Massy Holdings Ltd.

Consolidated Financial Statements

September 30, 2019

(Expressed in Thousands of Trinidad and Tobago Dollars)

Contents

Massy Holdings Ltd.

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Massy Holdings Ltd. which comprise the consolidated statement of financial position as at September 30, 2019, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which includes significant accounting policies;

- Ensuring that the Company keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of operational efficiencies for the Group;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Chief Executive Officer	Chief Financial Officer
19 December 2019	19 December 2019

Independent auditor's report

To the shareholders of Massy Holdings Ltd.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Massy Holdings Ltd. (the Company) and its subsidiaries (together 'the Group') as at 30 September 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Massy Holdings Ltd.'s consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

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.

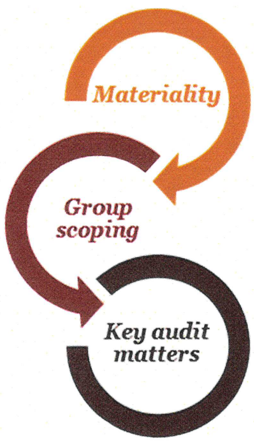
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



- Overall group materiality: $45.9 million, which represents 5% of profit before tax.

The group audit included:

- full scope audits of ten subsidiary companies which were deemed to be individually financially significant components, five of which have head offices in Trinidad & Tobago with the others being located in Barbados, Jamaica and Guyana; and
- specified procedures on certain balances such as third party borrowings, revenue and accounts receivables in other components.

- Valuation of Goodwill
- Valuation of Net Retirement Benefit Assets
- Valuation of Loss Reserves on Insurance Contracts.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates. The Group is structured into six segments (see note 3 of the consolidated financial statements) and is a consolidation of over 140 separate legal entities. The Group comprises components that are entities directly held by Massy Holdings Ltd, as well as components that are sub-groups.

How we tailored our group audit scope (continued)
The following components were deemed to be individually financially significant and were subject to an audit of their complete financial information:

- Massy Transportation Group Ltd. and its subsidiaries
- Massy Integrated Retail Ltd. and its subsidiaries
- Massy Guyana Ltd. and its subsidiaries
- Massy United Insurance Ltd.
- Massy Technologies Trinidad Ltd. and its subsidiaries
- Massy Gas Products (Trinidad) Ltd. and its subsidiaries
- Massy Gas Products (Jamaica) Limited
- Massy Stores (Barbados) Ltd.
- Massy Finance GFC Ltd.
- Roberts Manufacturing Company Limited

In addition, for a further eight components we performed specified audit procedures on certain account balances.

Five of the ten financially significant components of the Group are audited by PwC Trinidad. For all other components that are in scope of the Group audit, we used component auditors from PwC network firms and non PwC firms who are familiar with the local laws and regulations to perform this audit work.

For the work performed by all component audit teams (both PwC and non-PwC) operating under our instructions, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence has been obtained for the purpose of our opinion. We maintained ongoing involvement with the component audit teams throughout the year and performed on-site visits to the component audit teams in Colombia, Barbados, Guyana and St. Lucia.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Materiality (continued)

Overall group materiality	$45.9 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1.5 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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.

Key audit matter	How our audit addressed the Key audit matter
Valuation of Goodwill *See Notes 4.a.i) & 7 to the consolidated financial statements.* Intangible assets stated on the Group's consolidated balance sheet include a carrying value of $211.8 million related to Goodwill. Management performs an annual impairment assessment of intangible assets. An impairment charge was recognised in the current year for specific entities. The recoverable amount of each cash generating unit (CGU) is calculated as the higher of the value-in-use and fair value less costs of disposal. The value-in-use is based on discounted future cash flow forecasts over which management make significant judgements on certain key inputs, including discount rates and growth rates. We focused on this area because of the significant level of judgment required in arriving at the key assumptions used in management's impairment assessment.	We evaluated the methods used by management to perform their annual Goodwill impairment assessment of each CGU and found it to be in accordance with the requirements of IAS 36 and the Group's accounting policy and consistent with prior year. We tested management's assumptions, including discount rates and growth percentages used, in their cash flow projections, as follows: • recalculated the weighted average cost of capital (WACC) used to discount the cash flows and evaluated those rates against market based inputs, our knowledge of the economic environment and the risk premium associated with the respective industries and countries; • compared management determined growth rates to historical performance of the CGU and to external economic industry data, where available, in which the CGU operates; • compared management's future cash flow forecasts used in the impairment assessment to those presented and approved by the Board of Directors as part of the annual budgeting process; • evaluated the accuracy of the forecasts made by comparing past forecasts to historical results, where available, and by comparing to the current year results of the entity; and • tested the mathematical accuracy of management's calculations. As a result of the above audit procedures, no material differences were noted.

Key audit matter	How our audit addressed the Key audit matter
Valuation of Net Retirement Benefit Assets *See Notes 4.a. vii) & 13 of the consolidated financial statements.* The Group sponsors separate pension plans for its employees in Trinidad and overseas. As at 30 September 2019, the Group had a consolidated net retirement benefit asset for its Trinidad plan of $395.5 million. The net retirement benefit asset is comprised of the value of pension assets less the pension obligation. Both components require significant judgement in relation to certain assumptions and estimates, which is why we focused our attention in this area. The following key assumptions used to calculate the obligation can have a material impact on the calculation of the liability: • salary increases • discount rates, and • mortality rates Management utilises an external actuary to perform certain calculations with respect to the estimated obligation. The pension assets consist of financial investments held at fair value, which are based on a range of inputs. While many of the inputs required can be obtained from readily available liquid market prices and rates, certain securities are based on modelled prices as observable market data is limited. In these instances, management is required to make significant judgements due to the complexity in the valuation model estimates resulting in high estimation uncertainty risk.	For the pension obligation, we tested the key assumptions as follows: • We compared the discount rate used by management to the yield of a Government of Trinidad & Tobago bond of a similar period and noted no material differences. • Mortality rates were compared to publicly available statistics. • Salary increases were compared to historical increases, taking into account the current economic climate. We tested the completeness and accuracy of the census data used in the actuarial calculation by comparing it to personnel files. We assessed the independence and competence of the actuary used by management to calculate the retirement benefit obligations. For investments, which were valued using a valuation model: • We evaluated the assumptions, methodologies and models used by the Group. • We tested the significant inputs relating to yield, prices and valuation to external sources where possible and compared to similar transactions in the market place. For a sample of modelled securities, we compared management's valuation to our independent valuation calculation. In some cases, these resulted in a different valuation to that calculated by management. In our view, the differences were within a reasonable range of outcomes, in the context of the inherent valuation uncertainties disclosed in the financial statements. There were no material exceptions noted in our testing of the net retirement benefit assets.

Key audit matter	How our audit addressed the Key audit matter
Valuation of Loss Reserves on Insurance Contracts *See Notes 4a. viii) and 24 to the consolidated financial statements.* As at 30 September 2019, the Group had a liability of $701 million in relation to the settlement of claims related to Insurance Contracts. The methodologies and assumptions utilised to develop incurred but not reported reserves involves a significant degree of judgement. Management uses an external actuarial expert to assist in determining the value of claims incurred but not reported. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to claims which are incurred but not reported, which can result in variability between initial estimates and final settlement. A range of methods may be used to determine these provisions. We focused on this area because, underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement patterns of claims and which are subject to complex calculations.	As historical claims data is a key input into the actuarial estimates, we performed detailed testing over the claims case estimates and settlements to the underlying source data. We also tested the completeness and accuracy of the relevant underlying data utilised by management, and their external actuarial experts, to support the actuarial valuation, which also included key data reconciliations. We were assisted by our actuarial expert in assessing the actuarial methodologies and assumptions in determining insurance reserves. We considered the suitability of the methodology used in setting insurance reserves against industry benchmarks, consistency with established actuarial practices and our knowledge and experience. The assumptions used by management were found to be reasonable and the methodologies applied appropriate in the circumstances.

Other information

Management is responsible for the other information. The other information comprises Massy Holdings Ltd. annual report, (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards 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.

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

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 scepticism 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.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, 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 on the audit resulting in this independent auditor's report is Rendra Gopee.

PricewaterhouseCoopers

Port of Spain
Trinidad
West Indies
20 December 2019

Massy Holdings Ltd.

Consolidated Statement of Financial Position
(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	As at September 30 2019 $	As at September 30 2018 $
Assets			
Non-current assets			
Property, plant and equipment	5	2,392,305	2,443,915
Investment properties	6	413,595	406,826
Goodwill	7	211,782	223,071
Other intangible assets	8	60,263	53,561
Investments in associates and joint ventures	9	146,801	248,291
Trade and other receivables	10	167,785	--
Financial assets	11	1,032,084	1,040,568
Deferred income tax assets	12	76,287	118,837
Retirement benefit assets	13	484,803	475,769
		4,985,705	5,010,838
Current assets			
Inventories	14	1,519,728	1,653,193
Trade and other receivables	10	2,499,663	2,964,230
Financial assets	11	1,132,399	1,104,239
Statutory deposits with regulators	15	114,520	118,558
Cash and cash equivalents	16	2,073,058	1,626,132
		7,339,368	7,466,352
Total assets		12,325,073	12,477,190
Equity			
Capital and reserves attributable to equity holders of the parent			
Share capital	17	764,344	763,516
Retained earnings		4,839,635	4,522,052
Other reserves	19	109,919	99,253
		5,713,898	5,384,821
Non-controlling interests	20	233,043	230,337
Total equity		5,946,941	5,615,158

Massy Holdings Ltd.

Consolidated Statement of Financial Position (continued)
(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	As at September 30 2019 $	2018 $
Liabilities			
Non-current liabilities			
Borrowings	21	1,820,729	1,867,805
Deferred income tax liabilities	12	227,051	235,788
Customers' deposits	22	120,858	103,232
Retirement benefit obligations	13	171,709	183,550
Provisions for other liabilities and charges		60,328	76,627
		2,400,675	2,467,002
Current liabilities			
Trade and other payables	23	1,975,659	1,909,870
Liabilities on insurance contracts	24	1,313,459	1,652,509
Customers' deposits	22	183,592	238,914
Current income tax liabilities		125,764	141,126
Borrowings	21	378,983	452,611
		3,977,457	4,395,030
Total liabilities		6,378,132	6,862,032
Total equity and liabilities		12,325,073	12,477,190

The notes on pages 19 to 115 are an integral part of these consolidated financial statements.

On December 19, 2019 the Board of Directors of Massy Holdings Ltd. authorised these consolidated financial statements for issue.

E.G.Warner
Director

William Lucie-Smith
Director

Ian Chinapoo
Director

Massy Holdings Ltd.

Consolidated Statement of Profit or Loss

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Year ended September 30 2019 $	2018 $ (Restated)
Revenue	3/25.1	11,958,666	11,910,053
Operating profit before finance costs and expected credit losses		921,462	898,549
Expected credit losses	25.3	4,178	(29,282)
Operating profit before finance costs	25	925,640	869,267
Finance cost - net	27	(72,369)	(74,056)
Operating profit after finance costs		853,271	795,211
Share of profit of associates and joint ventures	9	65,965	78,853
Profit before income tax		919,236	874,064
Income tax expense	28	(306,004)	(308,589)
Profit for the year		613,232	565,475
Attributable to:			
- owners of the parent		563,164	519,753
- non-controlling interests	20	50,068	45,722
Profit for the year		613,232	565,475
Earnings per share attributable to the owners of the parent during the year (expressed in TT$ per share)			
Basic earnings per share	29	5.76	5.32

The notes on pages 19 to 115 are an integral part of these consolidated financial statements.

Massy Holdings Ltd.

Consolidated Statement of Other Comprehensive Income

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Year ended September 30	
	2019	**2018**
	$	**$**
Profit for the year	613,232	565,475
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
- remeasurement of defined benefit pension plans	6,977	13,561
	6,977	13,561
Items that may be subsequently reclassified to profit or loss		
- currency translation differences	(29,564)	(11,266)
Other comprehensive (loss)/ income for the year, net of tax	(22,587)	2,295
Total comprehensive income for the year	590,645	567,770
Attributable to:		
- owners of the parent	540,214	521,321
- non-controlling interests	50,431	46,449
Total comprehensive income for the year	590,645	567,770

The notes on pages 19 to 115 are an integral part of these consolidated financial statements.

Massy Holdings Ltd.

Consolidated Statement of Changes in Equity
(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Share capital $	Other reserves $	Retained earnings $	Subtotal attributable to equity holders of the parent $	Non-controlling interest $	Total equity $
Balance at October 1, 2018		763,516	99,253	4,522,052	5,384,821	230,337	5,615,158
IFRS 15 initial application adjustments	2.1.1	--	--	(1,999)	(1,999)	(517)	(2,516)
Balance at October 1, 2018- restated		763,516	99,253	4,520,053	5,382,822	229,820	5,612,642
Profit for the year		--	--	563,164	563,164	50,068	613,232
Other comprehensive income		--	(28,371)	5,421	(22,950)	363	(22,587)
Total comprehensive income for the year		--	(28,371)	568,585	540,214	50,431	590,645
Other movements:							
- Transfer to other reserves	19	--	40,807	(40,807)	--	--	--
- Other reserve movements		--	(1,770)	(4)	(1,774)	(4,517)	(6,291)
Transaction with owners:							
- Share option expense	17	828	--	--	828	--	828
- Dividends paid	18	--	--	(208,192)	(208,192)	(42,691)	(250,883)
- Purchase of non-controlling interests		--	--	--	--	--	--
Balance at September 30, 2019		764,344	109,919	4,839,635	5,713,898	233,043	5,946,941

		Year ended September 30, 2019	Year ended September 30, 2018
Dividends per share	18	$2.27	$2.10
Dividends paid per share	18	$2.27	$2.10

Massy Holdings Ltd.

Consolidated Statement of Changes in Equity (continued)
(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Share capital $	Other reserves $	Retained earnings $	Subtotal attributable to equity holders of the parent $	Non-controlling interest $	Total equity $
Balance at October 1, 2017		760,607	64,119	4,312,406	5,137,132	240,882	5,378,014
IFRS 9 initial application adjustments	2.1.1	--	--	(70,956)	(70,956)	(13,347)	(84,303)
Balance at October 1, 2017- restated		760,607	64,119	4,241,450	5,066,176	227,535	5,293,711
Profit for the year		--	--	519,753	519,753	45,722	565,475
Other comprehensive income		--	(11,739)	13,307	1,568	727	2,295
Total comprehensive income for the year		--	(11,739)	533,060	521,321	46,449	567,770
Other movements:							
- Transfer to other reserves	19	--	46,873	(46,873)	--	--	--
- Other reserve movements		--	--	(273)	(273)	(4,887)	(5,160)
Transaction with owners:							
- Share option expense	17	2,909	--	--	2,909	--	2,909
- Dividends paid	18	--	--	(205,260)	(205,260)	(36,749)	(242,009)
- Purchase of non-controlling interests		--	--	(52)	(52)	(2,011)	(2,063)
Balance at September 30, 2018		763,516	99,253	4,522,052	5,384,821	230,337	5,615,158

The notes on pages 19 to 115 are an integral part of these consolidated financial statements.

Massy Holdings Ltd.

Consolidated Statement of Cash Flows

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Year ended September 30 2019 $	2018 $
Cash flows from operating activities			
Profit before income tax		919,236	874,064
Adjustments for:			
Share of results of associates and joint ventures	9	(65,965)	(78,853)
Depreciation and impairment of property, plant and equipment and investment properties	5 and 6	296,780	291,639
Capitalised borrowing costs	27.1	206	322
Impairment of goodwill	7	11,342	13,742
Amortisation of other intangible assets	8	8,550	10,904
Gain on disposal of property, plant and equipment		(13,269)	(36,862)
Gain on disposal of subsidiaries	35	(35,693)	--
Gain on disposal of associates		(16,418)	--
Increase in expected credit losses/impairment expense on financial instruments	25.3	(4,178)	29,282
Fair value gains on other financial instruments		(4,611)	(4,564)
Employee share grant scheme provision	17	828	2,909
Employee retirement and other benefits		(13,898)	(10,300)
Profit before changes in working capital		1,082,910	1,092,283
Changes in working capital:			
Decrease/ (increase) in inventories		116,135	(86,184)
Decrease in trade and other receivables		258,664	1,008,047
Increase in other provisions and other charges		(16,299)	(8,645)
(Increase)/ decrease in instalment credit and other loans		(53,095)	85,454
Increase/ (decrease) in trade and other payables		57,983	(21,917)
Decrease in statutory deposits		4,038	9,754
Decrease in liabilities on insurance contracts		(339,050)	(1,097,836)
Decrease in customers' deposits		(37,696)	(9,883)
Cash generated from operations		1,073,590	971,073
Taxation paid		(267,721)	(235,122)
Net cash provided by operating activities		805,869	735,951

Massy Holdings Ltd.

