ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

Ernst & Young

Building a better working world

ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ANSA McAL LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ANSA McAL Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ANSA McAL LIMITED

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key Audit Matters (continued)	**How our audit addressed the key audit matter**
Estimates used in the calculation of Insurance Contracts' Liability	
Refer to relevant disclosures in notes 3, 18 and accounting policy note 2 (xxvii) to the consolidated financial statements. The Group has significant insurance liabilities of $1.4 billion representing 22% of the Group's total liabilities. The valuation of insurance contract liabilities involves extensive judgment and is dependent on a number of subjective assumptions, including primarily the timing and ultimate settlement value of long-term policyholder liabilities as well as the estimation of claims incurred, whether reported or not, for short term insurance contracts. Various economic and non-economic key assumptions are being used to estimate the long-term liabilities. Specifically, the Group estimates the expected number and timing of deaths, persistency, future expenses and future investment income arising from the assets backing long-term insurance contracts. For short term insurance contracts, in calculating the estimated cost of unpaid claims (both reported and incurred but not reported (IBNR)), the Group uses a combination of loss-ratio-based estimates and estimates based upon actual claims experience. The Group uses valuation models to support the calculations of these insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.	We involved our EY actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Assessment of the key assumptions applied including consideration of emerging trends and studies on mortality and morbidity, voluntary terminations, persistency, interest rate, policy maintenance and administrative expenses, inflation, tax and lapse rates. • Recalculation of technical provisions produced by the models on a sample basis. • An assessment of the internal controls regarding the maintenance of the policyholder database. • An analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with changes in assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience. • We considered whether the Group's disclosures in the consolidated financial statements in relation to insurance contact liabilities were compliant with IFRSs.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ANSA McAL LIMITED

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key Audit Matters (continued)	**How our audit addressed the key audit matter**
Fair value measurement of investments and related disclosures	
Refer to relevant disclosures in notes 3 and 29, and accounting policy note 2 (xvi) to the consolidated financial statements. The Group invests in various investment securities, of which \$829 million is carried at fair value in the consolidated statement of financial position. Additionally, the fair values are disclosed for \$3.1 billion of investment securities carried at amortized cost in the consolidated statement of financial position. Of these assets, \$2.2 billion are related to investment securities for which no published prices in active markets are available and have been classified as Level 2 and Level 3 assets in note 29 (vi) within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the determination of fair value Level 2 assets and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.	We independently tested the pricing on quoted securities, and we used our valuation specialists to assess the appropriateness of pricing models used by the Group. This included: • An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines. • Testing of the inputs used, including cash flows and other market based data. • An evaluation of the reasonableness of other assumptions applied such as credit spreads. • The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. • An assessment of management's impairment analysis. Finally, we assessed whether the consolidated financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Group's exposure to financial instrument valuation risk as described in note 29.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ANSA McAL LIMITED

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key Audit Matters (continued)	**How our audit addressed the key audit matter**
Fair value measurement of investments and related disclosures (continued) Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. The fair value of these assets cannot be measured reliably and are therefore held at cost, being the fair value of the consideration paid on acquisition. These assets are regularly assessed for impairment.	

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key Audit Matters (continued)	**How our audit addressed the key audit matter**
Estimation uncertainty involved in impairment testing of goodwill and other intangibles with indefinite lives	
Refer to related disclosures in notes 3 and 6, and accounting policy notes 2 (vii) and 2 (ix) to the consolidated financial statements. As described in these notes, impairment tests are performed annually on goodwill and certain indefinite life brands, licenses and contracts which amount to $378 million as at 31 December 2017. As required by IAS 36: "Impairment of Assets", the Group performed an impairment test on these assets. Based on the impairment test during the year, no impairment provision was recorded in 2017. Impairment tests on goodwill and other intangibles involve significant estimation and the application of a high level of judgment relative to key assumptions such as the applicable discount rate and future cash-flows. In determining future cash-flow projections, the Group uses assumptions and estimates in respect of future market conditions, future economic growth, expected market share and gross margins. The outcome of the impairment testing is sensitive to these assumptions and estimates, such that changes in these assumptions/estimates may result in different impairment test conclusions.	Our audit procedures focused on the assessment of the key assumptions utilized by the Group including the cash-flow projections and the discount rate. We also evaluated whether the value in use impairment test model utilised met the requirement of IAS 36. To this end, our procedures included, amongst others, evaluating and testing the assumptions, methodologies, Cash Generating Unit (CGU) determination, discount rate and other key data used by the Group. We also assessed the Group's assumptions by comparing to historical performance of the entity, local economic conditions and other alternative independent sources of information. In so doing we evaluated the Group's assessment of the sensitivity of the key assumptions to reasonable possible changes which could cause the carrying amount of the CGU to exceed its recoverable amount. We involved our EY valuation specialist to assist with our audit of the impairment test model, including the cash flows, discount rate and long term growth rates. We also assessed the appropriateness of the disclosures in the notes to the consolidated financial statements, with reference to that prescribed by IFRSs.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ANSA McAL LIMITED

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key Audit Matters (continued)	**How our audit addressed the key audit matter**
Loan loss provisions	
Refer to relevant disclosures in notes 3, 9 and 30 and accounting policy note 2 (viii) to the consolidated financial statements. Net investments in loans and advances are 13% of the total assets of the Group amounting to $1.9 billion at year end. The appropriateness of loan loss provisions is a key area of judgment for the Group. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the probability of default, financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. The disclosures relating to investments in loans and advances are considered important to users of the consolidated financial statements given the estimation uncertainty and sensitivity of the valuations.	We evaluated and tested the Group's process and documented policy for loan loss provisioning. For loan loss provisions calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. For loan loss provisions calculated on a collective basis, we assessed the loan related data and challenged the assumptions used in the valuation models, mainly by back testing. Finally we focused on the adequacy of the Group's disclosure in notes 9 and 30 regarding net investments in loans and advances and the related loan loss provisions.

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TO THE SHAREHOLDERS OF ANSA McAL LIMITED

Report on the Audit of the Consolidated Financial Statements
(Continued)

Other information included in the Group's 2017 Annual Report

Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ANSA McAL LIMITED

Report on the Audit of the Consolidated Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ANSA McAL LIMITED

Report on the Audit of the Consolidated Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in charge of the audit resulting in this independent auditor's report is Pria Narinesingh.

Ernst + Young

Port of Spain,
TRINIDAD:
22 March 2018

ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	31 December 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	4	2,120,020	2,098,784
Investment properties	5	177,255	165,092
Intangible assets	6	452,629	329,743
Investment in associates and joint venture interests	7	159,372	147,063
Investment securities	8	2,885,851	1,830,133
Loans, advances and other assets	9	1,717,435	1,612,581
Deferred tax assets	10	193,587	197,475
Employee benefits asset	11	875,243	854,751
		8,581,392	7,235,622
Current assets			
Inventories	12	1,139,772	1,208,670
Trade and other receivables	13	1,013,827	906,870
Investment securities	8	1,109,264	1,681,808
Loans, advances and other assets	9	349,262	919,611
Cash and short term deposits	14	2,156,194	1,917,072
		5,768,319	6,634,031
TOTAL ASSETS		14,349,711	13,869,653

The accompanying notes form an integral part of these consolidated financial statements.

ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	Notes	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
Equity			
Stated capital	15	175,316	175,316
Other reserves	15	345,437	322,942
Treasury shares	15	(15,137)	(14,042)
Retained earnings		6,545,779	6,293,006
Equity attributable to equity holders of the Parent		7,051,395	6,777,222
Non-controlling interests		809,266	807,567
Total equity		7,860,661	7,584,789
Non-current liabilities			
Customers' deposits and other funding instruments	16	329,480	364,084
Medium and long term notes and other borrowings	17	948,127	848,717
Employee benefits liability	11	92,820	86,801
Deferred tax liabilities	10	652,769	641,747
Insurance contract liabilities	18	1,074,882	980,070
		3,098,078	2,921,419
Current liabilities			
Current portion of medium and long term notes and other borrowings	17	131,207	377
Insurance contract liabilities	18	365,765	381,262
Trade and other payables	20	996,843	1,035,840
Customers' deposits and other funding instruments	16	1,840,030	1,894,505
Taxation payable		57,127	51,461
		3,390,972	3,363,445
Total liabilities		6,489,050	6,284,864
TOTAL EQUITY AND LIABILITIES		14,349,711	13,869,653

The accompanying notes form an integral part of these consolidated financial statements.

These financial statements were authorised for issue by the Board of Directors on 22 March 2018 and signed on their behalf by:

____________ Director

____________ Director

ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Thousands of Trinidad and Tobago dollars)

		Year ended 31 December	
	Notes	**2017**	**2016**
Revenue	21, 22	6,244,482	6,000,610
Operating profit	22	990,498	1,115,845
Finance costs	23	(49,534)	(41,493)
Share of results of associates and joint venture interests	7	26,751	32,933
Profit before taxation		967,715	1,107,285
Taxation expense	24	(319,761)	(304,177)
Profit for the year		647,954	803,108
Attributable to:			
Equity holders of the Parent		543,588	691,320
Non-controlling interests		104,366	111,788
		647,954	803,108
Earnings per share:			
Basic (expressed in $ per share)	25	$3.15	$4.01
Diluted (expressed in $ per share)	25	$3.15	$4.01

The accompanying notes form an integral part of these consolidated financial statements.

ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Thousands of Trinidad and Tobago dollars)

		Year ended 31 December	
	Notes	**2017**	**2016**
Profit for the year		647,954	803,108
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		5,345	26,249
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		5,345	26,249
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement (loss)/gain on defined benefit plans	11	(11,404)	21,113
Income tax charge	10	(1,616)	(12,326)
Net other comprehensive (loss)/income not be reclassified to profit or loss subsequent periods		(13,020)	8,787
Other comprehensive (loss)/income for the year, net of tax		(7,675)	35,036
Total comprehensive income for the year, net of tax		640,279	838,144
Attributable to:			
Equity holders of the Parent		536,680	725,474
Non-controlling interests		103,599	112,670
		640,279	838,144

The accompanying notes form an integral part of these consolidated financial statements.

ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Thousands of Trinidad and Tobago dollars)

	Attributable to equity holders of the parent						
Year ended 31 December 2017	**Share capital *(Note 15)***	**Other reserves *(Note 15)***	**Treasury shares *(Note 15)***	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2017	175,316	322,942	(14,042)	6,293,006	6,777,222	807,567	7,584,789
Profit for the year	–	–	–	543,588	543,588	104,366	647,954
Other comprehensive income/(loss) for the year	–	2,129	–	(9,037)	(6,908)	(767)	(7,675)
Non-controlling interest acquired in business combinations (Note 35 c))	–	–	–	–	–	34,756	34,756
Acquisition of non-controlling interests (Note 35 c))	–	–	–	–	–	(7,011)	(7,011)
Transfers and other movements	–	20,366	–	(23,129)	(2,763)	(23)	(2,786)
Net movement in unallocated ESOP shares	–	–	(1,095)	–	(1,095)	–	(1,095)
Dividends (Note 26)	–	–	–	(258,649)	(258,649)	–	(258,649)
Dividends of subsidiaries	–	–	–	–	–	(129,622)	(129,622)
Balance at 31 December 2017	175,316	345,437	(15,137)	6,545,779	7,051,395	809,266	7,860,661
Year ended 31 December 2016							
Balance at 1 January 2016	175,305	315,855	(19,248)	5,770,260	6,242,172	737,785	6,979,957
Profit for the year	–	–	–	691,320	691,320	111,788	803,108
Other comprehensive income for the year	–	26,610	–	7,544	34,154	882	35,036
Transfers and other movements	–	(19,523)	–	65,074	45,551	(409)	45,142
Net movement in unallocated ESOP shares	–	–	5,206	–	5,206	–	5,206
Value of equity settled share based compensation (Note 15)	11	–	–	–	11	–	11
Dividends (Note 26)	–	–	–	(241,192)	(241,192)	–	(241,192)
Dividends of subsidiaries	–	–	–	–	–	(42,479)	(42,479)
Balance at 31 December 2016	175,316	322,942	(14,042)	6,293,006	6,777,222	807,567	7,584,789

The accompanying notes form an integral part of these consolidated financial statements.

ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2017	2016
Cash flows from operating activities			
Profit before taxation		967,715	1,107,285
Adjustments to reconcile net profit to net cash from operating activities:			
Depreciation	4, 5	328,234	293,941
Amortisation of intangible assets	6	9,299	9,063
Net (gain)/loss on disposal of property, plant and equipment, investment securities	22	(3,281)	4,490
Impairment on/(reversals of) property, plant and equipment, investment securities and associates	22	205	(6,097)
Foreign currency losses/(gains)		6,045	(78,555)
Value of equity settled share based compensation	15	–	11
Unrealised (gain)/loss on revaluation of financial assets through statement of income		(32,631)	16,171
Share of results of associates and joint venture interests	7	(26,751)	(32,933)
Employee benefit net loss/ (gain)		5,191	(1,377)
Interest on investment income	22	(158,394)	(127,695)
Finance costs	23	49,534	41,493
Operating profit before working capital changes		1,145,166	1,225,797
Decrease/(increase) in inventories		119,488	(52,068)
(Increase)/decrease in trade and other receivables		(49,367)	190,541
(Decrease)/increase in trade and other payables		(87,367)	61,728
Decrease in customers' deposits and other funding instruments		(89,079)	(101,658)
Decrease/(increase) in loans, advances and other assets		465,495	(36,232)
Increase in insurance contract liabilities		79,315	37,061
Decrease/(increase) in Central Bank reserve		32,551	(19,284)
Cash generated from operations		1,616,202	1,305,885
Finance costs paid		(52,223)	(39,159)
Contributions paid		(24,961)	(23,467)
Interest received		141,975	114,815
Taxation paid		(277,170)	(243,376)
Net cash inflow from operating activities		1,403,823	1,114,698

The accompanying notes form an integral part of these consolidated financial statements.

ANSA McAL LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	Notes	2017	2016
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	35	(117,409)	(237,529)
Acquisition of brands and computer software	6	(71,936)	(10,938)
Proceeds from sale of property, plant and equipment and investment properties		26,690	39,726
Purchase of property, plant, equipment and investment properties	4, 5	(382,554)	(384,075)
Dividends received from associates	7	12,841	43,688
Proceeds from sale, maturity, or placement of investment securities/fixed deposits		1,775,617	1,884,702
Purchase of investment securities		(2,185,207)	(1,876,613)
Net cash outflow from investing activities		(941,958)	(541,039)
Cash flows from financing activities			
Increase/(decrease) in medium and long term notes and other borrowings		206,645	(78,331)
(Purchases)/sale of treasury shares - net		(1,095)	5,206
Purchase of non-controlling interests	35	(7,011)	–
Dividends paid to non-controlling interests and preference shareholders		(129,622)	(42,489)
Dividends paid to ordinary shareholders	26	(258,649)	(241,182)
Net cash outflow from financing activities		(189,732)	(356,796)
Net increase in cash and cash equivalents		272,133	216,863
Net foreign exchange differences		316	11,355
Cash and cash equivalents at beginning of year		1,683,678	1,455,460
Cash and cash equivalents at end of year	14	1,956,127	1,683,678

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and business activities

ANSA McAL Limited (the "Company" or the "parent company"), incorporated and domiciled in the Republic of Trinidad and Tobago, is the ultimate parent company of a diversified group of companies engaged in trading and distribution, manufacturing, packaging and brewing, insurance and financial services and the media and service industries. ANSA McAL Limited and its consolidated subsidiaries ("the Group") operate in Trinidad and Tobago, the wider Caribbean region and the United States of America. A listing of the Group's subsidiaries and associates/joint venture interests is detailed in Note 32.

The Company is a limited liability company with its registered office located at 11 Maraval Road, Port of Spain, Trinidad, West Indies and has a primary listing on the Trinidad and Tobago Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

i. Basis of preparation

These consolidated financial statements are expressed in thousands of Trinidad and Tobago dollars (except when otherwise indicated) and have been prepared on a historical cost basis except for the measurement at fair value of certain financial assets measured at fair value through statement of income.

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of consolidated financial statements
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Basis of consolidation

The consolidated financial statements comprise the financial statements of ANSA McAL Limited and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the interests not held by the Group in ANSA Merchant Bank Limited, Guardian Media Group, Caribbean Development Company Limited, Carib Brewery Limited, Carib Brewery (St Kitts & Nevis) Limited and Grenada Breweries Limited and ANSA Coatings International Limited group of companies.

iii. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. Except for Phase I of IFRS 9, 'Financial Instruments' (see Note 2 xv), the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

The nature and the effect of new standards and interpretations are disclosed below. Although these new standards and amendments were applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 7 – Effective 1 January 2017

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments resulted in additional disclosure provided by the Group.

Amendments to IAS 12 – Effective 1 January 2017

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments have no impact on the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards , if applicable, when they become effective.

IFRS 9, 'Financial instruments'

IFRS 9, 'Financial Instruments', was developed in three phases:

- Phase 1 – Classification and measurement of financial instruments

  This phase was early adopted by the Group in its consolidated financial statements for the year ended 31 December 2011. The exemption given in the transitional provision for early application was applied and hence the Group did not restate the comparative information in the year of application.

- Phase 2 – Impairment

  This phase will be implemented by the Group from 1 January 2018. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to financial assets accounted for at amortised cost or at FVOCI, including commitments and guarantees.

  The Group has assessed that the application of IFRS 9 will result in earlier recognition of credit losses throughout the Group but particularly in companies within the financial services sector. The Group is in currently assessing the extent of the impact and the adjustment required.

