BERGER PAINTS JAMAICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

CONTENTS

Building a better working world
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INDEPENDENT AUDITOR'S REPORT

To the members of Berger Paints Jamaica Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Berger Paints Jamaica Limited (the "company"), which comprise the statement of financial position as at December 31, 2018, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

Key Audit Matters

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters, (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition - Rebates, discounts and returns	
Revenue is measured after considering certain terms or conditions within a customer's contract, that could impact the determination of the amount and timing of revenue recognition. There are a variety of contractual terms across the company's customer base which could result in variable consideration such as discounts, incentives, rebates based on sales during the period and rights of return. Management has to exercise judgement in applying the five step model of IFRS 15 – "Revenue from contracts with customers", in concluding on the performance obligations within their contracts, whether the contractual terms provide a material right to customers, estimating variable consideration including assessing any constraints, and the recognition of contract assets or liabilities and refund liabilities. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods and services. The company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognised before the company is entitled to receive same.	Our audit procedures included the evaluation of the appropriateness of the company's revenue recognition accounting policies including the identification of variable consideration arising from discounts, incentives and rebates and rights of return and assessing compliance with the policies in terms of applicable accounting standards. We identified and evaluated the design and implementation of the company's controls over calculation of contract assets or liabilities and refund liabilities arising from discounts, incentives and rebates and rights of return and the timing of revenue recognition. In addition, we performed substantive testing to test the accuracy and completeness of the underlying calculations of these adjustments. These procedures included challenging the appropriateness of management's assumptions and estimates and agreeing input data, including historical experience and existing business conditions and forecasted economic environment. We also considered the adequacy of the company's disclosures (in Note 3) in respect of revenue.

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters, (Continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for defined benefit plans	
The company's post-retirement benefit provisions relate to a defined benefit pension scheme amounting to an asset of $136.56 million and a retiree medical post-retirement benefit scheme amounting to a liability of $133.58 million. These provisions require a significant level of judgement and technical expertise in determining the future levels of the following: - Discount rate - Inflation - Salary increases and; - Mortality rates Management uses external actuaries to assist in determining these assumptions and in valuing the assets and liabilities within the schemes.	As part of our audit, we have evaluated the actuarial assumptions adopted by management such as discount rates and future salary increases. In addition, we tested the valuation of plan assets. We also performed substantive audit procedures on the underlying participants' data of the post-retirement benefit provisions that was provided to the actuary. The discount and inflation rates were agreed to those issued by the Institute of Chartered Accountants of Jamaica. We placed reliance on the actuary's report and therefore assessed the actuary's qualifications (i.e. professional certification, membership in an appropriate professional body), experience and reputation in the field. We also assessed the actuary's objectivity and evaluated the work performed (including reviewing the assumptions and inputs used in the report) in accordance with ISA 620 Using the Work of an Expert.

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters, (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses	
As described in Note 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty under section *Allowance for expected credit losses* (ECL), the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Based on IFRS 9 – "Financial Instruments", the company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Under the general approach. ECLs are measured in two ways. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The process of developing an expectation of credit losses requires management to use judgement which could inherently be subjective.	In auditing the allowance for expected credit losses, we performed the following: - We obtained an understanding of company's implementation process for determining the impact of adoption of the new standard. - We evaluated the techniques and methodologies used by the company to estimate the ECLs, and assessed their compliance with the requirements of IFRS 9. - We assessed the reasonableness of the methodologies and assumptions applied, by validating the completeness of the inputs used to derive the loss rates used in determining the ECLs for trade receivables. - We also assessed the adequacy of disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Other information included in the Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