Consolidated Statement of Cash Flows (continued)

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Year ended September 30 2019 $	2018 $
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and investment properties		137,345	113,953
Additions to property, plant and equipment, and investment properties	5 and 6	(414,347)	(489,551)
Decrease/(increase) in other financial assets excluding instalment credit and other loans		45,193	(145,845)
Increase in other investments, other intangibles, non-controlling interests and investments in associates and joint ventures		(18,187)	(12,662)
Dividends received from associated companies	9	126,221	46,072
Proceeds on sale of associates		38,420	--
Proceeds on sale of subsidiaries, net of cash disposed	35	102,297	--
Net cash used in investing activities		16,942	(488,033)
Cash flows from financing activities			
Proceeds from borrowings		8,305	176,281
Principal repayments on borrowings		(111,500)	(110,156)
Purchase of non-controlling interest		--	(2,063)
Dividends paid to company's shareholders	18	(208,192)	(205,260)
Dividends paid to non-controlling interests		(42,691)	(36,749)
Net cash used in financing activities		(354,078)	(177,947)
Net increase in cash, cash equivalents		468,733	69,971
Cash, cash equivalents and bank overdrafts at beginning of the year		1,599,621	1,531,457
Effect of exchange rate changes on cash and bank overdrafts		(4,092)	(1,807)
Cash, cash equivalents and bank overdrafts at end of the year		2,064,262	1,599,621
Cash and short – term funds	16	2,073,058	1,626,132
Bank overdrafts	21	(8,796)	(26,511)
		2,064,262	1,599,621
Classified as Operating Cashflows			
Interest received from other financial instruments		95,810	109,420
Dividends received from other financial instruments		3,540	3,344

The notes on pages 19 to 115 are an integral part of these consolidated financial statements.

(Expressed in Thousands of Trinidad and Tobago Dollars)

1 General information

Massy Holdings Ltd. (the 'Company'), was incorporated in the Republic of Trinidad and Tobago in 1923. The address of its registered office is 63 Park Street, Port of Spain, Trinidad. The Company and its subsidiaries, (together, the Group) is engaged in trading, manufacturing, service industries and finance in Trinidad and Tobago and the wider Caribbean region. The Company has a primary listing on the Trinidad and Tobago Stock Exchange.

The principal subsidiaries are listed below with the percentage holding of the parent's (Massy Holdings Ltd.) effective shareholding where there is an intermediary company.

Automotive & Industrial Equipment	**Country of incorporation**	**Percentage equity capital held**
Massy Transportation Group Ltd.	Trinidad and Tobago	100%
Massy Motors Ltd.	Trinidad and Tobago	100%
City Motors (1986) Limited	Trinidad and Tobago	100%
Massy Machinery Ltd.	Trinidad and Tobago	100%
Massy Automotive Components Ltd.	Trinidad and Tobago	100%
Massy Motors (Tobago) Ltd.	Trinidad and Tobago	100%
Master Serv Limited	Trinidad and Tobago	100%
Massy Motors (Guyana) Ltd.	Guyana	92.9%
Massy Motors Colombia S.A.S	Colombia	100%
Massy Pres-T-Con Holdings Ltd.	Trinidad and Tobago	86.08%
Massy Motors Best Auto Ltd.	Trinidad and Tobago	100%
Financial Services		
Massy United Insurance Ltd.	Barbados	100%
Massy Remittance Services (Trinidad) Ltd.	Trinidad and Tobago	100%
Massy Finance GFC Ltd.	Trinidad and Tobago	100%
Massycard (Barbados) Limited	Barbados	100%
Massy Services (Guyana) Ltd.	Guyana	92.9%
Massy Credit Plus Ltd.	Trinidad and Tobago	100%
The Interregional Reinsurance Company Limited	Cayman Islands	100%
Energy & Industrial Gases		
Massy Energy (Trinidad) Ltd.	Trinidad and Tobago	100%
Massy Energy Production Resources Ltd.	Trinidad and Tobago	100%
Massy Energy Engineered Solutions Ltd.	Trinidad and Tobago	100%
Massy Energy Fabric Maintenance Ltd.	Trinidad and Tobago	100%
New Hope Energy Investments	Trinidad and Tobago	100%
Massy Gas Products (Trinidad) Ltd.	Trinidad and Tobago	100%
Massy Petrochemical Services Ltd.	Trinidad and Tobago	100%
Massy Gas Products (Jamaica) Limited	Jamaica	100%
Massy Gas Products (Guyana) Ltd.	Guyana	92.9%
Massy Energy Colombia S.A.S.	Colombia	100%

(Expressed in Thousands of Trinidad and Tobago Dollars)

1 **General information (continued)**

Integrated Retail	**Country of incorporation**	**Percentage equity capital held**
Massy Integrated Retail Ltd.	Trinidad and Tobago	100%
Athabasca Limited	Trinidad and Tobago	100%
Arvee Foodmaster Limited	Trinidad and Tobago	100%
Massy Stores (SLU) Ltd.	St. Lucia	60%
Massy Stores (Guyana) Inc.	Guyana	100%
Massy Stores (Barbados) Ltd.	Barbados	100%
Price Low Ltd.	Barbados	100%
Massy Stores (SVG) Ltd.	St Vincent	83.33%
Massy Distribution (Jamaica) Limited	Jamaica	100%
Massy Distribution (Guyana) Inc.	Guyana	92.9%
Massy Distribution (Barbados) Ltd.	Barbados	100%
Massy Distribution (St. Lucia) Ltd.	St. Lucia	100%
Knights Limited	Barbados	99.8%
Massy Loyalty Ltd.	Barbados	100%
Information Technology & Communications and Other Services		
Massy Technologies (Trinidad) Ltd.	Trinidad and Tobago	100%
Massy Technologies InfoCom (Trinidad) Ltd.	Trinidad and Tobago	100%
Massy Technologies InfoCom (Antigua) Ltd.	Antigua	100%
Massy Technologies InfoCom (Barbados) Ltd.	Barbados	100%
Massy Technologies InfoCom (Jamaica) Limited	Jamaica	100%
Massy Technologies (Guyana) Ltd.	Guyana	92.9%
Massy Technologies Applied Imaging	Trinidad and Tobago	100%

(Expressed in Thousands of Trinidad and Tobago Dollars)

1 **General information (continued)**

Other investments	Country of incorporation	Percentage equity capital held
Massy Realty (Trinidad) Ltd.	Trinidad and Tobago	100%
Massy Properties (Trinidad) Ltd.	Trinidad and Tobago	100%
Massy (Barbados) Investments Ltd.	Barbados	100%
Massy Properties (Barbados) Ltd.	Barbados	100%
Roberts Manufacturing Company Limited	Barbados	50.5%
Seawell Air Services Limited	Barbados	100%
Head Office		
Massy Ltd.	Trinidad and Tobago	100%
Massy (Barbados) Ltd.	Barbados	100%
Massy (Guyana) Ltd.	Guyana	92.9%

The Group has subsidiaries whose year-end is not coterminous with September 30 as follows:

	Reporting year end
Massy Motors Colombia S.A.S	31 December
Massy Energy Colombia S.A.S	31 December
Autogalias S.A.S	31 December
Macarena de la Montaña SAS	31 December
Autolux SAS	31 December
Seguros Automontaña Ltda.	31 December
Automontaña S.A.S	31 December
Germania Motors S.A.S	31 December
Auto Orion S.A.S	31 December
Mazko S.A.S	31 December
Massy Motors Premium S.A.S.	31 December
Massy Motors Rentals S.A.S	31 December

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The consolidated financial statements have been prepared under the historical cost convention as modified by the measurement of certain financial assets at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Standards, amendments and interpretations adopted by the Group

The Group has adopted the following new and amended standards and interpretations as of October 1, 2018:

- IFRS 15 'Revenue from contracts with customers' (effective 1 October 2018). The standard supersedes IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and related interpretations and it applies to all revenue arising from contracts with its customers. The standard establishes a five-step model to account for revenue arising from contracts with customers. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.

  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. The standard also requires additional disclosures. The Group adopted IFRS 15 using the simplified transition method (also referred to as the modified retrospective method) with the date of initial application of 1 October 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 Group elected to apply the standard only to contracts not completed at this date. The Group also aggregated the effect of all of the modifications that occurred in contracts that were modified before 1 October 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. As permitted by the simplified transition method, the Group elected to not restate comparative information. Any adjustments to the carrying amounts of contract assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. The comparative figures were therefore reported under IAS 11, IAS 18 and related interpretations.

(Expressed in Thousands of Trinidad and Tobago Dollars)

2 **Summary of significant accounting policies (continued)**

2.1 **Basis of preparation (continued)**

2.1.1 Standards, amendments and interpretations adopted by the Group (continued)

- IFRS 15 'Revenue from contracts with customers' (continued):

  The updated accounting policies are described in Note 2.19. The applicable disclosures relating to Revenue, Contract Assets, Contract Liabilities and Revenue are shown within Notes 3, 10 and 23 respectively.

  The following is a summary of the adjustments on initial application of the standard:

	Notes	Balance at 30 September 2018 $	Re-classifications $	IFRS 15 Initial application adjustments $	Balance at 1 October 2018 $
Trade and other receivables	10				
Contract assets	10.1	--	--	4,435	4,435
Trade and other payables					
Contract liabilities	23.1		(24,458)	(6,977)	(31,435)
Other payables	23	(920,423)	24,458	--	(895,965)
Net initial application adjustments before tax		(920,423)	--	(2,542)	(922,965)
Tax impact of adjustment	12	--	--	26	26
		(920,423)	--	(2,516)	(922,939)
Adjustments to equity:					
- adjustment to retained earnings		4,522,052	--	(1,999)	4,520,053
- adjustment to non-controlling interest		230,337	--	(517)	229,820
		4,752,389	--	(2,516)	4,749,873

(Expressed in Thousands of Trinidad and Tobago Dollars)

2 **Summary of significant accounting policies (continued)**

2.1 **Basis of preparation (continued)**

2.1.1 Standards, amendments and interpretations adopted by the Group (continued)

The Group had early adopted IFRS 9 and all of its related amendments using a date of initial application of 1 October 2017. The following is a summary of the adjustments on initial application of the standard.

	Balance at 30 September 2017 (restated) $	Re - classifications $	Expected credit loss adjustments (net of deferred tax) $	Balance at 1 October 2017 $
Other financial assets:				
- at amortised cost	--	1,744,218	(29,184)	1,715,034
- at fair value through profit or loss	207,309	176,042	--	383,351
- held to maturity	840,405	(840,405)	--	--
- available-for-sale	176,042	(176,042)	--	--
- loans and receivables	416,613	(416,613)		--
Trade and other receivables	4,053,669	--	(70,643)	3,983,026
Installment credit debtors and other accounts	487,200	(487,200)	--	--
	6,181,238	--	(99,827)	6,081,411
Tax impact of adjustment	--	--	15,524	15,524
	6,181,238	--	(84,303)	6,096,935
Adjustments to equity:				
- adjustment to retained earnings	4,312,406	--	(70,956)	4,241,450
- adjustment to non-controlling interest	240,882	--	(13,347)	227,535
	4,553,288	--	(84,303)	4,468,985

The standards, amendments and interpretations listed below did not have a significant impact on the amounts recognised in prior and current periods.

- Amendments to IFRS 2, ‘Share based payments’, on clarifying how to account for certain types of share-based payment transactions;
- Amendments to IFRS 4, ‘Insurance contracts’ regarding the implementation of IFRS 9, ‘Financial instruments’;
- Amendment to IAS 40, ‘Investment property’ relating to transfers of investment property;
- Annual improvements to IFRS Standards 2014 – 2016 Cycle;
- IFRIC 22, ‘Foreign currency transactions and advance consideration’.

The group early adopted IFRS 9, ‘Financial instruments’ and all of its related amendments in the previous financial year (ended 30 September 2018) using a date of initial application of 1 October 2017.

2 **Summary of significant accounting policies (continued)**

2.1 **Basis of preparation (continued)**

2.1.2 New standards and interpretations not yet adopted

- IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. The accounting stays the same for lessors. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The IASB has also updated the guidance on the definition of a lease as well as the guidance on the combination and separation of contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has not yet assessed the impact of this accounting standard.

- IFRS 17, 'Insurance contracts'. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. 'IFRS 17 marks a new epoch for insurance contracts accounting'. The Group has not yet assessed the impact of this accounting standard.
- Amendments to IFRS 3 – definition of a business. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The following are new standards and interpretations which have not yet been adopted and are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation and modification of financial liabilities
- Annual improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 28 'Investments in associates', on long term interests in associates and joint ventures
- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'
- Amendments to IAS 1 and IAS 8 on the definition of 'material'
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform
- IFRIC 23, 'Uncertainty over income tax treatments'

2 **Summary of significant accounting policies (continued)**

2.2 **Consolidation**

2.2.1 Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the statement of profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

2.2.2 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 **Summary of significant accounting policies (continued)**

2.2 **Consolidation (continued)**

2.2.2 Transactions with non-controlling interests (continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.2.3 *Associates and Joint ventures*

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Joint ventures are also accounted for using the equity method. The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, a jointly controlled entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2.3 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

2 **Summary of significant accounting policies (continued)**

2.4 **Foreign currency translation**

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss are recognised as part of the fair value gain or loss.

2.4.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

c) all resulting exchange differences are recognised in the consolidated statement of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the consolidated statement of other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in other comprehensive income are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are included in assets and liabilities of the foreign entity and translated at the closing rate.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment including land and buildings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Land is not depreciated.

Depreciation is provided on the straight-line basis at rates estimated to write-off the cost of each asset over its expected useful life. In the case of motor vehicles, depreciation is based on cost less an estimated residual value. The estimated useful lives of assets are reviewed periodically, taking account of commercial and technological obsolescence as well as normal wear and tear, and depreciation rates are adjusted if appropriate.

Current rates of depreciation are:		
Freehold property	-	2%
Leasehold property and improvements	-	2% to 20%
Plant and equipment	-	5% to 33.3%
Rental assets	-	25%
Furniture and fixtures	-	10% to 25%
Motor vehicles	-	10% to 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Leasehold property and improvements are depreciated over the shorter of the asset's useful economic life and the lease term.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the consolidated statement of profit or loss.

2 Summary of significant accounting policies (continued)

2.6 Investment properties

Investment and development properties are owned or leased by the Group and held for long-term rental income and capital appreciation and exclude properties occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and impairment. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in Note 6. These are assessed using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. Like property, plant and equipment, investment properties are depreciated using the straight-line method.

The current rate of depreciation is 2%.

Investment properties cease recognition as investment property either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss in the period of the retirement or disposal.

2.7 Intangible assets

2.7.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill represents the goodwill acquired on acquisition of subsidiaries. Goodwill on acquisition of associates is included in ‘Investments in Associates’. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group discloses goodwill for each business segment in each country in which it operates (Note 7).

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

2.7.2 Computer software

Costs associated with the maintenance of existing computer software programmes are expensed 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 that are 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 three years.

2.7.3 Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date, and are being amortised over seven to twenty years.

2.7.4 Impairment of non-financial assets

Assets that have an indefinite useful life 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 separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (continued)

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at Amortised Cost (AC),
- those to be measured at Fair Value Through Other Comprehensive income (FVOCI), and
- those to be measured subsequently at Fair Value Through Profit or Loss (FVPL).

The classification for debt instruments depends on the entity's Business Model for managing those assets. It also requires the entity to examine the contractual terms of the cash flows, i.e. whether these represent 'Solely Payments of Principal and Interest' (SPPI).

The Business Model test requires the entity to assess the purpose for holding debt securities (hold to collect, hold to collect and sell or to trade). Substantially all the Group's debt instruments are held to collect cash flows and accordingly meet the 'hold to collect' criteria.

All debt instruments passing the Business Model and SPPI tests are classified at amortised cost. Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets are classified at FVOCI.

On initial recognition, equity securities which are not held for trading and which are considered strategic investments are classified irrevocably at FVOCI.

All other instruments are carried at FVPL. For assets measured at fair value, gains and losses are recorded in profit or loss. The Group did not elect to designate any financial assets at FVPL.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 **Summary of significant accounting policies (continued)**

2.8 **Financial assets (continued)**

2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included within 'net interest and other investment income' using the effective interest rate method.

  The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

  The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (POCI) financial assets - assets that are credit-impaired at initial recognition - the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

  When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

  Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'net interest and other investment income' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 **Summary of significant accounting policies (continued)**

2.8 **Financial assets (continued)**

2.8.3 Measurement (continued)

a) Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in operating profit before finance costs in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'net interest and other investment income' in the period in which it arises.

b) Equity instruments

The Group subsequently measures all equity investments at fair value. Gains or losses are either recognised either in OCI or in profit or loss, depending on the nature and purpose of the investment. Changes in the fair value of financial assets at FVPL are recognised in 'net interest and other investment income' in the statement of profit or loss as applicable. While changes in the fair value of financial assets at FVOCI are recognised in 'items that will not be reclassified to profit or loss – financial assets at fair value through OCI' in the statement of other comprehensive income. Dividends from equity investments are recognised in profit or loss within 'net interest and other investment income' when the Group's right to receive payments is established.