- Phase 3 – Hedge accounting

  The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. At this time, the Group is not engaged in hedging strategies and therefore this phase has no impact on the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

- IFRS 15, 'Revenue from Contracts with Customers' – Effective 1 January 2018

  IFRS 15, 'Revenue from contracts with customers' is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. Implementing this standard required extensive work by all companies throughout the Group in reassessing their accounting policies, systems and processes, the impact of which is currently being assessed. The Group has decided to apply the modified retrospective approach from 1 January 2018. Additional information on the new requirements of IFRS 15 are further detailed below.

  IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11, 'Construction Contracts', IAS 18, 'Revenue', IFRIC 13, 'Customer Loyalty Programmes', IFRIC 15, 'Agreements for the Construction of Real Estate', IFRIC 18, 'Transfers of Assets from Customers' and SIC 31, 'Revenue – Barter Transactions Involving Advertising Services') and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17, 'Leases' (or IFRS 16, 'Leases', once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

  The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

- IFRS 15, 'Revenue from Contracts with Customers' – Effective 1 January 2018 (continued)

  The principles in IFRS 15 must be applied using a five-step model:

  1. Identify the contract(s) with a customer.
  2. Identify the performance obligations in the contract.
  3. Determine the transaction price.
  4. Allocate the transaction price to the performance obligations in the
  5. Recognise revenue when (or as) the entity satisfies a performance

  The standard requires the Group to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licenses of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures – Effective 1 January 2019

- Amendments to IAS 40 – Transfers of Investment Property – Effective 1 January 2018

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions – Effective 1 January 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Effective 1 January 2018
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- IFRS 9, 'Financial Instruments' Phases 2 and 3 – Effective 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers' – Effective 1 January 2018
- IFRS 16, 'Leases' – Effective 1 January 2019
- IFRS 17, 'Insurance Contracts' - Effective 1 January 2021
- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' – Effective 1 January 2018
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective 1 January 2019
- Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments to IFRS 1, IFRS 12 and IAS 28 – Effective 1 January 2018
- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 - Effective 1 January 2019

iv. Current versus non-current distinction

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv. Current versus non-current distinction (continued)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

v. Investment in associates and joint arrangements

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture interests are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Investment in associates and joint arrangements (continued)

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the joint venture and some associates are prepared for the same reporting period as that of the Group. For other associates with different reporting dates, these dates were established when those companies were incorporated and have not been changed. Where the reporting dates are within three months of the Group's year end, the associates' audited financial statements are utilised. Where the reporting dates differ from the Group's year end by more than three months or the audited financial statements are not yet available, management accounts are utilised. Further, the financial statements of these associates are adjusted for the effects of significant transactions or events that occurred between that date and the Group's year end. When necessary, adjustments are also made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Investment in associates and joint arrangements (continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

vi. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Where business combinations under common control occur, the acquisition method is also used as permitted under the guidelines of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

vi. Business combinations and goodwill (continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

vii. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

viii. Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and the loss event has an impact on the estimated future cash flows of the financial asset or the group financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For certain categories of financial assets, such as loans and advances, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of income account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

viii. Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date of the impairment assessment/reversal does not exceed what the amortised cost would have been had the impairment not been recognised.

ix. Intangible assets

Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ix. Intangible assets (continued)

Brands and licenses
Separately acquired brands and licenses are measured on initial recognition at historical cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation or impairment. Brands and licenses acquired in a business combination are recognised at fair value at the acquisition date. The Group's brands and licenses have been assessed to have an indefinite useful life and impairment tests are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

Computer software
Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed ten (10) years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Cash and short term deposits

Cash and short term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts, short term debt, fixed deposits and the Central Bank reserve (Note 14).

xi. Foreign currency translation

Foreign currency transactions
The Group's consolidated financial statements are presented in Trinidad and Tobago dollars (expressed in thousands), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities are translated using exchange rates that existed at the dates of the initial transactions. Exchange differences on foreign currency transactions are recognised in the consolidated statement of income.

Foreign entities
On consolidation, assets and liabilities of foreign entities are translated into Trinidad and Tobago dollars at the rate of exchange ruling at the reporting date and their statements of income are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on re-translation are recognised in other comprehensive income and accumulated in equity. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xi. Foreign currency translation (continued)

Foreign entities (continued)
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

xii. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

xiii. Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repairs and maintenance costs are charged to the consolidated statement of income when incurred.

The freehold buildings of non-manufacturing companies are depreciated on the straight line basis at 2% per annum. Depreciation on the freehold buildings of the major manufacturing subsidiaries is charged on the straight line basis at rates varying between 2% and 5%. Leasehold properties are amortised over the shorter of the useful life of the lease and the lease period. Land and capital work in progress are not depreciated.

Depreciation is provided on plant and other assets, either on the straight line or reducing balance basis, at rates varying between 5% and 33 1/3% which are considered sufficient to write off the assets over their estimated useful lives.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xiii. Property, plant and equipment (continued)

The estimated useful lives of property, plant and equipment are reviewed annually and adjusted prospectively if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the consolidated statement of income.

xiv. Investment properties

Investment properties principally comprise office buildings and land not occupied by the Group, which are held for long term rental yields and capital appreciation. Investment properties are classified as non-current assets and carried at cost less accumulated depreciation and accumulated impairment losses.

Buildings are depreciated on a straight line basis at a rate of 2% per annum. Land is not depreciated.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Any gain or loss arising on disposal is recognised in the consolidated statement of income.

Transfers are made to or from investment property only when there is a change in use. If owner occupied property becomes investment property, the Group accounts for such property in accordance with the policy under property, plant and equipment up to the date of change in use.

xv. Financial instruments

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, receivables, payables, investment securities and borrowings. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xv. Financial instruments (continued)

IFRS 9, 'Financial Instruments: Classification and Measurement'

The Group early adopted IFRS 9, 'Financial Instruments' (as issued in November 2009 and revised in November 2013) effective 1 January 2018 (phase 1) in advance of its effective date. The Group chose to apply the exemption given in the transitional provision for early application of IFRS 9 and hence did not restate comparative information in the year of initial application.

Financial assets

a) Initial recognition and subsequent measurement

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost and effective interest method
Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt instruments that are designated as at fair value through statement of income on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xv. Financial instruments (continued)

Financial assets (continued)

a) Initial recognition and subsequent measurement (continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in consolidated statement of income and is included in the “interest and investment income” line item (Note 22) within other income.

Financial assets at fair value through statement of income (FVSI)
Investments in equity instruments are classified as at FVSI, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVOCI) on initial recognition. The Group has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xv. Financial instruments (continued)

Financial assets (continued)

a) Initial recognition and subsequent measurement (continued)

Financial assets at fair value through statement of income (FVSI) (continued)
Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Group has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the consolidated statement of income. The net gains or losses recognised in the consolidated statement of income are included in other income (Note 22). Fair value is determined in the manner described in Note 29.

Interest income on debt instruments as at FVSI is included in the net gains or losses described above.

Dividend income on investments in equity instruments at FVSI is recognised in the consolidated statement of income when the Group’s right to receive the dividends is established in accordance with IAS 18, ‘Revenue’ and is included in the net gains or losses described above.

Foreign exchange gains and losses
The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore, for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xv. Financial instruments (continued)

Financial assets (continued)

a) Initial recognition and subsequent measurement (continued)

Foreign exchange gains and losses (continued)
For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of income.

b) De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of income.

Financial liabilities

a) Initial recognition and subsequent measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xv. Financial instruments (continued)

Financial liabilities (continued)

a) Initial recognition and subsequent measurement (continued)

All financial liabilities are recognised initially at fair value and in the case of medium and long term notes and other borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, customer deposits and other funding instruments and medium and long term notes. After initial recognition, financial liabilities classified as interest bearing debt and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction cost discount or premium on issue. Gains and losses are recognised in the consolidated statement of income through the amortisation process. The effective interest rate amortisation is included as finance costs in the consolidated statement of income.

The Group has not designated any financial liabilities upon initial recognition as at fair value through statement of income.

b) De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xvi. Fair value measurement

The Group measures certain financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xvi. Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

See Note 29 for further details on the valuation techniques and inputs used to account for financial instruments measured at fair value.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

xvii. Leases

Finance leases
Leases where the Group is the lessor and transfers substantially all the risks and rewards of ownership of the leased asset to the lessee is treated as a finance lease. The amount due from customers under such finance lease arrangements is presented in the consolidated statement of financial position as loans, advances and other assets.

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income over the period of the lease. Renewal of operating leases is based on mutual agreement between parties prior to the expiration date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xviii. Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is arrived at on the first-in first-out or at the average method, including, in the case of manufacturing subsidiaries, a proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

xix. Trade and other receivables

Trade and other receivables which generally have 30-90 day terms are recognised and carried at original invoice amounts less an allowance for any uncollectible amounts. An estimate for doubtful debts is established when there is objective evidence that the amount will not be collected according to the original terms of the invoice. When a trade receivable is uncollectible, it is written off against the allowance accounts for trade receivables.

xx. Reinsurance assets

The Group cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due from reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

The benefit to which the Group is entitled under its reinsurance contract held is recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and it can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxi. Income taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax
Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled based on the enacted tax rate at the reporting date.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

xxii. Employee benefits

The Group operates multiple pension plans with defined contribution, defined benefit or hybrid schemes for all eligible full time employees of the Group. The pension plans are governed by the relevant trustee rules and are generally funded by payments from employees and by the relevant Group companies, taking account of the rules of the pension plans and recommendations of independent qualified actuaries.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxii. Employee benefits (continued)

Defined contribution plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Defined benefit plans
A defined benefit plan is a pension plan that is not a defined contribution plan. The pension accounting costs for the plans are assessed using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. The maximum economic benefits available, as limited by the asset ceiling will crystallise in the form of reductions in future contributions.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation within “administrative and distribution costs” (Note 22):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxii. Employee benefits (continued)

Other post-employment benefit plans
The Group also provides other post-employment benefits to their retirees. These benefits are unfunded. The entitlement to these benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for the defined benefit plans.

xxiii. Share based payment transactions

The Group operates an equity settled share based compensation plan whereby senior executives of the Group render services as consideration for stock options of the parent company. The cost of equity settled transactions is measured by reference to the fair value of the options at the date on which they were granted. The fair value is determined by an independent external valuer using the binomial model.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant executive becomes fully entitled to the award (the vesting date). The cumulative expense recognised at each reporting date reflects the extent of which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in the consolidated statement of income for the period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as an additional share dilution in the computation of earnings per share (See Note 25).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxiv. Employee share ownership plan ("ESOP")

As stated in Note 15, the Group operates an ESOP, whereby employees of the Group have the option to receive a percentage of their profit share bonuses in the form of ordinary shares of the parent company. The Group recognises an expense within staff costs when bonuses are awarded. Shares acquired by the ESOP are funded by parent company contributions and the cost of the unallocated ESOP shares is presented as a separate component within equity (treasury shares).

xxv. Equity movements

Stated capital
Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of new shares or options are shown as a reduction in equity, net of tax. As equity is repurchased, the amount of consideration paid is recognised as a charge to equity and reported in the consolidated statement of financial position as treasury shares.

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the end of reporting date.

Treasury shares
Own equity instruments which are re-acquired ("treasury shares") are deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other reserves. Such treasury shares are presented separately within equity and are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxvi. Product classification

Insurance contracts
IFRS 4, ‘Insurance Contracts’ defines insurance contracts as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Long-term insurance contracts include those contracts with and without discretionary participation features (‘DPF’). For insurance contracts with DPFs, the guaranteed element has not been recognised separately. Changes to the insurance contract liability are recognised in the consolidated statement of income as an item of expense.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts
Any insurance contracts not considered to be transferring significant risks are, under IFRS, classified as investment contracts. Deposits collected and benefit payments under investment contracts are not accounted for through the consolidated statement of income, but are accounted for directly through the consolidated statement of financial position as a movement in the investment contract liability. Changes in the fair value of financial assets backing investment contracts are recognised in the consolidated statement of income as investment income.

xxvii. Insurance contract liabilities

Life insurance contract liabilities
The provision for life insurance contracts is calculated on the basis of a cash flow matching method where the expected cash flows are based on prudent assumptions depending on the circumstances prevailing.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxvii. Insurance contract liabilities (continued)

Life insurance contract liabilities (continued)
The liability is determined as the sum of the discounted value of the expected benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the actual gross premiums that would be paid over the expected future lifetime of the contract. The liability is based on best estimate assumptions as to mortality, persistency, investment income and maintenance expenses that are expected to prevail over the life time of the contract.

A margin for adverse developments is added to each best estimate assumption to provide a prudent estimate of possible future claims. Adjustments to the liabilities at each reporting date are recorded in the consolidated statement of income as an expense.

General insurance contract liabilities
General insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, therefore the ultimate cost cannot be known with certainty at the reporting date.

Provision for unearned premiums
The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the consolidated statement of income in the order that revenue is recognised over the period of risk.

Provision for unexpired risk
Provision for unexpired risk is computed as a percentage of the provision for unearned premiums at the end of the year. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. Any deficiency is charged to the consolidated statement of income by subsequently establishing a provision for losses arising from the liability adequacy tests (the unexpired risk provision).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxvii. Insurance contract liabilities (continued)

Liability adequacy test
In accordance with IFRS 4, reserving for liabilities existing as at the reporting date from property and casualty lines of business has been tested for adequacy by independent actuarial consultants using the Bornhuetter-Fergusson model.

The Bornhuetter-Fergusson model can be summarised as follows:

- The valuation method makes an independent estimate of the gross ultimate claims to a corresponding premium for each underwriting year based on expectations of claims arising from the gross premiums written in that year.
- It estimates a claim run-off pattern of how claims emerge year by year until all is known about the total ultimate claim.
- From the independent estimate of gross ultimate claims, the portion that relates to past periods is removed and the resultant balance is the gross claims yet to emerge.

The independent actuaries concluded in their report dated 6 March 2018 that the carrying amounts of the insurance liabilities of the general insurance subsidiary as at 31 December 2017, in respect of incurred but not reported claims (IBNR) from unexpired contracts were adequate.

xxviii. Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxix. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of reimbursements.

When the Group can reliably measure the outflow of economic benefits in relation to a specific matter and considers such outflows to be probable, the Group records a provision against the matter. Given the subjectivity and uncertainty of determining the probability of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

xxx. Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes. The following specific recognition criteria must also be met before revenue is recognised:

Sales of products to third parties
Revenue from the sale of products to third parties is recognised when the significant risks and rewards of ownership have passed to the buyer and the amounts of revenue can be measured reliably, which usually coincides with the delivery of the products to the third party.

Rendering of services
Revenue is recognised in the accounting period in which the services are rendered by reference to the stage of completion.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxx. Revenue recognition (continued)

Loans and advances
Income from loans, including origination fees, is recognised on an amortised basis. Interest is accounted for on the accruals basis except where a loan becomes contractually three months in arrears at which point the interest is suspended and then accounted for on a cash basis until the arrears are cleared.

Investment income
Interest income is recognised in the consolidated statement of income as it accrues, taking into account the effective yield of the asset on an applicable floating rate. Interest income includes the amortisation of any discount or premium on the constant yield basis. Investment income also includes dividends and any fair value changes. Interest income is accrued until the investment becomes contractually three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

Fees and commissions
Unless included in the effective interest calculation, fees are recognised on an accrual basis as the service is provided. Fees and commissions not integral to the effective interest arising from negotiating or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contract.

Premium income
Premiums from life insurance contracts are recognised as revenue when payable by the policyholders. For single premium business this is the date from which the policy is effective. For non-life business, premiums written are recognised on policy inception and earned on a pro-rated basis over the term of the related policy coverage.

Premiums written on general insurance policies are recognised on policy inception and earned on a pro-rata basis over the term of the related policy coverage. For single premium business this is the date from which the policy is effective.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxx. Revenue recognition (continued)

Reinsurance premiums
Reinsurance premiums are recognised when the right to receive the gross premium is recognised in accordance with the relevant reinsurance contract.

Rental income
Rental income arising on investment properties under operating lease is recognised in the consolidated statement of income on a straight-line basis over the lease term.

Dividend income
Dividend income is recognised when the Group's right to receive the payment is established.

xxxi. Benefits and claims

Life insurance
Life insurance business claims reflect the cost of all claims incurred during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance
Reported outstanding general insurance claims comprise the estimated costs of all claims incurred but not settled at the end of the reporting period, less any reinsurance recoveries. In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from adjusters and information on the cost of settling claims with similar characteristics in previous periods. Provision is made for claims incurred but not reported (IBNR) until after the end of the reporting period. Differences between the provisions for outstanding claims and subsequent revisions and settlement are included in the consolidated statement of income in the year the claims are settled.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxxii. Lapses – life insurance

Life Insurance Policies will lapse and the Group's liability will cease:

i. At the end of the grace period (30 days) for any unpaid premium unless the premium or part of it is advanced under the automatic premium loan provision or the policy is changed to paid up; or
ii. At the end of the pro-rated period for which insurance is provided if part of an unpaid premium was advanced under the automatic loan provision; or
iii. At the end of the 30 day period following the mailing of a lapse notice indicating that the indebtedness equals or exceeds the gross cash value.

xxxiii. Deposit insurance contribution

The Central Bank and the Financial Institutions (Non-Banking) (Amendment) Act, of the relevant jurisdictions of the subsidiaries which are financial institutions, have established a Deposit Insurance Fund for the protection of depositors. An annual premium of 0.2% is levied on the average deposit liability outstanding at the end of each quarter of the preceding year.

xxxiv. Repurchase and reverse repurchase agreements

Securities sold subject to a linked repurchase agreement ('repo') are retained in the consolidated financial statements as trading securities and the counterparty liability is included in amounts due to other banks, deposits from banks or other deposits as appropriate. Securities purchased under an agreement to resell ('reverse repo') are recorded as loans and advances to other banks. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxxv. Statutory deposits with Central Bank

Pursuant to the provisions of the Central Bank Act 1964 and the Financial Institutions Act 2008, a financial services subsidiary within the Group is required to maintain with the Central Bank of Trinidad and Tobago statutory balances in relation to deposit liabilities and certain funding instruments of the institutions. Additionally, a financial services subsidiary in Barbados is also required to maintain a percentage of deposit liabilities on deposit with its Central Bank.

xxxvi. Earnings per share

Earnings per share (EPS) have been calculated by dividing the profit for the year attributable to shareholders over the weighted average number of ordinary shares in issue during the year net of treasury shares. Diluted EPS is computed by adjusting the weighted average number of ordinary shares in issue (net of treasury shares) for the assumed conversion of potential dilutive ordinary shares.

xxxvii. Segment information

For management purposes, the Group is organised into business units based on its products and services and has four (4) reportable segments as follows:

- The manufacturing, packaging and brewing segment.
- The automotive, trading and distribution segment.
- The insurance and financial services segment.
- The media, retail, services and parent company segment.