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

Ernst & Young

Ernst & Young
Kingston, Jamaica

February 27, 2019

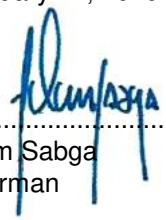
BERGER PAINTS JAMAICA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	243,700	188,325
Post employment benefits	6	136,563	162,610
Deferred tax assets	7	5,473	4,566
Total non-current assets		385,736	355,501
Current assets			
Inventories	8	471,996	408,734
Due from fellow subsidiaries	9	17,122	13,427
Trade and other receivables	10	636,597	673,800
Income tax recoverable		62,760	-
Cash and bank balances	11	353,795	231,996
Total current assets		1,542,270	1,327,957
Total assets		1,928,006	1,683,458
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	12	141,793	141,793
Revaluation reserves	13	45,445	45,295
Revenue reserve		953,145	870,395
Total shareholders' equity		1,140,383	1,057,483
Non-current liabilities			
Post employment benefits	6	133,582	131,747
Current liabilities			
Due to immediate parent company	9	75,194	27,476
Due to fellow subsidiaries	9	276,231	9,058
Dividends payable		11,895	11,191
Provisions	14	15,830	19,443
Trade and other payables	15	274,891	380,795
Income tax payable		-	46,265
Total current liabilities		654,041	494,228
Total equity and liabilities		1,928,006	1,683,458

The accompanying notes form an integral part of the Financial Statements.

The financial statements were approved and authorised for issue by the Board of Directors on February 27, 2019 and are signed on its behalf by:



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Adam Sabga
Chairman

Michael Fennell
Director

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2018

	Notes	12 months 2018 $'000	9 months December 2017 $'000
Revenue from contracts with customers	17	2,714,994	1,910,488
Raw materials and consumable used		(1,384,371)	(900,483)
Changes in inventories of finished goods and work in progress (net)		34,733	(31,416)
Manufacturing expenses		(132,595)	(96,326)
Depreciation	5	(40,805)	(19,398)
Employee benefits expense	19	(530,389)	(381,241)
Other operating expenses		(450,225)	(284,999)
Other income		818	11,614
PROFIT BEFORE TAXATION	18	212,160	208,239
Taxation	20	(38,610)	(34,110)
NET PROFIT FOR THE YEAR		173,550	174,129
Earnings per stock unit	21	$0.81	$0.81

The accompanying notes form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2018

	Notes	12 months December 2018 $'000	9 months December 2017 $'000
NET PROFIT FOR THE YEAR/PERIOD		173,550	174,129
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods:			
Deferred tax adjustment in respect of revaluation of property, plant and equipment	13	150	150
Remeasurement of employment benefit plans	6	(20,851)	17,923
Deferred tax effect	7	5,213	(4,481)
		(15,638)	13,442
Other comprehensive income for the year net of tax		(15,488)	13,592
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		158,062	187,721

The accompanying notes form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2018

	Notes	Share Capital $'000	Revaluation Reserves $'000	Revenue Reserve $'000	Total $'000
Balance at April 1, 2017		141,793	45,145	789,985	976,923
Net profit for the period		-	-	174,129	174,129
Other comprehensive income for the period		-	150	13,442	13,592
Total comprehensive income for the period		-	150	187,571	187,721
Dividends	16	-	-	(107,161)	(107,161)
Balance at December 31, 2017		141,793	45,295	870,395	1,057,483
Impact of adopting IFRS 9	2	-	-	(11,244)	(11,244)
Impact of adopting IFRS 15		-	-	(2,837)	(2,837)
Restated opening balance		141,793	45,295	856,314	1,043,402
Net profit for the year		-	-	173,550	173,550
Other comprehensive income for the year		-	150	(15,638)	(15,488)
Total comprehensive income for the year		-	150	157,912	158,062
Dividends	16	-	-	(61,081)	(61,081)
Balance at December 31, 2018		141,793	45,445	953,145	1,140,383