2.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI.

a) Debt instruments carried at amortised cost and FVOCI

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 – This category comprises instruments which are performing in accordance with the contractual terms and conditions and display no deterioration in credit risk since initial recognition. This category also includes those financial instruments with low credit risk.
- Stage 2 – This category includes instruments which display a significant increase in credit risk (SICR) since initial recognition but have not yet defaulted.
- Stage 3 – This category includes instruments that are in default.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

2.8.4 Impairment (continued)

a) *Debt instruments carried at amortised cost and FVOCI (continued)*

The above categories exclude purchased or originated credit-impaired (POCI) financial assets. A financial asset is considered credit-impaired on purchase or origination if there is evidence of impairment at the point of initial recognition (for instance, if it is acquired at a deep discount). POCI financial assets are not included in Stages 1, 2 or 3, and are instead shown as a separate category.

Expected credit loss (ECL) is measured as follows:

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- Instruments in Stages 2 or 3 or that are POCI have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. The Group utilised a probability-weighted assessment of the factors which it believes will have an impact on forward looking rates.

The formula for ECL is generally the ‘Probability of Default’ (PD) multiplied by the ‘Exposure at Default’ (EAD) multiplied by the ‘Loss Given Default’ (LGD). An adjustment is made to reflect the time value of money by considering the original effective interest rate on the individual instruments. The overall models involved the use of various PD, EAD and LGD tables which were then applied to individual instruments based on several pre-determined criteria, including type, original tenor, time to maturity, whether they are in Stages 1, 2 or 3 and other indicators.

The process in arriving at the individual components of ECL and the forward-looking adjustments involved critical estimates and judgements. This is discussed further in Note 4.

The loss allowance for debt investments is recognised in profit or loss. For debt instruments at FVOCI, the loss is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

b) *Trade receivables and contract assets*

The Group applies the simplified approach for trade receivables and contract assets as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. All customer accounts are grouped together based on shared credit risk characteristics and are aged using a ‘provisions matrix’. Scaled loss rates are then calculated based on historical payment profiles. The loss rates were adjusted to incorporate forward-looking information and then applied to the different aging buckets as of the statement of financial position date.

2 Summary of significant accounting policies (continued)

2.9 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprise raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Impairment of trade receivables is described in Note 2.8.4(b).

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. In the consolidated statement of financial position, bank overdrafts and short-term borrowings are shown within borrowings in current liabilities.

2.12 Share capital

Ordinary shares are classified as equity.

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

Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 **Summary of significant accounting policies (continued)**

2.14 **Insurance**

2.14.1 Insurance and reinsurance contracts

Insurance and reinsurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. 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 the period.

In the normal course of business, the Group seeks to reduce the losses to which it is exposed that may cause unfavourable underwriting results by re-insuring a certain level of risk with reinsurance companies. Reinsurance premiums are accounted for on a basis consistent with that used in accounting for the original policies issued and the terms of the reinsurance contracts.

Reinsurance contracts ceded do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion re-insured, to the extent that the reinsurers do not meet the obligations assumed under the reinsurance agreements.

2.14.2 Amounts receivable from reinsurance companies

Included in accounts receivable on the statement of financial position, are amounts receivable from reinsurance companies, which consist primarily of amounts due in respect of ceded insurance liabilities. Recoverable amounts are estimated in a manner consistent with the outstanding claims reserve or settled claims associated with the re-insured policies and in accordance with the relevant reinsurance contract.

If amounts receivable from reinsurance companies are impaired, the Group reduces the carrying amount accordingly and recognises an impairment loss in the consolidated income statement. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all, or part, of the amounts due to it under the terms of the reinsurance contract.

2.15 **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

2 **Summary of significant accounting policies (continued)**

2.16 **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The principal temporary differences arise from depreciation on property, plant and equipment, retirement benefits and tax losses carried forward. Deferred tax assets relating to the carrying forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be earned against which the unused tax losses can be utilised.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (continued)

2.17 Employee benefits

2.17.1 Pension obligations

Group companies operate various pension plans. The majority of the Trinidad and Tobago resident employees are members of either the Neal & Massy Group Pension Fund Plan, the Retirement Income Security Plan or the T. Geddes Grant Limited Pension Fund Plan.

The Neal & Massy Group Pension Fund Plan, contributions to which were frozen on January 3,1990, is a defined benefit plan whose assets are held separately from those of the Group in an independently administered fund. The most recent actuarial valuation, at March 31, 2019, revealed that the plan is adequately funded. There are certain benefits payable by the Neal & Massy Group Pension Fund Plan which fall within the scope of IAS 19 (revised) – Employee Benefits.

The Retirement Income Security Plan is funded by contributions made by the employer, and is funded by the employees. Contributions to the Plan are accounted for on the accrual basis and the assets are held separately from those of the Group in independently administered funds.

T. Geddes Grant Limited Pension Fund Plan is a defined contribution plan whose assets are held separately from those of the Group in an independently administered fund. Contributions to the plan are accounted for on the accrual basis and are reviewed by independent actuaries on the basis of triennial valuations.

The majority of the employees of the overseas companies participate in either defined contribution or defined benefit pension plans which are separate from the Trinidad and Tobago plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The asset and liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The Group operates in countries where there is no deep market and trading liquidity for corporate bonds and as such the market rates on government bonds are used as a benchmark to derive prices and bond values.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to equity in other comprehensive income in the period in which they arise.

2 Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

2.17.1 Pension obligations (continued)

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.17.2 Other post-employment obligations

Certain Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional 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 the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which it arises. These obligations are valued annually by independent qualified actuaries.

2.17.3 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination and when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

2.17.4 Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions are met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.17.5 Executive Share-based payments and Long Term Incentive Plan

(a) *Share-based payments*

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the allocation or grant of the shares is recognised as an expense under both the Employee Share Ownership Plan (“ESOP”) and the Performance Share Plan (“PSP”) for Executives only.

The total amount to be expensed for shares allocated under the ESOP is determined by reference to the market value and purchase price of the shares on the market at the point of purchase.

The total amount to be expensed, under the PSP, is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity’s share price); and
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of shares that are expected to be granted and then vested. The total expense is recognised over the vesting period, which is the period over which all of the specified performance criterion and vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest based on the performance criterion and any applicable non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the share grants are due to be vested, the company will issue new shares.

The grant by the company of shares to the Executives of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of Executive services received, is measured by reference to the grant date fair value and, is recognised over the vesting period.

2 Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

2.17.5 Executive Share-based payments and Long Term Incentive Plan (continued)

(b) *Long Term Incentive Plan*

Long-term incentive plans are employee benefits (other than post-employment benefits and termination benefits) that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the service that gives rise to the benefit. These include annual incentive plans which are subject to a multi-year vesting period and other conditions, including EPS growth.

The Plan is not accounted for under IFRS 2 – Share-Based Payments as the growth in EPS in itself is not considered a true reflection of the fair value of the entity's shares. Other factors such as changes in P/E multiples are typically considered in arriving at fair market value. Accordingly, the Plan is accounted for under IAS 19 – Employee Benefits as a deferred compensation arrangement.

The accounting for deferred compensation arrangements under IAS 19 involves discounting of future cash flows (where the time value of money is material) using the projected unit credit method. The projected unit credit method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The rate used to discount the obligations is determined using the same methodology as that used for defined benefit pension plans, subject to a shorter settlement period.

The measurement of deferred compensation plans is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. For this reason, a simplified approach is applied where the service cost, interest cost and re-measurements are all recognized in profit or loss in the year they arise.

At the end of each financial year, the Company will re-estimate the obligation based on factors existing as of the new balance sheet date (e.g. revised EPS numbers, performance score cards etc). The change in estimate as it relates to the opening obligation is recognized immediately, such the annual undiscounted current service cost is always equal to the total benefit divided by 4. Re-estimates and re-measurements are to be recognized immediately in profit or loss.

2 Summary of significant accounting policies (continued)

2.18 Provisions

Provisions for dismantlement costs, restructuring costs, legal claims and all other provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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 obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

2.19.1 Sale of goods and services

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. A description of revenue by business segment is shown in Note 3.

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the use and deployment of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific customer site or place of delivery, the risks of obsolescence and loss have been transferred to the customer, or the customer has accepted the products in accordance with the relevant contract.

Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with credit terms as specified for entities within the Group, which is consistent with the market practice. Variable consideration relating to volume rebates and discounts are measured using the expected value approach and are shown within contract liabilities.

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered. The Group employs various methods for measuring progress for services delivered over time. The method selected best depicts the pattern of transfer and is applied consistently to similar performance obligations and in similar circumstances. Methods for measuring progress include:

- Output methods, that recognise revenue based on direct measurements of the value transferred to the customer (for example, using contract milestones)
- Input methods, that recognise revenue based on the entity's efforts to satisfy the performance obligation (for example, labour hours spent).

2 **Summary of significant accounting policies (continued)**

2.19 **Revenue recognition (continued)**

2.19.1 Sale of goods and services (continued)

Payments received in advance of satisfying performance obligations are shown within contract liabilities (if material).

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Some arrangements involve two or more unrelated parties that contribute to providing a specified good or service to a customer. Management determines, separately for each specified good or service, whether the entity has promised to provide the specified good and service itself (as a principal) or to arrange for those specified good or service to be provided by another party (as an agent). An entity is the principal in a transaction if it obtains control of the specified goods or services before they are transferred to the customer. The principal recognises as revenue the 'gross' amount paid by the customer for the specified good or service. The principal records a corresponding expense for the commission or fee that it has to pay to any agent, in addition to the direct costs of satisfying the contract. An entity is an agent if it does not control the specified goods or services before they are transferred to the customer. An agent records as revenue the commission or fee earned for facilitating the transfer of the specified goods or services (the 'net' amount retained). It records as revenue the net consideration that it retains after paying the principal for the specified goods or services that were provided to the customer.

2.20.2 Customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted and the likelihood of redemption using past experience. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they expire.

2.19.3 Premium income

Premiums written are recognised on policy inception and earned on a pro rata basis over the term of the related policy coverage. Estimates of premiums written as at the statement of financial position date but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums earned. Premiums ceded are expensed on a pro-rata basis over the term of the respective policy.

2 **Summary of significant accounting policies (continued)**

2.19 **Revenue recognition (continued)**

2.19.4 Rental income

Rental income from investment property leased out under an operating lease is recognised in the consolidated income statement on a straight- line basis over the lease term.

Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

2.19.5 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.19.6 Dividend income

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

2 **Summary of significant accounting policies (continued)**

2.20 **Leases**

2.20.1 Group is the lessee

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 (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where, the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.20.2 Group is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Assets leased out under operating leases are included in property, plant and equipment in the consolidated statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similarly owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a pattern reflecting a constant periodic rate of return on the lessor's net investment.

2.21 **Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's directors.

3 **Segment information**

The Chief Operating Decision Maker (CODM) is the Chief Executive Officer (CEO). Management has determined the operating segments based on the reports reviewed by the CEO and the Board of Massy Holdings Ltd.

The CEO and the Board considers the business from both a geographic and business unit perspective. Geographically, management considers the performance of operating companies in Trinidad and Tobago, Barbados and the Eastern Caribbean, Guyana, Jamaica and Colombia.

The Group is organised into six main business segments:

(1) Automotive and Industrial Equipment;
(2) Integrated Retail;
(3) Financial Services;
(4) Energy and Industrial Gases;
(5) Information Technology and Communications (ITC);
(6) Other Investments.

The CEO and the Board assesses the performance of the operating segments based on a measure of profit before income tax, profit for the year and asset utilisation.

(1) *Automotive and Industrial Equipment*

This segment derives its revenue mainly from the sale of new and used vehicles, spare parts and industrial equipment and also includes the manufacturing and sale of pre-stressed concrete products and the installation of deep foundations.

(2) *Integrated Retail*

This segment derives its revenue mainly from the sale of retail and wholesale foods, general merchandise and distribution and logistics operations.

(3) *Financial Services*

This segment includes our insurance company, Massy United Insurance Ltd. The Company acts as a primary insurer for property, motor, liability and marine risk within the Caribbean region. It also includes a financing company that accepts deposits for fixed terms and grants instalment credit secured by assets.

(4) *Energy and Industrial Gases*

This segment derives its revenue from the sale of gas and the provision of electrical, instrumentation and construction services for offshore platforms. Revenue is also generated from the supply of technical resources, valve services and technical equipment to the energy-based industries in Trinidad and Tobago and the region.

(5) *ITC*

This segment derives its revenue mainly from the sale, rental and provision of professional services of technology-based solutions, office interiors and the provision of long-distance communications, carrier/voice data, enterprise and broadband.

3 **Segment information (continued)**

(6) *Other Investments*

This segment earns revenue from consultancy, property management and other services.

Head Office and Other

The head office and other segment includes companies which provide management, advisory and several support services to relevant subsidiaries across the Group.

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 Segment information (continued)

The Group's retirement benefit assets are deemed unallocated and are not considered to be segment assets but rather are managed by Head Office. These amounts are included in Head Office and Other Adjustments.

The segment results for the year ended September 30, 2019 are as follows:

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $	Other Investments $	Head Office and Other Adjustments $	Total $
Group revenue	2,654,564	6,963,994	680,525	1,220,709	514,809	546,354	22,833	12,603,788
Inter-segment revenue	(122,373)	(389,155)	(3,120)	(19,142)	(27,561)	(60,938)	(22,833)	(645,122)
Third party revenue	2,532,191	6,574,839	677,405	1,201,567	487,248	485,416	--	11,958,666
Timing of revenue								
At a point in time	2,654,418	6,963,994	104,487	1,051,134	364,660	422,820	1,342	11,562,855
Over time	146	--	576,038	169,575	150,149	123,534	21,491	1,040,933
	2,654,564	6,963,994	680,525	1,220,709	514,809	546,354	22,833	12,603,788
Operating profit/(loss) before finance costs	182,664	354,778	102,901	184,896	106,792	93,126	(99,517)	925,640
Finance costs – net	(15,863)	(30,935)	1,986	(721)	(2,164)	--	(24,672)	(72,369)
	166,801	323,843	104,887	184,175	104,628	93,126	(124,189)	853,271
Share of results of associates and joint ventures (Note 9)	--	--	153	56,514	--	9,298	--	65,965
Profit/(loss) before income tax	166,801	323,843	105,040	240,689	104,628	102,424	(124,189)	919,236
Taxation (Note 28)	(59,819)	(102,165)	(48,362)	(75,177)	(18,483)	(2,360)	362	(306,004)
Profit/(loss) for the year	106,982	221,678	56,678	165,512	86,145	100,064	(123,827)	613,232

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 Segment information (continued)

The Group's retirement benefit assets are deemed unallocated and are not considered to be segment assets but rather are managed by Head Office. These amounts are included in Head Office and Other Adjustments.

The segment results for the year ended September 30, 2018 are as follows:

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $ (Restated) Note 25.1	Other Investments $	Head Office and Other Adjustments $	Total $ (Restated) Note 25.1
Group revenue	2,701,187	6,928,913	625,838	1,171,790	524,430	568,557	1,348	12,522,063
Inter-segment revenue	(115,802)	(374,858)	(1,853)	(14,328)	(28,505)	(75,316)	(1,348)	(612,010)
Third party revenue	2,585,385	6,554,055	623,985	1,157,462	495,925	493,241	--	11,910,053
Operating profit/(loss) before finance costs	174,576	348,952	111,819	175,870	87,883	84,184	(114,017)	869,267
Finance costs – net	(18,234)	(31,863)	(287)	360	(3,371)	1,190	(21,851)	(74,056)
	156,342	317,089	111,532	176,230	84,512	85,374	(135,868)	795,211
Share of results of associates and joint ventures (Note 9)	--	--	--	74,818	--	4,035	--	78,853
Profit/(loss) before income tax	156,342	317,089	111,532	251,048	84,512	89,409	(135,868)	874,064
Taxation (Note 28)	(63,545)	(111,768)	(28,676)	(80,238)	(23,250)	(16,405)	15,293	(308,589)
Profit/(loss) for the year	92,797	205,321	82,856	170,810	61,262	73,004	(120,575)	565,475

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 Segment information (continued)

The segment assets and liabilities at September 30, 2019 and capital expenditure for the year then ended are as follows:

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $	Other Investments $	Head Office and Other Adjustments $	Total $
Total Assets	1,484,808	3,278,910	2,825,638	1,155,229	522,463	1,104,389	1,953,636	12,325,073
Investments in associates and joint ventures (Note 9)	--	6,733	--	101,357	--	38,711	--	146,801
Total liabilities	503,102	905,826	2,129,948	342,882	181,935	186,330	2,128,109	6,378,132
Capital expenditure (Notes 5 and 6)	147,338	134,725	12,248	40,373	22,200	57,693	(230)	414,347

Other segment items included in the consolidated income statement are as follows:-

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $	Other Investments $	Head Office and Other Adjustments $	Total $
Depreciation and impairment (Notes 5 and 6)	80,007	98,372	11,382	41,863	21,362	41,679	2,115	296,780
Impairment of goodwill (Note 7)		11,342	--	--	--	--	--	11,342

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 Segment Information (continued)

The segment assets and liabilities at September 30, 2018 and capital expenditure for the year then ended are as follows:

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $	Other Investments $	Head Office and Other Adjustments $	Total $
Total Assets	1,437,686	3,033,052	3,173,042	1,307,311	528,688	1,462,921	1,534,490	12,477,190
Investments in associates and joint ventures (Note 9)	--	6,760	169	187,750	--	53,612	--	248,291
Total liabilities	491,757	906,656	2,506,037	377,059	218,831	255,583	2,106,109	6,862,032
Capital expenditure (Notes 5 and 6)	168,975	164,294	15,708	54,829	25,787	30,290	29,668	489,551

Other segment items included in the consolidated income statement are as follows:-

Depreciation and impairment (Notes 5 and 6)	95,007	104,043	8,147	34,546	24,353	22,291	3,252	291,639
Impairment of goodwill (Note 7)	--	3,650	--	10,092	--	--	--	13,742

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 Segment information (continued)

The Group's six business segments operate in five main geographical areas, even though they are managed on a regional basis.