(Expressed in Thousands of Trinidad and Tobago dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

xxxviii. Comparative information

The following changes in presentation were made to the comparative information of the previous year (2016) in these consolidated financial statements to allow consistent presentation with the current year:

- The returnable containers balance of $136.6 million which was previously classified within inventories are now classified within property, plant and equipment.

Consolidated statement of financial position	2016 - As previously stated	Reclassification	2016 - Adjusted
Inventories	1,345,268	(136,598)	1,208,670
Property, plant and equipment	1,962,186	136,598	2,098,784

These changes had no impact on the operating results, profit after tax, earnings per share, net cash flows or net assets of the Group for the previous year (2016).

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Judgments (continued)

Impairment losses on loans and advances
The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded. The determination of the extent of impairment losses to be recognised include a significant element of management judgement, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the changing of which can result in different levels of loan loss provisions. The accounting policies related to impairment of losses and advances are disclosed in Note 2 (viii).

Provision for impairment of trade receivables
Management exercises judgement in determining the adequacy of provisions for trade accounts receivable balances for which collections are considered doubtful. Judgement is used in the assessment of the extent of the recoverability of long outstanding balances. Actual outcomes may be materially different from the provision established by management. The accounting policies related to impairment of trade receivables is disclosed in Note 2 (viii).

Operating lease commitments – Group as lessor
The Group has entered into vehicle and equipment leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

Finance lease commitments – Group as lessor
Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Property, plant and equipment
Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value. The accounting policy related to property, plant and equipment is disclosed in Note 2 (xiii).

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of goodwill and other intangibles
The Group determines whether goodwill or other indefinite life intangibles are impaired at least on an annual basis. This requires an estimation of the 'value in use' or 'fair value less costs of disposal' of the cash-generating units to which the goodwill or other intangibles are allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are provided in Note 6 and accounting policy Note 2 (ix).

Valuation of investments
Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of estimates and applying judgment in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors. Further details are provided in Note 29 and accounting policy Note 2 (xvi).

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Estimates and assumptions (continued)

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the existence of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and the level of future taxable profits together with future tax planning strategies. Further details are provided in accounting policy Note 2 (xxi).

Pension and other post-employment benefits
The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Further details are provided in Note 11 and accounting policy Note 2 (xxii).

Insurance contract liabilities
The estimation of the ultimate liability arising from claims made under life and general insurance contracts is an accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group ultimately pays for those claims.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Estimates and assumptions (continued)

Insurance contract liabilities
For the life insurance contracts, estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group based these estimates on standard industry mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's unique risk exposure. The number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, both epidemic, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure. All of this results in even more uncertainty in estimating the ultimate liability.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At the end of each reporting period, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims costs can be established with certainty. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to predict future claims settlement estimates. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money. Further details are provided in Note 18 and accounting policy Note 2 (xxvii).

(Expressed in Thousands of Trinidad and Tobago dollars)

4. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2017	Land & building freehold	Land & building leasehold	Plant	Other assets	Capital W.I.P	Total
Gross carrying amounts, 1 January 2017	830,362	93,299	2,257,370	764,126	39,104	3,984,261
Acquired in business combination (Note 35)	18,280	4,639	40,425	15,867	–	79,211
Additions	5,696	3,428	127,501	141,003	91,398	369,026
Transfers from work in progress and to intangible assets	12,444	–	44,897	4,532	(64,852)	(2,979)
Disposals, write downs and other movements	(28,167)	7,851	(33,921)	(74,545)	–	(128,782)
Gross carrying amounts, 31 December 2017	838,615	109,217	2,436,272	850,983	65,650	4,300,737
Accumulated depreciation, 1 January 2017	174,655	30,922	1,220,689	459,211	–	1,885,477
Depreciation	16,614	4,562	202,414	103,493	–	327,083
Acquired in business combination (Note 35)	5,487	2,216	30,062	13,730	–	51,495
Disposals, write downs and other movements	(3,193)	4,383	(32,699)	(51,829)	–	(83,338)
Accumulated depreciation, 31 December 2017	193,563	42,083	1,420,466	524,605	–	2,180,717
Net carrying amounts, 31 December 2017	645,052	67,134	1,015,806	326,378	65,650	2,120,020

Other assets include furniture and fittings, motor vehicles, computer equipment and other tangible fixed assets.

(Expressed in Thousands of Trinidad and Tobago dollars)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2016	**Land & building freehold**	**Land & building leasehold**	**Plant**	**Other assets**	**Capital W.I.P**	**Total**
Gross carrying amounts, 1 January 2016	766,427	88,327	1,907,289	706,386	199,136	3,667,565
Acquired in business combination (Note 35)	42,662	–	77,566	988	–	121,216
Additions	3,539	5,481	170,514	118,975	60,298	358,807
Transfers from work in progress	16,010	211	200,814	3,295	(220,330)	–
Disposals, write downs and other movements	1,724	(720)	(98,813)	(65,518)	–	(163,327)
Gross carrying amounts, 31 December 2016	830,362	93,299	2,257,370	764,126	39,104	3,984,261
Accumulated depreciation, 1 January 2016	162,939	28,118	1,107,962	450,790	–	1,749,809
Depreciation	16,485	3,672	188,542	83,050	–	291,749
Acquired in business combination (Note 35)	1,160	–	10,592	542	–	12,294
Disposals, write downs and other movements	(5,929)	(868)	(86,407)	(75,171)	–	(168,375)
Accumulated depreciation, 31 December 2016	174,655	30,922	1,220,689	459,211	–	1,885,477
Net carrying amounts, 31 December 2016	655,707	62,377	1,036,681	304,915	39,104	2,098,784

Other assets include furniture and fittings, motor vehicles, computer equipment and other tangible fixed assets.

(Expressed in Thousands of Trinidad and Tobago dollars)

5. INVESTMENT PROPERTIES

	2017	**2016**
Balance 1 January	165,092	139,532
Transfers from property, plant and equipment (net)	–	762
Additions	13,528	25,268
Foreign exchange differences and other movements	(214)	1,722
Depreciation for the year	(1,151)	(2,192)
Balance 31 December	177,255	165,092
Investment properties at cost	212,923	199,609
Accumulated depreciation	(35,668)	(34,517)
Net carrying amount	177,255	165,092

The Group has no restrictions on the realisability of its investment properties and no contractual obligations at year end to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The property rental income earned by the Group from third parties during the year from its investment properties, amounted to $22,585 (2016: $26,816). Direct operating expenses arising on the investment properties amounted to $8,534 (2016: $12,961).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

6. INTANGIBLE ASSETS

	Goodwill	Brands, licenses and contracts	Computer software	Total
Gross carrying amounts, 1 January 2017	229,668	73,989	91,496	395,153
Foreign exchange translation differences	54	–	5	59
Acquisitions (Note 35)	64,506	–	–	64,506
Additions	–	46,071	25,865	71,936
Transfers from property, plant and equipment	–	–	2,979	2,979
Disposals and other adjustments	(61,557)	59,827	(11)	(1,741)
Gross carrying amounts, 31 December 2017	232,671	179,887	120,334	532,892
Accumulated impairment and amortisation, 1 January 2017	(26,296)	–	(39,114)	(65,410)
Amortisation	–	–	(9,299)	(9,299)
Transfers from property, plant and equipment	–	–	(1,683)	(1,683)
Disposals and other adjustments	–	(3,472)	(399)	(3,871)
Accumulated impairment and amortisation, 31 December 2017	(26,296)	(3,472)	(50,495)	(80,263)
Net carrying amounts, 31 December 2017	206,375	176,415	69,839	452,629
Gross carrying amounts, 1 January 2016	109,384	71,649	82,898	263,931
Foreign exchange translation differences	1,055	–	–	1,055
Acquisitions (Note 35)	119,229	–	–	119,229
Additions	–	2,340	8,598	10,938
Gross carrying amounts, 31 December 2016	229,668	73,989	91,496	395,153
Accumulated impairment and amortisation, 1 January 2016	(26,296)	–	(30,051)	(56,347)
Amortisation	–	–	(9,063)	(9,063)
Accumulated impairment and amortisation, 31 December 2016	(26,296)	–	(39,114)	(65,410)
Net carrying amounts, 31 December 2016	203,372	73,989	52,382	329,743

(Expressed in Thousands of Trinidad and Tobago dollars)

6. INTANGIBLE ASSETS (continued)

Goodwill

In accordance with IFRS 3, 'Business Combinations', goodwill acquired through business combinations has been allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination. Impairment is determined by assessing the recoverable amount of the cash-generating units to which goodwill relates. The following table highlights the goodwill and impairment testing information for each cash-generating unit, as well as the assumptions to which the impairment testing were most sensitive:

Subsidiary	Cash generating unit	Carrying amount of goodwill	Discount rate	Growth rate (extrapolation period)	Year of acquisition
Grenada Breweries Limited	Manufacturing, packaging & brewing	1,134	15.00%	1.50%	2002
A.S. Bryden & Sons (Barbados) Limited	Automotive, trading & distribution	19,936	13.50%	1.60%	2004
Sissons Paints Limited	Manufacturing, packaging & brewing	6,167	15.00%	1.50%	2008
Standard Distributors Limited and Bell Furniture Industries Limited	Media, retail, services & parent company	39,756	15.00%	2.00%	2012
Standard Distributors and Sales Barbados Limited	Media, retail, services & parent company	5,409	15.00%	2.00%	2012
T/Wee Limited	Automotive, trading & distribution	11,795	15.00%	2.00%	2013
Indian River Beverage Corporation	Manufacturing, packaging & brewing	26,174	12.00%	2.00%	2016
Easi Industrial Supplies Limited	Manufacturing, packaging & brewing	31,498	15.00%	1.00%	2016
Lewis Berger Overseas Holdings Limited	Manufacturing, packaging & brewing	64,506	15.00%	2.00%	2017
		206,375			

6. **INTANGIBLE ASSETS** (continued)

Goodwill (continued)

For all of the above impairment tests, the recoverable amount of the relevant business units was determined based on value in use calculations using pre-tax cash flow projections over a five-year term. These projections are based on financial budgets approved by the Board of Directors of the respective companies. In assessing value in use, some budgets were adjusted to deliver an adequate balance between historic performance and likely future outcomes. Growth rates are based on published industry research where available or on the historic average of real gross domestic product (GDP) for the local economy.

Brands, licenses and contracts

Intangible assets also include the brands, licenses and contracts arising from the acquisition of Sissons Paints Limited, Lewis Berger Overseas Holdings Limited, Indian River Beverage Corporation, Easi Industrial Supplies Limited, the Mackeson brand and various broadcast licenses and rights which were recognised at fair value at the acquisition dates. During the year, the rights to Berger brand were acquired by a subsidiary. Further details on the acquisition of Berger subsidiaries are disclosed in Note 35.

Subsequent to initial recognition, brands, licenses and contracts were carried at cost and are expected to have an indefinite life due to the overall strength and longevity of the brands. Impairment tests were performed on the indefinite life brands and radio licenses at year end and there were no impairment charges arising.

The Mackeson brand has been granted for a term of twenty-five (25) years with the option to renew at little or no cost to the Group. Previous radio licenses acquired have been renewed and have allowed the Group to determine that this asset has an indefinite useful life.

(Expressed in Thousands of Trinidad and Tobago dollars)

6. INTANGIBLE ASSETS (continued)

Brands, licenses and contracts (continued)

The following table highlights the impairment testing information for each brand, license and contract as well as the assumptions to which the impairment testing were most sensitive:

Brands, licenses and contracts	Cash generating unit	Carrying amount of brand and license	Discount rate	Growth rate (extrapolation period)
Berger brand	Manufacturing, packaging & brewing	46,071	15%	1.5%
Contract agreement	Manufacturing, packaging & brewing	28,735	15%	0.0%
Indian River Beverage Corporation brands	Manufacturing, packaging & brewing	25,625	12%	2.0%
Mackeson brand	Manufacturing, packaging & brewing	44,696	15%	1.5%
Broadcast licenses	Media, retail, services & parent company	11,899	15%	1.0%
Sissons brand	Manufacturing, packaging & brewing	14,108	15%	1.5%
Intangible assets not subject to impairment				
Contract manufacturing agreements	Manufacturing, packaging & brewing	5,281		
		176,415		

The useful life of the contract manufacturing agreements is 20 years.

Computer software

Intangible assets also include the internal development cost arising from the Enterprise Resource Planning (ERP) Project which was recognised at fair value at the capitalisation date. Subsequent to initial recognition, computer software was carried at cost, less amortisation and impairment losses where necessary, and is expected to have a finite life not exceeding ten (10) years.

(Expressed in Thousands of Trinidad and Tobago dollars)

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURE INTERESTS

	2017	2016
Carrying value:		
Associates	159,372	147,063
Joint venture interests	–	–
	159,372	147,063
Share of results:		
Associates	26,751	32,933
Joint venture interests	–	–
	26,751	32,933

Associates

The Group’s investment in associates consists of a 40% ownership interest in Trinidad Lands Limited and various interests (23.5% - 49.5%) held by the ANSA McAL (Barbados) Group. The Group’s interest in associates is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group’s investment in associates:

	2017	2016
Assets:		
Non-current assets	271,150	253,174
Current assets	397,142	401,023
	668,292	654,197
Liabilities:		
Non-current liabilities	39,281	24,336
Current liabilities	155,565	202,241
	194,846	226,577
Net assets	473,446	427,620
Average proportion of the Group's ownership	34%	34%
Carrying amount of the investment	159,372	147,063

(Expressed in Thousands of Trinidad and Tobago dollars)

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURE INTERESTS (continued)

Associates (continued)

	2017	**2016**
Revenue	891,518	925,997
Cost of sales	(579,790)	(607,937)
Administrative expenses	(230,828)	(220,874)
Profit before taxation	80,900	97,186
Taxation	(18,259)	(19,608)
Other comprehensive income	(3,295)	666
Total comprehensive income	59,346	78,244
Group's share of total comprehensive income	26,751	32,933
Dividends received for the year	12,841	43,688

The associates had no contingent liabilities or capital commitments as at 31 December 2017 or 2016. Depreciation included in administrative expenses and cost of sales is $16,719 (2016: $15,581).

Joint venture interests

The Group has a 50% interest in joint venture companies, Caribbean Roof Tile Company Limited, a company incorporated in the Republic of Trinidad and Tobago and US Tiles Incorporated, a company incorporated in the United States of America. Collectively, the companies are involved in the manufacture and sale of clay roof tile products and commenced commercial production and distribution in 2006. The operations of these companies were mothballed since 2011 and remain as such in 2017, pending improvement in market conditions.

The Group's joint venture interests are accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in joint venture interests:

(Expressed in Thousands of Trinidad and Tobago dollars)

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURE INTERESTS (continued)

	2017	2016
Assets:		
Non-current assets	43,913	49,471
Current assets	25,398	24,626
	69,311	74,097
Liabilities:		
Non-current liabilities	113,399	111,537
Current liabilities	18,557	17,756
	131,956	129,293
Net liabilities	(62,645)	(55,196)
Proportion of the Group's ownership	50%	50%
Net negative equity in joint venture interests	(31,323)	(27,598)
Losses not taken, inclusive of foreign exchange adjustments	11,844	8,119
Reclassification to trade and other receivables	19,479	19,479
Carrying amount of the investment	–	–

Non-current liabilities in 2017 and 2016 relate entirely to related party borrowings.

Summarised statement of comprehensive income for the joint venture interests:

	2017	2016
Revenue	63	90
Cost of sales	(5,735)	(6,412)
Administrative expenses	(1,013)	(470)
Loss before tax	(6,685)	(6,792)
Taxation	–	–
Total comprehensive loss for the year	(6,685)	(6,792)
Group's share of loss for the year	(3,343)	(3,396)

(Expressed in Thousands of Trinidad and Tobago dollars)

7. INVESTMENT IN ASSOCIATES AND JOINT VENTURE INTERESTS (continued)

Joint venture interests (continued)

No dividends were received from joint venture interests during 2017 or 2016. Depreciation included in administrative costs and cost of sales is $5,581 (2016: $5,648). The joint venture entities had no contingent liabilities or capital commitments as at 31 December 2017 and 2016 and cannot distribute its profits until it obtains the consent from the two venture partners.

