BERGER PAINTS TRINIDAD LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

Ernst & Young

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BERGER PAINTS TRINIDAD LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

BERGER PAINTS TRINIDAD LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Berger Paints Trinidad Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. We have determined that there are no key audit matters to communicate in our report.

Other Matter

The financial statements of Berger Paints Trinidad Limited for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on the audit report dated 8 March 2018.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

BERGER PAINTS TRINIDAD LIMITED

Report on the Audit of the Financial Statements
(Continued)

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

BERGER PAINTS TRINIDAD LIMITED

Report on the Audit of the Financial Statements
(Continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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 Board of Directors 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 Board of Directors, we determine those matters that were of most significance in the audit of the 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 by expected to outweigh the public interest benefit of such communication.

The Executive in charge of the audit resulting in this independent auditor's report is Indira Regobert.

EY

Port of Spain
TRINIDAD:
28 March 2019

BERGER PAINTS TRINIDAD LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	31 December 2018 $	31 December 2017 $
ASSETS			
Non-current assets			
Property, plant and equipment	3	5,037	5,820
Deferred tax assets	11	1,850	2,122
		6,887	7,942
Current assets			
Inventories	5	20,013	13,161
Trade and other receivables	6	14,290	16,707
Amounts due from related parties	7	319	41
Cash at bank	15	6,300	17,271
		40,922	47,180
TOTAL ASSETS		47,809	55,122

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

BERGER PAINTS TRINIDAD LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)
(Continued)

	Notes	31 December 2018 $	31 December 2017 $
EQUITY AND LIABILITIES			
Equity			
Stated capital	8	5,905	5,905
Revaluation reserve	9	1,670	1,670
Retained earnings		12,081	17,361
Total equity		19,656	24,936
Non-current liabilities			
Employee benefits liability	4	2,067	1,996
Deferred tax liabilities	11	1,108	1,481
Finance lease obligations	10	–	187
		3,175	3,664
Current liabilities			
Trade and other payables	13	3,202	8,315
Amounts due to related parties	7	15,119	2,663
Current portion of finance lease obligations	10	–	68
Taxation payable		555	41
Bank overdraft	15	–	8,043
Short term borrowings	16	6,102	7,392
		24,978	26,522
Total liabilities		28,153	30,186
TOTAL EQUITY AND LIABILITIES		47,809	55,122

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

These financial statements were authorised for issue by the Board of Directors on 28 March 2019 and signed on their behalf by:

______________________: Director ______________________: Director

BERGER PAINTS TRINIDAD LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	12 months ended Dec 2018 $	9 months ended Dec 2017 $
Revenue from contracts with customers	17	47,656	36,141
Cost of sales		(26,391)	(23,873)
Gross profit		21,265	12,268
Other operating income	12	39	20
Profit before expenses		21,304	12,288
Administration expenses	17	(21,137)	(10,296)
Selling and distribution expenses	17	(3,545)	(2,127)
Operating loss		(3,378)	(135)
Finance costs	18	(711)	(904)
Loss before taxation		(4,089)	(1,039)
Taxation (expense)/credit	14	(893)	739
Loss for the year		(4,982)	(300)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement loss on defined benefit pension plans	4	(30)	(2,086)
Income tax effect	11	9	626
Other comprehensive loss for the year, net of tax		(21)	(1,460)
Total comprehensive loss for the year, net of tax		(5,003)	(1,760)
Earnings per share attributable to the equity holders of the Company			
Basic and diluted earnings per share	20	(0.97)	(0.05)

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

BERGER PAINTS TRINIDAD LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Stated Capital *(Note 8)* $	Revaluation reserve *(Note 9)* $	Retained Earnings $	Total Equity $
Balance at 1 January 2018	5,905	1,670	17,361	24,936
Effect of adoption of new accounting standards (Note 2 (ii))	–	–	(277)	(277)
Balance at 1 January 2018 (restated)	5,905	1,670	17,084	24,659
Total comprehensive loss for the year	–	–	(5,003)	(5,003)
Revaluation surplus	–	–	–	–
Balance at 31 December 2018	5,905	1,670	12,081	19,656
Balance at 1 April 2017	5,905	1,776	19,015	26,696
Total comprehensive loss for the period	–	–	(1,760)	(1,760)
Revaluation surplus	–	(106)	106	–
Balance at 31 December 2017	5,905	1,670	17,361	24,936

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

BERGER PAINTS TRINIDAD LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2018 $	2017 $
Cash flows from operating activities			
Loss before taxation		(4,089)	(1,039)
Adjustments for:			
Gain on disposal of property, plant and equipment	12	(39)	(10)
Depreciation	3	1,079	727
Defined benefit pension plan expense	4	904	730
Finance costs recognised in profit or loss		711	904
		(1,434)	1,312
Movements in working capital:			
Decrease/(increase) in trade and other receivables		2,140	(4,609)
Increase in inventories		(6,852)	(877)
(Decrease)/increase in trade and other payables		(5,050)	2,329
(Increase)/decrease in due from related parties		(278)	46
Increase in due to related parties		12,456	44
Net cash from/(used in) operations		982	(1,755)
Contributions paid	4	(863)	(700)
Interest paid		(774)	(753)
Taxation paid		(471)	(347)
Net cash used in operating activities		(1,126)	(3,555)
Cash flows from investing activities			
Payment for property, plant and equipment	3	(474)	(364)
Proceeds from sale of property, plant and equipment		217	21
Net cash used in investing activities		(257)	(343)