The main operations occur in the home country of the company. The areas of operation are principally trading, manufacturing, service industries and finance.

	Third party revenue		Profit before income tax		Total assets		Capital expenditure	
	2019 $	**2018 $ (Restated)**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Trinidad and Tobago	4,788,457	4,892,615	504,897	498,264	5,111,636	5,102,487	172,504	209,727
Barbados and Eastern Caribbean	3,984,366	3,967,459	267,212	277,596	4,889,737	5,203,880	75,787	133,433
Guyana	933,309	921,982	179,552	143,021	760,434	691,175	91,531	62,962
Jamaica	682,610	683,406	77,229	69,621	500,364	457,105	19,531	12,851
Colombia	1,480,396	1,360,364	11,108	15,220	643,103	641,321	54,833	70,254
Other	89,528	84,227	3,427	6,209	419,799	381,222	161	324
Head Office and other Adjustments	--	--	(124,189)	(135,867)	--	--	--	--
	11,958,666	**11,910,053**	**919,236**	**874,064**	**12,325,073**	**12,477,190**	**414,347**	**489,551**

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. *Critical accounting estimates and assumptions*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7.4. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as described in Note 7.

(ii) *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for debt instruments measured at amortised cost and FVOCI is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

ECL calculations are shown in Note 33. Had there been a 10% shift in the average ECL rate for all debt instruments at amortised cost and FVOCI, the Group ECL allowance would have been lower by $18,201 (2018: $24,038).

(iii) *Impairment of property, plant and equipment and investment properties*

When any indicators of impairment are identified, property, plant and equipment and investment properties are reviewed for impairment based on each cash generating unit. The cash generating units are the smallest group of assets which generates an independent cashflows. The carrying value of these assets are compared to the recoverable amount of the cash generating units, which are based either on value-in-use or fair value less cost to sell. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates which do not exceed the long-term average growth rates for the businesses in which the cash generating unit operates. Where fair values are used, these are provided by an independent professional valuator. Impairment losses are recognised in the consolidated income statement.

4 **Critical accounting estimates and judgements (continued)**

a. *Critical accounting estimates and assumptions (continued)*

(iii) *Impairment of property, plant and equipment and investment properties (continued)*

The assessment of whether indicators of impairment exist and the estimation of the recoverable amount both require the use of management judgement. Refer to Notes 5 and 6 for the carrying values of property, plant and equipment and investment properties.

(iv) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Current and deferred income tax balances are disclosed in the statement of financial position. Details of the expense for the year are shown in Note 28.

(v) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The Group uses discounted cash flow analyses for various available-for-sale financial assets that were not traded in active markets. The assumptions and amounts subject to fair value measurements are shown in Note 33.

(vi) *Revenue recognition*

Once the group determines that a performance obligation is satisfied over time, it measures its progress towards complete satisfaction of that performance obligation, in order to determine the timing of revenue recognition. The purpose of measuring progress towards satisfaction of a performance obligation is to recognise revenue in a pattern that reflects the transfer of control of the promised good or service to the customer. Management employ various input or output methods for measuring progress ensuring that the selected approach best depicts the transfer of control of goods or services and applies that method consistently to similar performance obligations and in similar circumstances. Revenue from the rendering of services is disclosed in Note 25.

(vii) *Pension benefits*

The present value of the pension obligations is determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

4 **Critical accounting estimates and judgements (continued)**

a. *Critical accounting estimates and assumptions (continued)*

(vii) Pension benefits (continued)

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

As at 30 September 2019, if the discount rate had been 1.0% higher or lower with all other variables held constant, the carrying amount of pension benefits would have been $177,765 lower or $231,029 higher (2018: $174,042 lower or $226,097 higher).

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 13.

(viii) Liabilities on insurance contracts

Outstanding claims consist of estimates of the ultimate cost of claims incurred that have not been settled at the statement of financial position date, whether reported or not, together with related claims handling costs. Significant delays may be experienced in the notification and settlement of certain types of general insurance claims, such as general insurance business.

Estimates are calculated using methods and assumptions considered to be appropriate to the circumstances of the Company and the business undertaken. This provision, while believed to be adequate to cover the ultimate cost of losses incurred, may ultimately be settled for a different amount. It is continually reviewed and any adjustments are recorded in operations in the period in which they are determined.

Additional information is disclosed in Note 24.

(Expressed in Thousands of Trinidad and Tobago Dollars)

5 Property, plant and equipment

	Freehold Properties $	properties and improvements $	Plant and equipment $	Rental assets $	Furniture and fixtures $	Motor vehicles $	Capital work in progress $	Total $
Year ended September 30, 2019								
Opening net book amount	1,301,554	210,707	488,575	187,921	60,471	99,492	95,195	2,443,915
Additions	72,261	36,586	75,044	107,776	9,372	46,446	60,853	408,338
Acquisition of subsidiary	2,025	--	80	--	--	--	--	2,105
Disposals and adjustments	(61,231)	(7,295)	(3,031)	(14,812)	4,510	(39,715)	7,626	(113,948)
Translation adjustments	(4,911)	(524)	(2,681)	(232)	(245)	(563)	(1,918)	(11,074)
Transfer to investment property (Note 6)	(64,247)	--	--	--	--	--	--	(64,247)
Transfer from capital work in progress	37	2,241	9,605	1,204	2,273	587	(15,947)	--
Depreciation charge	(22,021)	(22,113)	(101,302)	(84,506)	(17,146)	(25,696)	--	(272,784)
Closing net book amount	1,223,467	219,602	466,290	197,351	59,235	80,551	145,809	2,392,305
At September 30, 2019								
Cost	1,412,959	372,120	1,540,772	477,742	229,269	241,290	146,419	4,420,571
Accumulated depreciation	(189,492)	(152,518)	(1,074,482)	(280,391)	(170,034)	(160,739)	(610)	(2,028,266)
Net book amount	1,223,467	219,602	466,290	197,351	59,235	80,551	145,809	2,392,305

The net book amount of property, plant and equipment includes $1,571 (2018: $1,413) in respect of motor vehicles held under finance leases.

Depreciation expense of $98,954 (2018: $102,999) has been charged in cost of sales and $173,830 (2018: $184,477) in 'selling, general and administrative expenses.

(Expressed in Thousands of Trinidad and Tobago Dollars)

5 **Property, plant and equipment (continued)**

	Freehold Properties $	Leasehold properties and improvements $	Plant and equipment $	Rental assets $	Furniture and fixtures $	Motor vehicles $	Capital work in progress $	Total $
Year ended September 30, 2018								
Opening net book amount	1,124,855	181,070	434,490	196,139	55,133	103,522	216,302	2,311,511
Additions	52,782	42,547	137,291	110,337	19,967	46,881	76,581	486,386
Disposals and adjustments	6,498	(12,770)	(4,113)	(30,340)	(916)	(17,567)	(5,427)	(64,635)
Translation adjustments	288	1	(1,755)	(34)	(225)	(212)	66	(1,871)
Transfer from capital work in progress	142,139	20,124	23,287	--	6,402	363	(192,315)	--
Depreciation charge	(25,008)	(20,265)	(100,625)	(88,181)	(19,890)	(33,495)	(12)	(287,476)
Closing net book amount	1,301,554	210,707	488,575	187,921	60,471	99,492	95,195	2,443,915
At September 30, 2018								
Cost	1,484,358	361,555	1,522,077	480,794	222,425	261,816	95,234	4,428,259
Accumulated depreciation	(182,804)	(150,848)	(1,033,502)	(292,873)	(161,954)	(162,324)	(39)	(1,984,344)
Net book amount	1,301,554	210,707	488,575	187,921	60,471	99,492	95,195	2,443,915

(Expressed in Thousands of Trinidad and Tobago Dollars)

6 Investment properties

	2019 $	2018 $
Cost	498,127	463,791
Accumulated depreciation and impairment	(84,532)	(56,965)
Net book amount	413,595	406,826
Movement analysis:		
Opening net book amount	406,826	419,159
Translation adjustments	326	1,069
Additions	6,009	3,165
Transfers (Note 5)	64,247	--
Disposals	(39,147)	(12,456)
Depreciation	(4,069)	(4,163)
Impairment	(19,927)	--
Other adjustments	(670)	52
Closing net book amount	413,595	406,826

- The fair value of the investment properties amounted to $760,137 (2018: $613,031).
- The fair value amount was either:
  1. valued by independent, professionally qualified valuators taking into consideration current replacement costs, land tax valuations and other valuation techniques; or
  2. asserted via a Director's valuation based on:
     - references to properties in similar areas and condition;
     - correspondence from valuators which supports that there has not been significant movement in terms of market prices;
     - the directors' independent FV assessment based on a calculation if the property is tenanted;
     - re-assessment of any assumptions made in the last valuation and whether there were or should have been any changes and any other factors which supports management's position that the FV continues to be relevant and appropriate.
- The property rental income earned by the Group during the year from its investment properties, amounted to $41,205 (2018: $39,222).
- Direct operating expenses arising on the investment properties which generated revenue during the year amounted to $24,276 (2018: $19,547).
- Direct operating expenses arising on the investment properties which did not generate revenue during the year amounted to $727 (2018: $750).
- Depreciation and impairment expenses have been charged in cost of sales.
- Properties with a net book value of $64,247 were transferred from Property, Plant and Equipment to Investment Property as they are no longer owner-occupied and now earning rental income from external parties.

(Expressed in Thousands of Trinidad and Tobago Dollars)

7 Goodwill

	2019 $	2018 $
Cost	355,099	355,099
Accumulated translation adjustments	(7,637)	(7,690)
Accumulated impairment	(135,680)	(124,338)
Net book amount	211,782	223,071
Movement analysis:		
Opening net book amount	223,071	238,498
Adjustments	--	(2,266)
Translation adjustments	53	581
Impairment charge (Note 25.3)	(11,342)	(13,742)
Closing net book amount	211,782	223,071

Goodwill is allocated to the Group's cash-generating units ('CGUs') identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below.

	2019 $		2018 $	
	Trinidad and Tobago	Overseas	Trinidad and Tobago	Overseas
Automotive and Industrial Equipment	953	104,270	953	103,186
Energy and Industrial Gases	--	2,485	--	2,485
Integrated Retail	--	60,153	--	72,440
Financial Services	--	40,650	--	40,736
Other Investments	--	3,271	--	3,271
Total	953	210,829	953	222,118

The recoverable amount of cash generating units is determined based on value-in-use and fair value less costs to sell calculations.

These calculations use pre-tax cash flow projections based on financial budgets approved by Directors covering a five-year period.

Key assumptions used for value-in-use calculations:

	2019		2018	
	Growth rate	Discount rate	Growth rate	Discount rate
Automotive and Industrial Equipment	1.6%-3.2%	8.87%-9.12%	3.7%	8.87%
Energy and Industrial Gases	2.3%-2.4%	15.49%	2%-2.1%	15.49%
Integrated Retail	2.6%-7.0%	8.61%-16.16%	2.6%-6%	8.61%-16.16%
Financial Services	5.0%	12.17%	1.5%-2%	12.17%
Other Investments	1.8%	18.22%	1.5%-3.5%	18.22%

(Expressed in Thousands of Trinidad and Tobago Dollars)

7 Goodwill (continued)

[1] Weighted average growth rate used to extrapolate cash flows beyond the budget period.

[2] Pre-tax discount rate applied to the cash flow projections.

These assumptions have been used for the analysis of each CGU within the business segment. Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risk relating to the relevant segments.

8 Other intangible assets

Intangibles represent brands and software license have been recognised at fair value at the acquisition date and are measured at carrying values less accumulated amortisation and impairment. No impairment has been recorded during the years presented.

	2019 $	2018 $
Opening net book value	53,561	51,744
Translation adjustments	(279)	59
Additions for the year	15,531	12,662
Amortisation charge for the year	(8,550)	(10,904)
Net book amount	60,263	53,561
Cost	101,384	86,132
Accumulated amortisation	(41,121)	(32,571)
Net book amount	60,263	53,561

The amortisation charge is included in selling, general and administrative expenses.

(Expressed in Thousands of Trinidad and Tobago Dollars)

9 Investments in associates and joint ventures

	2019 $	2018 $
Investment and advances	74,324	73,773
Share of post-acquisition reserves	72,477	174,518
	146,801	248,291
Movement analysis:		
Balance at beginning of year	248,291	239,305
Translation adjustments	(318)	260
Additional investment	551	--
Share of results before tax	65,965	78,853
Share of tax (Note 28)	(19,297)	(25,730)
Dividends received	(126,221)	(46,072)
Disposal of associates	(22,002)	--
Other	(168)	1,675
Balance at end of year	146,801	248,291
Analysed as:		
Individually material joint ventures	101,356	187,668
Individually immaterial associates and joint ventures	45,445	60,623
	146,801	248,291

(Expressed in Thousands of Trinidad and Tobago Dollars)

9 **Investments in associates and joint ventures (continued)**

The tables below provide summarised financial information for those associates and joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not the Group's share of those amounts. A reconciliation to the net carrying amounts is included below to reflect adjustments made by the entity when using the equity method, including goodwill and other adjustments.

	2019			2018		
	Massy Wood	**Caribbean Industrial Gases Unlimited**	**Total**	**Massy Wood**	**Caribbean Industrial Gases Unlimited**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
As at September 30, 2019						
Summarised balance sheet:						
Current assets	382,248	90,796	473,044	576,156	52,299	628,455
Non-current assets	16,881	132,105	148,986	11,190	164,700	175,890
Current liabilities	(305,341)	(66,042)	(371,383)	(326,707)	(37,820)	(364,527)
Non-current liabilities	(4,744)	(49,638)	(54,382)	--	(72,488)	(72,488)
Net assets	89,044	107,221	196,265	260,639	106,691	367,330
Reconciliation to net carrying amounts:						
Group share of associates (%)	50	50	50	50	50	50
Group share of associates ($)	44,522	53,610	98,132	130,320	53,345	183,665
Goodwill	727	2,497	3,224	727	3,263	3,990
Other adjustments	--	--	--	(176)	189	13
	45,249	56,107	101,356	130,871	56,797	187,668
Other information:						
Country of incorporation	Trinidad & Tobago	Trinidad & Tobago		Trinidad & Tobago	Trinidad & Tobago	
Nature of relationship	Joint venture	Joint venture		Joint venture	Joint venture	

(Expressed in Thousands of Trinidad and Tobago Dollars)

9 **Investments in associates and joint ventures (continued)**

	Massy Wood $	Caribbean Industrial Gases Unlimited $	Total $
Summarised statement of comprehensive income			
As at September 30, 2019			
Revenue	1,098,870	46,748	1,145,618
Interest income	131	--	131
Depreciation and amortisation	(4,866)	(119)	(4,985)
Interest expense	--	(791)	(791)
Profit before tax	109,184	14,269	123,453
Income tax expense	(30,680)	(5,113)	(35,793)
Profit for the year	78,504	9,156	87,660
Reconciliation to profit or loss:			
Group share of associates (%)	50%	50%	50%
Group share of associates ($)	39,252	4,578	43,830
Goodwill Impairment	--	(765)	(765)
Other adjustments	--	(4,447)	(4,447)
	39,252	(634)	38,618
As at September 30, 2018			
Revenue	1,101,996	115,492	1,217,488
Interest income	15	--	15
Depreciation and amortisation	--	(131)	(131)
Interest expense	--	(1,000)	(1,000)
Profit before tax	108,418	39,574	147,992
Income tax expense	32,767	(12,210)	20,557
Profit for the year	75,651	27,364	103,015

The Group has an investment in a joint venture whose year ends are not coterminous with September 30. These are principally:

	Country of incorporation	Reporting year end
Massy Wood	Trinidad and Tobago	31 December

(Expressed in Thousands of Trinidad and Tobago Dollars)

10 Trade and other receivables

	2019 $	2018 $
Trade receivables	1,449,838	1,470,486
Receivables with related parties	7,824	18,949
Less: provision for impairment of receivables	(144,016)	(177,593)
Trade receivables – net	1,313,646	1,311,842
Reinsurance assets (Note 24)	730,948	1,115,570
Contract assets (Note 10.1)	23,659	--
Less: provision for impairment of contract assets (Note 10.1)	(1,024)	--
Other debtors and prepayments	608,250	542,670
Less: provision for impairment	(8,031)	(5,852)
Other debtors and prepayments – net	1,353,802	1,652,388
	2,667,448	2,964,230
Non-current portion	167,785	--
Current portion	2,499,663	2,964,230
	2,667,448	2,964,230

10.1 Contract assets comprises:

	2019 $	2018 $
Unbilled income	22,442	--
Assets recognized from costs to fulfil a contract	74	
Product return from customer refunds	119	--
	22,635	--

The contract assets are trade receivables subjected to impairment testing under IFRS 9. The basis for impairment is explained in Note 33.1.2.