The Group has discontinued the recognition of its share of losses of the joint venture as allowed under IAS 28, 'Investments in Associates and Joint Ventures'. These unrecognised losses, including foreign exchange adjustments, amount to $3,343 (2016: $4,482) and $10,376 cumulatively (2016: $8,119).

8. INVESTMENT SECURITIES

	2017	**2016**
Investment securities designated as at fair value through statement of income	829,225	931,469
Investment securities measured at amortised cost	3,165,890	2,580,472
Total investment securities	3,995,115	3,511,941
Non-current portion		
Investments at amortised cost maturing in more than one year	2,885,851	1,830,133
Current portion		
Investments at amortised cost maturing in less than one year	280,039	750,339
Investments at fair value through statement of income	829,225	931,469
	1,109,264	1,681,808

(Expressed in Thousands of Trinidad and Tobago dollars)

8. INVESTMENT SECURITIES (continued)

	2017	2016
Investment securities designated as at fair value through statement of income		
Equities	563,949	657,681
Government bonds	16,781	30,131
State-owned company securities	80,467	81,122
Corporate bonds	168,028	162,535
	829,225	931,469
Investment securities measured at amortised cost		
Government bonds	534,926	520,407
State-owned company securities	844,591	849,024
Corporate bonds	1,786,373	1,211,041
	3,165,890	2,580,472
Total investment securities	3,995,115	3,511,941

9. LOANS, ADVANCES AND OTHER ASSETS

Included herein are amounts receivable under hire purchase and finance lease agreements in the financial statements of various subsidiary companies in the financial services and retail sectors. Also included, are other interest bearing loans and advances of the Group which are stated at amortised cost.

(Expressed in Thousands of Trinidad and Tobago dollars)

9. LOANS, ADVANCES AND OTHER ASSETS (continued)

	2017	2016
Hire purchase and finance leases	1,493,394	1,476,468
Mortgages, policy loans and other loans and advances	398,178	873,218
Total loans and advances	1,891,572	2,349,686
Other assets – reinsurance assets (Note 18)	175,125	182,506
Total loans, advances and other assets	2,066,697	2,532,192
Current portion	(349,262)	(919,611)
Non-current portion	1,717,435	1,612,581
Hire purchase and finance leases is analysed as follows:		
Hire purchase	1,690,752	1,638,457
Finance leases	170,872	204,500
	1,861,624	1,842,957
Less: Unearned finance charges	(326,141)	(334,102)
	1,535,483	1,508,855
Less: Provisions	(42,089)	(32,387)
Net hire purchase and finance leases	1,493,394	1,476,468
Mortgages, policy loans and other loans and advances is analysed as follows:		
Mortgages and policy loans	187,045	121,990
Other loans and advances	280,967	818,988
	468,012	940,978
Less: Provisions	(69,834)	(67,760)
Net mortgages, policy loans and other loans and advances	398,178	873,218

(Expressed in Thousands of Trinidad and Tobago dollars)

9. LOANS, ADVANCES AND OTHER ASSETS (continued)	**2017**	**2016**
Minimum lease payments of hire purchase and finance leases:		
Amounts due:		
Within one year	136,663	163,585
After one year but less than five years	1,191,727	1,224,621
More than five years	533,234	454,751
	1,861,624	1,842,957
Present value of minimum lease payments of hire purchase and finance leases:		
Amounts due:		
Within one year	99,488	142,526
After one year but less than five years	1,022,049	1,024,617
More than five years	413,946	341,712
	1,535,483	1,508,855
Sectorial analysis of total loans, advances and other assets:		
Personal	872,525	812,236
Commercial	406,247	441,881
Professional and other services	787,925	1,278,075
	2,066,697	2,532,192

	Hire purchases	**Finance leases**	**Mortgages and policy loans**	**Total**
Balance at 1 January 2016	19,910	2,720	75,095	97,725
Charge for the year (Note 22)	8,551	–	4,060	12,611
Recoveries	(235)	–	(2,674)	(2,909)
Amounts written off	1,441	–	(8,721)	(7,280)
At 31 December 2016	29,667	2,720	67,760	100,147
Charge for the year (Note 22)	13,686	–	2,074	15,760
Recoveries	(198)	–	–	(198)
Amounts written off and other movements	(4,926)	1,140	–	(3,786)
At 31 December 2017	38,229	3,860	69,834	111,923

As at 31 December 2017, the Group has repossessed vehicles with a fair value of $2.8 million (2016: $2.3 million). Repossessed vehicles are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

10. DEFERRED TAXATION

In December 2016, the Government of the Republic of Trinidad and Tobago ("GORTT") enacted the Finance Act No. 10 of 2016 which increased the rate of corporation tax on chargeable income greater than $1 million from 25% to 30% from 1 January 2017. The change in tax rate impacted the deferred tax assets and liabilities of certain companies in the Group and reduced the Group’s net assets as at 31 December 2016 by $45.8 million. Of this amount, $38.8 million was recognised as the deferred tax expense in the prior year's consolidated statement of income, and $7 million was also recognised within the prior year's tax impact of re-measurement gains on defined benefit plans in the consolidated statement of comprehensive income.

On 19 December 2017, the GORTT enacted the Finance Bill 2017 which increased the corporation tax rate on chargeable income up to $1 million to 30%, thereby taxing all income at this rate from 1 January 2018. This impacted the deferred tax assets and liabilities of the Group's net assets by $10.1 million Of this amount $5.9 million is recognised in the consolidated statement of income as a deferred tax expense and $4.2 million is recognised within the deferred tax impact of re-measurement gains on defined benefit plans in the consolidated statement of comprehensive income.

On 22 December 2017, the Government of the United States of America (US) enacted the Tax Cuts and Jobs Act. This reduced the rate of corporation tax on US companies to 21% from 1 January 2018 and impacted the deferred tax assets and liabilities of the Group's US Operations. This resulted in a charge of $7 million in the consolidated statement of income for the year ended 31 December 2017.

(Expressed in Thousands of Trinidad and Tobago dollars)

10. DEFERRED TAXATION (continued)

			(Credit) / charge to			
	2016	**Acquired in business combination**	**Consolidated statement of income (Note 24)**	**Life reserve and other movement**	**OCI (Note 24)**	**2017**
Deferred tax assets						
Unutilised tax losses	(140,399)	(1,572)	28,636	(18,244)	–	(131,579)
Employee benefit liability, finance leases and other	(57,076)	(2,690)	(3,895)	653	1,000	(62,008)
	(197,475)	(4,262)	24,741	(17,591)	1,000	(193,587)
Deferred tax liabilities						
Property, plant and equipment	307,576	1,658	(12,388)	1,474	–	298,320
Employee benefit asset	239,255	3,142	14,541	–	616	257,554
Life insurance reserves	30,346	–	(1,762)	4,766	–	33,350
Unrealised investment gains	57,016	–	3,651	514	–	61,181
Other	7,554	–	(4,264)	(926)	–	2,364
	641,747	4,800	(222)	5,828	616	652,769
Net deferred tax charge			24,519	(11,763)	1,616	

Other movements include deferred taxes acquired in business combinations in the current year and adjustments as a result of the finalisation of the accounting for business combinations that occurred in the previous year. Refer to Note 35.

(Expressed in Thousands of Trinidad and Tobago dollars)

10. DEFERRED TAXATION (continued)

		(Credit) / charge to			
	2015	**Consolidated statement of income (Note 24)**	**Life reserve and other movement**	**OCI (Note 24)**	**2016**
Deferred tax assets					
Unutilised tax losses	(56,348)	(60,520)	(23,531)	–	(140,399)
Employee benefit liability, finance leases	(61,627)	(4,750)	7,500	1,801	(57,076)
	(117,975)	(65,270)	(16,031)	1,801	(197,475)
Deferred tax liabilities					
Property, plant and equipment	215,299	85,665	6,612	–	307,576
Employee benefit asset	204,639	24,091	–	10,525	239,255
Life insurance reserves	39,041	–	(8,695)	–	30,346
Unrealised investment gains	51,751	3,745	1,520	–	57,016
Other	9,736	(2,182)	–	–	7,554
	520,466	111,319	(563)	10,525	641,747
Net deferred tax charge		46,049	(16,594)	12,326	

The Group has unutilised tax losses of $476,710 (2016: $534,703) available to be carried forward and applied against future taxable income of the Group. These losses have not yet been verified by the relevant Revenue authorities.

Some subsidiaries have incurred tax losses either in the current or prior year, yet recognised deferred tax assets of $89,383 (2016: $137,235) on some or all of their total taxation losses. The recoverability of these deferred tax assets depends on these subsidiaries’ ability to generate future taxable profits. The Group believes that these deferred tax assets are recoverable because these losses are expected to shelter taxable profits in the foreseeable future.

The Group has $15,287 (2016: $43,757) of tax losses, representing the sum of tax losses for several years carried forward and related to subsidiaries that have a history of losses. The losses for each tax year expire after nine years and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have no tax planning opportunities that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on these tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, net income and equity would have increased by $3,991 (2016: $14,081).

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS

The Group has defined benefit, defined contribution and hybrid pension plan schemes in Trinidad & Tobago, Barbados, Jamaica and Guyana. The Group also provides certain post-retirement healthcare benefits to employees. These plans are governed by the deeds and rules of the specific plan and the employment laws relevant to the jurisdictions in which they operate.

Contributions recognised in the consolidated statement of income with respect to defined contribution plans are as follows:

	2017	**2016**
Contribution expense – Trinidad & Tobago plans	9,147	7,188
Contribution expense – Overseas plans	618	612
	9,765	7,800

The level of pension benefits provided under the defined benefit plans depends on the member's length of service and salary at retirement age. The defined benefit pension plan requires contributions to be made to a separately administered fund. The fund has a separate legal form and is governed by the Board of Trustees. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

The Board of Trustees periodically reviews the level of funding in the pension plan. Such a review includes the asset-liability matching strategy and investment risk management policy which considers the term of the pension obligation while simultaneously remaining compliant with the requirements of the Pension Act. The pension plans are exposed to inflation, interest rate risks and changes in the life expectancy for pensioners in the relevant jurisdictions. As the plan assets include significant investments in quoted equity shares, the Group is also exposed to equity market risk.

	2017	**2016**
Employee benefits asset		
Trinidad & Tobago plans (See Note 11 (a))	820,481	811,354
Overseas plans (See Note 11 (b))	54,762	43,397
	875,243	854,751
Employee benefits liability		
Trinidad & Tobago plans (See Note 11 (a))	67,469	69,330
Overseas plans (See Note 11 (b))	25,351	17,471
	92,820	86,801

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(a) Trinidad and Tobago plans

The amounts recognised in the consolidated statement of financial position are as follows:

Defined benefit pension plans 2016	Defined benefit pension plans 2017		Other post - employment benefits 2017	Other post - employment benefits 2016
933,571	1,018,528	Present value of obligations	67,469	69,330
(1,759,013)	(1,856,607)	Fair value of plan assets	–	–
(825,442)	(838,079)	Benefit (surplus)/deficit	67,469	69,330
14,088	17,598	Unrecognised portion	–	–
(811,354)	(820,481)		67,469	69,330

Based on the report of the Pension Plans' actuary, the present value of any economic benefits available in the form of reductions in future contributions to the defined benefit plans has been limited in accordance with IAS 19, 'Employee Benefits'.

Return on plan assets

2016	2017		2017	2016
71,339	76,364		–	–

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(a) Trinidad and Tobago plans (continued)

Movements in the net (asset)/liability recognised in the consolidated statement of financial position are as follows:

Defined benefit pension plans			Other post - employment benefits	
2016	**2017**		**2017**	**2016**
(777,628)	(811,354)	Net (asset)/liability at 1 January	69,330	79,806
–	(121)	Acquired in business combination	–	–
(7,949)	(2,538)	Net (income)/expense recognised in the statement of income	5,995	6,081
(11,362)	9,424	Net (income)/expense recognised in the statement of comprehensive income	(1,903)	(10,823)
(14,415)	(15,892)	Contributions/benefits paid	(5,953)	(5,734)
(811,354)	(820,481)		67,469	69,330

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(a) Trinidad and Tobago plans (continued)

Changes in the defined benefit obligation, fair value of plan assets and movements in other post-employment benefit plans:

	Defined benefit obligation	Fair value of plan assets	Unrecognised portion	Defined benefit pension plans	Other post-employment benefits
Balance at 1 January 2017	933,571	(1,759,013)	14,088	(811,354)	69,330
Acquired in business	37,178	(37,299)	–	(121)	–
Pension cost charged to profit or loss					
Current service cost	31,737	–	–	31,737	3,385
Past service cost	3,842	–	–	3,842	–
Administrative expenses	–	1,736	–	1,736	–
Net interest loss/(gain)	48,253	(88,352)	246	(39,853)	2,610
Sub-total included in profit or loss	83,832	(86,616)	246	(2,538)	5,995
Re-measurement (gains)/losses in OCI					
Experience gains - demographic	(5,828)	–	–	(5,828)	(1,903)
Experience losses - financial	–	11,988	–	11,988	–
Changes in asset ceiling	–	–	3,264	3,264	–
Sub-total included in OCI	(5,828)	11,988	3,264	9,424	(1,903)
Other movements					
Contributions by employee	15,266	(15,266)	–	–	–
Contributions by employer	–	(15,892)	–	(15,892)	–
Benefits paid	(43,740)	43,740	–	–	(5,953)
Transfers	(1,751)	1,751	–	–	–
Sub-total - other movements	(30,225)	14,333	–	(15,892)	(5,953)
Balance at 31 December 2017	1,018,528	(1,856,607)	17,598	(820,481)	67,469

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(a) Trinidad and Tobago plans (continued)

Changes in the defined benefit obligation, fair value of plan assets and movements in other post-employment benefit plans:

	Defined benefit obligation	Fair value of plan assets	Unrecognised portion	Defined benefit pension plans	Other post-employment benefits
Balance at 1 January 2016	902,901	(1,693,713)	13,184	(777,628)	79,806
Pension cost charged to profit or loss					
Current service cost	28,943	–	–	28,943	1,714
Past service cost	–	–	–	–	1,364
Administrative expenses	–	1,579	–	1,579	–
Net interest loss/(gain)	45,448	(83,919)	–	(38,471)	3,003
Sub-total included in profit or loss	74,391	(82,340)	–	(7,949)	6,081
Re-measurement (gains)/losses in OCI					
Experience gains - demographic	(24,847)	–	–	(24,847)	(10,823)
Experience losses - financial	–	12,581	–	12,581	–
Changes in asset ceiling	–	–	904	904	–
Sub-total included in OCI	(24,847)	12,581	904	(11,362)	(10,823)
Other movements					
Contributions by employee	14,415	(14,415)	–	–	–
Contributions by employer	–	(14,415)	–	(14,415)	–
Benefits paid	(33,289)	33,289	–	–	(5,734)
Sub-total - other movements	(18,874)	4,459	–	(14,415)	(5,734)
Balance at 31 December 2016	933,571	(1,759,013)	14,088	(811,354)	69,330

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(a) Trinidad and Tobago plans (continued)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2017	**2016**
Local equities – quoted	32%	33%
Local bonds	40%	37%
Foreign investments	21%	15%
Real estate/mortgages	2%	2%
Short-term securities	5%	13%

Principal actuarial assumptions at the reporting date:

	2017	2016
Discount rate at 31 December	5.0%	5.0%
Future salary increases	3.0%	3.0%
Future medical claims inflation	3.0%	3.0%

Shown below is a quantitative sensitivity analysis for the impact of significant assumptions on the defined benefit obligation:

Assumptions	**Discount rate**		**Future salary increases**		**Future medical claims inflation**	
Sensitivity level	**+1%**	**-1%**	**+1%**	**-1%**	**+1%**	**-1%**
At 31 December 2017	(126,105)	159,583	43,878	(38,482)	4,132	(3,315)
At 31 December 2016	(117,683)	149,292	36,728	(32,504)	5,496	(4,457)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(a) Trinidad and Tobago plans (continued)

The pension plan is maintained at a significant surplus. The Group has chosen not to take any contribution holidays to ensure the continued health of the plan in changing economic circumstances. The Group's contribution rate of 4% to 6% of pensionable salaries will continue into the foreseeable future.

The Group is expected to contribute $16,232 to its defined benefit plans and $3,881 to its post-employment Trinidad and Tobago benefit plans in 2018.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years (2016: 16 years) for the defined benefit pension plan and 11 years (2016: 10 years) for other post-employment benefit plans.

(b) Overseas plans

The amounts recognised in the consolidated statement of financial position are as follows:

Defined benefit pension plans			Other post - employment benefits	
2016	**2017**		**2017**	**2016**
114,776	208,962	Present value of obligations	25,351	17,471
(158,173)	(271,536)	Fair value of plan assets	–	–
(43,397)	(62,574)	Benefit (surplus)/deficit	25,351	17,471
–	7,812	Unrecognised portion	–	–
(43,397)	(54,762)		25,351	17,471

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(b) Overseas plans (continued)

Based on the report of the Pension Plans' actuary, the present value of any economic benefits available in the form of reductions in future contributions to the defined benefit plans has been limited in accordance with IAS 19, 'Employee Benefits'.