The accompanying notes form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	Notes	12 months December 2018 $'000	9 months December 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year/period		173,550	174,129
Adjustments for:			
Depreciation	5	40,805	19,398
Unrealised foreign exchange gains (net)		(35,089)	(1,706)
Post retirement benefit charge	6(e)	20,195	14,445
Income tax expense	20	38,610	34,110
Provision charge	14	425	6,725
Expected credit loss recognised on trade receivables	10	76,460	44,373
Expected credit loss recognised on other receivables	10	761	1,727
Reversal of expected credit loss on trade receivables	10	(58,920)	(26,128)
Impact of IFRS 9 adoption	2.1	(11,244)	-
Impact of IFRS 15 adoption	2.1	(2,837)	-
Operating cash flows before movements in working capital:		242,716	267,073
Decrease/(Increase) in trade and other receivables		25,354	(298,552)
Increase in inventories		(33,217)	(66,118)
Increase in due to/from fellow subsidiaries (net)		143,171	5,057
Provisions utilised	14	(4,038)	(3,246)
(Decrease)/Increase in trade and other payables		(105,904)	79,149
Increase in due to immediate parent company		47,718	14,585
Post employment benefits contributions	6(e)	(13,164)	(10,658)
Cash generated from/(used in) operations		302,636	(12,710)
Income tax paid		(143,179)	(20,563)
Net cash provided by/(used in) operating activities		159,457	(33,273)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(12,370)	(10,140)
Net cash used in investing activities		(12,370)	(10,140)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(60,377)	(112,862)
Net cash used in financing activities		(60,377)	(112,862)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		86,710	(156,275)
OPENING CASH AND CASH EQUIVALENTS		231,996	386,565
Effect of foreign exchange rate changes		35,089	1,706
CLOSING CASH AND CASH EQUIVALENTS	11	353,795	231,996
Non-cash item			
Transfer of assets	9	120,307	-

The accompanying notes form an integral part of the Financial Statements.

1. IDENTIFICATION

The main activity of the company, which is incorporated and domiciled in Jamaica, is the manufacture and distribution of industrial and decorative paints and paint-related processed materials.

The company, which is listed on the Jamaica Stock Exchange, is a 51% subsidiary of Lewis Berger (Overseas Holdings) Limited (LBOH), which is incorporated in the United Kingdom. On July 24, 2017, Ansa MaCal Limited through its subsidiary Ansa Coatings International Limited acquired Asian Paints Limited's holding in LBOH. The ultimate holding company is Ansa McAL Limited, which is incorporated in Trinidad. The registered office of the company is 256 Spanish Town Road, Kingston 11.

These financial statements are expressed in Jamaican dollars and have been prepared for the year ended December 31, 2018 with comparison to the audited nine months period ended December 31, 2017. The amounts presented in the financial statements are therefore not entirely comparable.

The Board of Directors has the power to amend these financial statements after issue, if required.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 *Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods)*

IFRS 9 – Financial Instruments

In the current year, the company has applied IFRS 9 issued by the International Accounting Standards Board (IASB), effective for annual periods beginning on or after January 1, 2018 for the first time.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The company has adopted the modified retrospective approach and has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable with the information presented for 2018. Changes arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of January 1, 2018 and are disclosed below.

Changes to classification and measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses or profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

The company's classification of its financial assets and liabilities is explained in Note 3.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 *Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods) (continued)*

IFRS 9 – Financial Instruments (continued)

Changes to the impairment calculation
The adoption of IFRS 9 has fundamentally changed the company's accounting for accounts receivable loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the company to record an allowance for ECLs for all debt financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the impairment is assessed over its lifetime. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The quantitative impact of applying IFRS 9 as at January 1, 2018 was as follows:

	Increase/ (decrease)
Assets	
Trade and other receivables	(11,244)
Total assets	(11,244)
Equity	
Retained earnings	(11,244)
Total equity	(11,244)

IFRS 15 - Revenue from Contracts with Customers

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

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

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

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 *Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods) (continued)*

IFRS 15 - Revenue from Contracts with Customers (continued)

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at January 1, 2018 was, as follows:

	References	Increase/ (decrease)
Assets		
Trade and other receivables (contract assets)	(a)	820
Trade and other receivables (refund liabilities)	(b)	4,811
Total assets		5,631
Liabilities		
Trade and other payables (refund liabilities)	(a)	3,657
Trade and other payables (refund liabilities)	(b)	4,811
Total liabilities		8,468
Equity		
Retained earnings	(a)	(2,837)
Total equity		(2,837)
Total equity and liabilities		5,631

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the company's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Statement of income for the year ended December 31, 2018

	References	Increase/ (decrease)
Revenue from contracts with customers	(a)	(633)
Raw materials and consumables used	(a)	141
Loss before taxation		(492)
Taxation expense		123
Loss for the year		(369)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 *Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods) (continued)*