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

BERGER PAINTS TRINIDAD LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)
(Continued)

	Notes	2018 $	2017 $
Cash flows from financing activities			
Repayment of finance lease obligations		(255)	-
Repayment of borrowings		(1,290)	(859)
Net cash used in financing activities		(1,545)	(859)
Net decrease in cash and cash equivalents		(2,928)	(4,757)
Cash and cash equivalents at beginning of period		9,228	13,985
Cash and cash equivalents at end of period		6,300	9,228
Cash and cash equivalents are represented by:			
Cash		6,300	17,271
Bank overdrafts		-	(8,043)
	11	6,300	9,228

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

1. Incorporation and principal activity

Berger Paints Trinidad Limited ("the Company") is incorporated and domiciled in the Republic of Trinidad and Tobago. The Company is engaged in the manufacture and distribution of paints and allied products. The Company has a primary listing on the Trinidad and Tobago Stock Exchange. The Company was purchased by Ansa Coatings International Limited, a subsidiary of the Ansa McAL Group on 24 July 2017. The ultimate parent company is Ansa McAL Limited.

Berger Paints Trinidad Limited year end has changed from April to March to January to December to align itself with the parent company's reporting period. For the year ended 31 December 2017 a nine-month period was reported. A twelve-month period is reported for the year ended 31 December 2018. The Company's registered office is located at 11 Concessions Road, Sea Lots, Port of Spain, Trinidad and Tobago.

2. Significant Accounting Policies

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

i. Basis of preparation

These 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 leasehold properties which are measured at fair value.

Statement of compliance
The Company's statutory financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Presentation of the financial statements
Financial assets and financial liabilities are offset, and the net amount is reported in the 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 statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

2. Significant Accounting Policies (continued)

ii. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company applied IFRS 15 and phase II of IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. These are described in more detail below. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15, 'Revenue from Contracts with Customers'

IFRS 15 supersedes IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard only to contracts not completed at this date. The Company also aggregated the effect of all of the modifications that occurred in contracts that were modified before 1 January 2018 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

2. Significant Accounting Policies (continued)

ii. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 15, 'Revenue from Contracts with Customers' (continued)

Sale of goods with variable consideration

Some contracts for the sale of goods provide customers with a right of return and volume rebates. Before adopting IFRS 15, the Company recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Company deferred recognition of revenue until the uncertainty was resolved. Under IFRS 15, rights of return and volume rebates give rise to variable consideration.

Rights of return

Before the adoption of IFRS 15, returns were not anticipated and therefore were recognized as reduction to revenue in the period that the return occurred, with a corresponding adjustment to Cost of sales. Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Company estimates expected returns using the expected value method under IFRS 15. For goods expected to be returned, the Company presented a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. After review we determined that the value of credit notes is immaterial and there is no need to make any adjustments.

The adoption of IFRS 15 did not have an impact on Company's financial statements.

2. **Significant Accounting Policies** (continued)

ii. **Changes in accounting policies and disclosures** (continued)

New and amended standards and interpretations (continued)

IFRS 9, *'Financial Instruments'*

IFRS 9, 'Financial Instruments' replaces IAS 39, 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Phase 1 – Classification and measurement of financial instruments, was early adopted by the Company in its prior period financial statements. The exemption given in the transitional provision for early application was applied and hence the Company did not restate the comparative information in the year of application.

Phase II - Impairment, of IFRS 9 was applied prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under the relevant aspects of IAS 39. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings and other components of equity.

The adoption of phase II has fundamentally changed the Company's accounting for financial asset impairments by replacing IAS 39's Incurred loss approach with a forward-looking expected credit loss (ECL) approach. Details of the Company's impairment method are disclosed in Note 2 (xvi).

Upon adoption of IFRS 9 the Company recognized additional impairment on the Company's trade and other receivables of $277 thousand which resulted in a decrease in retained earnings of $277 thousand as at 1 January 2018.

Phase III - Hedge accounting, of IFRS 9 had no impact on the Company's financial statements.

(Expressed in thousands of Trinidad and Tobago dollars)

2. Significant Accounting Policies (continued)

ii. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9, *'Financial Instruments'* (continued)

The qualitative impact of adopting IFRS 9 as at 1 January 2018 is disclosed below. The reconciliation between the carrying amounts as originally stated as at 31 December 2017 and the adoption of IFRS 9 as at 1 January 2018 is as follows:

	As previously reported	Re-measurement	As adjusted per IFRS 9
Assets			
Trade and other receivables	16,707	(277)	16,430
Equity			
Retained earnings	17,361	(277)	17,084

The following table reconciles the aggregate opening financial asset provisions under IAS 39 to the ECL allowances under IFRS 9:

	Impairment allowance per IAS 39 at 31 December 2017	Re-measurement	ECL per IFRS 9 at 1 January 2018
Trade and other receivables	3,627	277	3,904

IFRIC 22 - Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's financial statements.

