	-	(44,134,603)
Restated	-	37,500	-	52,746,106	6,750,000	54,050,819	21,729,430	58,759,340	194,073,195
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	-	18,823,182	-	52,973,273	7,500,000	68,215,908	26,880,857	77,888,411	252,281,631
Charge for the year	-	18,102,341	-	1,705,432	750,000	14,545,357	6,637,074	25,473,827	67,214,031
Eliminated on disposal								(13,251,058)	(13,251,058)
December 31, 2023	-	36,925,523	-	54,678,705	8,250,000	82,761,265	33,517,931	90,111,180	306,244,604
Net book values:									
December 31, 2023	142,500,000	483,074,479	3,627,400	15,900,777	21,750,000	112,454,999	29,683,832	77,139,409	886,130,896
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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. PROPERTY, PLANT & EQUIPMENT

The Company:

	Freehold Land	Freehold Building	Construction in Progress	Leasehold Improvement	Leasehold Property	Equipment, Furniture & Equipment	Computers	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At cost or deemed cost:									
January 1, 2022	29,980,000	181,440,499	-	52,898,470	30,000,000	145,133,990	42,665,390	105,620,197	587,738,546
Adjustment		(44,134,603)	-						(44,134,603)
Restated	29,980,000	137,305,896	-	52,898,470	30,000,000	145,133,990	42,665,390	105,620,197	543,603,943
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	520,000,002	-	67,007,115	30,000,000	162,083,174	48,574,836	120,785,127	1,090,950,254
Additions			3,627,400			29,275,938	13,586,836	59,716,520	106,206,694
Disposals								(13,251,058)	(13,251,058)
December 31, 2023	142,500,000	520,000,002	3,627,400	67,007,115	30,000,000	191,359,112	62,161,672	167,250,589	1,183,905,890
Accumulated Depreciation:									
January 1, 2022	-	44,172,103	-	52,746,106	6,750,000	54,050,819	21,729,430	58,759,340	238,207,798
Adjustment	-	(44,134,603)	-	-	-	-	-	-	(44,134,603)
Restated	-	37,500	-	52,746,106	6,750,000	54,050,819	21,729,430	58,759,340	194,073,195
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, 2022	-	18,823,182	-	52,973,273	7,500,000	67,464,695	26,852,607	77,888,411	251,502,168
Charge for the year	-	18,102,341	-	1,705,432	750,000	14,165,121	6,594,266	25,473,827	66,790,987
Eliminated on disposal	-		-					(13,251,058)	(13,251,058)
December 31, 2023	-	36,925,523	-	54,678,705	8,250,000	81,629,816	33,446,873	90,111,180	305,042,097
Net book values:									
December 31, 2023	142,500,000	483,074,479	3,627,400	12,328,410	21,750,000	109,729,296	28,714,799	77,139,409	878,863,793
December 31, 2022	142,500,000	501,176,820	-	14,033,842	22,500,000	94,618,479	21,722,229	42,896,716	839,448,086

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

9. PROPERTY, PLANT & EQUIPMENT (continued)

Freehold land and buildings comprising properties located at 77 Molyne Road, 14 Burley Avenue and 8 - 8b Maverly Avenue, Kingston 10 were re-appraised by professional, independent real estate valuers: Langford Brown using the 'market approach' and sales comparison' valuation methods in January 2022.

The carrying values of these assets have been adjusted and the resultant increase in value has been recognised in capital reserves. All other items of property, plant and equipment are stated at cost.

10. LEASE RIGHT-OF-USE

The group and the company leases a number of properties to conduct its operations. These lease contracts are 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

	The Group	
	2023	2022
	\$	\$
Right-of-use assets		
Balance at January 1	694,612,283	666,629,660
Termination of <i>right-of-use</i> Asset	(36,510,714)	(199,149,004)
Additions to <i>right-of-use</i> Asset	90,391,978	227,131,627
	<u>748,493,547</u>	<u>694,612,283</u>
Accumulated depreciation brought forward	89,044,058	101,783,702
Depreciation eliminated on termination	(36,510,714)	(59,092,800)
Depreciation charge for the year	49,483,700	46,353,156
	<u>102,017,044</u>	<u>89,044,058</u>
Balance at end of year	<u>646,476,503</u>	<u>605,568,225</u>

ii. Lease liabilities

Maturity analysis - contractual undiscounted cash flows:

Less than one year	85,229,718	60,906,979
One to five years	290,189,374	213,540,111
More than five years	917,882,107	936,699,101
	<u>1,293,301,199</u>	<u>1,211,146,191</u>
Less: Future interest	(670,900,957)	(628,354,201)
	622,400,242	582,791,990
Less: Current portion	(69,879,526)	(50,434,215)
Non-current	<u>552,520,716</u>	<u>532,357,775</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