Return on plan assets:

2016	2017		2017	2016
(2,338)	21,616	Actual return on plan assets	–	–

Movements in the net (asset)/liability recognised in the consolidated statement of financial position are as follows:

Defined benefit pension plans			Other post - employment benefits	
2016	**2017**		**2017**	**2016**
(40,945)	(43,397)	Net (asset)/liability at 1 January	17,471	16,774
–	(13,179)	Acquired in business combination	7,193	–
(1,585)	(1,718)	Net (income)/expense recognised in the consolidated statement of income	3,452	2,076
2,659	5,760	Net (income)/expense recognised in the consolidated statement of comprehensive income	(1,877)	(1,587)
(3,526)	(2,228)	Contributions/benefits paid	(888)	208
(43,397)	(54,762)		25,351	17,471

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(b) Overseas plans (continued)

Changes in the defined benefit obligation, fair value of plan assets and movements in other post-employment benefit plans:

	Defined benefit obligation	**Fair value of plan assets**	**Unrecognised portion**	**Defined benefit pension plans**	**Other post-employment benefits**
Balance at 1 January 2017	114,776	(158,173)	–	(43,397)	17,471
Acquired in business	81,950	(98,576)	3,447	(13,179)	7,193
Pension cost charged to profit or loss					
Current service cost	2,694	–	–	2,694	1,312
Past service cost	–	–	–	–	264
Net interest loss/(gain)	13,740	(18,065)	–	(4,325)	1,832
Net exchange loss/(gain)	288	(375)	–	(87)	44
Sub-total included in profit or loss	16,722	(18,440)	–	(1,718)	3,452
Re-measurement (gain)/loss in OCI					
Experience gains - demographic	4,946	–	–	4,946	(1,877)
Experience gains - financial	–	(3,551)	–	(3,551)	–
Changes in asset ceiling	–	–	4,365	4,365	–
Sub-total included in OCI	4,946	(3,551)	4,365	5,760	(1,877)
Other movements					
Contributions by employee	1,865	(1,865)	–	–	–
Contributions by employer	–	(2,271)	–	(2,271)	–
Other movements	43	–	–	43	–
Benefits paid	(11,340)	11,340	–	–	(888)
Sub-total - other movements	(9,432)	7,204	–	(2,228)	(888)
Balance at 31 December 2017	208,962	(271,536)	7,812	(54,762)	25,351

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(b) Overseas plans (continued)

Changes in the defined benefit obligation, fair value of plan assets and movements in other post-employment benefit plans:

	Defined benefit obligation	Fair value of plan assets	Unrecognised portion	Defined benefit pension plans	Other post-employment benefits
Balance at 1 January 2016	108,375	(149,320)	–	(40,945)	16,774
Pension cost charged to profit or loss					
Current service cost	1,548	–	–	1,548	889
Past service cost	–	–	–	–	895
Net interest loss/(gain)	8,349	(11,433)	–	(3,084)	1,347
Net exchange (gain)/loss	(398)	349	–	(49)	(1,055)
Sub-total included in profit or loss	9,499	(11,084)	–	(1,585)	2,076
Re-measurement (gain)/loss in OCI					
Experience gain - demographic	(3,241)	–	–	(3,241)	(1,587)
Experience loss - financial	–	5,900	–	5,900	–
Sub-total included in OCI	(3,241)	5,900	–	2,659	(1,587)
Other movements					
Contributions by employee	1,154	(1,154)	–	–	–
Contributions by employer	–	(1,976)	–	(1,976)	–
Other movements	5,858	(7,408)	–	(1,550)	847
Benefits paid	(6,869)	6,869	–	–	(639)
Sub-total - other movements	143	(3,669)	–	(3,526)	208
Balance at 31 December 2016	114,776	(158,173)	–	(43,397)	17,471

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(b) Overseas plans (continued)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2017	**2016**
Fixed deposits	6%	1%
Local equities - quoted	53%	53%
Bonds	41%	46%

Principal actuarial assumptions at the reporting date:

Discount rate at 31 December	7.50%	7.50%
Future salary increases	5.50%	5.50%
Future medical claims inflation	4.75%	4.75%

Shown below is a quantitative sensitivity analysis for the impact of significant assumptions on the defined benefit obligation:

Assumptions	**Discount rate**		**Future salary increases**		**Future medical claims inflation**	
Sensitivity level	**+1%**	**-1%**	**+1%**	**-1%**	**+1%**	**-1%**
At 31 December 2017	(22,215)	27,385	9,091	(8,348)	4,405	(3,516)
At 31 December 2016	(12,409)	14,220	5,135	(5,113)	3,029	(2,413)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(Expressed in Thousands of Trinidad and Tobago dollars)

11. EMPLOYEE BENEFITS (continued)

(b) Overseas plans (continued)

The pension plan is maintained at a significant surplus. The Group has chosen not to take any contribution holidays to ensure the continued health of the plan in changing economic circumstances. The Group's contribution rate of up to 5% of pensionable salaries will continue into the foreseeable future.

The Group is expected to contribute $2,477 to its defined benefit plans and $686 to its post-employment Trinidad and Tobago benefit plans in 2018.

The average duration of the defined benefit obligation at the end of the reporting period is 17 years (2016: 13 years) for the defined benefit plan and 25 years (2016: 17 years) for the other post-employment benefits.

12. INVENTORIES

	2017	**2016**
Finished goods	788,776	848,054
Raw materials and work in progress	170,414	132,603
Goods in transit	126,652	174,469
Consumables and spares	53,930	53,544
	1,139,772	1,208,670

The amount of inventories written back to cost of sales for the year amounted to $15,260 (2016: $151 - write off).

(Expressed in Thousands of Trinidad and Tobago dollars)

13. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade (net of provision)	720,551	582,234
Due from associates and joint venture interests (Note 32)	5,902	4,484
Due from other related parties (Note 32)	2,404	2,962
Prepayments	46,730	77,075
Interest receivable	32,242	29,241
Insurance receivable	30,227	34,109
VAT recoverable	32,604	33,723
Taxation recoverable	18,912	28,795
Other receivables	124,255	114,247
	1,013,827	906,870

Trade receivables valued at $93,639 (2016: $85,013) were impaired and fully provided for. The creation and release of provision for impaired receivables are included in Note 22. Movements in the provision for impairment of trade receivables were as follows:

	2017	2016
Balance at 1 January	85,013	83,896
Acquired in business combination	7,180	–
Charge for the year (Note 22)	24,543	16,633
Recoveries and reversals	(23,097)	(15,516)
Balance at 31 December	93,639	85,013

(Expressed in Thousands of Trinidad and Tobago dollars)

13. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired	
	Total	**Neither past due nor impaired**	**1 to 60 days**	**Over 60 days**
2017	720,551	378,429	241,773	100,349
2016	582,234	343,057	178,756	60,421

14. CASH AND SHORT TERM DEPOSITS

	2017	**2016**
Cash and bank balances	1,476,367	841,650
Short term deposits	568,930	950,475
Fixed deposits	110,897	124,947
	2,156,194	1,917,072

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months and earns interest at the respective short-term deposit rates. Fixed deposits carry maturity periods in excess of three months but within twelve months.

(Expressed in Thousands of Trinidad and Tobago dollars)

14. CASH AND SHORT TERM DEPOSITS (continued)

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are derived as follows:

	2017	2016
Cash and short term deposits	2,156,194	1,917,072
Less: Central Bank reserve	(75,570)	(108,121)
Short term borrowings (Note 17)	(13,600)	(326)
Fixed deposits	(110,897)	(124,947)
	1,956,127	1,683,678

Central Bank reserve:

The Central Bank Reserve balance represents the amounts held at the Central Bank of Trinidad and Tobago and the Central Bank of Barbados as required under the respective regulatory pronouncements. The Central Bank of Trinidad and Tobago reserve account represents 9% of average liabilities and is non-interest bearing. The Central Bank of Barbados reserve account represents 5% of average deposit liabilities and earned interest of 0.10% (2016: 0.10%).

These funds are not available to finance day to day operations and as such are excluded from the cash reserves to arrive at cash and cash equivalents.

(Expressed in Thousands of Trinidad and Tobago dollars)

15. STATED CAPITAL AND OTHER RESERVES

	2017	2016
Authorised		
Unlimited cumulative preference shares of no par value		
Unlimited ordinary shares of no par value		
Issued and fully paid		
1,630 6% cumulative preference shares of no par value	163	163
176,192,841 (2016: 176,192,841) ordinary shares of no par value converted into ordinary stock transferable in units of no par value	175,153	175,153
	175,316	175,316

	# of units Thousands	$
At 1 January 2016	176,192	175,142
Value of equity settled share based compensation	–	11
Stock options exercised during the year	–	–
At 31 December 2016	176,192	175,153
Value of equity settled share based compensation	–	–
Stock options exercised during the year	–	–
At 31 December 2017	176,192	175,153

15. STATED CAPITAL AND OTHER RESERVES (continued)

Treasury shares

The number and value of own equity shares (treasury shares) held by the Group is:

	2017	**2016**
Treasury shares		
- Number of shares (000's)	3,831	3,812
Value of shares (cost - $000's)	15,137	14,042

As detailed in Note 2 (xxiv), the Group operates an Employee Share Ownership Plan (ESOP) in which shares purchased by the Plan are vested in the name of the Trustee. The cost of these unallocated ESOP shares are accounted for and disclosed within equity as treasury shares.

Participation in the Plan is entirely voluntary and details are as follows:

	2017	**2016**
Number of members	463	471
Number of allocated shares (000's)	1,959	1,865
Market value of allocated shares held at 31 December ($000's)	123,408	124,023

(Expressed in Thousands of Trinidad and Tobago dollars)

15. STATED CAPITAL AND OTHER RESERVES (continued)

Other reserves

	Attributable to equity holders of the Parent				
	Statutory reserve fund	**Statutory surplus reserve**	**General loan loss reserve**	**Foreign currency & other**	**Total**
Balance, 1 January 2016	194,661	57,327	5,800	58,067	315,855
Total other comprehensive income for the year	1,617	–	38	24,955	26,610
Transfers and other movements	15,395	–	310	(35,228)	(19,523)
Balance, 31 December 2016	211,673	57,327	6,148	47,794	322,942
Total other comprehensive income for the year	–	–	–	2,129	2,129
Transfers and other movements	14,330	5,894	142	–	20,366
Balance, 31 December 2017	226,003	63,221	6,290	49,923	345,437

Nature and purpose of other reserves

Statutory reserve fund

The Financial Institutions Act in the respective jurisdiction of the Group's Merchant Banking subsidiaries, requires that not less than 10% of the net profit of the Bank after deduction of taxes in each year be transferred to a statutory reserve fund until the balance standing to the credit of this reserve is equal to the paid up capital of the Merchant Bank.

Statutory surplus reserve

As required by Section 171 of the Insurance Act 1980 of Trinidad and Tobago at least 25% of the Insurance subsidiary's profit from general insurance business, for the preceding year is to be appropriated towards a statutory surplus reserve until such surplus equals or exceeds the reserves in respect of its outstanding unexpired policies. This reserve is not distributable.

(Expressed in Thousands of Trinidad and Tobago dollars)

15. STATED CAPITAL AND OTHER RESERVES (continued)

General loan loss reserve

The Group's Merchant Banking subsidiary has established a general reserve for loan losses in accordance with the guidelines issued by the Central Bank of Trinidad and Tobago. The reserve has been calculated at 0.5% of the loan balance at the year end and encompasses hire purchase loans, finance leases and premium financing loans after deducting unearned finance charges. This reserve has been accounted for as an appropriation of retained earnings and is included in other reserves in the consolidated statement of changes in equity.

Foreign currency reserve

The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries into Trinidad and Tobago dollars (the Group's presentation currency).

16 CUSTOMERS' DEPOSITS AND OTHER FUNDING INSTRUMENTS

Sectoral analysis is as follows:

	2017	**2016**
Amounts due:		
Within 1 year	1,840,030	1,894,505
Over 1 year	329,480	364,084
	2,169,510	2,258,589

This balance represents deposit liabilities and other funding instruments included in the financial statements of the various subsidiary companies that are financial institutions.

(Expressed in Thousands of Trinidad and Tobago dollars)

16 CUSTOMERS' DEPOSITS AND OTHER FUNDING INSTRUMENTS (continued)

	2017	2016
Individuals	1,160,257	1,134,002
Pension funds/Credit unions/Trustees	415,008	461,959
Private companies/estates/financial institutions	594,245	662,628
	2,169,510	2,258,589

Customers' deposits and other funding instruments include investment contract liabilities of $234,502 (2016: $224,935). These investment contract liabilities have neither reinsurance arrangements nor discretionary participation features.

17. MEDIUM AND LONG TERM NOTES AND OTHER BORROWINGS

	2017	2016
Amounts due:		
Within 1 year	131,207	377
Over 1 year	948,127	848,717
	1,079,334	849,094

Comprise of:		
- Medium and long term notes - non-current portion	948,127	848,563
- Medium and long term notes - current portion	117,352	–
- Short term borrowings (Note 14)	13,600	326
- Other interest bearing debt	255	205
	1,079,334	849,094

(Expressed in Thousands of Trinidad and Tobago dollars)

17. MEDIUM AND LONG TERM NOTES AND OTHER BORROWINGS (continued)

Medium and long term notes

Notes issued by the Group's Merchant Banking Subsidiary
On 2 August 2011, the Group's Merchant Banking Subsidiary ("the Bank") issued US$50 million medium-term notes in three tranches, two of which matured in 2014 and in 2016. The remaining US$15 million which represents the last tranche will mature in 2018. Interest is fixed at 5.20% for Tranche 3. In September 2015, the Bank issued an additional US$30 million medium-term note maturing on 17 September 2021. Interest was set at a fixed rate of 4% per annum.

In November 2014, the Bank issued a TT$250 million medium-term note maturing on 28 November 2022. Interest was set at a fixed rate of 3.35% per annum. An additional TT$350 million medium-term note was issued on 5 June 2015 also maturing 28 November 2018, with the interest set at a fixed rate of 3.75% per annum. On 3 October 2016, the Bank issued TT$100.8 million promissory notes in three tranches of TT$33.6 million each which were repaid on 23 June 2017.

Loan to finance acquisition
The purpose of this loan was to finance the acquisition of Lewis Berger Overseas Holdings Limited and the Berger brands. This loan was issued for a face value of US$40 million on 26 April 2017 and matures on 26 April 2024. Interest is fixed at 4.62%. This loan is repayable via 14 semi-annual instalments of principal and interest. One instalment, amounting to US$3.7 million was paid during the year. The current portion of this amounting to TT$15.9 million is included in the current portion of medium and long term notes, as disclosed in Note 17.

Short term borrowings

This relates to bank overdrafts and short term debt.

Other interest bearing debt

This relates to lease financing acquired from third parties in Jamaica.

18. INSURANCE CONTRACT LIABILITIES

	2017	2016
Due within one year:		
General insurance contracts	340,621	349,526
Life insurance contracts – outstanding claims	25,144	31,736
	365,765	381,262
Due over one year:		
Life insurance contracts	1,074,882	980,070
	1,440,647	1,361,332

(Expressed in Thousands of Trinidad and Tobago dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

	Notes	2017 Insurance contract liabilities	2017 Reinsurers' share of liabilities *(Note 9)*	2017 Net	2016 Insurance contract liabilities	2016 Reinsurers' share of liabilities *(Note 9)*	2016 Net
Life insurance contracts	19 (a)	1,100,026	(19,842)	1,080,184	1,011,806	(17,356)	994,450
General insurance contracts	19 (b)	340,621	(155,283)	185,338	349,526	(165,150)	184,376
Total insurance contract liabilities		1,440,647	(175,125)	1,265,522	1,361,332	(182,506)	1,178,826

a) Life insurance contract liabilities may be analysed as follows:

	2017 Insurance contract liabilities	2017 Reinsurers' share of liabilities	2017 Net	2016 Insurance contract liabilities	2016 Reinsurers' share of liabilities	2016 Net
With DPF	227,152	–	227,152	227,964	–	227,964
Without DPF	847,730	(19,842)	827,888	752,106	(17,356)	734,750
	1,074,882	(19,842)	1,055,040	980,070	(17,356)	962,714
Outstanding claims	25,144	–	25,144	31,736	–	31,736
Total life insurance contract liabilities	1,100,026	(19,842)	1,080,184	1,011,806	(17,356)	994,450

(Expressed in Thousands of Trinidad and Tobago dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)	**2017** Insurance contract liabilities	**2017** Reinsurers' share of liabilities	**2017** Net	**2016** Insurance contract liabilities	**2016** Reinsurers' share of liabilities	**2016** Net
At 1 January	1,011,806	(17,356)	994,450	966,516	(12,049)	954,467
Premiums received	221,584	(13,677)	207,907	130,472	(12,711)	117,761
Liabilities realised for payment on death, surrender and other terminations in the year	(133,364)	11,191	(122,173)	(85,182)	7,404	(77,778)
At 31 December	1,100,026	(19,842)	1,080,184	1,011,806	(17,356)	994,450

b) General insurance contract liabilities may be analysed as follows:

i) Claims reported and IBNR

	2017 Insurance contract liabilities	2017 Reinsurers' share of liabilities	2017 Net	2016 Insurance contract liabilities	2016 Reinsurers' share of liabilities	2016 Net
Claims reported and IBNR	198,311	(112,269)	86,042	211,714	(119,105)	92,609
Provisions for unearned premiums and unexpired notes	142,310	(43,014)	99,296	137,812	(46,045)	91,767
Total at end of year	340,621	(155,283)	185,338	349,526	(165,150)	184,376
Provisions for claims reported by policy holders	169,449	(95,284)	74,165	172,834	(88,933)	83,901
Provisions for claims incurred but not reported (IBNR)	42,265	(23,821)	18,444	42,648	(22,254)	20,394
	211,714	(119,105)	92,609	215,482	(111,187)	104,295
Cash paid for claims settled in the year	(129,246)	28,150	(101,096)	(113,909)	22,071	(91,838)
Increase in liabilities	115,843	(21,314)	94,529	110,141	(29,989)	80,152
Total at end of year	198,311	(112,269)	86,042	211,714	(119,105)	92,609

(Expressed in Thousands of Trinidad and Tobago dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

(b) General insurance contract liabilities may be analysed as follows (continued)**:**

i) Claims reported and IBNR (continued)

	2017			2016		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
Provision for claims reported by policy holders	159,374	(89,947)	69,427	169,449	(95,285)	74,164
Provision for claims incurred but not reported (IBNR)	38,937	(22,322)	16,615	42,265	(23,820)	18,445
	198,311	(112,269)	86,042	211,714	(119,105)	92,609

(Expressed in Thousands of Trinidad and Tobago dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

Provisions for unearned premiums and unexpired risk

	2017			2016		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
Provisions for unearned premiums	122,526	(40,929)	81,597	126,615	(43,419)	83,196
Provision for unexpired risk	15,286	(5,116)	10,170	15,658	(5,427)	10,231
	137,812	(46,045)	91,767	142,273	(48,846)	93,427
Increase/(decrease) in the period	351,551	(153,360)	198,191	360,275	(178,852)	181,423
Release in the period	(347,053)	156,391	(190,662)	(364,736)	181,653	(183,083)
Total at end of year	142,310	(43,014)	99,296	137,812	(46,045)	91,767
Provision for unearned premiums	126,524	(38,234)	88,290	122,526	(40,929)	81,597
Provision for unexpired risk	15,786	(4,780)	11,006	15,286	(5,116)	10,170
	142,310	(43,014)	99,296	137,812	(46,045)	91,767

(Expressed in Thousands of Trinidad and Tobago dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

Claims development table

The risks associated with these insurance contracts and in particular, casualty insurance contracts, are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group has no known or reported latent claims such as disease or asbestosis and therefore no actuarial analysis is made. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each underwriting year has changed at successive year ends.