The opening contract assets on initial application of the standard amounted to $4,435 (Note 2.1.1). Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for fixed-price contracts.

(Expressed in Thousands of Trinidad and Tobago Dollars)

11 Financial assets

	2019 $	2018 $
At amortised cost:		
- Bonds	614,621	842,489
- Instalment credit and other accounts (Note 11.1)	458,056	406,289
- Hire purchase receivables	39,923	45,413
- Mortgages	4,168	4,851
	1,116,768	1,299,042
Fair value through profit or loss:		
- Bonds and treasury bills	726,057	469,613
- Listed equities	84,081	114,763
- Unlisted equities	853	17,384
- Investment funds	52,194	244,005
	863,185	845,765
Fair value through other comprehensive income:		
- Unlisted equities	184,530	--
Total	2,164,483	2,144,807

	2019 $	2018 $
Non-Current portion	1,032,084	1,040,568
Current portion	1,132,399	1,104,239
	2,164,483	2,144,807

11.1 Finance leases

Included in instalment credit and other accounts are amounts relating to finance leases as follows:

	2019	2018
Not later than 1 year	6,488	7,048
Later than 1 year and not later than 5 years	12,813	7,519
	19,301	14,567
Unearned finance charges on finance leases	(1,281)	(1,413)
Net investment in finance leases	18,020	13,154
Not later than 1 year	5,803	6,178
Later than 1 year and not later than 5 years	12,217	6,976
	18,020	13,154

(Expressed in Thousands of Trinidad and Tobago Dollars)

12 Deferred income tax

Deferred income taxes are calculated in full, on temporary differences under the liability method using a principal tax rate of 30% (2018: 30%).

The movements in deferred tax assets/(liabilities) are as follows:

Deferred income tax assets

	Accelerated depreciation	Tax losses	Other	Total
	$	$	$	$
Year ended September 30, 2019				
At beginning of year	29,094	20,935	68,808	118,837
Charge to consolidated income statement	(12,869)	(7,225)	(14,628)	(34,722)
Exchange adjustment	(29)	12	(4,104)	(4,121)
IFRS 15 adjustment (Note 2.1.1)			26	26
Other movements	(9,384)	5,250	401	(3,733)
At end of year	6,812	18,972	50,503	76,287

	Accelerated depreciation	Tax Losses	Other	Total
	$	$	$	$
Year ended September 30, 2018				
At beginning of year	30,422	20,456	56,098	106,976
IFRS 9 initial application Adjustments	--	--	15,524	15,524
Charge to consolidated income Statement	317	(1,013)	2,184	1,488
Exchange adjustment	(1)	(16)	33	16
Other movements	(1,644)	1,508	(5,031)	(5,167)
At end of year	29,094	20,935	68,808	118,837

(Expressed in Thousands of Trinidad and Tobago Dollars)

12 **Deferred income tax (continued)**

Deferred income tax liabilities

	Accelerated depreciation $	Pension plan surplus $	Other $	Total $
Year ended September 30, 2019				
At beginning of year	89,020	124,243	22,525	235,788
Charge to consolidated income statement	(10,441)	(484)	(3,977)	(14,902)
Exchange adjustment	(125)	32	(526)	(619)
Other movements	1,327	73	5,384	6,784
At end of year	79,781	123,864	23,406	227,051
Year ended September 30, 2018				
At beginning of year	96,044	126,112	12,329	234,485
Charge to consolidated income statement	(7,409)	(581)	3,006	(4,984)
Exchange adjustment	(380)	(22)	(329)	(731)
Other movements	765	(1,266)	7,519	7,018
At end of year	89,020	124,243	22,525	235,788

Deferred tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

13 **Retirement benefit assets/obligations**

	2019 $	2018 $
Retirement benefit assets		
Neal & Massy Group Pension Fund Plan	395,529	395,828
Overseas plans – Other	89,274	79,941
	484,803	475,769

The pension plans were valued by an independent actuaries using the projected unit credit method.

Neal & Massy Group Pension Fund Plan

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

	2019 $	2018 $
Fair value of plan assets	1,693,695	1,623,329
Present value of obligation	(1,233,861)	(1,207,670)
	459,834	415,659
Unutilisable asset	(64,305)	(19,831)
Asset in the statement of financial position	395,529	395,828

(Expressed in Thousands of Trinidad and Tobago Dollars)

13 **Retirement benefit assets/obligations (continued)**

Neal & Massy Group Pension Fund Plan (continued)

	2019 $	2018 $
The movement in the present value of the defined benefit obligation is as follows:		
Opening present value of defined benefit obligation	1,207,671	1,174,617
Current service cost	21,405	22,035
Interest cost	59,173	57,617
Actuarial gains on obligation	(5,960)	(2,048)
Benefits paid	(48,428)	(44,551)
Closing present value of defined benefit obligation at September 30	1,233,861	1,207,670
The movement in the fair value of plan assets for the year is as follows:		
Opening fair value of plan assets	1,623,329	1,697,389
Expected return on plan assets	78,964	77,716
Actuarial gains/(losses) on plan assets	39,830	(107,225)
Benefits paid	(48,428)	(44,551)
Closing fair value of plan assets at September 30	1,693,695	1,623,329
The amounts recognised in the consolidated income statement are as follows:		
Current service cost	21,405	22,035
Net interest cost	(19,791)	(20,099)
Total included in profit or loss	1,614	1,936
Actuarial (gains)/losses recognised in other comprehensive income before tax	(1,315)	4,219
Movement in the asset recognised in the consolidated statement of financial position:		
Asset at beginning of year	395,828	401,983
Net pension expense	(1,614)	(1,936)
Actuarial gains/(losses)	1,315	(4,219)
Asset at end of year	395,529	395,828

The principal actuarial assumptions used were:;

	Per annum	Per annum
Discount rate	5.0%	5.0%
Future salary increases	5.0%	5.0%
Future pension increases – post retirement	3.0%	3.0%
Sensitivity	1 % increase	1% increase
Discount rate	(177,765)	(174,042)

(Expressed in Thousands of Trinidad and Tobago Dollars)

13 **Retirement benefit assets/obligations (continued)**

Assumptions regarding future mortality experience are set based on advice from published statistics and experience in each territory.

	2019	2018
Plan assets are comprised as follows:		
Local equities/mutual funds	36%	37%
Local bonds/mortgages	17%	15%
Foreign investments	37%	37%
Deferred annuities/insurance policy	6%	6%
Short-term securities/cash/accrued income	4%	5%

The average life expectancy in years of a pensioner retiring at age 60 is as follows:

	2019	2018
Male	81	81
Female	85	85

Overseas plans – Other

The amounts recognised in the statement of financial position are as follows:	2019 $	2018 $
Fair value of plan assets	310,084	277,628
Present value of the defined benefit obligation	(178,540)	(174,843)
	131,544	102,785
Unutilisable asset	(42,270)	(22,844)
Asset recognised in the statement of financial position	89,274	79,941

The movement in the defined benefit obligation over the year is as follows:

	2019	2018
Opening present value of defined benefit obligation	174,843	164,654
Current service cost	3,902	3,910
Interest cost	11,649	11,961
Plan participant contributions	3,713	3,456
Actuarial (gains)/ losses on obligation	(50)	300
Liabilities extinguished on settlement/curtailment	(238)	--
Exchange differences on foreign plans	(5,924)	(2,135)
Benefits paid	(9,355)	(7,303)
Closing present value of defined benefit obligation	178,540	174,843

(Expressed in Thousands of Trinidad and Tobago Dollars)

13 **Retirement benefit assets/obligations (continued)**

Overseas plans – Other (continued)	**2019 $**	**2018 $**
The movement in the fair value of plan assets for the year is as follows:		
Opening fair value of plan assets	277,628	236,418
Income from discount rate on utilisable plan assets	17,346	17,293
Actual return on assets greater than/(less than) above	21,558	30,204
Exchange differences on foreign plans	(2,681)	(3,983)
Employer contributions	2,875	2,475
Plan participant contributions	3,713	3,456
Administration expenses	(1,000)	(932)
Benefits paid	(9,355)	(7,303)
Closing fair value of plan assets at September 30	310,084	277,628

The amounts recognised in the consolidated income statement are as follows:

Current service cost	3,902	3,910
Net interest cost	(5,696)	(5,332)
Administration expenses	1,000	932
Curtailments and settlements	(238)	--
Total included in other income	(1,032)	(490)
Actual return on plan assets	38,904	47,497

Movement in the asset recognised in the consolidated statement of financial position

Asset at beginning of year	79,941	65,451
Actuarial gains recognised in other comprehensive	5,426	11,525
Net pension income	1,032	490
Employer contributions	2,875	2,475
Asset at end of year	89,274	79,941
Actuarial gains recognised in other comprehensive income	5,426	11,525

The principal actuarial assumptions used were:

	Per annum	**Per annum**
Discount rate	6%-7.75%	6%-7.75%
Future salary increases	3.5%-5.0%	4.5%-5.0%
Future National Insurance increases	4%	4%
Future pension increases	1%-4%	1%-4%
Future bonuses	0%-2%	0%-2%

Assumptions regarding future mortality experience are set based on advice from published statistics and experience in each territory.

(Expressed in Thousands of Trinidad and Tobago Dollars)

13 Retirement benefit assets/obligations (continued)

	2019 $	2018 $
Retirement benefit obligations		
Barbados Shipping & Trading (BST) – medical plan	(99,351)	(101,910)
Barbados Shipping & Trading (BST) – pension plan	(11,223)	(26,353)
Other plans	(61,135)	(55,287)
	(171,709)	(183,550)

Overseas plans – BS&T

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

	2019 $	2018 $
Fair value of plan assets	591,125	594,025
Present value of the defined benefit obligation	(537,442)	(547,003)
	53,683	47,022
Unrecognised asset due to limit	(64,906)	(73,375)
Liability in the statement of financial position	(11,223)	(26,353)

The movement in the defined benefit obligation over the year is as follows:

	2019 $	2018 $
Opening present value of defined benefit obligation	547,003	545,370
Current service cost	7,554	7,842
Interest cost	41,524	41,557
Actuarial gains on obligation	(19,478)	(12,188)
Exchange differences on foreign plans	(2,177)	1,622
Benefits paid	(36,984)	(37,200)
Closing present value of defined benefit obligation at 30 September	537,442	547,003

The movement in the fair value of plan assets for the year is as follows:

	2019 $	2018 $
Opening fair value of plan assets	594,025	554,037
Income from discount rate on utilisable plan assets	45,413	42,639
Actual return on assets (less than)/greater than above	(33,126)	6,922
Administration expenses	(378)	(254)
Employer contributions	24,569	26,236
Exchange differences	(2,394)	1,645
Benefits paid	(36,984)	(37,200)
Closing fair value of plan assets at September 30	591,125	594,025

(Expressed in Thousands of Trinidad and Tobago Dollars)

13 **Retirement benefit assets/obligations (continued)**

Overseas plans – BS&T (continued)

The amounts recognised in the consolidated income statement are as follows:

	2019 $	2018 $
Current service cost	7,554	7,842
Net interest cost	(3,889)	(1,082)
Administration expenses	379	254
Expense recognised in the income statement	4,044	7,014
Actual return on plan assets	12,286	49,561
Liability at beginning of year	(26,353)	(50,338)
Increase in unrecognisable asset	8,470	(14,345)
(Expense)/Income recognised in other comprehensive income	(13,865)	19,107
Net pension expense	(4,044)	(7,014)
Contributions paid	24,569	26,237
Liability at end of year	(11,223)	(26,353)

The principal actuarial assumptions used were:

	2019 Per annum	2018 Per annum
Discount rates	7.75%	7.75%
Future salary increases	5.75%	5.75%
Future NIS increases	3.50%	3.50%
Future pension increases – past service	0.75%	0.75%
Future pension increases – future service	0.75%	0.75%

Assumptions regarding future mortality experience were obtained from published statistics and experience in each territory.

The average life expectancy in years of a pensioner retiring at age 65 is as follows:

Male	83	81
Female	86	85

BS&T – medical plans

The principal actuarial assumptions used were:

	Per annum	Per annum
Discount rate	7.75%	7.75%
Annual increase in health care	4.50%	4.50%

(Expressed in Thousands of Trinidad and Tobago Dollars)

14 **Inventories**	**2019** **$**	**2018** **$**
Finished goods and goods for resale	1,087,538	1,213,186
Goods in transit	226,764	359,005
Raw materials and consumables	197,365	66,168
Work in progress	8,061	14,834
	1,519,728	1,653,193

The cost of inventories recognised as expense and included in 'cost of sales' amounted to $7,632,699 (2018: $7,747,772).

15 **Statutory deposits with regulators**

This comprises the following:

- Massy United Insurance Ltd – This entity is registered to conduct insurance business under legislation in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policy holders. In order to satisfy the legislative requirements of the various jurisdictions, a portion of cash and cash equivalents have been deposited or are held in trust to the order of the regulators.

- Massy Finance GFC Ltd – The Financial Institutions Act, 2008 requires that every non-banking financial institution licensed under the Act in the Republic of Trinidad and Tobago hold and maintain a non-interest bearing deposit account with the Central Bank of Trinidad and Tobago equivalent to 9% of the total deposit liabilities of that institution. As at 30 September 2019 and 2018, Massy Finance GFC Ltd complied with the above requirement.

16 **Cash and cash equivalents**	**2019** **$**	**2018** **$**
Cash at bank and in hand	1,934,016	1,438,545
Short-term bank deposits	139,042	187,587
	2,073,058	1,626,132

Deposits have an average maturity of less than 90 days.

Cash, cash equivalents and bank overdrafts and short term borrowings include the following for the purposes of the cash flow statement:

Cash and cash equivalents	2,073,058	1,626,132
Bank overdrafts (Note 21)	(8,796)	(26,511)
Cash, net of bank overdrafts	2,064,262	1,599,621

(Expressed in Thousands of Trinidad and Tobago Dollars)

17 Share capital

	Number of shares #	Ordinary shares $	Total $
At September 30, 2018	97,743	763,516	763,516
Employee share grant – value of services provided	--	828	828
At September 30, 2019	97,743	764,344	764,344
At September 30, 2017	97,743	760,607	760,607
Employee share grant – value of services provided	--	2,909	2,909
At September 30, 2018	97,743	763,516	763,516

The total authorised number of ordinary shares is unlimited with no par value. All issued shares are fully paid.

The Shareholders of Massy Holdings Ltd. approved a Performance Share Plan for the benefit and long-term incentive of selected Senior Executives of Massy Holdings Ltd. and its subsidiaries, under which shares may be granted to such Executives. The Plan was approved on September 26, 2013 and the first tranche of shares was awarded on October 1, 2013 for the Executive Performance Period of October 1, 2012 to September 30, 2013. The Award is a conditional right to receive a grant of shares which may only vest where the Base Share Price grows by a compound annual growth rate, approved each year by the Board of Directors.

The Base Share Price will be calculated based on the average market price of the shares, for the last ten trading days, in the calendar month immediately preceding the Grant Date. Shares may vest between three and six years from the Grant Date subject to, the applicable compound annual growth rate from the Base Share Price, which must be achieved to trigger the vesting and issue of the shares. The amount recognised in the income statement of $828 (2018: $2,909) is the best estimate of the Award value over its specified life – i.e. until vesting or expiry. At this time, no Performance Share Plan Grants have satisfied the condition to be vested.

In 2017, this plan was suspended and therefore no new share grants were issued to the Executives of Massy Holdings Ltd. and its subsidiaries. A long term incentive plan (note 23.2) has been introduced which is linked to the Group's EPS.