10. LEASE RIGHT-OF-USE (continued)

Amount recognised in the statement of financial position:

iii. Amount recognised in the statement of comprehensive income:

	The Group	
	2023	2022
	\$	\$
Interest on lease liability	11,161,536	13,284,240
Depreciation charge for right-of-use assets	<u>49,483,700</u>	<u>46,353,156</u>

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	<u>80,248,187</u>	<u>74,317,281</u>
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11. RELATED PARTY

	The Group	
	2023	2022
	\$	\$
a. LCCM Investment Ventures Limited		
Amount due from LCCM Investment Ventures Limited:		
Opening balance	649,289,703	450,503,789
Advances	102,572,193	173,043,882
Repayments	<u>(72,825,298)</u>	-
	679,036,598	623,547,671
Interest accrued	<u>66,414,766</u>	25,742,032
	745,451,364	649,289,703
Current portion of related party balance	<u>(745,451,364)</u>	<u>(80,000,000)</u>
	<u>-</u>	<u>569,289,703</u>

b. BC Dundee Enterprise Limited

	2023	2022
	\$	\$
Amounts due from BC Dundee Enterprise Limited		
Opening balance	120,232,890	32,251,056
Advances	<u>272,801,472</u>	<u>87,981,834</u>
	<u>393,034,362</u>	<u>120,232,890</u>
	<u>393,034,362</u>	<u>689,522,593</u>

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

12. INVESTMENTS

	2023	2022
	\$	\$
Deposits - Bonds/guarantees	11,091,490	10,867,351
Term Deposits	<u>11,429,441</u>	<u>11,099,608</u>
	<u><u>22,520,931</u></u>	<u><u>21,966,959</u></u>

The above 'term deposits' include amounts denominated in United States Dollars [US\$74,417] and Jamaican Dollars, which earn interest at rates of 4.00% and 2.75% respectively. These funds are being held as security for the loans (see note 24).

13. INVESTMENTS - OTHER

	The Group	
	2023	2022
	\$	\$
a. Quoted Securities at market value		
Shares at market value	2,228,125	1,627,500
(Loss)/gain from fair value adjustment	<u>(290,625)</u>	<u>600,625</u>
	<u>1,937,500</u>	<u>2,228,125</u>
b. Life assurance policies		
Opening balance	4,602,666	4,602,666
Invested during the year	<u>3,068,778</u>	<u>-</u>
	7,671,444	4,602,666
Fair value gain on investment	<u>6,481,800</u>	<u>-</u>
Keyman Insurance - cash surrender value	<u>14,153,244</u>	<u>4,602,666</u> *
	<u><u>16,090,744</u></u>	<u><u>6,830,791</u></u>

This amount represents the cash surrender values at December 31, 2023, of 'keyman' insurance policies.

14. DEFERRED TAX

Deferred income tax is calculated on all temporary differences under the liability method using the rate of 25%. Deferred income tax asset resulted as follows: -

	Recognised in income	Balance at Dec. 31, 2023
	\$	\$
Property, plant and equipment	2,623,990	2,623,990
Payable - interest	1,704,193	1,704,193
Receivables - interest	<u>(16,603,692)</u>	<u>-</u>
	<u><u>(12,275,509)</u></u>	<u><u>4,328,183</u></u>

15. INVESTMENT IN SUBSIDIARY - THE COMPANY

O'N'S Mini Mart & Electrical Supplies Limited is a wholly owned subsidiary of FosRich Company Limited. The amount stated on the statement of financial position represents the cost of the investment in that company.

16. INVESTMENT IN ASSOCIATED COMPANY

Blue Emerald Limited

	The Group	
	2023	2022
	\$	\$
Investment in associated company	<u>226,000,000</u>	<u>226,000,000</u> *

* Restated to conform with current year's presentation

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

16. INVESTMENT IN ASSOCIATED COMPANY

Blue Emerald Limited

The company is a 20% shareholder of Blue Emerald Limited; a company established to conduct the business pole-mount and pad-mount transformer repairs, the manufacture of large diameter PVC pipes and PVC fittings.

During the year the company purchased goods for resale from associated company, Blue Emerald Limited amounting to \$218,057,971.

Blue Emerald Limited sells all its manufactured products to FosRich Company Limited.