Statement of financial position
as at December 31, 2018

	References	Increase/ (decrease)
Assets		
Trade and other receivables (right of return)	(a)	141
Trade and other receivables (refund liabilities)	(b)	961
Total current assets		1,102
Liabilities		
Trade and other payables (refund liabilities)	(b)	961
Trade and other payables (refund liabilities)	(a)	633
Total current liabilities		1,594
Equity		
Retained earnings		(492)
Total equity		(492)
Total equity and liabilities		1,102

The nature of the adjustments as at January 1, 2018 and the reasons for the changes in the statement of financial position as at December 31, 2018 and the statement of income for the year ended December 31, 2018 are described below:

Sale of goods with variable consideration

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

Rights of return

a) Before the adoption of IFRS 15, returns were not anticipated and therefore were recognised as reduction to revenue in the period that the return occurred, with a corresponding adjustment to cost of sales. Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The company estimates expected returns using the expected value method under IFRS 15. For goods expected to be returned, the company recognised a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. The remeasurement resulted in refund liabilities of $3.65 million and right of return assets of $0.82 million in the statement of financial position as at January 1, 2018. As a result of these adjustments, retained earnings as at January 1, 2018 decreased by $2.83 million.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 *Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods) (continued)*

Sale of goods with variable consideration (continued)

Rights of return (continued)

a) (continued)
As at December 31, 2018, IFRS 15 resulted in an increase in the right of return assets and refund liabilities to $0.96 million and $4.29 million, respectively, with a corresponding decrease in retained earnings by $3.33 million. It also decreased revenue from contracts with customers and increased cost of sales by $0.63 million and $0.14 million, respectively, for the year ended December 31, 2018.

Volume rebates

b) Consistent with the requirements of IFRS 15, revenue from contracts is decreased for volume rebates when the sales to which the rebates relate occurs. In addition, these amounts were previously set-off against trade receivables but have now been recognised as refund liabilities. As at December 31, 2018, IFRS 15 increased refund liabilities to $5.75 million from $4.81 million as at January 1, 2018.

2.2 *Standards and Interpretations adopted with no effect on financial statements*

The following additional new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

Amendments to Standards and Interpretation		Effective for annual periods beginning on or after
IAS 40	Transfers of Investment Property - Amendments to IAS 40	January 1, 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	January 1, 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	January 1, 2018
IFRS 1 and IAS 28	Amendments arising from 2014 – 2016 Annual Improvements to IFRS	January 1, 2018
IFRIC 22	IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018

2.3 *Standards and interpretations in issue not yet effective*

New and Revised Standards		Effective for annual periods beginning on or after
IAS 1 and IAS 8	Definition of Material – Amendments to IAS 1 and IAS 8	January 1, 2020
IAS 19	Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	January 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	January 1, 2019

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.3 *Standards and interpretations in issue not yet effective (continued)*

		Effective for annual periods beginning on or after
New and Revised Standards (continued)		
IFRS 3	Definition of a Business – Amendments to IFRS 3	January 1, 2020
IFRS 9	Prepayment Features with Negative Compensation - Amendments to IFRS 9	January 1, 2019
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Effective date deferred indefinitely
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IFRS 3, 11 and IAS 12, 23	Amendments arising from 2015 – 2017 Annual Improvements to IFRS	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

New and Revised Standards and Interpretations in issue not yet effective that are relevant
The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the company and are likely to impact amounts reported in the company's financial statements:

- IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement
  Determining the current service cost and net interest
  When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  1. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  2. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  Effect on asset ceiling requirements
  A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.

  The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.3 *Standards and interpretations in issue not yet effective (Continued)*

New and Revised Standards and Interpretations in issue not yet effective that are relevant (continued)

- IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement (continued)

  Effect on asset ceiling requirements (continued)
  This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

  These amendments are effective for annual periods beginning on or after January 1, 2019 and the directors and management have not yet assessed the impact of the application of this standard on the company's financial statements.

- IFRS 16 Leases
  This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognize a liability to pay rentals with a corresponding asset, and recognize interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of "low value" assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted but not before the company applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard on the company's financial statements.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:
  a) Whether an entity considers uncertain tax treatments separately.
  b) The assumptions an entity makes about the examination of tax treatments by taxation authorities.
  c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
  d) How an entity considers changes in facts and circumstances.