2. Significant Accounting Policies (continued)

ii. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 40 'Investment property'- Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 2 'Share-based payments' - Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2, 'Share-based Payment' that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 4 'Insurance contracts' - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments do not have any impact on the Company's financial statements.

2. Significant Accounting Policies (continued)

ii. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 28 'Investments in associates and joint ventures' - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 1 'First-time adoption of International Financial Reporting Standards' - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Company's financial statements.

2. Significant Accounting Policies (continued)

ii. 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 Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures – Effective 1 January 2019
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- IFRS 16, 'Leases' – Effective 1 January 2019
- IFRS 17, 'Insurance Contracts' - Effective 1 January 2022
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective 1 January 2019
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- 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
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement - Effective 1 January 2019
- Amendments to References in the Conceptual Framework in IFRS Standards - Effective 1 January 2020
- Amendments to IFRS 3 – Definition of Business – Effective 1 January 2020
- Amendments to IAS 1 and IAS 8 – Definition of Material – Effective 1 January 2020

2. Significant Accounting Policies (continued)

iii. Significant accounting estimates, assumptions and judgments

The preparation of the Company's 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 Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements.

Provision for impairment of trade receivables
Management exercises judgement in determining the adequacy of provisions for the trade accounts receivables balances for which collections are considered doubtful. Judgement is used in the assessment 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 (xii).

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision are discussed in Note 2 (xix).

Estimates and assumptions

Useful lives and residual values of property, plant and equipment
The useful lives of property and equipment are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognised operating expenses and decrease non-current assets.

2. **Significant Accounting Policies** (continued)

iii. **Significant accounting estimates, assumptions and judgments** (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 Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing at that time.

Employee benefits- defined benefit pension plans
The Company operates two defined benefit pension plans. The calculation of defined benefit expenses and obligations requires significant judgement as the recognition is dependent on discount rates, expected rates of return on assets, and various actuarial assumptions such as projected salary increases, retirement age, and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties. For our pension and other post-employment plans, the discount rate is determined by reference to market yields on government securities. Since the discount rate is based on currently available yields, and involves management's assessment of market liquidity, it is only a proxy for future yields. The expected rate of return on assets is set equal to the discount rate.

Actuarial assumptions may differ from actual experience as specific statistics is only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits obligations and expenses that are recognised.

Valuation of leasehold buildings
The Company's leasehold properties are measured at fair value for financial reporting purposes. In estimating the fair value of the leasehold buildings, the Company engages third party qualified valuators to perform the valuation. The Company works closely with the qualified external valuators to establish the appropriate valuation techniques and inputs to the model. Information about the valuation technique and inputs used in determining the fair value of the leasehold building is disclosed in Note 3 (xxvi).

2. Significant Accounting Policies (continued)

iv. Cash and cash equivalents

Cash and cash equivalents include cash in bank and on hand and bank overdrafts that are repayable within three months of their advance and which are subject to an insignificant risk of changes in value.

v. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method as follows:

i) Raw materials are valued at the lower of cost, on the average cost basis, and net realisable value.
ii) Work in progress is valued at the lower of raw material cost and net realisable value.
iii) Finished goods are valued at the lower of cost of production (which comprises raw materials, direct labour, other directs costs and related production overheads based on normal capacity) and net realisable value.

Goods in transit and other supplies are valued at invoice cost.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling, marketing and distribution expenses, necessary to make the sale.

vi. Property, plant and equipment

Leasehold buildings are measured at fair value based on valuations carried out by professional independent valuators less subsequent depreciation for buildings and leasehold improvements. All other property, plant and equipment and leasehold land are stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in the shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the statement of profit or loss and other comprehensive income. Each period the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss and other comprehensive income) and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

2. Significant Accounting Policies (continued)

vi. Property, plant and equipment (continued)

Depreciation is calculated on the straight-line method to write off the cost of each asset or its revalued amount to its estimated residual values over its estimated useful life as follows:

Leasehold properties	Over the remaining life of the leases
Plant and machinery	4-12½ years
Office furniture and fixtures	8-10 years
Vehicles	4-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each statement of financial position date or when changes in circumstances indicate that impairment may have occurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment under construction are recorded as construction-in-progress until ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives.

Costs of borrowings, for acquisition of property, plant and equipment are capitalised to property, plant and equipment under construction until the assets are ready for their intended use. Repairs and renovations are normally expensed as they are incurred. Expenses are reported as assets only if the amounts involved are substantial and one or more of the following conditions is satisfied: the original useful life is prolonged, the production capacity is increased, the quality of the products is enhanced materially or production costs are reduced considerably.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

The carrying amount of leasehold property is revalued whenever events or changes in circumstances indicate that impairment or appreciation may have occurred.

2. Significant Accounting Policies (continued)

vii. Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis utilising rates, which are sufficient to write off the assets over their estimated useful lives. The estimated useful life and amortisation method are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. The rate utilised is 33½%.