	2023	2022
	\$	\$
Balances on account with Blue Emerald limited amounted to:		
Amounts due from/(to):	<u>133,202,200</u>	<u>(357,037,639)</u>

17. INVENTORIES

Inventories comprise:

	2023		2022	
	The Group	The Company	The Group	The Company
	\$	\$	\$	\$
Merchandise	1,945,891,489	1,902,047,931	1,850,483,351	1,816,431,095
Raw material	<u>21,866,698</u>	<u>21,866,698</u>	24,391,314	24,391,314
	1,967,758,187	1,923,914,629	1,874,874,665	1,840,822,409
Goods-in-transit	<u>150,992,218</u>	<u>150,992,218</u>	373,918,759	373,918,759
	<u>2,118,750,405</u>	<u>2,074,906,847</u>	<u>2,248,793,424</u>	<u>2,214,741,168</u>

18. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	2023		2022	
	The Group	The Company	The Group	The Company
	\$	\$	\$	\$
Trade receivables	<u>303,190,590</u>	<u>300,499,065</u>	<u>377,326,589</u>	<u>374,531,654</u>
Other receivables and prepayments comprise:-				
Sundry receivables	14,084,963	14,044,063	9,774,726	9,774,726
Statutory receivables	17,781,447	17,781,447	19,101,945	19,101,945
Prepayments	56,850,674	56,373,842	12,003,747	12,003,747
Other deposits	<u>31,120,000</u>	<u>31,120,000</u>	51,754,022	51,754,022
	<u>119,837,084</u>	<u>119,319,352</u>	<u>92,634,440</u>	<u>92,634,440</u>

The Group's exposure to credit risk and impairment loss associated to trade and other receivables are disclosed in note 26(b).

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

19. CASH & BANK BALANCES

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

	2023		2022	
	The Group \$	The Company \$	The Group \$	The Company \$
Cash and current account balances	56,101,542	55,518,272	76,920,291	75,952,478
Savings account	11,756,578	10,046,460	26,879,539	26,394,342
	<u>67,858,120</u>	<u>65,564,732</u>	<u>103,799,830</u>	<u>102,346,820</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.

20. PAYABLES

	2023		2022	
	The Group \$	The Company \$	The Group \$	The Company \$
Trade	949,582,989	936,337,114	604,059,048	581,579,945
Advances and other payables	102,203,408	104,830,636	168,939,351	168,939,550
Statutory payables	30,063,474	28,804,324	19,854,202	19,854,202
	<u>1,081,849,871</u>	<u>1,069,972,074</u>	<u>792,852,601</u>	<u>770,373,697</u>

21. SHARE CAPITAL

Share capital

	2023 Units	2023 \$	2022 \$
Authorised -			
Ordinary shares at no par value	15,000,000,000		
Issued and fully paid -			
Ordinary shares - January 1, 2023	5,022,755,550	369,620,810	369,620,810
Issued during the year	55,729,647	139,324,117	-
Transaction cost		(8,944,927)	-
	5,078,485,197	500,000,000	369,620,810
Treasury shares		(8,706,945)	-
		<u>491,293,055</u>	<u>369,620,810</u>

During the year the company made a non-renounceable rights issue of 55,729,647 Ordinary Shares at \$2.50 per share to members. The Record Date for this issue was June 2, 2023.

The company purchased at fair market value, treasury shares for the sum of '\$8,706,945 during the year.

22. CAPITAL RESERVES

Capital reserves represent:

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

23. 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.

	2023	2022
	\$	\$
Net profit attributable to equity holders of the company	235,238,145	324,712,241
Weighted average number of ordinary stock units in issue	5,036,952,026	5,007,512,333
Basic earnings per stock unit	<u>\$0.05</u>	<u>\$0.06</u>