Underwriting year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Estimate of outstanding claims costs (gross):							
- at end of accident year	96,585	91,281	92,421	157,401	120,579	118,616	–
- one year later	100,288	94,982	96,461	169,457	126,999	–	–
- two years later	102,935	97,232	92,333	164,935	–	–	–
- three years later	102,778	94,749	91,152	–	–	–	–
- four years later	97,000	96,502	–	–	–	–	–
- five years later	113,316	–	–	–	–	–	–
Current estimate of cumulative claims	113,316	96,502	91,152	164,935	126,999	118,616	711,520
Cumulative payments to date	(95,570)	(86,339)	(82,366)	(96,905)	(108,875)	(81,014)	(551,069)
Liability recognised in the consolidated statement of financial position	17,746	10,163	8,786	68,030	18,124	37,602	160,451
Total liability in respect of prior years							37,860
Total liability included in the consolidated statement of financial position							198,311

It is impractical to prepare information related to claims development that occurred prior to the 2010 underwriting year.

(Expressed in Thousands of Trinidad and Tobago dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

Claims development table (continued)

The risks associated with these insurance contracts and in particular, casualty insurance contracts, are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. This table shows gross claims expenses by underwriting year over a six year period. We have made the assumption that all Health claims are settled within three months after reported and therefore this does not result in any long outstanding claims liabilities.

Insurance claims - net

Underwriting year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Estimate of outstanding claims costs (net):							
- at end of accident year	77,698	73,573	75,408	77,882	89,913	89,765	–
- one year later	82,982	78,636	79,779	83,604	97,417	–	–
- two years later	84,976	80,685	76,761	83,168	–	–	–
- three years later	86,123	77,958	76,087	–	–	–	–
- four years later	81,033	79,336	–	–	–	–	–
- five years later	94,395	–	–	–	–	–	–
Current estimate of cumulative claims	94,395	79,336	76,087	83,168	97,417	89,765	520,168
Cumulative payments to date	(80,042)	(72,881)	(68,653)	(73,340)	(83,936)	(70,813)	(449,665)
	14,353	6,455	7,434	9,828	13,481	18,952	70,503
Liability recognised in the consolidated statement of financial position							15,539
Total liability in respect of prior years							86,042
Total liability included in the consolidated statement of financial position							

19. INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES

(a) Life insurance contracts and investment contracts

Terms and conditions

Insurance subsidiaries in the Group offer a combination of individual life, pension, annuity and group life contracts with and without discretionary participation features. These contracts are determined by actuaries and all subsequent valuation assumptions are determined by independent consulting actuaries.

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to both life insurance contracts and investment contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Assumptions are determined as appropriate and prudent estimates are made at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

For insurance contracts, estimates are made in two stages. Firstly, at inception of the contract, the Group determines the assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Secondly, at the end of each reporting period, new estimates are developed to determine whether the liabilities are appropriate in light of the latest current estimates.

For investment contracts, assumptions used to determine the liabilities are also updated at the end of each reporting period to reflect latest estimates.

19. INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Life insurance contracts and investment contracts (continued)

Key assumptions (continued)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates
Assumptions are based on underlying experience as well as standard industry mortality tables, according to the type of contract written. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected future mortality improvements. Assumptions are differentiated by sex, underwriting class and contract type.

Mortality rates higher than expected will lead to a larger number of insurance claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

Investment return
The weighted average rate of return is derived from a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

Expenses
Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

Lapse and surrender rates
Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and changes in policyholders' circumstances.

(Expressed in Thousands of Trinidad and Tobago dollars)

19. INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Life insurance contracts and investment contracts (continued)

Key assumptions (continued)

Lapse and surrender rates (continued)
The impact of a decrease in lapse rates at early duration of the policy would tend to reduce profits for the shareholders but lapse rates at later policy durations is broadly neutral in effect.

Sensitivities

The table below illustrates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process. It demonstrates the effect of changes in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumption changes had to be done on an individual basis. It should also be stressed that these assumptions are nonlinear and larger or smaller impacts cannot easily be gleaned from these results.

Assumption change	**Required increase in insurance contract liabilities**	
	2017	**2016**
2% Increase in mortality	7,200	6,100
5% Increase in expenses	9,000	9,300
10% Change in lapse rates	7,700	7,900
1% Decrease in investment earnings	125,100	118,100

19. INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (continued)

(b) General insurance contracts

Terms and conditions

The major classes of general insurance written by insurance subsidiaries in the Group include motor, property, casualty, marine, general accident and other miscellaneous types of general insurance. Risks under these policies usually cover a 12 month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of reporting period.

The provisions are refined as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

Assumptions

The principal assumption underlying the estimates is the Group’s past claims development experience. This includes assumptions in respect of average costs and claim numbers for each accident year. Claims provisions are separately analysed by geographical area and class of business. In addition, larger claims are usually separately assessed by loss adjusters. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates, as well as testing reported claims subsequent to the end of reporting period.

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process and other factors is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the end of the reporting period.

(Expressed in Thousands of Trinidad and Tobago dollars)

19. INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES (continued)

(b) General insurance contracts (continued)

Sensitivities

The general insurance provision is sensitive to the above key assumptions. The process and other factors is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement the outstanding claims provisions are not known with certainty at the end of the reporting date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent consolidated financial statements.

20. TRADE AND OTHER PAYABLES

	2017	2016
Trade	451,196	441,702
Due to associates and joint venture interests (Note 32)	3,709	5,123
Due to other related parties (Note 32)	559	1,668
Due to statutory authorities	70,960	58,243
Client funds	31,635	42,905
Accruals	215,196	243,398
Other payables	223,588	242,801
	996,843	1,035,840

21. SEGMENT INFORMATION

For management purposes, the Group's operating segments are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products.

The manufacturing, packaging and brewing segment is a diversified supplier of beverage, glass, chemicals and paint products. The automotive, trading and distribution segment provides services in passenger vehicles, spare parts and household/consumer products. The insurance and financial services segment provides services relating to life and general insurance, asset financing and merchant banking. The media, retail, services and parent company segment includes print, radio, television, retail, shipping and corporate services. Transfer prices amongst operating segments are set on an arm's length basis under normal commercial terms and conditions, similar to transactions with unrelated third parties. Segment revenue, expenses and results include transfers amongst operating segments. Those transfers are eliminated upon consolidation.

The Group's Executive Committee monitors the operating result of its business units and operating segments for the purpose of making decisions about resource allocations and performance assessments.

(Expressed in Thousands of Trinidad and Tobago dollars)

21. SEGMENT INFORMATION (continued)

	Manufacturing, packaging and brewing		**Automotive, trading & distribution**		**Insurance & financial services**		**Media, retail, services & parent company**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue										
Total gross revenue	2,676,666	2,415,675	2,549,560	2,662,094	873,548	816,510	1,037,285	1,056,912	7,137,059	6,951,191
Inter-segment	(255,693)	(255,064)	(43,103)	(58,056)	(32,821)	(49,667)	(560,960)	(587,794)	(892,577)	(950,581)
Third party revenue	2,420,973	2,160,611	2,506,457	2,604,038	840,727	766,843	476,325	469,118	6,244,482	6,000,610
Results										
Finance costs	9,416	677	3,838	3,519	35,069	36,372	1,211	925	49,534	41,493
Depreciation and amortisation	242,791	208,293	25,492	23,675	37,622	39,498	31,628	31,538	337,533	303,004
Impairment	–	–	(205)	–	–	(6,097)	–	–	(205)	(6,097)
Reportable segment profit before taxation	443,891	454,614	125,067	192,424	309,539	330,772	89,218	129,475	967,715	1,107,285
Taxation expense	170,471	162,121	47,974	55,901	81,284	70,741	20,032	15,414	319,761	304,177
Share of results of associates and joint venture interests	–	–	–	–	–	–	26,751	32,933	26,751	32,933
Total assets include:									–	
Reportable segment assets	3,157,697	2,627,088	1,473,825	1,736,693	6,400,010	6,523,481	3,318,179	2,982,391	14,349,711	13,869,653
Investment in associates and joint venture interests	–	–	–	–	–	–	159,372	147,063	159,372	147,063
Capital expenditure	239,158	226,714	68,815	40,122	77,013	60,945	69,504	67,232	454,490	395,013
Liabilities										
Reportable segment liabilities	1,000,727	728,977	468,964	459,214	4,764,133	4,767,327	255,226	329,346	6,489,050	6,284,864

(Expressed in Thousands of Trinidad and Tobago dollars)

21. SEGMENT INFORMATION (continued)

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2017 or 2016.

Geographical information

	Trinidad & Tobago		Barbados		Other countries		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Third party revenue	4,716,810	4,572,452	862,646	893,535	665,026	534,623	6,244,482	6,000,610
Non-current assets	2,202,133	1,983,410	324,404	451,069	382,739	306,203	2,909,276	2,740,682

Other countries include Grenada, Guyana, St. Lucia, St. Kitts and Nevis, Jamaica and the USA. The revenue information is based on the relevant subsidiaries' principal place of business.

Non-current assets include property, plant and equipment, investment properties, intangible assets and investment in associates and joint venture interests.

(Expressed in Thousands of Trinidad and Tobago dollars)

22. OPERATING PROFIT

	2017	2016
Revenue		
Sale of goods	5,274,167	5,071,681
Rendering of		
- Net insurance	365,337	272,284
- Finance charges, loan fees and other interest income	197,993	190,266
- Other services	406,985	466,379
Total revenue	6,244,482	6,000,610
Cost of sales	(3,804,624)	(3,698,313)
Gross profit	2,439,858	2,302,297
Other income (see below)	361,473	392,845
Net gain/(loss) on disposal of property, plant and equipment and investment	3,281	(4,490)
Staff costs	(653,957)	(608,746)
(Impairment)/ reversal of impairment on investment securities, property, plant and equipment and associates	(205)	6,097
Impairment on trade and other receivables (Note 13)	(24,543)	(16,633)
Impairment on loans, advances and other assets (Note 9)	(15,760)	(12,611)
Depreciation and amortisation	(106,623)	(102,795)
Administrative and distribution costs	(744,815)	(666,667)
Other general costs	(268,211)	(173,452)
Operating profit	990,498	1,115,845

Depreciation and amortisation included in cost of sales above amounts to $230,910 (2016: $200,209).

(Expressed in Thousands of Trinidad and Tobago dollars)

22. OPERATING PROFIT (continued)

The components of other income are as follows:

	2017	**2016**
Interest and investment income	158,394	127,695
Net exchange gains	43,515	99,469
Miscellaneous income	98,952	96,301
Rental income	25,653	32,620
Dividend income	16,380	17,745
Management and service fees	13,301	13,035
Commission income	4,038	4,161
Promotional income	1,240	1,819
	361,473	392,845

23. FINANCE COSTS

Interest on medium and long term notes and other borrowings	43,505	36,093
Interest on overdrafts and other finance costs	6,029	5,400
	49,534	41,493

24. TAXATION EXPENSE

Consolidated statement of income

Current year provision	266,422	238,334
Green fund levy	22,117	19,131
Adjustments to prior year tax provisions	6,703	663
Deferred tax expense (Note 10)	24,519	46,049
Income tax expense reported in the consolidated statement of income	319,761	304,177

(Expressed in Thousands of Trinidad and Tobago dollars)

24. TAXATION EXPENSE (continued)

	2017	2016
Consolidated statement of comprehensive income		
Deferred tax relating to items recognised in OCI during the year:		
Income tax effect of re-measurement losses on defined benefit plans (Note 10)	1,616	12,326

The provision for income tax is as follows:

	2017	2016
Current year provision and green fund levy:		
Trinidad and Tobago	244,348	219,032
Other countries	44,191	38,433
	288,539	257,465
Adjustments to prior year tax provisions:		
Trinidad and Tobago	6,703	573
Other countries	–	90
	6,703	663
Deferred taxes:		
Trinidad and Tobago	17,430	46,265
Other countries	7,089	(216)
	24,519	46,049

(Expressed in Thousands of Trinidad and Tobago dollars)

24. TAXATION EXPENSE (continued)

The following items represent the principal differences between income taxes computed at the aggregate statutory tax rates of all jurisdictions and the tax reported in the consolidated statement of income:

	2017	2016
Taxes at aggregate statutory tax rates of all jurisdictions:		
Trinidad and Tobago	261,016	239,305
Other countries	40,544	46,092
	301,560	285,397
Differences resulting from:		
Exempt income	(26,698)	(43,113)
Allowances	1,694	(6,701)
Adjustments to prior year tax provisions	6,702	663
Adjustment to statutory tax rate (Note 10)	12,896	38,775
Tax losses utilised	–	(758)
Non-allowable expenses	(1,368)	12,627
Green fund and business levy	27,955	23,798
Other permanent differences	(2,980)	(6,511)
	319,761	304,177

25. EARNINGS PER SHARE

Basic earnings per share is computed by relating profit attributable to ordinary shareholders of the Parent (net of preference dividends) to the weighted average number of ordinary share units outstanding during the year. The weighted average number of shares has been adjusted for the removal of treasury shares.

Diluted earnings per share is computed by relating profit attributable to ordinary shareholders of the Parent to the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potential dilutive ordinary shares into issued ordinary shares.

25. EARNINGS PER SHARE

	2017	2016
Profit attributable to ordinary shareholders of the Parent (net of preference dividend) ($000's)	543,578	691,310
	Thousands of units	**Thousands of units**
Weighted average number of ordinary shares in issue (000's) –	172,362	172,381
Effect of dilution of share options	–	2
Weighted average number of ordinary shares in issue (000's) –	172,362	172,383
Basic earnings per share ($ per share)	$3.15	$4.01
Diluted earnings per share ($ per share)	$3.15	$4.01

26. DIVIDENDS

	2017	2016
6% Cumulative preference	10	10
2017: 30c Interim ordinary – paid (2016: 30c)	51,730	51,688
2016: 120c Final ordinary – paid (2015: 110c)	206,919	189,494
	258,659	241,192

During the year ended 31 December 2017, an interim dividend of 30 cents per ordinary share (amounting to $51,730) was declared and paid. The 2016 final ordinary dividend of 120 cents per ordinary share (amounting to $206,919) has been included as a charge against retained earnings in the current year.

In addition, a final dividend of $120 cents (2016: 120 cents) per ordinary share in respect of 2016 has been declared by the Directors subsequent to year end. This 2017 final dividend amounting to $206,834 is not recorded as a liability as at 31 December 2017.

(Expressed in Thousands of Trinidad and Tobago dollars)

27. SHARE BASED TRANSACTIONS

In accordance with the Ordinary Resolution approved by members in the General Meeting dated 19 May 1988, 6,000,000 share units were allocated for share options under the control of the Board of Directors. Of that number, 4,688,305 were granted and exercised and 43,559 (2016: 73,299) have been granted but not yet exercised. In 2017, no options were exercised (2016:nil). The following table summarises the number and weighted average price of and movements in share options during the period:

	2017		2016	
	No. of options	**Weighted average exercise price per share $**	**No. of options**	**Weighted average exercise price per share $**
At 1 January	73,299	64.67	74,846	64.32
Granted	–	–	4,907	67.02
Expired	(29,740)	61.60	(6,454)	62.34
Exercised	–	–	–	–
At 31 December	43,559	66.58	73,299	64.67

Share options are granted to senior executives of the Group, and are settled by cash consideration. The exercise price of the granted options is equal to the market price of the shares at the grant date. Options are conditional on the Executives remaining in the Company's employ for periods ranging from a minimum of ten months to seven years after the date of issue. Thereafter, eligible executives have one year within which to exercise the option.