Expenditure on research activities fs recognised as an expense in the period in which it is incurred.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in the statement of profit or loss and other comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

viii. Income and expenditure

Income and expenditure transactions are accounted for on the accrual basis.

ix. Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company is principal in its revenue arrangements, because it controls the goods before transferring them to the customer.

Revenue from the sale of products to third parties is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the items. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. providing servicing). In determining the transaction price for sales, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

2. Significant Accounting Policies (continued)

x. Foreign currency transactions

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

xi. Retirement benefit costs and termination benefits

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 Company) and the return on plan assets (excluding net interest), are recognised immediately in the 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 19):

- 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)

xii. Trade and other receivables

Trade receivables are carried at original invoice amount less allowance made for impairment of these receivables. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount. Other receivables are measured at cost less any impairment.

xiii. Financial instruments: Short term borrowings

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

xiv. Financial assets

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income, if applicable, is recognised by applying the effective interest rate.

xv. Impairment of non-financial assets

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 purpose 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)

xvi. Impairment of financial assets

Under IAS 39 – Policy applicable prior to 1 January 2018.
The Company assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

When a financial asset is uncollectible, it is written off against the related impairment loss. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If in the 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 by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or toss and other comprehensive income.

Under IFRS 9 – Policy applicable from 1 January 2018.
The Company applied a simplified approach in calculating ELCs for trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on ELCs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted where applicable for forward-looking factors specific to the debtors and the economic environment. The Company considers trade receivables in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider trade receivables to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. Trade receivables is written off when there is no reasonable expectation of recovering the contractual cashflows.

2. Significant Accounting Policies (continued)

xvii. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

xviii. Borrowings

Borrowings are recognised initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings costs are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

xix. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

2. Significant Accounting Policies (continued)

xx. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i) Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from profits as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

ii) Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2. Significant Accounting Policies (continued)

xx. Taxation (continued)

ii) Deferred tax (continued)
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off, current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income. In the statement of profit or loss and other comprehensive income, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination.

xxi. Leases

Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current and current liabilities.

The interest element of the finance charge is charged to the statement of profit or loss and other comprehensive income over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessors are classified as operating leases. Payments made under operating teases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. Significant Accounting Policies (continued)

xxii. Dividends

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed after the statement of financial Position date are not shown as a liability on the statement of financial position but are disclosed as a note to the accounts.

xxiii. Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

xxiv. Current versus non-current distinction

The Company presents assets and liabilities in the 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.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a 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 Company classifies all other liabilities as non-current.

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

2. **Significant Accounting Policies** (continued)

xxv. 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 Company.

xxvi. Fair value measurement

The Company measures certain financial instruments at fair value at each reporting date. 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 to by the Company.

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 Company 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.

All assets and liabilities for which fair value is measured or disclosed in the 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 or liabilities;
- 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.

(Expressed in thousands of Trinidad and Tobago dollars)

2. Significant Accounting Policies (continued)

xxvii. Comparatives

When necessary, comparative figures are adjusted to conform to changes in presentation in the current period.

3. Property, plant and equipment

Year ended 31 December 2018	**Land & buildings $**	**Plant & equipment $**	**Office equipment, furniture & vehicles $**	**Capital work-in-progress $**	**Total $**
Opening net book value	2,315	3,135	370	–	5,820
Additions	–	253	102	119	474
Disposals	–	–	(201)	–	(201)
Depreciation charge	(205)	(761)	(113)	–	(1,079)
Depreciation on disposals	–	–	23	–	23
Transfers	(400)	400	–	–	–
Closing net book value	1,710	3,027	181	119	5,037
At 31 December 2018					
Cost/valuation	4,239	14,643	3,262	119	22,263
Accumulated depreciation	(2,529)	(11,616)	(3,081)	–	(17,226)
Net book value	1,710	3,027	181	119	5,037

(Expressed in thousands of Trinidad and Tobago dollars)

3. Property, plant and equipment (continued)

Nine months ended 31 December 2017	**Land & buildings $**	**Plant & equipment $**	**Office equipment, furniture & vehicles $**	**Capital work-in-progress $**	**Total $**
Opening net book value	2,475	3,417	472	24	6,388
Additions	–	185	9	170	364
Disposals	–	(161)	(309)	–	(470)
Depreciation charge	(160)	(455)	(112)	–	(727)
Depreciation on disposals	–	149	310	–	459
Transfers	–	–	–	(194)	(194)
Closing net book value	2,315	3,135	370	–	5,820
At 31 December 2017					
Cost/valuation	4,639	13,990	3,338	–	21,967
Accumulated depreciation	(2,324)	(10,855)	(2,968)	–	(16,147)
Net book value	2,315	3,135	370	–	5,820

As at 31 December 2017, included in the asset category of office equipment, furniture and vehicles are vehicles held under finance leases with a net book value of $332. There were no assets held under finance leases as at 31 December 2018.

(Expressed in thousands of Trinidad and Tobago dollars)

3. Property, plant and equipment (continued)

The Company's leasehold properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The leasehold properties were revalued by professional valuators, on a market value basis as at 3 August 2018.