24. LONG-TERM LIABILITIES

		The Group		
	Interest Rate	2023	2022	
		\$	\$	
Loans				
i	First Global Bank Jamaica Limited - Non-Revolver Loan	[10.00%]	30,995,946	61,676,575
ii	First Global Bank Jamaica Limited - Non-Revolver Loan	[10.00%]	166,177,911	214,516,958
iii	First Global Bank Jamaica Limited - Motor Vehicle Loan	[9.75%]	-	6,848,805
iv	First Global Bank Jamaica Limited - Motor Vehicle Loan	[9.75%]	-	3,736,960
v.	First Global Bank Jamaica Limited - Motor Vehicle Loan	[9.00%]	9,590,567	12,025,805
vi.	First Global Bank Jamaica Limited - Motor Vehicle Loan	[10.00%]	-	8,091,595
	First Global Bank Jamaica Limited	[9.00%]		158,000,000
vii	First Global Bank Jamaica Limited	[9.00%]	88,000,000	-
viii	First Global Bank Jamaica Limited	[9.75%]	-	12,647,962
ix.	Mayberry Investments Limited	[7.95%]	-	93,750,000
x	Corporate Bonds - unsecured	[8.50%]	-	200,000,000
xi.	Corporate Bonds - secured	[6.25%]	-	560,000,000
xii.	First Global Bank Jamaica Limited - Motor Vehicle Loan	[9.75%]	22,071,138	-
xiii.	First Global Bank Jamaica Limited - Motor Vehicle Loan	[8.50%]	47,453,365	-
xiv.	First Global Bank Jamaica Limited - Motor Vehicle Loan	[10.50%]	9,393,283	-
xv.	First Global Bank Jamaica Limited	[9.00%]	70,000,000	-
xvi.	First Global Bank Jamaica Limited - Non-Revolver Loan	[10.65%]	860,000,000	-
xvii.	National Commercial Bank Jamaica	[9.75%]	7,276,191	9,179,038
xviii	VM Investments - Reverse Factoring Facility	[15.00%]	95,493,588	-
xix.	Mayberry Investments Limited/Development Bank of Jamaica	[7.95%]	227,083,330	383,333,332
xx	Mayberry Investments Limited/Development Bank of Jamaica	[10.5%]	164,285,710	-
xxi	Oxford Finance Limited - Insurance Premium Financing		60,056,555	-
Total			<u>1,857,877,584</u>	<u>1,723,807,030</u>

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

24. LONG-TERM LIABILITIES (continued)

	The Group	
	2023	2022
	\$	\$
Total	1,857,877,584	1,723,807,030
Accrued interest on loans	<u>8,577,832</u>	<u>1,761,061</u>
	1,866,455,416	1,725,568,091
xxii First Global Leasing - Finance lease obligation	<u>4,844,293</u>	<u>8,856,938</u>
Total borrowings	1,871,299,709	1,734,425,029
Less: Current portion of loans	(494,295,116)	(808,992,952)
Current portion of finance lease obligation	<u>(4,099,841)</u>	<u>(3,892,266)</u>
	<u>(498,394,957)</u>	<u>(812,885,218)</u>
Long-term liabilities	<u>1,372,904,752</u>	<u>921,539,811</u>
The company	1,366,727,597	912,360,773
The Group	1,372,904,752	921,539,811

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 and 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 is repayable over a period of 60 months. This is a variable rate interest rate loan and at reporting date the applicable interest rate was 10% per annum.

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

This loan was granted in March 2019 and attracts a variable rate interest of 9% per annum. It expires in March 2027.

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

This is a short-term loan was granted in July 2023 and is repayable in January 2024. This loan attracts interest at a variable rate of 9.00%.

xiii. This motor vehicle loan granted in March 2023 and is repayable in March 2028. This loan attracts interest at a variable rate of 8.50%.

xiv. This motor vehicle loan granted in September 2023 and is repayable in March 2024. This loan attracts interest at a variable rate of 10.50%.

xv. This motor vehicle loan granted in March 2023 and is repayable in March 2028. This loan attracts interest at a variable rate of 9.00%.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

24. LONG-TERM LIABILITIES (continued)

First Global Bank Loans -

xvi. First Global Bank - Non-Revolving Loan

This new loan was granted in February 2023 in the sum of \$860,000,000 to refinance expiring corporate bond facility. The loan is repayable over a period of 11 years after a period of 12 months moratorium on principal. It is a variable rate interest rate loan, which attracted interest at the rate of 10.75% in the first three months, thereafter, at variable rate pegged to the 90-day 'Weighted Average Treasury Bill Yield' of 7.858% per annum plus a margin of 2.892% per annum subject to a floor of 8.75% per annum.

The loans granted by First Global Bank Limited as set out in items {i} to {xvi} 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 Molyne 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 Molyne Road, Kingston 10
- (j) First and second mortgage over residential properties, registered in the names of Cecil Foster and Marion Foster.

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 2.1 : 1. At year-end, the company satisfied the bank's requirement by maintaining at Debt to Tangible Net Worth of .73 : 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 **333 days**.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

24. LONG-TERM LIABILITIES (continued)

Covenants

Financial Covenants

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

xix. **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 2022 and attracts interest at the rate of 10.5% per annum and matures in Septemebr 2028.

xx **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. This facility is in respect of loans disbursed in two trances in August 2021 and maturing in September 2026 and September 2028. Both facilities attract interest at the rate of 7.95%.

The security in respect of the above DBJ facilities are two duly signed promissory notes.

xvii. **National Commercial Bank**

This is in respect of two loans granted by the National Commercial Bank at variable interest rates.. These loans are in the books of the subsidiary, O"N"S" Mini Mart & Electrical Supplies Limited.