18 Dividends per share

	2019 $	2018 $
Interim paid: 2019 – 55 cents per share (2018 – 52 cents)	53,759	50,826
Final paid: 2018 – 158 cents per share (2017 – 158 cents)	154,433	154,434
	208,192	205,260

On December 19, 2019 the Board of Directors of Massy Holdings Ltd. declared a final dividend per share of $1.72, bringing the total dividends per share for the financial year ended September 30, 2019 to $2.27 (2018 - $2.10).

(Expressed in Thousands of Trinidad and Tobago Dollars)

19 **Other reserves**

	Translation reserve	Catastrophe reserve (Note 19.2)	Statutory and general banking reserves (Note 19.1)	Other amounts	Total
	$	$	$	$	$
As at 30 September 2019					
Balance at beginning of year	(82,169)	380,710	18,000	(217,288)	99,253
Currency translation adjustments	(28,371)	--	--	--	(28,371)
Transfer to other reserves	--	40,807	--	(1,770)	39,037
Balance at end of year	(110,540)	421,517	18,000	(219,058)	109,919
As at 30 September 2018					
Balance at beginning of year	(70, 430)	339,656	17,000	(222,107)	64,119
Currency translation adjustments	(11,739)	--	--	--	(11,739)
Transfer to other reserves	--	41,054	1,000	4,819	46,873
Balance at end of year	(82,169)	380,710	18,000	(217,288)	99,253

19.1 **Statutory and General Banking Reserves**

These are applicable to Massy Finance (GFC) Ltd as follows:

- Statutory Reserve – The Financial Institutions Act, 2008 requires a financial institution to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is equal to the paid-up capital of the institution. The reserve amounted to $15,000 (2018: $15,000).

- General Banking Reserve – In keeping with the Financial Institutions (Prudential Criteria) Regulations, 1994, the Company has set aside a reserve out of retained earnings to provide against unforeseen losses on the loan portfolio. The reserve amounted to $3,000 (2018: $3,000).

(Expressed in Thousands of Trinidad and Tobago Dollars)

19 **Other reserves (continued)**

19.2 **Catastrophe Reserve**

This comprises reserves arising from two entities:

- Massy United Insurance Ltd – This entity transfers from its retained earnings, as permitted in Section 155 of the Insurance Act, 1996 – 32, 25% of net premium income earned arising from its property business into a reserve established to cover claims made by the Group's policyholders arising from a catastrophic event, which is included as a separate component of equity. The reserve amounted to $148,358 (2018: $134,715).

- The Interregional Reinsurance Company Limited (TIRCL) – Appropriations from Retained Earnings are periodically made to this reserve as determined by the Directors. The reserve is intended to be only available to meet both current and future losses arising under the entity's insurance policies from catastrophic events. The reserve amounted to $273,159 (2018: $245,995).

20 **Non-controlling interests**

The following is an analysis of non-controlling interests which are material and individually immaterial to the Group:

	2019	**2018**
	$	**$**
Balances with non-controlling interests		
Material non-controlling interests	141,971	192,416
Individually immaterial non-controlling interests	91,072	37,921
	233,043	230,337

Individually immaterial non-controlling interests include Massy Guyana Group, Massy Pres-T-Con Holdings Ltd and Massy Carbonics Limited.

(Expressed in Thousands of Trinidad and Tobago Dollars)

20 **Non-controlling interests (continued)**

The table below shows a movement analysis of subsidiaries with non-controlling interests that are material to the Group. The amounts included represents the share attributable to the non-controlling interests.

	Roberts Manufacturing Co Limited $	Massy Stores (SLU) Ltd $	Total $
	49.5%	40%	
As at September 30, 2019			
Balance at beginning of year	54,123	90,311	144,434
Total comprehensive income for the year	14,709	26,962	41,671
Dividends	(5,769)	(32,972)	(38,741)
Currency translation adjustments	(232)	(300)	(532)
Other movements for the year	(4,861)	--	(4,861)
Balance at end of year	57,970	84,001	141,971
As at September 30, 2018			
Balance at beginning of year	115,747	84,738	200,485
Share of profit for the year	13,160	27,811	40,971
Dividends	(13,467)	(20,400)	(33,867)
Currency translation adjustments	--	340	340
Other movements for the year	(15,351)	(162)	(15,513)
Balance at end of year	100,089	92,327	192,416

(Expressed in Thousands of Trinidad and Tobago Dollars)

20 Non-controlling interests (continued)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are the amounts as per the entities' financial statements before inter-company eliminations.

	Roberts Manufacturing Co Limited $	Massy Stores (SLU) Ltd $
As at September 30, 2019		
Summarised balance sheet:		
Current assets	177,129	248,273
Non-current assets	79,140	149,343
Current liabilities	(59,014)	(156,575)
Non-current liabilities	(13,855)	(27,455)
Indirect NCI	(27,579)	(2,850)
Net assets	155,821	210,736
Summarised statement of comprehensive income:		
Revenue	401,417	1,262,806
Profit attributable to parent	26,439	67,526
Other comprehensive income	3,276	(120)
Total comprehensive income for the year	29,715	67,406
NCI share (%)	49.5%	40.0%
NCI share ($)	14,709	26,962
Summarised statement of cash flows:		
Operating activities	35,591	72,827
Investing activities	(4,601)	(11,222)
Financing activities	(11,654)	(55,710)
Net change in cash flows	19,336	5,895

(Expressed in Thousands of Trinidad and Tobago Dollars)

20 **Non-controlling interests (continued)**

	Roberts Manufacturing Co Limited $	Massy Stores (SLU) Ltd $
As at September 30, 2018		
Summarised balance sheet:		
Current assets	166,609	234,704
Non-current assets	82,575	153,022
Current liabilities	(54,305)	(105,772)
Non-current liabilities	(19,604)	(32,743)
Net assets	175,275	249,211
Summarised statement of comprehensive income:		
Revenue	411,081	1,264,716
Profit for the year	24,883	16,850
Other comprehensive income	-	-
Summarised statement of cash flows:		
Operating activities	11,709	71,103
Investing activities	(27,207)	(22,035)
Financing activities	(5,954)	(23,835)
Net change in cash flows	(21,452)	25,233

(Expressed in Thousands of Trinidad and Tobago Dollars)

21 Borrowings

	2019 $	2018 $
Secured advances and mortgage loans	388,077	404,760
Unsecured advances	1,802,839	1,889,145
Bank overdrafts (Note 16)	8,796	26,511
Total borrowings	2,199,712	2,320,416
Less short-term borrowings	(378,983)	(452,611)
Medium and long-term borrowings	1,820,729	1,867,805

Short-term borrowings comprise:

	2019 $	2018 $
Bank overdrafts (Note 16)	8,796	26,511
Current loan instalments	370,187	426,100
	378,983	452,611

On July 30, 2014, Massy Holdings Ltd. issued a $1.2B TT Dollar Fixed Rate Bond. A private auction system was used to determine the issue size and cost of each series of the Bond issue. RBC Merchant Bank (Caribbean) Limited was the Arranger and RBC Trust (Trinidad & Tobago) Limited was the Trustee. The bond was issued at a premium. The face value of both series was $600M each with a tenure of 10 years (Series A) and 15 years (Series B) and a coupon of 4.00% and 5.25% respectively. Interest will be paid on a semi-annual basis in arrears and the principal will be repaid via a bullet payment at maturity. The bond payable is shown net of any investor's interests held by the parent.

Total borrowings include secured liabilities of $371,480 (2018: $374,664).

Bank borrowings are secured by the land and buildings of the Group.

21.1 Net debt reconciliation

	Cash and cash equivalents, net of overdrafts $	Borrowings $	Total $
Year ended 30 September 2019			
At beginning of year	1,599,621	(2,293,905)	(694,284)
Proceeds on new borrowings	--	(8,305)	(8,305)
Principal repayments on borrowings	--	111,500	111,500
Capitalised interest on borrowings	--	(206)	(206)
Effect of exchange rate changes on cash and bank overdrafts	(4,092)	--	(4,092)
Other cash flows	468,733	--	468,733
At end of year	2,064,262	(2,190,916)	(126,654)

(Expressed in Thousands of Trinidad and Tobago Dollars)

21 Borrowings (continued)

21.1 Net debt reconciliation (continued)

	Cash and cash equivalents, net of overdrafts	Borrowings	Total
	$	$	$
Year ended 30 September 2018			
At beginning of year	1,531,457	(2,227,458)	(696,001)
Proceeds on new borrowings	--	(176,281)	(176,281)
Principal repayments on borrowings	--	110,156	110,156
Capitalised interest on borrowings	--	(322)	(322)
Effect of exchange rate changes on cash and bank overdrafts	(1,807)	--	(1,807)
Other cash flows	69,971	--	69,971
At end of year	1,599,621	(2,293,905)	(694,284)

22 Customers' deposits

These represent the deposits for fixed terms accepted mainly by Massy Finance GFC Ltd.

	2019	2018
	$	$
Payable within one year	183,592	238,914
Payable between two and five years	120,858	103,232
	304,450	342,146
Sectorial analysis of deposit balances		
Private sector	61,826	65,464
Consumers	242,624	276,682
	304,450	342,146

Interest expense on customers' deposits of $7,834 (2018: $8,124) is shown within "other direct costs" in Note 25.

(Expressed in Thousands of Trinidad and Tobago Dollars)

23 Trade and other payables

	2019 $	2018 $
Trade creditors	978,227	989,447
Contract liabilities (Note 23.1)	41,502	--
Other payables (Note 23.2)	955,930	920,423
	1,975,659	1,909,870

23.1 Contract liabilities:

Analysis of contract liabilities:

	2019	2018
Deferred Income	38,142	--
Refunds	148	--
Customer loyalty programmes	961	--
Extended warranty programmes	2,251	--
	41,502	--

Expected timing of revenue recognition:

	2019	2018
Within 1 year	41,252	--
After 1 year	250	--
	41,502	--
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period (Note 2.1.1)	31,435	--

23.2 Included in other payables is the provision for the Long-Term Incentive Plan. The Shareholders of Massy Holdings Ltd approved a Long-term Incentive Plan for the benefit of selected Senior Executives of Massy Holdings Ltd and its subsidiaries. Individuals are awarded an incentive based on a pre-defined multiple of their salary. This amount is then converted into an equivalent number of phantom shares which are then adjusted to reflect individual Key Performance Indicators. The phantom shares awarded are subject to a vesting period of three years. On the vesting date, the settlement amount is determined by multiplying the number of phantom shares by the phantom share grant price. The latter is determined by applying a pre-determined P/E ratio to the EPS preceding the year of settlement. No phantom shares have vested.

	2019	2018
Balance at the beginning of the year	14,781	4,106
Current service cost	16,191	10,675
Balance at the end of the year	30,972	14,781

(Expressed in Thousands of Trinidad and Tobago Dollars)

24 Liabilities on insurance contracts

The major classes of general insurance written by the Group's insurance operations include motor, property, and other miscellaneous types of general insurance. Risks under these policies usually cover a twelve month duration. Liabilities comprise:

	2019 $	2018 $
Outstanding claims	701,910	1,183,730
Unearned premiums	611,549	468,779
	1,313,459	1,652,509

Movement in outstanding claims reserve may be analysed as follows:

	Insurance liabilities 2019 $	Reinsurers' share 2019 $	Insurance liabilities 2018 $	Reinsurers' share 2018 $
Beginning of the year	1,183,730	832,274	2,363,253	1,960,123
Exchange adjustment	(7,932)	(5,001)	7,013	5,820
Claims incurred	160,704	(90,067)	74,586	(115,363)
Claims paid	(634,592)	(426,092)	(1,261,122)	(1,018,306)
	701,910	311,114	1,183,730	832,274

Movement in the unearned premium reserve may be analysed as follows:

	Insurance liabilities 2019 $	Reinsurers' share 2019 $	Insurance liabilities 2018 $	Reinsurers' share 2018 $
Beginning of the year	468,779	283,300	387,092	217,774
Exchange adjustment	(880)	(174)	1,148	643
Premiums written in the year	1,130,809	712,153	921,442	530,413
Premiums earned in the year	(987,159)	(575,445)	(840,903)	(465,534)
	611,549	419,834	468,779	283,296

The reinsurers' share of outstanding claims and unearned premium reserves are included in accounts receivable. Claims reserves comprise provisions for claims reported by policyholders and claims incurred but not yet reported and 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 statement of financial position date. Outstanding claims reserves are not discounted for the time value of money.

The principal assumption underlying the estimates is past claims development experience. This includes assumptions in respect of average claims costs and claims numbers for each accident year. In addition, larger claims are separately assessed by loss adjusters. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent periods.

(Expressed in Thousands of Trinidad and Tobago Dollars)

24 **Liabilities on insurance contracts (continued)**

Claims development table

Gross	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At end of accident year	290,609	138,605	150,396	185,159	221,253	295,484	2,218,365	242,547	459,510	
One year later	349,942	177,449	158,660	152,769	219,498	284,761	2,082,945	256,854	-	
Two years later	349,320	177,273	152,526	157,357	207,218	271,565	1,767,486	-	-	
Three years later	348,131	157,138	153,220	157,087	196,544	270,068	-	-	-	
Four years later	354,282	158,827	153,244	156,697	196,089	-	-	-	-	
Five years later	356,297	158,159	151,129	157,131	-	-	-	-	-	
Six years later	355,456	156,177	152,320	-	-	-	-	-	-	
Seven years later	354,881	157,712	-	-	-	-	-	-	-	
Eight years later	354,704	-	-	-	-	-	-	-	-	
	354,704	157,712	152,320	157,131	196,089	270,068	1,767,486	256,854	459,510	3,771,874
Cumulative payments to date	347,362	141,317	144,766	142,652	176,065	235,231	1,596,468	170,771	175,790	3,130,422

(Expressed in Thousands of Trinidad and Tobago Dollars)

24 **Liabilities on insurance contracts (continued)**

Claims development table (continued)

Gross	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	Total $
Liability recognized	7,342	16,395	7,554	14,479	20,024	34,837	171,018	86,083	283,720	641,452
Liability in respect of prior years										60,458
Total liability										701,910
Net favourable/ (unfavourable) development	(64,095)	(19,107)	(1,924)	28,028	25,164	25,416	450,879	(14,307)		

(Expressed in Thousands of Trinidad and Tobago Dollars)

24 **Liabilities on insurance contracts (continued)**

Claims development table (continued)

Net Claims	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	Total $
At end of accident year	141,861	103,026	91,659	114,739	169,593	189,779	241,336	204,507	263,251	
One year later	217,454	112,326	102,390	112,083	160,685	175,539	273,518	213,765	-	
Two years later	219,600	117,951	95,967	109,554	151,178	167,758	254,648	-	-	
Three years later	219,123	122,839	95,916	104,980	142,394	165,564	-	-	-	
Four years later	225,980	124,766	96,500	104,814	141,050	-	-	-	-	
Five years later	228,103	124,619	94,699	104,147	-	-	-	-	-	
Six years later	226,649	122,311	95,458	-	-	-	-	-	-	
Seven years later	226,311	124,102	-	-	-	-	-	-	-	
Eight years later	226,133	-	-	-	-	-	-	-	-	
	226,133	124,102	95,458	104,147	141,050	165,564	254,648	213,765	263,251	1,588,118
Cumulative payments to date	214,698	105,184	87,986	92,715	121,519	137,294	206,540	140,162	139,163	1,245,261

(Expressed in Thousands of Trinidad and Tobago Dollars)

24 **Liabilities on insurance contracts (continued)**

Claims development table (continued)

Net Claims	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	Total $
Liability recognized	11,435	18,918	7,472	11,432	19,531	28,270	48,108	73,603	124,088	342,857
Liability in respect of prior years										47,939
Total liability										390,796
Net favourable/ (unfavourable) development	(84,272)	(21,076)	(3,799)	10,592	28,543	24,215	(13,312)	(9,258)		

(Expressed in Thousands of Trinidad and Tobago Dollars)

25 **Operating profit before finance costs**	**2019** **$**	**2018** **$**
Revenue:		
– Sale of goods	10,269,850	10,318,451
– Rendering of services (Note 25.1)	1,112,746	1,063,606
– Net interest and other investment income (Note 25.2)	49,258	62,298
– Net premium income and other insurance revenue	526,812	465,698
	11,958,666	11,910,053
Cost of sales and other direct costs:		
– Cost of sales (Note 25.1)	(7,632,699)	(7,747,772)
– Net claims and other direct insurance expenses	(251,686)	(189,981)
– Other direct costs	(814,561)	(677,640)
	(8,698,946)	(8,615,393)
Gross profit	3,259,720	3,294,660
Administrative expenses	(1,331,701)	(1,342,228)
Other operating expenses	(1,212,689)	(1,273,278)
Other income	210,310	190,113
Operating profit before finance costs	925,640	869,267

25.1 Restatement of comparative information

Revenue from rendering of services and cost of sales as reported in the previously issued financial statements for the year ended 30 September 2018 was adjusted to correct a prior period error in accordance with IAS 8 – ‘Accounting policies, changes in accounting estimates and errors’. The adjustment was made to classify the relationship with certain licensors as an agency arrangement instead of a principal arrangement. This restatement does not affect profit. The line items impacted by the adjustment are shown below:

Revenue from rendering of services	
As previously reported	1,158,355
Restatement	(94,749)
As adjusted	1,063,606
Cost of sales	
As previously reported	(7,842,521)
Restatement	94,749
As adjusted	(7,747,772)

25.2 ‘Net interest and other investment income’ is attributable to loans to customers and other financial assets held for investment purposes only. Income from bank balances, short term investments, treasuries and other securities held for cash management purposes is included within finance income (Note 27).