The fair value was determined using the direct comparable method. The method is the analysis of prices being paid for comparable properties in the open market with reasonable practical adjustment to arrive at market value. There has been no change to the valuation technique during the period.

Management is of the opinion that there were no significant fluctuations in value during the current period.

Details of the Company's leasehold properties and information about the fair value hierarchy are as follows:

Leasehold properties	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
31 December 2018	–	–	1,710	1,710
31 December 2017	–	–	2,315	2,315

There were no transfers between Levels 1, 2 and 3 during the period.

The historical cost and accumulated depreciation on the revalued assets were:

	2018	**2017**
	$	**$**
Historical cost	4,369	4,369
Transfer	(400)	–
Accumulated depreciation	(3,700)	(3,645)
Net book value	269	724

(Expressed in thousands of Trinidad and Tobago dollars)

4. Employee benefits liability

The Company maintains two contributory defined benefit pension plans (the "Pension Plans) which offer its employees retirement benefits depending on length of service.

Benefits for the Pension Plans are calculated based on the number of years of service and by reference to an average of a member's last twelve months basic wage. The pension obligations are valued using the projected unit credit method. The assets of the Pension Plans are valued on the basis of market related values.

The Plans' assets are held in trust and invested on a long-term basis. Investment strategy is largely dictated by local investments restrictions (maximum of 50% in equities and 20% overseas) and asset availability since the local equity market is small and there is little secondary market activity in debt securities. The Pension Plans are not permitted to invest in assets of the Company.

		2018 $	2017 $
i)	The amounts recognised in the statement of financial position are as follows:		
	Present value of funded obligations	(38,810)	(38,052)
	Fair value of plan assets	36,743	36,056
	Net liability	(2,067)	(1,996)
ii)	The amounts recognised in the statement of profit or loss are as follows:		
	Current service cost	620	532
	Administrative expenses	197	187
	Net interest cost	87	12
	Net liability	904	731
iii)	The amounts recognised in other comprehensive income are as follows:		
	Gain from change in financial assumption	–	75
	Experience loss	30	1,406
	Remeasurement loss	–	605
		30	2,086

(Expressed in thousands of Trinidad and Tobago dollars)

4. Employee benefits liability (continued)

		2018 $	2017 $
iv)	Reconciliation of opening and closing net defined benefit liability:		
	At beginning of year	(1,996)	121
	Net pension expense	(904)	(731)
	Actuarial losses recognised in other comprehensive income	(30)	(2,086)
	Contributions paid	863	700
	At end of year	(2,067)	(1,996)
v)	Changes in the present value of the defined benefit obligation:		
	At beginning of year	38,052	37,178
	Current service cost	620	532
	Obligations settled	–	(1,751)
	Interest cost	1,878	1,331
	Actuarial losses	(668)	2,011
	Members contribution	362	303
	Benefits paid	(1,434)	(1,552)
	At end of year	38,810	38,052
vi)	Changes in the fair value of the defined benefit obligation:		
	At beginning of year	36,056	37,299
	Actuarial losses	(698)	(75)
	Interest income	1,791	1,319
	Assets settled	–	(1,751)
	Administrative expenses	(197)	(187)
	Contributions paid	1,225	1,003
	Benefits paid	(1,434)	(1,552)
	At end of year	36,743	36,056

(Expressed in thousands of Trinidad and Tobago dollars)

4. Employee benefits liability (continued)

vii) Asset allocation:

	2018 $	2017 $
Local equities – quoted	9,688	9,638
Local bonds	13,887	14,457
Foreign investments	6,459	6,425
Mutual funds	1,615	1,285
Short term securities	646	322
Deposit administration contract	4,448	3,929
Fair value of plan assets	36,743	36,056

All asset values as at 31 December 2018 were estimated using the asset values as at 31 December 2018, provided by the Trustee. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. A fair value is placed on the Plans' bonds by discounting expected future proceeds.

The majority of the Plans' government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan.

The Monthly Paid Plan's assets are invested in a strategy agreed with the Plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments. The Weekly Paid Plan is fully invested in a Deposit Administration Account with Guardian Life.

The Weekly Paid Plan secures its pensions in payment by annuity purchase. The Monthly Paid Plan has a few pensions in payment secured by CLICO annuities, but it no longer purchases annuities for new retirees.

(Expressed in thousands of Trinidad and Tobago dollars)

4. Employee benefits liability (continued)

viii) The principal actuarial assumptions used in determining net pension cost and the funded status of the plan are as follows:

	2018	2017
	%	%
Discount rate:		
- Pension plan active members and deferred pensioners	5.0	5.0
Expected return on non-annuity pension plan assets	5.0	5.0
Expected return on insures annuity assets	5.0	5.0
Future salary increases	3.0	3.0
Future wage increases	3.0	3.0
Life expectancy		
- Male	81.0	81.0
- Female	85.0	85.0

ix) Sensitivity analysis:

	2018	2017
	$	$
Benefit obligations would increase/(reduce)		
Reducing discount rate by 1%	5,869	5,458
Increasing discount rate by 1%	(4,678)	(4,358)
Reducing salary by 1% per annum	(1,184)	(1,347)
Increasing salary by 1% per annum	1,338	1,516

x) Funding:

The Company meets the balance of the cost of funding the two defined benefit Pension Plans and the Company must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on triennial actuarial valuations of the Plans and the assumptions used to determine the funding required may differ from those set out above. The Company expects to pay $0.92 million to the pension plans over 2019.

xi) Maturity profile:

	2018	2017
The weighted average duration of the defined benefit obligation at end of year (in years) is:	14	14

(Expressed in thousands of Trinidad and Tobago dollars)

5. **Inventories**	**2018**	**2017**
	$	**$**
Raw materials	7,820	6,219
Finished goods	10,551	5,774
Work in progress	1,642	1,168
	20,013	13,161

The cost of inventories recognised as an expense and included in cost of sales' amounted to $25,199 (2017: $18,641).

6. **Trade and other receivables**	**2018**	**2017**
	$	**$**
Trade receivables	18,315	20,118
Less: allowance for expected credit losses	(4,578)	(3,627)
Trade receivables (net)	13,737	16,491
Other receivables	455	51
Prepayments	98	165
	14,290	16,707

As of 31 December 2018, trade receivables of $4,043 (2017: $9,156) were past due but not impaired.

(Expressed in thousands of Trinidad and Tobago dollars)

6. Trade and other receivables (continued)

	2018 $	2017 $
Ageing analysis of trade receivables that are past due but not impaired:		
Up to 3 months past due	2,007	6,118
3 to 6 months past due	2,036	1,723
6 to 12 months past due	–	1,315
	4,043	9,156

As of 31 December 2018, trade receivables of $4,578, (2017: $3,627) were impaired and a full allowance was made. The ageing of these receivables is as follows:

	2018 $	2017 $
6 to 12 months	970	–
Over 12 months	3,608	3,627
	4,578	3,627

Set out below is the allowance for expected credit losses for trade and other receivables:

	2018	2017
Balance at 1 January	3,627	3,537
Effect of adoption of IFRS 9	277	–
Write backs	(50)	–
Charge for the year (Note 17)	724	90
Balance at 31 December	4,578	3,627

The creation and release of the allowance for impaired receivables have been included in administration expenses in the statement of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

(Expressed in thousands of Trinidad and Tobago dollars)

7. Related party disclosures

	Year	Sales to related parties $	Purchases from/ expenses with related parties $	Royalty fees $	Amounts due from related parties $	Amounts due to related parties $	Borrowings from related parties *(Note 16)* $
Ultimate parent company:							
	2018	–	–	–	–	398	–
	2017	–	–	–	–	–	–
Parent company:							
	2018	–	–	1,647	–	4,056	6,102
	2017	–	–	658	–	751	7,392
Other related parties:							
	2018	327	18,367	–	319	10,665	–
	2017	41	644	–	41	1,912	–
Total							
	2018	327	18,367	1,647	319	15,119	6,102
	2017	41	644	658	41	2,663	7,392

8. Stated capital

	2018 $	2017 $
Authorised		
Unlimited number of shares of no par value		
Issued and fully paid		
5,161,444 ordinary shares of no par value	5,905	5,905

(Expressed in thousands of Trinidad and Tobago dollars)

9. Revaluation reserve

This represents the surplus on revaluation of leasehold properties located at 11 Concessions Road, Sea Lots, Port of Spain, Trinidad.

10. Finance lease obligations

Finance lease liabilities are effectively secured as the rights to these leased assets revert to the lessor in the event of default.

	2018 $	2017 $
The gross finance lease obligation is as follows:		
Not later than 1 year	-	78
Later than 1 year and not later than 5 years	-	193
	-	271
Future finance charges on finance leases	-	(16)
Present value of minimum lease payments	-	255
Included in the financial statements as follows:		
Not later than 1 year	-	68
Later than 1 year and not later than 5 years	-	187
	-	255

(Expressed in thousands of Trinidad and Tobago dollars)

11. Deferred taxation

		(Credit)/charge to		
	December 2017 $	other comprehensive income $	profit or loss $	December 2018 $
Deferred tax liabilities				
Property, plant and equipment	966		(373)	593
Asset revaluation movement	515	–	–	515
	1,481	–	(373)	1,108
Deferred tax assets				
Provision for royalties	–	–	(462)	(462)
Employee benefits liability	(604)	(9)	(7)	(620)
Finance lease obligations	(188)	–	188	–
Unutilised taxable losses	(1,330)	–	562	(768)
	(2,122)	(9)	281	(1,850)
Net deferred tax charge		(9)	(92)	

		(Credit)/charge to		
	March 2017 $	other comprehensive income	profit or loss $	December 2017 $
Deferred tax liabilities				
Property, plant and equipment	1,631	–	(665)	966
Asset revaluation movement	515	–	–	515
	2,146	–	(665)	1,481
Deferred tax assets				
Employee benefits asset	31	(626)	(9)	(604)
Finance lease obligations	(75)	–	(113)	(188)
Unutilised taxable losses	(1,054)	–	(276)	(1,330)
	(1,098)	(626)	(398)	(2,122)
Net deferred tax charge		(626)	(1,063)	