The table below summarises the share options that have been granted to Executives but have not been exercised at year end:

Tranche	Grant date	No. of options granted	Exercise price ($)	Fair value	Maturity date
19	25-Apr-14	10,708	66.65	55	30-Mar-17
20	6-Jun-14	16,913	66.65	72	30-May-17
21	30-Apr-15	13,529	66.35	56	30-Apr-18
22	8-May-16	2,409	67.02	11	8-May-19
		43,559			

(Expressed in Thousands of Trinidad and Tobago dollars)

27. SHARE BASED TRANSACTIONS (continued)

The expense for share options charged within administrative expenses for the year was $nil (2016: $11).

The fair value of the equity settled share options granted was estimated using the binomial model. The following summarises the key inputs to the model:

	2017	**2016**
Risk free rate	3.5% p.a.	3.5% p.a.
Dividend growth rate	0% p.a.	0% p.a.
Volatility	12% p.a., 3%	12% p.a., 3%

Expected volatility was based on the amount by which the share price was expected to fluctuate during the period and has not changed from year.

28. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

		2017	**2016**
(i)	Guarantees, bills discounted, performance and customs bonds, acceptances and other contingencies	151,191	120,239

(ii) Litigation
In the ordinary course of business, certain subsidiaries became defendants in various legal claims and proceedings. Provisions have been established where necessary based on the professional advice received.

(iii)	Capital commitments	**2017**	**2016**
	Contracts for capital expenditure and other commitments not accounted for in these consolidated financial statements	51,668	58,054

(iv) Operating lease commitments - Group as lessor

The Group is involved in leases on motor vehicles, computer equipment and investment properties. These non-cancellable leases have remaining terms of up to 6 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(Expressed in Thousands of Trinidad and Tobago dollars)

28. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2017	**2016**
Within one year	68,056	67,024
After one year but less than five years	134,426	129,757
After five years	48,655	48,655
	251,137	245,436

29. FAIR VALUES

With the exception of insurance contracts which are specifically excluded under IFRS 7, the estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgment in interpreting market data and developing estimates. Consequently, the estimates made do not necessarily reflect the amounts that the Group could realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

The fair value information is based on information available to management as at the dates presented. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for the purposes of these consolidated financial statements and, therefore the current estimates of the fair value may be significantly different from the amounts presented herein.

(i) Short-term financial assets and liabilities

The carrying amounts of short-term financial assets and liabilities comprising the Group’s cash and short-term deposits, fixed deposits, short-term borrowings, the current portion of customers’ deposits and other funding instruments, current portion of medium and long term notes, trade and other receivables and trade and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

29. FAIR VALUES (continued)

(ii) Investment securities

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments), a process of iteration using the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

(iii) Loans and advances

The estimated fair value for performing loans is computed as the future cash flows discounted at the yield to maturity based on the carrying values as the inherent rates of interest in the portfolio as those rates approximate market conditions. When discounted, the cash flow values are substantially equal to the carrying value.

(iv) Medium and long term notes

The Group values the debt and asset backed securities using valuation models which use discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and liquidity discounts.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. FAIR VALUES (continued)

(v) Carrying amounts and fair values

The following table summarises the carrying amounts and the fair values of the Group's financial assets and liabilities:

Financial assets/liabilities	**Carrying amount 2017**	**Fair value 2017**	**Carrying amount 2016**	**Fair value 2016**
Investment securities	3,995,115	3,921,157	3,511,941	3,501,641
Medium and long term note	1,065,479	1,078,150	848,563	799,554

For all other financial assets and liabilities, the carrying value is considered a reasonable approximation of fair value.

(vi) Determination of fair value and fair value hierarchies

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. Refer also to Note 2 (xvi).

Level 1
Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. FAIR VALUES (continued)

(vi) Determination of fair value and fair value hierarchies (continued)

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2017:

	Level 1	Level 2	Level 3	Total
Investment securities designated at FVSI				
Equities	558,719	–	5,230	563,949
Government bonds	5,663	11,118	–	16,781
State owned company securities	21,876	54,931	–	76,807
Corporate bonds and debentures	145,474	26,214	–	171,688
	731,732	92,263	5,230	829,225
Investment securities designated at amortised cost for which fair values are disclosed				
Government bonds	40,603	494,897	102	535,602
State owned company securities	135,608	735,402	–	871,010
Corporate bonds and debentures	689,618	929,975	65,727	1,685,320
	865,829	2,160,274	65,829	3,091,932

All other financial instruments are classified as Level 2.

29. FAIR VALUES (continued)

(vi) Determination of fair value and fair value hierarchies (continued)

Description of significant unobservable inputs to valuation:

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**	**Sensitivity of the input to fair value**
Unquoted securities	Discounted cash flows	Rate of return	1.73% to 12.00%	2% increase/(decrease) in the rate of return would result in decrease/(increase) in fair value by $15,787/($13,499)

Transfers between Level 1 and Level 2

At each reporting date the Group assesses the fair value hierarchy of its financial instruments. A transfer between levels will occur when a financial instrument no longer meets the criteria in which the financial instrument is classified. There were no transfers between Level 1 and Level 2 in 2017 or 2016.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. FAIR VALUES (continued)

(vi) Determination of fair value and fair value hierarchies (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2016:

	Level 1	Level 2	Level 3	Total
Investment securities designated at FVSI				
Equities	656,523	–	1,158	657,681
Government bonds	7,383	22,748	–	30,131
State owned company securities	32,703	48,419	–	81,122
Corporate bonds and debentures	138,812	23,723	–	162,535
	835,421	94,890	1,158	931,469
Investment securities at amortised cost for which fair values are disclosed				
Government bonds	18,374	529,905	107	548,386
State owned company securities	79,598	577,568	101,480	758,646
Corporate bonds and debentures	324,988	810,379	127,773	1,263,140
	422,960	1,917,852	229,360	2,570,172

All other financial instruments are classified as Level 2.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. FAIR VALUES (continued)

(vi) Determination of fair value and fair value hierarchies (continued)

Movements in Level 3 financial instruments measured at fair value

	2017	2016
Assets		
Balance at 1 January	230,518	191,615
Gains recognised	7,250	4,329
Purchases	10,101	85,487
Transfers (out of)/into Level 3	(156,578)	36,922
Disposals	(20,232)	(87,835)
	71,059	230,518

30. RISK MANAGEMENT

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to credit risk, liquidity risk and market risk.

Board of Directors

The Board of Directors of the Group is responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Group in compliance with the policies approved by the Board of Directors.

30. RISK MANAGEMENT (continued)

Treasury management

The Group's Head Office employs a Treasury function which is responsible for managing the assets, liabilities and the overall financial structure of the Group. The Treasury function is also primarily responsible for the funding and liquidity risks of the Group.

Concentrations of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's procedures include specific monitoring controls to focus on the maintenance of a diversified portfolio.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group manages its interest rate exposure by offering fixed rates on its deposits over the respective term. The Group's long-term debt and borrowings consist primarily of fixed interest rate loans. On the lending side hire purchase loans are granted at fixed rates over specified periods. As the interest rates on both deposits and loans remain fixed over their lives, the risk of fluctuations in market conditions is mitigated.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the Group Treasury Department. The Group has assessed its financial assets and liabilities to determine the impact of a change in interest rates by 100 basis points, and has concluded that this change will not be material to the consolidated statement of income or consolidated statement of changes in equity of the Group.

30. RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses. The aggregate value of financial assets and liabilities by reporting currency are as follows:

(Expressed in Thousands of Trinidad and Tobago dollars)

30. RISK MANAGEMENT (continued)

Currency risk (continued)

Year ended 31 December 2017	**TTD**	**USD**	**ECD**	**BDS**	**EURO**	**OTHER**	**TOTAL**
ASSETS							
Cash and short term deposits	1,526,825	313,075	57,381	216,342	24,500	18,071	2,156,194
Investment securities	1,820,422	2,035,017	3,793	131,813	–	4,070	3,995,115
Loans, advances and other assets	1,406,624	222,746	–	437,327	–	–	2,066,697
Trade and other receivables	580,975	91,577	28,580	142,671	–	71,778	915,581
Total financial assets	5,334,846	2,662,415	89,754	928,153	24,500	93,919	9,133,587
LIABILITIES							
Short term borrowings	13,600	–	–	–	–	–	13,600
Customers' deposits and other funding instruments	1,140,738	523,291	–	505,481	–	–	2,169,510
Medium and long term notes and other borrowings	545,414	520,320	–	–	–	–	1,065,734
Trade and other payables	518,868	289,875	45,030	123,625	587	18,858	996,843
Total financial liabilities	2,218,620	1,333,486	45,030	629,106	587	18,858	4,245,687
Net currency risk exposure	–	1,328,929	44,724	299,047	23,913	75,061	–
Reasonably possible change in foreign exchange rate	–	5%	5%	5%	5%	5%	–
Effect on profit before tax	–	66,446	2,236	14,952	1,196	3,753	88,583

(Expressed in Thousands of Trinidad and Tobago dollars)

30. RISK MANAGEMENT (continued)

Currency risk (continued)

Year ended 31 December 2016	**TTD**	**USD**	**ECD**	**BDS**	**EURO**	**OTHER**	**TOTAL**
ASSETS							
Cash and short term deposits	1,171,131	452,350	87,179	160,668	34,462	11,282	1,917,072
Investment securities	1,808,938	1,550,784	1,147	147,002	–	4,070	3,511,941
Loans, advances and other assets	1,693,069	385,129	–	453,994	–	–	2,532,192
Trade and other receivables	460,978	113,770	32,306	137,246	–	22,977	767,277
Total financial assets	5,134,116	2,502,033	120,632	898,910	34,462	38,329	8,728,482
LIABILITIES							
Customers' deposits and other funding instruments	1,330,806	380,028	–	547,755	–	–	2,258,589
Medium and long term notes and other borrowings	545,531	303,563	–	–	–	–	849,094
Trade and other payables	477,087	363,223	46,779	135,803	1,540	11,408	1,035,840
Total financial liabilities	2,353,424	1,046,814	46,779	683,558	1,540	11,408	4,143,523
Net currency risk exposure	–	1,455,219	73,853	215,352	32,922	26,921	–
Reasonably possible change in foreign exchange rate	–	5%	5%	5%	5%	5%	–
Effect on profit before tax	–	72,761	3,693	10,768	1,646	1,346	90,214

30. RISK MANAGEMENT (continued)

Credit risk management

The Group takes on exposure to credit risk, which is the potential for loss due to a debtor, counter-party or borrower's failure to pay amounts when due. Credit risk arises from trading with third parties, traditional lending, underwriting and investing activity, and from settling payments between financial institutions. Impairment provisions are established for losses that have been incurred at the end of the reporting period. The Group extends credit to recognised, creditworthy third parties who are subject to credit verification procedures. Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided at the end of the reporting period. Management therefore carefully manages its exposure to credit risk.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/debtor, or group of borrowers/debtors, and to geographical and industry segments. Such risks are monitored on an ongoing basis, and limits on the levels of credit risk that the Group can engage in are approved by the Board of Directors. Exposure to credit risk is further managed through regular analysis of the ability of debtors and borrowers to settle outstanding balances, meet capital and interest repayment obligations and by changing these lending limits when appropriate. In addition, collateral, corporate, state and personal guarantees are obtained.

In relation to subsidiaries involved in the insurance business, reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as the primary underwriter. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The following table shows the maximum exposure to credit risk which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements attached. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

(Expressed in thousands of Trinidad and Tobago dollars)

30. RISK MANAGEMENT (continued)

Credit risk management (continued)

	Gross maximum exposure	
	2017	**2016**
Trade and other receivables	915,581	767,277
Cash and short term deposits (excluding Central Bank Reserve)	2,080,624	1,808,951
Loans, advances and other assets	2,066,697	2,532,192
Investment securities	3,431,166	2,854,260
Sub-total	8,494,068	7,962,680
Contingent liabilities	151,191	120,239
Total	8,645,259	8,082,919

The main types of collateral obtained are as follows:

- Hire purchase and leases – charges over auto vehicles, industrial, household and general equipment.
- Reverse repurchase transactions – cash and securities.
- Corporate loans – charges over real estate property, industrial equipment, inventory and trade receivables.
- Mortgage loans – mortgages over commercial and residential properties.

Cash and short-term deposits
These funds are placed with highly rated local banks and Central Banks within the Caribbean region where the Group operates. In addition cash is held by international financial institutions with which the Group has relationships as custodians or fund managers. All custodians and fund managers are highly rated by Moody’s and have been classified with a 'stable' outlook. Management therefore considers the risk of default of these counterparties to be very low.

Net investment in leased assets and other instalment loans, mortgages and policy loans
These leases and loans are individually insignificant. With the exception of Policy Loans, these facilities are typically secured by the related asset. Policy loans are lent to the maximum cash surrender value of the policy to which it relates, and therefore there is no risk of loss to the Group.

(Expressed in thousands of Trinidad and Tobago dollars)

30. RISK MANAGEMENT (continued)

Credit risk management (continued)

An aging analysis of these facilities is as follows:

		In Arrears				
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
2017						
Hire purchase	1,074,248	132,713	45,878	18,879	84,394	1,356,112
Finance leases	114,310	4,972	1,730	880	15,390	137,282
Mortgages and policy loans	167,162	19,603	–	–	–	186,765
Total	1,355,720	157,288	47,608	19,759	99,784	1,680,159
2016						
Hire purchase	1,072,229	132,937	42,200	20,757	45,071	1,313,194
Finance leases	144,252	12,750	2,966	1,676	1,630	163,274
Mortgages and policy loans	106,904	14,806	–	–	–	121,710
Total	1,323,385	160,493	45,166	22,433	46,701	1,598,178

(Expressed in thousands of Trinidad and Tobago dollars)

30. RISK MANAGEMENT (continued)

Credit risk management (continued)

Other loans and advances
The credit quality of certain loans and advances has been analysed into the following categories:

High grade	These facilities are current and have been serviced in accordance with the loan agreements. In addition, these loans are well secured typically by sovereign backed mortgages over properties in desirable locations, or shares in publicly traded companies on the local stock exchange. Also included in this category are loans with related parties which meet all of the above criteria.
Standard	These facilities are current and have been serviced in accordance with the loan agreements.
Special monitoring	These are loans that are typically not serviced on time, but are in arrears for less than 90 days. Payments are normally received after follow up with the client.
Sub-standard	These facilities are either greater than 90 days in arrears but are not considered to be impaired, or have been restructured in the past financial year.
Impaired	These facilities are non-performing.

	High grade	Standard	Special monitoring	Sub-standard	Impaired	Total
2017	105,747	42,152	30,830	5,158	97,080	280,967
2016	332,220	423,485	23,250	–	40,033	818,988

(Expressed in thousands of Trinidad and Tobago dollars)

30. RISK MANAGEMENT (continued)

Credit risk management (continued)

Investment securities
The credit quality of certain investment securities has been analysed into the following categories:

High grade	These include Regional Sovereign Debt Securities issued directly or through a state intermediary body where there has been no history of default.
Standard	These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements.
Sub-standard	These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.
Impaired	These securities are non-performing.

	High grade	Standard	Sub-standard	Impaired	Total
2017	1,246,324	2,128,280	–	56,562	3,431,166
2016	1,251,478	1,586,882	13,810	2,090	2,854,260

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group monitors its liquidity risk by considering the maturity of both its financial investments and financial assets and projected cash flows from operations. Where possible the Group utilises surplus internal funds to a large extent to finance its operations and ongoing projects. However, the Group also utilises available credit facilities such as loans, overdrafts and other financing options where required.

(Expressed in thousands of Trinidad and Tobago dollars)

30. RISK MANAGEMENT (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual payments.

Year ended 31 December 2017	**Up to 1 year**	**1 to 5 years**	**>5 years**	**Total**
Customers' deposits and other funding instruments	1,840,030	274,480	55,000	2,169,510
Medium and long term notes and other borrowings	131,207	931,251	16,876	1,079,334
Trade and other payables	710,687	–	–	710,687
Interest payable	28,940	26,066	2,342	57,348
	2,710,864	1,231,797	74,218	4,016,879

Year ended 31 December 2016	**Up to 1 year**	**1 to 5 years**	**>5 years**	**Total**
Customers' deposits and other funding instruments	1,894,505	309,084	55,000	2,258,589
Medium and long term notes and other borrowings	377	303,717	545,000	849,094
Trade and other payables	734,199	–	–	734,199
Interest payable	15,553	8,498	1,970	26,021
	2,644,634	621,299	601,970	3,867,903

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as the result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on income will arise as a result of the change in fair value of equity instruments categorised as fair value through the statement of income.

(Expressed in thousands of Trinidad and Tobago dollars)

30. RISK MANAGEMENT (continued)

Equity price risk (continued)

The effect on income at 31 December due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	Change in equity price	Effect on income 2017	Effect on income 2016
TTSE	+/- 3	12,711	12,581
S&P 500	+/- 8	15,445	21,390

31. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

When managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position, the objectives of the Group are:

- To comply with the capital requirements set by the regulators of the markets where the parent and its subsidiaries operate;
- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by Management, employing techniques based on the guidelines developed and implemented by the Central Bank of Trinidad & Tobago for supervisory purposes. The required information is filed with the Central Bank on a monthly basis.

31. CAPITAL MANAGEMENT (continued)

The Central Bank of Trinidad and Tobago requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $15 million, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the ‘Basel ratio’) at or above the internationally agreed minimum of 8%.

In each country in which the Group’s insurance subsidiaries operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The Group is subject to the insurance solvency regulations in all the territories in which it issues insurance contracts. The minimum required capital must be maintained at all times throughout the year.

For 2017 and 2016, the Group complied with all of the externally imposed capital requirements to which they are subject at the date of this report.