(Expressed in Thousands of Trinidad and Tobago Dollars)

25 Operating profit before finance costs (continued)

25.3 The following items were included in arriving at operating profit:

	2019 $	2018 $
Staff and staff related costs	1,820,039	1,791,627
Depreciation and impairment of property, plant and equipment investment properties (Notes 5 and 6)	296,780	291,639
Expected credit losses/net impairment expense on financial assets (Note 33.1.2):		
- Trade and other receivables	974	10,748
- Corporate and sovereign bonds	(8,383)	13,816
- Instalment credit, hire purchase accounts and other financial assets	3,231	4,718
Impairment of goodwill (Note 7)	11,342	13,742
Amortisation of other intangible assets (Note 8)	8,550	10,904
Directors' fees	3,538	3,306
Operating lease rentals	143,786	108,278
Gain on disposal of subsidiaries (Note 35)	(35,693)	--
Gain on disposal of associates	(16,418)	--

26 Staff costs

Staff costs included in cost of sales, selling, general and administrative expenses are as follows:

	2019 $	2018 $
Wages and salaries and termination benefits	1,498,919	1,486,694
Share based compensation	828	2,909
Pension costs	51,375	51,500
	1,551,122	1,541,103

Average number of persons employed by the Group during the year:

	2019	2018
Full time	11,065	10,399
Part time	1,156	1,852
	12,221	12,251

27 Finance costs – net

	2019 $	2018 $
Interest expense (Note 25.2)	118,921	121,178
Interest income (Note 25.2)	(46,552)	(47,122)
Finance costs – net	72,369	74,056

27.1 Borrowing costs of $206 (2018: $322) was capitalised during the year using a capitalisation rate of 4.83%.

27.2 Income from bank balances, short term investments, treasuries and other securities held for cash management purposes is shown within finance income.

(Expressed in Thousands of Trinidad and Tobago Dollars)

28 Income tax expense

	2019 $	2018 $
Current tax	253,875	275,983
Deferred tax	19,820	6,473
Business levy/green fund levy/withholding taxes	32,309	26,133
	306,004	308,589

The Group's effective tax rate of 33% (2018 – 35%) differs from the statutory Trinidad and Tobago tax rate of 30% as follows:

	2019 $	2018 $
Profit before income tax	919,236	874,064
Tax calculated at a tax rate of 30%	275,771	262,219
Effect of different tax rates in other countries	18,926	24,814
Expenses not deductible for tax purposes	91,802	43,760
Income not subject to tax	(132,011)	(54,583)
Business levy/green fund levy/withholding taxes	32,309	26,133
Effect of Change in Barbados tax rate	11,120	--
Adjustments to prior year tax provisions	8,087	6,246
Tax charge	306,004	308,589

The income tax expense is attributable to:

	2019 $	2018 $
Trinidad and Tobago subsidiaries	191,232	189,039
Overseas subsidiaries	95,475	93,820
Associated companies (Note 9)	19,297	25,730
	306,004	308,589

29 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2019 $	2018 $
Profit attributable to shareholders:	563,164	519,753
Weighted average number of ordinary shares in issue (thousands)	97,743	97,743
Basic earnings per share	5.76	5.32

(Expressed in Thousands of Trinidad and Tobago Dollars)

30 Contingencies

Subsidiaries

At September 30, 2019 the Group had contingent liabilities in respect of customs bonds, guarantees and other matters arising in the ordinary course of business amounting to $925,086 (2018: $820,106).

Group companies are defendants in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any material unprovided losses.

Other Investments

Massy Holdings Ltd. entered into guarantees with Mitsubishi Heavy Industries, Ltd (MHI) under which it guaranteed payment of 10% of Caribbean Gas Chemical Limited's payment obligations to MHI under the contracts for the engineering procurement and construction of the methanol and DME plants and 12.5% of the base equity commitment for Caribbean Gas Chemical Barbados Limited. MHL's maximum liability under guarantees is $644,767.

31 Commitments

Capital commitments

Capital expenditure contracted at the consolidated statement of financial position date but not yet incurred is as follows:

	2019 $	2018 $
Property, plant and equipment	16,431	22,862

Operating lease commitments - where a Group Company is the lessee:

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of these agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

No later than 1 year	69,673	63,371
Later than 1 year and no later than 5 years	227,483	159,315
Later than 5 years	660,016	277,495
	957,172	500,181

Operating lease commitments - where a Group company is the lessor:

Less than one year	33,140	41,022
One year to five years	29,147	40,075
	62,287	81,097

(Expressed in Thousands of Trinidad and Tobago Dollars)

32 Related party transactions

The ultimate parent of the Group is Massy Holdings Ltd. (incorporated in the Republic of Trinidad and Tobago).

The following transactions were carried out with related parties:

		2019 $	2018 $
a.	Sales of goods		
	Associates	32,657	32,727
	Goods are sold on the basis of the price lists in force with non-related parties.		
b.	Purchases of goods		
	Associates	489	6,616
	Goods purchased from entities controlled by non-executives directors	141,646	137,249
	Goods are bought on the basis of the price lists in force with non-related parties.		
c.	Key management compensation		
	Salaries and other short-term employee benefits	110,262	104,771
	Post-employment benefits	7,167	6,810
	Share-based compensation	828	2,909
		118,257	114,490
d.	Year-end balances arising from sales/purchases of goods/services		
	Receivables from related parties	7,824	15,523
	Payables to related parties	12,239	3,611

(Expressed in Thousands of Trinidad and Tobago Dollars)

32 **Related party transactions (continued)**

The following transactions were carried out with related parties (continued):

	2019 $	2018 $
e. Loans to associates		
Beginning of year	8,378	14,433
Loans advanced during the year	--	2,159
Loans repayments received	--	(8,220)
Interest charged	--	291
Interest received	--	(285)
Disposal of associate	(8,378)	--
End of the year	--	8,378
f. Total loans to other related parties		
Beginning of year	1,037	144
Loans advanced during year	--	4,329
Loan repayments received	--	(3,436)
Interest charged	--	503
Interest received	--	(503)
Disposal of associate	(1,037)	--
End of the year	--	1,037
g. Customer deposits to related parties	7,523	7,445

33 Financial risk management

33.1 Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group's aim therefore is to achieve an appropriate balance between risk and return and minimise potentially adverse effects on the Group's financial performance. This is achieved by the analysis, evaluation, acceptance and management of the Group's risk exposure.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The main financial risks of the Group relate to the availability of funds to meet business needs, the risk of default by counterparties to financial transactions, and fluctuations in interest and foreign exchange rates. The treasury function manages the financial risks that arise in relation to underlying business needs and operates within clear policies and stringent parameters. The function does not operate as a profit centre and the undertaking of speculative transactions is not permitted.

The Group's principal financial liabilities comprise bank loans, operating overdrafts, trade payables and insurance claims liabilities which are used to finance Group operations. There are various financial assets such as trade receivables, investments, loans receivable, cash and short term deposits which emanate from its operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity securities price risk.

The following contains information relative to the Group's exposure to each of the above risks, including quantitative disclosures.

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.1 **Market risk**

The Company is inherently exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk can be subdivided into three categories namely currency risk, interest rate risk and other price risk.

(a) *Currency risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities. The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions as well as holding foreign currency balances.

The following table summarises the Group's net exposure and sensitivities to currency risk on its financial instruments.

As at September 30, 2019

Currency	**Net Currency Exposure**	**Sensitivity**	**Change / Impact**
	$		**$**
USD	675,023	2%	13,500
BBD	(212,777)	2%	(4,256)
PESO	9,360	1%	94
GYD	151,483	3%	4,545
JCD	172,098	5%	8,605
OTHER	230,033	2%	4,601
TOTAL	1,025,220		27,089

As at September 30, 2018

Currency	**Net Currency Exposure**	**Sensitivity**	**Change / Impact**
	$		**$**
USD	569,765	2%	11,395
BBD	(433,968)	2%	(8,679)
PESO	30,958	1%	309
GYD	144,021	3%	4,320
JCD	112,553	5%	5,628
OTHER	64,648	2%	1,293
TOTAL	487,977		14,266

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.1 **Market risk (continued)**

(b) *Interest rate risk*

The Group's exposure to changes in market interest rates relates primarily to the long-term debt obligations, with floating interest rates. The exposure to interest rate risk on cash held on deposit is not significant.

At the end of 2019, interest rates were fixed on approximately 92% of the borrowings (2018: 93%). The impact on the consolidated income statement to a 50 basis points change in floating interest rates is $904 in 2019 (2018: $850).

(c) *Price risk*

The Group has investments in equity securities and investment funds and these are carried at fair value, consequently resulting in exposure to equity securities price risk. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

33.1.2 **Credit risk**

The Group is exposed to credit risk, which is the risk that may arise from its customers, clients and counterparties failing to discharge their contractual obligations. The credit exposures arise primarily from the Group's receivables on sales, interest-bearing investments and cash held on deposit at various financial institutions.

The Group has no significant concentrations of credit risk and trades mainly with recognised, creditworthy third parties. It is the Group's policy that all customers trading on credit terms are subject to credit verification procedures. These procedures are elements of a structured credit control system and include an analysis of each customer's creditworthiness and the establishment of limits before credit terms are set. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is significant.

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.2 **Credit risk (continued)**

The following is a summary of the Group's maximum exposure to credit risk.

	2019 $	**2018 $**
Cash and cash equivalents (Note 16)	2,073,058	1,626,132
Trade and other receivables (Note 10)	2,667,448	2,964,230
Other financial assets at amortised cost (Note 11):		
- Bonds	614,621	842,489
- Instalment credit and other accounts	458,056	406,289
- Hire purchase receivables	39,923	45,413
- Mortgages	4,168	4,851
Other financial assets at fair value through profit or loss (Note 11):		
- Bonds and treasury bills	726,057	469,613
Total	6,583,331	6,359,017

The Group recognises provision for losses for assets subject to credit risk using the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group uses three approaches in arriving at expected losses
- The simplified approach (for trade receivables and contract assets)
- The general approach (for all other financial assets)
- A practical expedient for financial assets with low credit risk

The simplified approach
The Group applies the IFRS 9 simplified approach to measuring expected credit losses for Trade Receivables and Contract Assets. The unbilled contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. Accordingly, a lifetime expected loss allowance is used from day 1. To measure the lifetime loss allowance, all customer accounts are grouped based on shared credit risk characteristics and the days past due.

The expected loss rates for non-specific accounts are based on the payment profiles of sales over a period of 24 months starting 1 October 2016 and ending on 30 September 2018 and the corresponding historical credit losses experienced within this period.

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.2 **Credit risk (continued)**

The general approach

Under the general approach, the Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk each company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, including the following:

- External credit ratings for bonds (as far as available). Where such ratings are not available, the Group applies certain assumptions and derives an equivalent rating for the respective securities.

- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset occurs in the following circumstances:

- When the issuer of a bond has missed a payment of principal or interest or has announced its intention to suspend payments on part or all of its financial obligations, or
- For all other financial assets, when the counterparty fails to make contractual payments within 90 days of when they fall due.

Practical expedient for financial assets with low credit risk

As an exception to the simplified and general approaches, if the credit risk of a financial instrument is low at the reporting date, the Group can measure impairment using 12-month ECL, and so it does not have to assess whether a significant increase in credit risk has occurred.

The financial instrument has to meet the following requirements, in order for this practical expedient to apply:

- it has a low risk of default;
- the borrower is considered, in the short term, to have a strong capacity to meet its obligations in the near term; and
- the lender expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the borrower to fulfil its obligations.

33 Financial risk management (continued)

33.1 Financial risk factors (continued)

33.1.2 Credit risk (continued)

Incorporation of forward-looking information

Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle their payments when they become due. The Group employs various probability weighted scenarios and regression curves to predict future behaviour. In developing the various models, the Group considers both internal data and external macroeconomic data.

Assets written off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments, even after several attempts at enforcement and/or recovery efforts. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Collateral and other credit enhancements

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

- *Trade receivables and treasuries:* These are generally unsecured and are generally considered low risk subject to a few exceptions.

- *Corporate debt securities and sovereign debt securities:* These are both secured and unsecured by fixed or floating charges on the assets of the issuer.

- *Instalment credit debtors, hire purchase receivables and other accounts:* The principal collateral types for these instruments are security agreements over motor vehicles, furniture and appliances, the values of which are reviewed periodically if there is a significant increase in credit risk.

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.2 **Credit risk (continued)**

Summary of ECL calculations

a) The simplified approach (trade receivables and contract assets)

The following is a summary of the ECL on trade receivables from a combination of specific and general provisions:

As at September 30, 2019

Aging Bucket	**Average ECL rate**	**Estimated EAD**	**Expected credit loss**
	%	**$**	**$**
Current (0-30 days)	0.65	989,149	6,414
31 to 90 days	10.81	240,145	25,957
Over 90 days	44.70	252,027	112,669
	9.79	1,481,321	145,040

As at September 30, 2018

Aging Bucket	**Average ECL rate**	**Estimated EAD**	**Expected credit loss**
	%	**$**	**$**
Current (0-30 days)	1.57	762,629	11,986
31 to 90 days	6.73	175,970	11,839
Over 90 days	28.04	548,331	153,768
	11.94	1,486,930	177,593

The movement in the provision for expected credit losses for trade receivables and contract asset accounts is as follows:

	2019	**2018**
	$	**$**
Balance at beginning of the year as reported under IAS 39	177,593	98,308
IFRS 9 initial application adjustments	--	70,643
Opening ECL under IFRS 9	177,593	168,951
Translation adjustments	818	--
(Decrease)/increase in loss allowance recognised in profit or loss	(3,223)	10,748
Amounts written off in the current year	(30,148)	(2,106)
Balance at end of the year	145,040	177,593

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.2 **Credit risk (continued)**

Summary of ECL calculations (continued)

a) The simplified approach (trade receivables and contract assets) (continued)

The following is an analysis of the net impairment expense on financial assets recognised in profit or loss:

	2019 $	2018 $
Net changes to provisions for the year per above	(3,223)	10,748
Other adjustments	4,197	--
Net expense for the year (Note 25.3)	974	10,748

b) The general approach

A summary of the assumptions underpinning the company's expected credit loss model under the general approach is as follows:

Category	Definition	Basis for recognition of expected credit loss provision
Performing (Stage 1)	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming (Stage 2)	Financial assets for which there is a significant increase in credit risk since origination	Lifetime expected losses
Non-performing (Stage 3)	The financial asset is in default	Lifetime expected losses
Purchased or Credit-impaired	Financial assets with evidence of impairment at the point of initial recognition (for instance, if they are acquired at a deep discount)	Lifetime expected losses using a credit-adjusted effective interest rate.
Write-off	There is no reasonable expectation of recovery	Asset is written off

Over the term of the financial asset, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of financial assets and adjusts for forward looking macroeconomic data.