BERGER PAINTS TRINIDAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)
(Continued)

		2018 $	2017 $
12.	**Other income**		
	Gain on disposal of property, plant and equipment	39	10
	Sundry balances written back	–	10
		39	20
13.	**Trade and other payables**		
	Trade payables	1,235	6,068
	Due to Statutory Authorities	1,264	253
	Accruals	459	1,748
	Other payables	244	246
		3,202	8,315

		2018 $	2017 $
14.	**Taxation**		
	Income tax recognised in the statement of comprehensive income:		
	Business levy	286	216
	Green fund levy	144	108
	Deferred tax charge	(92)	(1,063)
	Adjustment to prior year provision	555	–
		893	(739)
	The reconciliation between the profit shown in these accounts and the tax charge is as follows:		
	Loss for the year/ period	(4,089)	(1,039)
	Current year corporation tax expense calculated at 30%	(1,227)	(260)
	Business levy	286	216
	Green fund levy	144	108
	Adjustment to prior year provision	555	–
	Other permanent differences	1,135	(803)
		893	(739)

(Expressed in thousands of Trinidad and Tobago dollars)

15. Cash and cash equivalents

	2018 $	2017 $
Cash and cash equivalents are represented by:		
Cash at bank	6,300	17,271
Bank overdraft	–	(8,043)
	6,300	9,228

The Company's bank overdraft limit is US$1,250,000, which is secured by a letter of undertaking dated 16 June 1978. The Company is not allowed to encumber any of its assets without the consent of the bank.

16. Short term borrowings

	2018 $	2017 $
Republic Bank Limited	–	1,306
Amounts due to parent company (Note 7)	6,102	6,086
	6,102	7,392

The Company obtained a United States Dollar commercial ordinary loan in the original amount of US$500,000 from Republic Bank Limited on 30 August 2016 to meet its working capital commitments to foreign suppliers. Interest was repayable at United States Dollar 6 month LIBOR plus 5% per annum with a floor rate of 6% per annum, over a 7-month term. The loan was secured by a lien over the Company's Trinidad and Tobago Dollar account for TT$375,000. This loan was settled during 2018.

On 8 May 2018, the Company obtained short term notes amounting to US$400,000 from its Parent Company, with an original maturity date of 8 November 2017. These notes were renewed on 10 December 2018 and mature on 7 November 2019. Interest is set at one (1) month USD LIBOR plus 1.4% p.a. payable on a quarterly basis.

On 8 June 2018, the Company obtained a short term note amounting to US$500,000 from its Parent Company, with an original maturity date of 8 December 2017. These notes were renewed on 10 December 2018and mature on 8 December 2019. Interest is set at one (1) month USD LIBOR plus 1.4% p.a. payable on a quarterly basis.

(Expressed in thousands of Trinidad and Tobago dollars)

	2018	2017
17. Cost of sales, administration, selling and distribution expenses	**\$**	**\$**
Cost of Sales		
Changes in inventories of finished goods and work in progress	21,242	19,153
Employee benefit expense (Note 19)	4,421	4,271
Depreciation	728	449
	26,391	23,873
Administration expenses		
Employee benefit expense (Note 19)	9,106	5,319
Technical service fees	1,647	1,001
Repairs and maintenance	1,526	1,427
Impairment of trade and other receivables (Note 6)	724	90
Rent, rates and insurance	496	361
Depreciation	351	270
Other expenses	7,287	1,828
	21,137	10,296
Selling and distribution expenses		
Advertisements	2,327	1,309
Freight and handling charges	1,218	818
	3,545	2,127

18. Finance costs

Interest expense on short term borrowings	77	140
Interest expense on bank overdraft and other charges	634	764
	711	904

19. Employee benefit expense

Wages and salaries	11,681	8,342
National insurance	680	517
Net pension expense	904	731
	13,527	9,590

(Expressed in thousands of Trinidad and Tobago dollars)

20. Earnings per share ('EPS')

Basic and diluted EPS is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

	2018 $	2017 $
Loss attributable to equity holders	(4,982)	(300)
Weighted average number of ordinary shares in issue	5,161	5,161
Basic and diluted EPS	(0.97)	(0.05)

21. Segment reporting

The segmented result for the periods ended 31 December were as follows:

	Export $	Local $	Total $
Year ended 31 December 2018			
Total segment revenue	2,929	44,727	47,656
Operating loss	(1,094)	(2,323)	(3,417)
Other income			39
Finance costs			(711)
Loss before taxation			(4,089)
Taxation			(893)
Loss for the year			(4,982)
Nine months ended 31 December 2017			
Total segment revenue	2,666	33,475	36,141
Operating profit/(loss)	1,148	(1,303)	(155)
Other income			20
Finance costs			(904)
Loss before taxation			(1,039)
Taxation			739
Loss for the period			(300)

(Expressed in thousands of Trinidad and Tobago dollars)

22. Commitments and contingent liabilities

At the period end, there were contingent liabilities with respect to Customs bonds amounting to $155,000 (2017: $155,000).

a) The Company leases the land located at 11 Concessions Road, Sea Lots, Port of Spain, Trinidad under the terms of two operating leases. The unexpired portion of the leases at 31 December 2018 is 11 years, 7 months and 23 years 0 months. The Company has the option to renew the leases for a further 30 year period upon expiry. The Company does not have an option to purchase the land. The lease does not contain an escalation clause. Lease rentals payable under this lease are as follows:

	2018	**2017**
	$	**$**
Not later than 1 year	16	16
Later than 1 year and no later than 5 years	64	64
Later than 5 years	68	84
	148	164

b) The Company also leases a warehouse at Princess Margaret Street, San Fernando, Trinidad under the terms of an operating lease for a period of one year.