Oxford Financing Limited'

xiv. **Insurance Premium Financing** is in respect of facilities granted to finance insurance premium

The period of this financing facility is six months, expiring July 2024.

25. DIRECTORS' LOAN

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

26. 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.

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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\$153.5857 [2022 = J\$149.9643] in respect of foreign currency assets and US\$ 1 = J\$154.9504 [2022 = J\$152.0521] in respect of foreign currency liabilities.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

26. 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:

	2023	2022
	<u>US\$</u>	<u>US\$</u>
Cash and cash equivalent	35,622	109,019
Trade and other payables	<u>(4,288,796)</u>	<u>(3,441,707)</u>
Net exposure	<u><u>(4,253,174)</u></u>	<u><u>(3,332,688)</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>(26,361,241)</u>
1% - change in currency ratio (revaluation of the Jamaican dollar)	+/- US\$	<u>6,590,310</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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

26. FINANCIAL INSTRUMENTS (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Financial liabilities-

Approximately 30% [2022 = 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>	
	2023	2022
	\$	\$
Fixed rate instruments:		
Financial assets	22,520,931	21,966,959
Financial liabilities	<u>231,927,623</u>	<u>1,245,940,270</u>
Variable rate instruments:		
Financial assets	11,756,578	26,879,539
Financial liabilities	<u>1,639,372,086</u>	<u>488,484,759</u>

Cash flow sensitivity analysis for variable rate instruments

Approximately 70% [2022 = 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>	
	2023	2022
	\$	\$
Change in basis points:		
Increase +100 25 [2022 + 100]	15,574,035	4,640,605
Decrease -50 25 [2022 - 50]	<u>(7,787,017)</u>	<u>(2,320,303)</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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

26. 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, 2023

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		\$	\$	
Current	0.80%	101,408,741	811,270	no
31 to 60 days past due	1.00%	83,827,083	838,271	no
61 to 90 days past due	1.90%	12,908,847	245,268	no
91 to 120 days past due	2.40%	6,063,243	145,518	no
121 to 150 days past due	2.75%	8,274,102	227,538	no
151 to 180 days past due	3.35%	2,832,423	94,886	no
Over 180 days	35.00%	134,688,503	47,141,136	no
		350,002,942	49,503,887	

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

26. FINANCIAL INSTRUMENTS (continued)

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
		<u>438,093,351</u>	<u>63,745,569</u>	

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

	2023	2022
	\$	\$
Balance at 1st January	63,745,569	63,745,569
Bad debts written off	402,286	-
Bad debts recovered	(14,643,968)	-
	<u>49,503,887</u>	<u>63,745,569</u>

(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, 2023 and 2022 comprise loans, trade payables and accrual 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.

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

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

26. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

The Group's financial liabilities at 31st December 2023 and 2022 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 2023					
Payables	775,729,754	294,242,320	-	-	1,069,972,074
Finance lease	1,211,073	3,633,220	-	-	4,844,293
Borrowings	252,140,373	242,154,743	81,929,321	1,290,230,979	1,866,455,416
Right-of-use liability	21,307,430	63,922,289	58,037,875	1,150,033,606	1,293,301,199
	1,050,388,629	603,952,572	139,967,196	2,440,264,585	4,234,572,982
At 31st December 2022					
Payables	645,840,119	133,217,916	-	-	779,058,035
Finance lease	952,580	2,939,686	3,919,582	1,045,090	8,856,938
Borrowings	955,248,238	111,744,714	446,978,856	211,274,183	1,725,245,991
Right-of-use liability	15,226,745	45,680,234	53,385,003	1,096,854,209	1,211,146,191
	1,617,267,682	293,582,550	504,283,441	1,309,173,482	3,724,307,155

(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.

FOSRICH COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

27. CONTINGENT LIABILITY & CAPITAL COMMITMENT

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

At reporting date, there was an outstanding claim by three 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 insurance policy limit is Twelve Million Dollars {\$12,000,000} and previously, another party to the claim accepted a payment of Three Million Dollars [\$3,000,000], whilst still in pursuit of further claim on other matter.

The parties continued negotiations and during the year another claimant has reached a settlement of \$22,500,000 and it has been agreed it would be paid over the next two year to December 2025. Based on this agreement, management considers it prudent to made a similar provision for the other claimant. A sum of \$19,500,000 has been accrue in this current period and a similar amount will be made in the subsequent year. This, together with the balance of the insurance proceed is expected to satisfy the potential liability.