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.2 **Credit risk (continued)**

b) The general approach (continued)

Corporate and sovereign bonds

As at September 30, 2019

Category	Average ECL rate	Estimated EAD	Expected credit loss
	%	$	$
Performing (Stage 1)	0.65	598,041	3,878
Purchased or originated credit-impaired	28.52	105,616	30,121
TOTAL	4.83	703,657	33,999

The movement in the provision for expected credit losses is as follows:

As at September 30, 2019

	Performing	Under-performing	Non-performing	Purchased or Originated Credit-Impaired	Total
	$	$	$	$	$
Balance at beginning of the year	4,803	2,383	35,321	--	42,507
Translation adjustments	(9)	(1)	(18)	(105)	(133)
Reclassifications	2,382	(2,382)	(35,303)	35,303	--
Net credit to profit or loss	(3,298)	--	--	(5,077)	(8,375)
Balance at end of the year	3,878	--	--	30,121	33,999

As at September 30, 2018

Category	Average ECL rate	Estimated EAD	Expected credit loss
	%	$	$
Performing (Stage 1)	0.78	616,196	4,803
Underperforming (Stage 2)	1.19	200,614	2,383
Non-performing (Stage 3)	25.32	139,515	35,321
TOTAL	4.44	956,325	42,507

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

34.1 **Financial risk factors (continued)**

34.1.2 **Credit risk (continued)**

b) The general approach (continued)

Corporate and sovereign bonds (continued)

As at September 30, 2018

The movement in the provision for expected credit losses is as follows:

	Performing	Under-performing	Non-performing	Total
	$	$	$	$
Balance at beginning of the year as reported under IAS 39	--	676	--	676
Amounts restated through opening retained earnings	3,915	26,592	--	30,507
Opening ECL under IFRS 9	3,915	27,268	--	31,183
Net changes to provisions and reclassifications	1,137	(24,885)	35,321	11,573
Amounts written off to provisions	(249)	--	--	(249)
Balance at end of the year	4,803	2,383	35,321	42,507

The following is an analysis of the net impairment expense on financial assets recognised in profit or loss:

	2019	2018
	$	$
Net changes to provisions for the year per above	(8,375)	11,573
Other adjustments	(7)	2,243
Net expense for the year (Note 25.3)	(8,383)	13,816

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.2 **Credit risk (continued)**

b) The general approach (continued)

Corporate and sovereign bonds (continued)

Government of Barbados exposure:

During the financial year ended 30 September 2017, the Government of Barbados credit rating was downgraded and accordingly all related government debt were considered to be extremely speculative with little prospect for recovery. Considering the high credit risk associated with Government of Barbados debt and the frequency of the credit rating downgrades, the Group assessed the potential impact of the default using various scenarios. Accordingly, all exposures were classified as Stage 2 as of 1 October 2017, which is the date of initial application of IFRS 9. All ECL parameters reflected a high probability of default in line with the outlook provided by the rating agencies at the time. In accordance with the transitional requirements of the standard, the resulting expected credit loss of $25,276 was recorded within opening retained earnings.

In June 2018 the Government of Barbados announced the suspension of interest and amortisation payments due on its debts owed to external commercial creditors. It was envisaged that in addition to foreign currency denominated external debt, domestic obligations of the central government and guaranteed debt, inclusive of treasury bills, treasury notes, debentures, bank loans and commercial bonds, which are serviced directly out of the public purse, will also be subject to the restructuring exercise. In September 2018, the Government of Barbados (GOB) announced the launch of an exchange offer open to holders of Barbados dollar-denominated debt issued by the GOB and certain state-owned enterprises (SOEs), as part of its Comprehensive Debt Restructuring. All holders of Treasury Bills, Treasury Notes, Debentures, loans and bonds owed by the GOB, and loans and bonds owed by SOEs and other entities that receive transfers from the Government budget ("Affected Debt") were provided letters explaining further details of the exchange offer, as well as instructions for participating in the exchange offer. Accordingly, the Group reclassified its exposures to Stage 3 during the last financial quarter of 2018 and increased the expected credit loss by $10,045 to bring the total ECL to $35,321 as of 30 September 2018.

The restructuring exercise was substantially completed during the year ended 30 September 2019. As the terms of the new instrument were substantially different, the old assets together with the provisions thereon were derecognised and replaced by a new asset now classified as a 'purchased or originated credit-impaired'.

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.2 **Credit risk (continued)**

b) The general approach (continued)

Instalment credit, hire purchase accounts and other financial assets

As at September 30, 2019

Category	**Average ECL rate**	**Estimated EAD**	**Expected credit loss**
	%	**$**	**$**
Performing (Stage 1)	2.97	463,349	13,759
Underperforming (Stage 2)	18.90	15,650	2,958
Non-performing (Stage 3)	36.53	56,241	20,545
Total	6.96	535,240	37,262

The movement in the provision for expected credit losses is as follows:

	Performing	**Under-performing**	**Non-performing**	**Total**
	$	**$**	**$**	**$**
Balance at beginning of the year	4,453	233	15,590	20,276
Translation adjustments	(47)	(5)	(5)	(57)
Net changes to provisions and reclassifications	1,530	(389)	3,093	4,234
Amounts written off in the current year	7,823	3,119	1,867	12,809
Balance at end of the year	13,759	2,958	20,545	37,262

As at September 30, 2018

Category	**Average ECL rate**	**Estimated EAD**	**Expected credit loss**
	%	**$**	**$**
Performing (Stage 1)	1.06	418,285	4,453
Underperforming (Stage 2)	2.88	8,078	233
Non-performing (Stage 3)	61.53	25,339	15,590
Total	4.49	451,702	20,276

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.1 **Financial risk factors (continued)**

33.1.2 **Credit risk (continued)**

b) The general approach (continued)

Instalment credit, hire purchase accounts and other financial assets (continued)

As at September 30, 2018

The movement in the provision for expected credit losses is as follows:

	Performing $	Under-performing $	Non-performing $	Total $
Balance at beginning of the year as reported under IAS 39	2,145	94	18,577	20,816
Amounts restated through opening retained earnings	2,228	(39)	(3,512)	(1,323)
Opening ECL under IFRS 9	4,373	55	15,065	19,493
Net changes to provisions and reclassifications	101	391	4,226	4,718
Amounts written off in the current year	(21)	(213)	(3,701)	(3,935)
Balance at end of the year	4,453	233	15,590	20,276

The following is an analysis of the net impairment expense on financial assets recognised in profit or loss:

	2019 $	2018 $
Net changes to provisions for the year per above	4,233	4,718
Other adjustments	(1,002)	--
Net expense for the year (Note 25.3)	3,231	4,718

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 Financial risk management (continued)

33.1 Financial risk factors (continued)

33.1.3 Liquidity risk

Liquidity risk is the risk which may arise if the Group is unable to meet the obligations associated with its financial liabilities when they fall due.

The Group's liquidity risk management process is measured and monitored by senior management. This process includes monitoring current cash flows on a frequent basis, assessing the expected cash inflows as well as ensuring that the Group has adequate committed lines of credit to meet its obligations.

The following is an analysis of the undiscounted contractual cash flows payable under financial liabilities. Undiscounted cash flows will differ from both the carrying values and the fair values.

Maturity analysis of financial liabilities

	Less than 1 year $	1 - 5 years $	More than 5 years $	Contractual cash flows $	Carrying amount $
2019					
Financial liabilities					
Bank overdraft (Note 16)	4,592	4,204	--	8,796	8,796
Other borrowings (Note 21)	476,763	1,165,196	775,148	2,417,107	2,190,916
Customers' deposits (Note 22)	186,883	126,829	--	313,712	304,450
Trade payables and other Payables (Note 23)	1,975,659	--		1,975,659	1,975,659
Liabilities on insurance Contracts (Note 24)	1,313,459	--	--	1,313,459	1,313,459
Subtotal	3,957,356	1,296,229	775,148	6,028,733	5,793,280
2018					
Financial liabilities					
Bank overdraft (Note 16)	26,511	--	--	26,511	26,511
Other borrowings (Note 21)	529,260	788,456	469,660	1,787,376	2,293,905
Customers' deposits (Note 22)	239,855	110,825	--	350,680	342,146
Trade payables (Note 23)	989,447	--	--	989,447	989,447
Liabilities on insurance Contracts (Note 24)	1,652,509	--	--	1,652,509	1,652,509
Subtotal	3,437,582	899,281	469,660	4,806,523	5,304,518

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 Financial risk management (continued)

33.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

	2019 $	2018 $
Total borrowings (Note 21)	2,199,712	2,320,416
Less: Cash and cash equivalents (Note 16)	(2,073,058)	(1,626,132)
Net debt	126,654	694,284
Total equity (restated)	5,946,941	5,615,158
Total capital	6,073,595	6,309,442
Gearing ratio	2%	11%

33.2.1 Regulatory capital held by subsidiaries

a) *Massy United Insurance Ltd.*

This entity is engaged in the insurance business and is therefore subject to the capital requirements set by the regulators of the insurance market within which it operates.

Capital adequacy is managed at the operating level and reviewed by management at least annually. This is assessed from the perspective of the solvency requirements set out in the local Insurance Acts in Barbados and the other territories in which the entity operates.

Also, as part of assessing the adequacy of its capital base the entity retains the services of an independent actuarial firm to annually assess the adequacy of its insurance reserves.

b) *Massy Finance GFC Ltd.*

This entity is incorporated in the Republic of Trinidad and Tobago and is licensed under the Financial Institutions Act, 2008. It is subject to the capital requirements set by the Central Bank of Trinidad and Tobago (CBTT).

Capital adequacy and the use of regulatory capital are monitored weekly by management based on the guidelines developed by the Basel Committee, as implemented by the CBTT, the country's authority for supervisory purposes. The required information is filed with the CBTT on a quarterly basis.

In addition to the above, there are specific requirements governing lending, customers' deposits and other activities in relation to the Company's capital.

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.2 **Capital risk management (continued)**

33.2.1 **Regulatory capital held by subsidiaries (continued)**

The table below summarises the total equity positions of each of the above entities, both of which are in excess of their minimum regulatory capital requirements.

	Massy Finance GFC Ltd.		**Massy United Insurance Ltd.**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Total equity	127,780	121,185	391,195	372,452

33.3 **Fair value of financial assets and liabilities**

33.3.1 **Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities recorded at fair value in the consolidated financial statements based upon the level of judgement associated with the inputs used to measure their fair value. The hierarchical levels, from lowest to highest based on the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

Level 1

Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at level 1 fair value are equity and debt securities listed in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived principally from or corroborated by observable market data by correlation or other means at the measurement date and for the duration of the instruments' anticipated life.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Level 3

Inputs that are unobservable for the asset or liability for which 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 investments, and are regularly assessed for impairment.

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 **Financial risk management (continued)**

33.3 **Fair value of financial assets and liabilities (continued)**

33.3.1 **Fair value hierarchy (continued)**

The following table presents the Group's assets that are measured at fair value at September 30, 2019:

Assets	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets at FVPL and FVOCI (Note 11)				
- Bonds and treasury bills	530,391	195,666	--	726,057
- Listed equities	80,952	3,129	--	84,081
- Unlisted equities	--	--	185,383	185,383
- Investment funds	3,195	48,999	--	52,194
	614,538	247,794	185,383	1,047,715

The following table presents the Group's assets that are measured at fair value at September 30, 2018:

Assets	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets at FVPL				
- Bonds and treasury bills	465,783	3,830	--	469,613
- Listed equities	111,537	3,226	--	114,763
- Unlisted equities	1,316	15,725	343	17,384
- Investment funds	7,005	65,384	171,616	244,005
	585,641	88,165	171,959	845,765

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 Financial risk management (continued)

33.3 Fair value of financial assets and liabilities (continued)

33.3.1 Fair value hierarchy (continued)

The movement in level 3 financial assets is as follows:

	2019 $	2018 $
Balance at beginning of year	171,959	161,787
Additions for the year	13,308	10,555
Disposals for the year	(168)	--
Transfers	214	--
Exchange adjustments on retranslation of overseas operations	70	(383)
	185,383	171,959

33.3.2 Fair value of financial instruments carried at amortised cost

The carrying amounts and fair values of financial instruments carried at amortised cost are as follows:

	Carrying amount		Fair value	
	2019 $	2018 $	2019 $	2018 $
Financial assets				
Financial assets at amortised cost (Note 11)				
- Bonds	614,621	842,489	608,860	834,148
- Instalment credit and other accounts	458,056	406,289	465,476	412,733
- Hire purchase receivables	39,923	45,413	53,656	45,413
- Mortgages	4,168	4,851	4,168	4,851
	1,116,768	1,299,042	1,132,160	1,297,145
Financial liabilities				
Bank overdraft (Note 16)	8,796	26,511	8,796	50,640
Other Borrowings (Note 21)	2,190,916	2,293,905	2,187,296	2,293,725
Customers' deposits (Note 22)	304,450	342,146	305,103	343,327
	2,504,162	2,662,562	2,501,195	2,687,692

Due to the short-term nature of Trade and other receivables and Trade and other payables, their carrying amounts are considered to be the same as their fair values. Accordingly, their values were not shown in the tables above.

(Expressed in Thousands of Trinidad and Tobago Dollars)

34 Management of insurance risk

The primary risk the Group has through its insurance contracts is that the actual claims payments or timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and subsequent development of claims.

The aforementioned insurance risk exposure is mitigated by diversification across a relatively large portfolio of insurance contracts and geographical areas. The variability of risk is augmented by careful selection and execution of underwriting guidelines throughout our agency network, as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a quota share basis with retention limits varying by product line and territory. The amounts recoverable from reinsurers are in accordance with reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group primarily issues the following types of general insurance contracts: motor, household, commercial and business interruption within the Caribbean region. The risks under these policies usually cover duration of twelve months or less.

The most significant risk for these general insurance and reinsurance contracts arise from natural disasters. The Group utilizes a claims review policy which concentrates on review of large and personal injury claims where there is the potential for greater exposure, and performs periodic review of claims handling procedures throughout the agency network. The Group also enforces a policy of actively managing its claims portfolio in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by its utilization of reinsurance arrangements in order to limit exposure to catastrophic events. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Group's reinsurance coverage is placed with reputable third party reinsurers.

The table below sets out the concentration of general insurance contract liabilities by type of contract.

	2019			2018		
	General liabilities	Reinsurers' share of liabilities	Net liabilities	General liabilities	Reinsurers' share of liabilities	Net liabilities
	$	$	$	$	$	$
Fire	593,647	(533,480)	60,167	1,027,800	(939,905)	87,895
Motor	336,684	(28,630)	308,054	319,913	(32,214)	287,699
Employers liability	--	--	--	--	--	--
Engineering	133,626	(119,321)	14,305	96,937	(77,231)	19,706
Other accident	172,571	(40,524)	132,047	171,472	(39,588)	131,884
Marine	47,783	(36,887)	10,896	33,387	(25,028)	8,359
	1,284,311	(758,842)	525,469	1,649,509	(1,113,966)	535,543

(Expressed in Thousands of Trinidad and Tobago Dollars)

34 **Management of insurance risk (continued)**

The geographical concentration of the Group's general insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written.

	2019			2018		
	General liabilities	Reinsurers' share of liabilities	Net liabilities	General liabilities	Reinsurers' share of liabilities	Net liabilities
	$	$	$	$	$	$
Barbados	248,708	(104,593)	144,115	270,397	(111,291)	159,106
St. Lucia	48,042	(23,526)	24,516	30,720	(14,745)	15,975
Antigua	62,216	(33,253)	28,963	64,729	(31,166)	33,563
St. Vincent	20,219	(8,989)	11,230	21,807	(10,001)	11,806
Trinidad	178,136	(69,656)	108,480	189,741	(77,385)	112,356
Other Caribbean	726,990	(518,825)	208,165	1,061,052	(869,378)	191,674
Asia and Europe	--	--	--	11,063	--	11,063
	1,284,311	(758,842)	525,469	1,649,509	(1,113,966)	535,543

Sensitivities

If the insurance liabilities and related reinsurers' share were to increase by 10%, the impact on income before tax and equity would be as follows:

	Change in assumptions	Impact on gross liabilities	Impact on reinsurers' share	Impact on income before tax	Impact on equity
		$	$	$	$
As at September 30, 2019					
Average claim cost	10%	128,431	(75,884)	52,547	36,783
As at September 30, 2018					
Average claim cost	10%	164,959	(111,396)	53,562	40,171

(Expressed in Thousands of Trinidad and Tobago Dollars)

35 Disposal of subsidiaries

The Group sold Massy Security Guyana (Inc) to Amalgamated Security Ltd on 7 March 2019 and the assets of Massy Technologies Applied Imaging (Trinidad) Ltd (MTAITL) to JDAP Holdings Limited on 30 September 2019. The following are the details of the assets and liabilities sold, the proceeds and the gain on sale.

	Massy Security Guyana (Inc) $	Massy Technologies Applied Imaging (Trinidad) Ltd $	Total $
Analysis of net assets sold			
Property, plant and equipment	4,559	24,532	29,091
Inventory	200	17,130	17,330
Trade and other receivables	7,764	27,370	35,134
Trade and other payables	(4,648)	(9,768)	(14,416)
Other (liabilities)/assets	(541)	6	(535)
Net assets	7,334	59,270	66,604
Proceeds, net of cash sold	22,801	79,496	102,297
Gain on sale	15,467	20,226	35,693

The sale of the assets and business of MTAITL described above was made to a management consortium which included two directors of MTAITL, an employee of Massy Ltd and an executive director of Massy Holdings Ltd. The disposal was an arms-length transaction on competitive terms and was managed by Ernst and Young independent of the purchasers. The transaction was approved by the full board of Massy Holdings Ltd (excluding the conflicted executive director) who were satisfied that the transaction was on the best terms among offers received and in the interests of the shareholders.

36 Subsequent events

Subsequent events include the amalgamations of Massy Gas Products Limited and Massy Petrochemicals Ltd and Massy Energy Engineered Solutions Ltd and Massy Energy Fabric Maintenance Ltd, both effective 3rd December, 2019.