	2018	**2017**
	$	**$**
The future lease rentals payable are as follows:		
Not later than 1 year	259	194

23. Risk management

Introduction

Risk is inherent in the Company'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 Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to their responsibilities. The Company is exposed to credit risk, liquidity risk and market risk.

Board of Directors

The Board of Directors of the Company 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 Company in compliance with the policies approved by the Board of Directors.

Treasury management

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

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 Company's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's procedures include specific monitoring controls to focus on the maintenance of a diversified portfolio.

(Expressed in thousands of Trinidad and Tobago dollars)

23. Risk management (continued)

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 Company manages its interest rate exposure by accepting fixed rates on its borrowings over the respective term. As the interest rates remain fixed over their lives, the risk of fluctuations in market conditions is mitigated.

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:

Year ended 31 December 2018	**TTD**	**USD**	**TOTAL**
	$	**$**	**$**
ASSETS			
Cash and cash equivalents	5,685	615	6,300
Trade and other receivables	12,258	1,934	14,192
Amounts due from related parties	127	192	319
Total financial assets	18,070	2,741	20,811
LIABILITIES			
Amounts due to related parties	447	14,672	15,119
Trade and other payables	2,743	-	2,743
Total financial liabilities	3,190	14,672	17,862
Net currency risk exposure	14,880	(11,931)	2,949
Reasonably possible change in foreign exchange rate		5%	
Effect on profit before tax		(597)	(597)

(Expressed in thousands of Trinidad and Tobago dollars)

23. Risk management (continued)

Currency risk (continued)

Year ended 31 December 2017	**TTD**	**USD**	**TOTAL**
	$	**$**	**$**
ASSETS			
Cash and cash equivalents	16,593	678	17,271
Trade and other receivables	13,796	2,746	16,542
Amounts due from related parties	32	9	41
Total financial assets	30,421	3,433	33,854
LIABILITIES			
Amounts due to related parties	–	2,663	2,663
Trade and other payables	1,226	5,341	6,567
Total financial liabilities	1,226	8,004	9,230
Net currency risk exposure	29,195	(4,571)	24,624
Reasonably possible change in foreign exchange rate		5%	
Effect on profit before tax		(229)	(229)

Credit risk management

The Company takes on exposure to credit risk, which is the potential for loss due to a debtor's failure to pay amounts when due. Impairment provisions are established for losses that have been incurred at the end of the reporting period. The Company 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 Company'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 Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or group of 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 Company 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 to settle outstanding balances.

(Expressed in thousands of Trinidad and Tobago dollars)

23. **Risk management** (continued)

Credit risk management (continued)

The following table shows the maximum exposure to credit risk which represents a worst-case scenario of credit risk exposure.

	Gross maximum exposure	
	2018	**2017**
	$	**$**
Trade and other receivables	14,192	16,542
Amounts due from related parties	319	41
Cash and cash equivalents	6,300	9,228
Total	20,811	25,811

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables
Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for Groupings of various customers segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally trade receivables are written off if past due for more than six months although they continue to be subject to enforcement activity,

(Expressed in thousands of Trinidad and Tobago dollars)

23. Risk management (continued)

Credit risk management (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Trade Receivables – as at 31 December 2018					
	Current	**Over 30 days**	**Over 90 days**	**Over 180 days**	**Over 2 years**	**Total**
Expected credit loss rate	0.32%	0.35%	2%	97%	100%	
Estimated total gross	4,717	7,046	1,908	4,516	128	18,315
Expected credit loss	15	25	38	4,372	128	4,578

Liquidity risk

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

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

Year ended 31 December 2018	**Up to 1 year**	**1 to 5 years**	**Total**
	$	**$**	**$**
Short term borrowings	6,102	–	6,102
Due to related parties	15,119	–	15,119
Trade and other payables	2,743	–	2,743
Interest payable	240	–	240
	24,204	–	24,204

(Expressed in thousands of Trinidad and Tobago dollars)

23. Risk management (continued)

Liquidity risk (continued)

Year ended 31 December 2017	**Up to 1 year**	**1 to 5 years**	**Total**
	$	**$**	**$**
Short term borrowings	7,392	–	7,392
Bank overdraft	8,043	–	8,043
Amounts due to related parties	2,663	–	2,663
Trade and other payables	6,567	–	6,567
Interest payable	184	–	184
	24,849	–	24,849

24. 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 financial statements.