(Expressed in thousands of Trinidad and Tobago dollars)

32. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of ANSA McAL Limited and the consolidated subsidiaries listed as follows:

Company/Entity	Country of incorporation/ principal place of business	% Interest 2017	% Interest 2016
Alstons Limited	Republic of Trinidad and Tobago	100	100
Alstons Marketing Company Limited	Republic of Trinidad and Tobago	100	100
Alstons Shipping Limited	Republic of Trinidad and Tobago	100	100
Alstons Travel Limited	Republic of Trinidad and Tobago	100	100
AMCL Holdings Limited	Republic of Trinidad and Tobago	100	100
ANSA Automotive Limited	Republic of Trinidad and Tobago	100	100
ANSA Coatings Group	Republic of Trinidad and Tobago	100	100
ANSA Coatings International Limited	St. Lucia	100	–
ANSA Global Brands Limited	St. Lucia	100	100
ANSA Merchant Bank Group	Republic of Trinidad and Tobago	84.23	84.23
ANSA McAL (US) Inc.	United States of America	100	100
ANSA McAL (Barbados) Group	Barbados	99.98	99.98
ANSA McAL Beverages (Barbados) Limited	St. Lucia	100	100
ANSA McAL Chemicals Limited	Republic of Trinidad and Tobago	100	100
ANSA McAL Enterprises Limited	Republic of Trinidad and Tobago	100	100
ANSA McAL Trading (Guyana) Limited	Guyana	100	100
Guardian Media Group	Republic of Trinidad and Tobago	56.17	56.17
ANSA Re Limited	St. Lucia	100	100
ANSA Technologies Limited	Republic of Trinidad and Tobago	100	100
Bell Furniture Industries Limited	Republic of Trinidad and Tobago	100	100
Carib Brewery (St Kitts & Nevis) Limited	St. Kitts & Nevis	52.43	52.43

(Expressed in thousands of Trinidad and Tobago dollars)

32. RELATED PARTY DISCLOSURES (continued)

Company/Entity	**Country of incorporation/ principal place of business**	**% Interest 2017**	**% Interest 2016**
Carib Brewery Limited	Republic of Trinidad and Tobago	80	80
Carib Glassworks Limited	Republic of Trinidad and Tobago	100	100
Caribbean Development Company Limited	Republic of Trinidad and Tobago	80	80
Crown Industries Limited	Republic of Trinidad and Tobago	100	100
DCI Miami Inc.	United States of America	100	100
Easi Industrial Supplies Limited	Republic of Trinidad and Tobago	100	100
Grenada Breweries Limited	Grenada	55.54	55.54
Indian River Beverage Corporation	United States of America	100	100
Lewis Berger (Overseas) Holdings Group	United Kingdom of Great Britain	100	–
McEnearney Business Machines Limited	Republic of Trinidad and Tobago	100	100
Penta Paints Caribbean Limited	Republic of Trinidad and Tobago	100	100
Promenade Development Limited	Republic of Trinidad and Tobago	100	100
Sissons Paints Limited	Republic of Trinidad and Tobago	100	100
Sissons Paints Grenada Limited	Grenada	100	100
Standard Distributors Limited	Republic of Trinidad and Tobago	100	100
Standard Distributors and Sales Barbados Limited	Barbados	100	100
Standard Equipment Limited	Republic of Trinidad and Tobago	100	100
Tobago Marketing Company Limited	Republic of Trinidad and Tobago	100	100
Trinidad Match Limited	Republic of Trinidad and Tobago	100	100
T/Wee Limited	Republic of Trinidad and Tobago	100	100

Significant associates interests at 31 December are as follows:

Trinidad Lands Limited	Republic of Trinidad and Tobago	40	40
Various interests held by ANSA McAL (Barbados) Limited	Various Caribbean islands and Barbados	23.5-49.5	23.5-49.5

(Expressed in thousands of Trinidad and Tobago dollars)

32. RELATED PARTY DISCLOSURES (continued)

Company	Country of incorporation/ principal place of business	% Interest 2017	% Interest 2016
Joint venture interests at 31 December are as follows:			
Caribbean Roof Tile Company Limited	Republic of Trinidad and Tobago	50	50
US Tiles Incorporated	United States of America	50	50

ANSA McAL Limited is the ultimate parent entity and the ultimate parent of the Group.

The following summarises the value of outstanding balances/transactions between the Group and related parties for the relevant financial year:

	Year	Sales to/ other income from related parties	Purchases from/ expenses with related parties	Amounts owed by related parties (Note 13)	Amounts owed to related parties (Note 20)	Investments /loans and advances	Customer deposits and other funding instruments
Associates:	2017	19,216	24,206	5,241	3,709	–	–
	2016	42,616	669	4,392	5,123	–	–
Joint venture in which the Parent is a venturer	2017	192	–	661	–	–	–
	2016	493	–	92	–	–	–
Other related parties:	2017	–	18,407	2,404	559	–	55,000
	2016	4,439	11,320	2,962	1,668	6,837	55,000

(Expressed in thousands of Trinidad and Tobago dollars)

32. RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The sales to and purchases from related parties are made at normal commercial terms and market rates. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has recorded an impairment charge in respect of receivables relating to amounts owed by related parties of $584 (2016: $939).

Terms and conditions of transactions with related parties

Compensation of key management personnel of the Group
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	2017	**2016**
Salaries and other short-term employee benefits	26,114	24,524
Contributions to defined contribution plans	795	625
Post-employment benefits	2,255	1,486

Directors' interests in the Executive Share Option Plan
Outstanding share options held by executive members of the Group to purchase ordinary shares have the following maturity dates and exercise prices:

(Expressed in thousands of Trinidad and Tobago dollars)

32. RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties (continued)

Financial years ended	Maturity date	Exercise price	Number 2017	Number 2016
2013	2016	61.03	–	25,204
2014	2017	66.65	–	29,310
2015	2018	66.35	15,288	15,288
2016	2019	67.02	3,497	3,497
2017			–	–
			18,785	73,299

33. ASSETS PLEDGED

	2017	2016
Cash and short term deposits	150,947	128,832
Loans and advances	170,691	110,651
Bonds and debentures	844,408	886,118
Equities	693,788	512,509
Real estate	25,300	25,300
	1,885,134	1,663,410

Under the provisions of the Insurance Act, 1980 the Group has established and maintains a statutory fund and a statutory deposit to which the assets are pledged and held to the order of the Inspector of Financial Institutions.

(Expressed in thousands of Trinidad and Tobago dollars)

34. MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Company Name	**Country of Incorporation and Operation**	**% Interest 2017**	**% Interest 2016**
ANSA Merchant Bank Group	Republic of Trinidad and Tobago	15.77	15.77
Guardian Media Group	Republic of Trinidad and Tobago	43.83	43.83
Other	Several territories	20-47.57	20-47.57

Other includes Caribbean Development Company Limited, Carib Brewery Limited, Lewis Berger Overseas Holdings Limited, Carib Brewery (St Kitts & Nevis) Limited, Grenada Breweries Limited , which operate in various territories including Trinidad & Tobago, Jamaica, Barbados, St Kitts & Nevis and Grenada.

	2017	**2016**
Accumulated balances of material non-controlling interests:		
ANSA Merchant Bank Group	355,058	333,431
Guardian Media Group	131,819	145,284
Other	320,816	327,232
Profit allocated to material non-controlling interests:		
ANSA Merchant Bank Group	39,209	43,835
Guardian Media Group	(1,669)	2,496
Other	64,286	65,188

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations:

(Expressed in thousands of Trinidad and Tobago dollars)

34. MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

Summarised statement of income:

	ANSA Merchant Bank Group		Guardian Media Group		Other	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Revenues	981,801	831,779	137,762	164,364	1,769,374	1,555,601
Cost of sales	–	–	(68,473)	(77,820)	(1,004,094)	(888,313)
Administrative expenses	(75,642)	(51,297)	(51,327)	(48,384)	(137,069)	(116,575)
Other expenses - net	(501,534)	(338,120)	(19,448)	(21,164)	(217,529)	(149,865)
Finance costs	(91,063)	(84,636)	(707)	(719)	(12,899)	–
Profit/(loss) before taxation	313,562	322,028	(2,193)	16,277	397,783	400,848
Taxation	(81,283)	(70,281)	(921)	(10,018)	(124,910)	(124,967)
Profit after tax	232,279	251,747	(3,114)	6,259	272,873	275,881
Total comprehensive income/(loss)	226,907	251,892	(3,110)	6,131	274,187	281,855
Attributable to non-controlling interests	39,209	43,835	(1,669)	2,496	64,286	65,188
Dividends paid to non-controlling interests	18,000	15,750	11,846	9,999	98,445	15,595

(Expressed in thousands of Trinidad and Tobago dollars)

34. MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

Summarised statement of financial position:

	ANSA Merchant Bank Group		Guardian Media Group		Other	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Non-current assets	(5,251,852)	(4,666,108)	(223,630)	(233,101)	(743,890)	(464,950)
Current assets	(2,083,769)	(2,743,014)	(131,147)	(150,016)	(1,354,316)	(1,402,943)
Non-current liabilities	2,389,127	2,614,417	49,113	48,286	349,752	149,918
Current liabilities	2,624,324	2,592,541	27,546	29,569	381,025	237,348
Total equity						
Attributable to:						
Equity holders of parent	1,967,112	1,868,733	146,299	159,978	1,046,613	1,153,395
Non-controlling interests	355,058	333,431	131,819	145,284	320,816	327,232

Summarised cash flow information:

	ANSA Merchant Bank Group 2017	ANSA Merchant Bank Group 2016	Guardian Media Group 2017	Guardian Media Group 2016	Other 2017	Other 2016
Operating	612,483	(74,139)	18,568	42,084	573,234	110,704
Investing	(499,357)	103,175	(21,368)	(14,398)	(180,430)	(32,526)
Financing	(203,493)	(114,043)	(24,496)	(23,252)	(193,862)	(32,651)
Net (decrease)/ increase in cash and cash equivalents	(90,367)	(85,007)	(27,296)	4,434	198,942	45,527

(Expressed in thousands of Trinidad and Tobago dollars)

35. BUSINESS COMBINATIONS

(a) Indian River Beverage Corporation

On 8 July 2016, the Group acquired 100% of the voting shares of Indian River Beverage Corporation, a company incorporated and operating in the United States of America. As allowed under IFRS 3, 'Business Combinations', the fair values of the assets and liabilities acquired were completed in 2017 - i.e. within 12 months of the acquisition date.

The fair value of the net assets acquired as at the acquisition date was $123.9 million and the goodwill arising on acquisition was $26.2 million.

Assets acquired and liabilities assumed at the date of acquisition

	Fair value recognised on acquisition		
	Provisional Accounting	**Measurement Period Adjustments**	**Final Accounting**
Assets			
Fixed assets	88,969	(15,345)	73,624
Deferred tax assets	23,531	17,329	40,860
Intangible assets - brands and agreements	–	30,906	30,906
Inventory	3,788	149	3,937
Accounts receivable	2,783	–	2,783
Other assets	765	–	765
	119,836	33,039	152,875
Liabilities			
Debt and finance leases	15,421	–	15,421
Deferred tax liabilities	6,612	1,174	7,786
Accounts payable	3,244	–	3,244
Other current liabilities	2,527	–	2,527
	27,804	1,174	28,978
Total identifiable net assets at fair value	92,032	31,865	123,897
Goodwill arising on acquisition	58,039	(31,865)	26,174
Purchase consideration transferred	150,071	–	150,071

(Expressed in thousands of Trinidad and Tobago dollars)

35. BUSINESS COMBINATIONS

(a) Indian River Beverage Corporation (continued)

	Fair value recognised on acquisition		
	Provisional Accounting	**Measurement Period Adjustments**	**Final Accounting**
Analysis of cash flows on acquisition			
Purchase price – cash consideration	(150,071)	–	(150,071)
Net cash acquired from subsidiary	472	–	472
Net cash flow on acquisition	(149,599)	–	(149,599)

The net assets recognised in the financial statements as at 31 December 2016 were based on a provisional assessment of the fair value of Indian River Beverage Corporation while the Group sought an independent valuation of the assets. The valuation had not been completed by the date the 2016 financial statements were approved for issue by the Board of Directors.

In 2017, the valuation was completed and acquisition date fair value of the intangibles of $30.9 million was determined, an increase of $30.9 million over the provisional amount. Fair value of the property, plant and equipment was $73.6 million, a decrease of $15.3 million from the provisional value.

(b) Easi Industrial Supplies Limited

On 24 August 2016, the Group through its wholly owned subsidiary ANSA McAL Chemicals Limited, acquired 100% of the voting shares of Easi Industrial Supplies Limited, a company incorporated and operating in the Republic of Trinidad & Tobago. As allowed under IFRS 3, ‘Business Combinations’, the fair values of the assets and liabilities acquired were completed in 2017 - i.e. within 12 months of the acquisition date.

The fair value of the net assets acquired as at the acquisition date was $58.5 million and the goodwill arising on acquisition was $31.5 million.

(Expressed in thousands of Trinidad and Tobago dollars)

35. BUSINESS COMBINATIONS (continued)

(b) Easi Industrial Supplies Limited (continued)

Assets acquired and liabilities assumed at the date of acquisition

	Fair value recognised on acquisition		
	Provisional Accounting	**Measurement Period Adjustments**	**Final Accounting**
Assets			
Fixed assets	19,953	(1,430)	18,523
Intangible assets - contracts	–	28,735	28,735
Accounts receivable	7,407	–	7,407
Inventory	2,470	2,399	4,869
Other assets	4,776	(12)	4,764
	34,606	29,692	64,298
Liabilities			
Accounts payable	5,312	(232)	5,080
Other current liabilities	484	232	716
	5,796	–	5,796
Total identifiable net assets at fair value	28,810	29,692	58,502
Goodwill arising on acquisition	61,190	(29,692)	31,498
Purchase consideration transferred	90,000	–	90,000

Analysis of cash flows on acquisition

Purchase price – cash consideration	(90,000)	–	(90,000)
Net cash acquired from subsidiary	2,070	–	2,070
Net cash flow on acquisition	(87,930)	–	(87,930)

35. BUSINESS COMBINATIONS (continued)

(b) Easi Industrial Supplies Limited (continued)

The net assets recognised in the financial statements as at 31 December 2016 were based on a provisional assessment of the fair value of Easi Industrial Supplies Limited while the Group sought an independent valuation of the assets. The valuation had not been completed by the date the 2016 financial statements were approved for issue by the Board of Directors.

In 2017, the valuation was completed and acquisition date fair value of the intangibles of $28.7 million was determined, an increase of $28.7 million over the provisional amount. Fair value of the property, plant and equipment was $18.5, a decrease of $1.5 million over the provisional value.

(c) Lewis Berger (Overseas) Holdings Limited

On 24 July 2017, the Group through its wholly owned subsidiary ANSA Coatings International Limited, acquired 100% of the voting shares of Lewis Berger (Overseas) Holdings Limited, a company incorporated and operating in the United Kingdom of Great Britain.

The acquiree is a holding company for three legal entities - Berger Paints Trinidad Limited, Berger Paints Jamaica Limited and Berger Paints Barbados Limited. The primary activities of these companies is the manufacture and distribution of paint and other coating products.

The fair value of the net assets acquired as at the acquisition date was $132.2 million and the goodwill arising on acquisition was $64.5 million.

(Expressed in thousands of Trinidad and Tobago dollars)

35. BUSINESS COMBINATIONS (continued)

(c) Lewis Berger (Overseas) Holdings Limited (continued)

Assets acquired and liabilities assumed at the date of acquisition

	Fair value recognised on acquisition
Assets	
Fixed assets	27,716
Employee benefit assets	13,300
Inventory	49,282
Accounts receivable	46,657
Cash and short term deposits	44,542
Other assets	683
	182,180
Liabilities	
Accounts payable	20,794
Other payables and accruals	14,290
Short term debt	10,321
Other liabilities	4,574
	49,979
Total identifiable net assets at fair value	132,201
Non-controlling interests measured at fair value	(34,756)
Goodwill arising on acquisition	64,506
Purchase consideration transferred	161,951

The goodwill represents the value of synergies with the existing coating business.

(Expressed in thousands of Trinidad and Tobago dollars)

35. BUSINESS COMBINATIONS (continued)

(c) Lewis Berger (Overseas) Holdings Limited (continued)

Subsequent to the acquisition, the Group acquired an additional 17.5% interest in the voting shares of Berger Paints Trinidad Limited, increasing its ownership interest to 87.5% and an additional 3.1% interest in the voting shares of Berger Paints Jamaica Limited, increasing its ownership interest to 54.1%. Cash consideration of $7.0 million was paid to the non-controlling shareholders. Following is a schedule of additional interest acquired:

The Group elected to measure the non-controlling interest in Lewis Berger (Overseas) Limited Holdings at the proportionate share of its interest in this entity's identifiable net assets.

Cash consideration paid to non-controlling shareholders	7,011
Carrying value of the additional interest in Berger Paints Trinidad Limited and Berger Paints Jamaica Limited	(7,011)
Difference recognised in retained earnings	–

The fair value of trade receivables amounts to $46.6 million. This amount represents the contractual amount less provision for impairment and therefore reflects the amount that can be collected.

From the date of acquisition, the acquiree contributed $128.7 million to revenue and a loss before tax of $13.7 million to the net profit before tax of the Group for the year ended 31 December 2017.

Analysis of cash flows on acquisition

Purchase price – cash consideration	(161,951)
Net cash acquired from subsidiary	44,542
Net cash flow on acquisition	(117,409)

Transaction costs incurred and expensed on acquisition amounted to $4.8 million.

36. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting date affecting the financial performance, position or changes therein for the reporting period presented in these consolidated financial

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