  An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual periods beginning on or after January 1, 2019, but certain transition reliefs are available. The directors and management have not yet assessed the impact of the application of the amendment to this standard on the company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the relevant requirements of the Jamaican Companies Act.

3.2 Basis of preparation

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.3 Current versus non-current classification

The company presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The company classifies all other liabilities as non-current.

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

3.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Fair value measurement (continued)

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

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

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

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

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

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.5 Transactions with jointly controlled entities

Common control business combinations are scoped out of IFRS 3, ‘Business Combinations’. Where such transactions arise, management’s policy is to apply either the requirements of IFRS 3 or the “pooling of interests” method (“POI method”), the latter being an approach outside of the IFRS. The determination of which method is applied depends on:

a) Whether the common control business combination is deemed to have substance to the company. Substance exists where:

   - There is a business purpose to the transaction;
   - Outside parties, such as non-controlling interests are involved;
   - The transaction was conducted at fair value; and
   - The acquired company had business activities prior to the acquisition.

   If the transaction is deemed to have no substance, then only the POI method can be applied.

b) The size and significance of the acquisition to the company.
c) The company’s reporting requirements.

The key differences between the POI method and the acquisition method under IFRS 3 are:

- The POI method does not permit fair valuation of assets or liabilities acquired. Instead assets and liabilities are recognised at their carrying values.
- No new goodwill is generated under the POI method. Instead, any difference between the consideration paid and the carrying value of net assets acquired is recognised in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Transactions with jointly controlled entities (continued)

The carrying values recognised are typically those within the consolidated financial statements of the ultimate parent company, ANSA McAL Limited, however there are situations where the carrying values recognised will be those within the stand-alone financial statements of the acquired entity. In determining which carrying values should be used, management considers:

- The timing of the transaction in comparison to when the acquired company was established within the company;
- The identity and nature of the users of the company's financial statements; and
- Whether consistent accounting policies are used by the acquired company.

The Company has a policy of combining the results of the acquired company from the acquisition date and not restating periods prior to the date of the combination. Further, equity balances are retained to allow for recycling of profits and equity that can occur as a result of future events.

3.6 Property, plant and equipment

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost of assets (other than land and properties under construction) less their residual values, over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Repairs and maintenance costs are recognised in profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of tangible assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.8 Employee benefits

3.8.1 Pension obligations

The company operates a defined benefit pension plan. The plan is funded by contributions from employees and employer. The employees contribute at the rate of 5% of pensionable salaries. The employees may make additional unmatched voluntary contributions up to the maximum permissible by the Income Tax Act. The employer contributes such funds as are necessary to meet the balance of the liabilities as determined by actuarial valuations subject to a maximum rate so that the total contributions (employee and employer) sum to 20% of pensionable salaries. The company's rate of contribution of 5.5% is determined by the Board of Directors upon recommendation of external actuaries.

The cost of providing benefits is determined using the Projected Unit Credit Method with external actuarial valuations being carried out at the end of each reporting period.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Employee benefits (continued)

3.8.1 Pension obligations (continued)

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The company recognises the following changes in the net defined benefit obligation under employee benefit costs in the statement of income:

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

3.8.2 Termination obligations

Termination benefits are payable whenever an employee's employment is terminated involuntarily before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

3.8.3 Other post-retirement obligations

The company provides health benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that used for the defined benefit pension plan as disclosed above.

3.9 Inventories

These are stated at the lower of cost and net realisable value. The cost of finished goods and cost of work-in-progress comprises direct materials and labour plus an appropriate proportion of fixed and variable overhead expenses that have been incurred in bringing inventory to its present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (Policy applicable from January 1, 2018)

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognised immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 23. Listed below are the company's financial assets and liabilities and the specific accounting policies relating to each:

3.10.1 ***Financial assets***

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (Policy applicable from 1 January 2018) (continued)

3.10.1 Financial assets (continued)

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the company. The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets at amortised cost includes trade and other receivables including contract assets, due from related parties and cash and bank balances.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment
The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (Policy applicable from 1 January 2018) (continued)

3.10.1 Financial assets (continued)

Impairment (continued)
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs.

Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.10.2 Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, due to related parties and dividend payable.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (Policy applicable from 1 January 2018) (continued)

3.10.2 Financial liabilities (continued)

Initial recognition and measurement (continued)

(a) *Related party*

A party is related to the company if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the company or;
- has joint control over the company;

(ii) the party is an associate of the company;
(iii) the party is a joint venture in which the company is a venturer;
(iv) the party is a member of the key management personnel of the company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

Intercompany transactions are recorded at pre-determined company rates and are settled within 30 days. Interest is not charged on these balances as they are settled in a short period.

(b) *Dividends payable*

These are recognised as a liability in the period in which they are approved by the shareholders at the annual general meeting.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of income.

3.11 Financial instruments (Policy applicable before 1 January 2018)

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognised immediately in profit or loss), as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (Policy applicable before 1 January 2018) (continued)

The fair values of financial instruments are discussed in Note 23. Listed below are the company's financial assets and liabilities and the specific accounting policies relating to each:

3.11.1 Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of the instrument is under a contract whose terms require delivery of the instrument within the timeframe established by regulation or convention in the market place.

The company's financial assets are classified as financial assets at 'fair value through profit or loss (FVTPL)' and 'loans and receivables' with the classification being based on the nature and purpose of the financial asset and is determined at the time of initial recognition.

(a) *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the companying is provided internally on that basis: or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset and liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income', if any. Fair value is based on realisable prices, derived by valuation techniques, quoted by the relevant financial institution at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (Policy applicable before 1 January 2018) (continued)

3.11.1 Financial assets (continued)

(b) *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

The company's portfolio of loans and receivables comprises amounts due from fellow subsidiaries (See Related Party below), trade and other receivables and cash and bank balances.

(c) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that have occurred after initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (Policy applicable before 1 January 2018) (continued)

3.11.1 Financial assets (continued)

(c) *Impairment of financial assets (continued)*

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (Policy applicable before 1 January 2018) (continued)

3.11.1 Financial assets (continued)

(c) *Impairment of financial assets (continued)*

Derecognition of financial assets (continued)
On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.11.2 Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the company are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
These are classified as “other financial liabilities”.

Financial liabilities are initially measured at fair value, net of transaction costs (where applicable). They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The company’s financial liabilities comprise amounts due to immediate parent company, due to fellow subsidiaries, dividends payable and trade and other payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (Policy applicable before 1 January 2018) (Continued)

3.11.2 Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The company derecognises financial liabilities when the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.12 Taxation

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

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the statement of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Current and deferred tax for the period
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Provisions

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

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

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

3.14 Revenue from contracts with customers (Policy applicable from 1 January 2018)

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

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

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

(i) Variable consideration
If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (Policy applicable from 1 January 2018) (Continued)

Sales of products to third parties (continued)

(i) Variable consideration (continued)

- Rights of return
  Certain contracts provide a customer with a right to return the goods within a specified period. The company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

- Volume rebates
  The company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(ii) Significant financing component
Where the company receives short-term advances from their customers, using the practical expedient in IFRS 15, these company does not adjust the promised amount of consideration for the effects of a significant financing component if they expect, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Where the company receives long-term advances from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the company and their customers at contract inception, to take into consideration the significant financing component.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 3.10 Financial instruments – initial recognition and subsequent measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (Policy applicable from 1 January 2018) (continued)

Sales of products to third parties (continued)

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

Assets and liabilities arising from rights of return

Right of return assets
Right of return asset represents the company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities
A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the company ultimately expects it will have to return to the customer. The company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Cost to obtain a contract
The company pays sales commission to its employees for each contract that they obtain. The company has elected to apply the optional practical expedient for costs to obtain a contract which allows the company to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the company otherwise would have used is one year or less.

Interest revenue
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of the income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue recognition (Policy applicable before 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and other similar allowances.

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

3.16 Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the company operates (its functional currency).

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency, are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items whose fair values gain is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively). Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.
All other exchange differences are recognised in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as a lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.18 Research and development expenditure

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

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.20 Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the operations of the company are considered as one operating segment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies

Revenue from contracts with customers

Determining method to estimate variable consideration and assessing the constraint
Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of various goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the company considers whether the amount of variable consideration is constrained. The company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

a) Post employment benefits

As disclosed in Note 6, the company operates a defined benefit pension plan and provides post retirement medical benefits. The amounts shown in the statement of financial position are an asset of approximately $136.56 million (2017: $162.61 million) in respect of the defined benefit pension plan and a liability of approximately $133.58 million (2017: $131.75 million) in respect of post retirement medical liabilities. The post employment benefits are subject to estimates in respect of periodic costs, which costs are dependent on future returns on assets, future discount rates, rates of salary increases and the inflation rate in respect of the pension plan, and rates of increases in medical costs for the post retirement medical plan. External actuaries are contracted by the company in this regard.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The company estimates the appropriate discount rate annually, which rate is used to determine the present value of estimated cash outflows expected to be required to settle the pension and post-retirement medical benefit obligation.

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rates on government bonds that have maturities approximating the related pension liabilities were considered.

The expected increase in medical costs was determined by comparing the historical relationship of actual medical cost increases with the local rate of inflation. Current market conditions also impact the assumptions outlined above.

Note 6(i) details some sensitivity analyses in respect of these post employment benefit plans.

b) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. A change of +/- 10% in the final tax outcome of these estimates would have the effect of approximately $3.86 million (2017: $3.41 million) increase/decrease in the current and deferred tax provisions.

c) Revenue from contracts with customers - Rebates, discounts and returns

Estimating variable consideration for returns and volume rebates

The company estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates.

The company developed a model for forecasting sales returns. The model used the historical return data of each product to derive expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the company.

The company's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

c) Revenue from contracts with customers - Rebates, discounts and returns (continued)

The company applied a model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the company.

The company updates its assessment of expected returns and volume rebates periodically and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the company's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at December 31, 2018, the amount recognised as refund liabilities for the expected returns and volume rebates was $10.04 million (2017: 4.81 million).

d) Allowance for expected credit losses

The company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various ageing buckets and the related loss patterns. The provision matrix is initially based on the company's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation and foreign exchange rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the company's trade receivables is disclosed in Note 10.

At year end accounts receivable totaled $692.90 million (2017: $694.26 million) for which an allowance for expected credit losses of $83.58 million (2017: $58.26 million) (Note 10) was recognised.

e) Provision for obsolescence of inventory

Estimates of provision for obsolescence of inventory are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. Estimates of provision for obsolescence also take into consideration the purpose for which the inventory is held.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Freehold Buildings & Leasehold Improvements	Plant and Machinery	Furniture, Fixtures & Equipment	Motor Vehicles	Totals
	$'000	$'000	$'000	$'000	$'000	$'000
At cost						
April 1, 2017	27,000	97,776	261,806	96,460	35,255	518,297
Additions	-	1,313	6,637	2,190	-	10,140
December 31, 2017	27,000	99,089	268,443	98,650	35,255	528,437
Additions (Note 9)	-	6,236	77,050	8,231	4,663	96,180
December 31, 2018	27,000	105,325	345,493	106,881	39,918	624,617
Accumulated Depreciation						
April 1, 2017	-	43,042	169,788	75,843	32,041	320,714
Depreciation charge	-	2,692	11,278	4,438	990	19,398
December 31, 2017	-	45,734	181,066	80,281	33,031	340,112
Depreciation charge	-	5,244	25,342	7,613	2,606	40,805
December 31, 2018	-	50,978	206,408	87,894	35,637	380,917
Carrying amounts						
December 31, 2018	27,000	54,347	139,085	18,987	4,281	243,700
December 31, 2017	27,000	53,355	87,377	18,369	2,224	188,325

a) The following useful lives are used in the calculation of depreciation:

Freehold buildings	50 years
Plant and machinery	6 years to 12½ years
Other fixed assets	4 years to 8 years

b) Freehold land and buildings were revalued in 1995 and the revaluation surplus of $49.579 million was credited to revaluation reserves. The revalued amounts of $27 million for land and $47.529 million for buildings have been designated the deemed cost of these assets, as permitted under the provisions of IFRS 1.

6. POST EMPLOYMENT BENEFITS

The company operates a defined benefit pension plan for qualifying employees and provides post retirement medical benefits to its pensioners. The plans are exposed to interest rate risk, inflation and changes in life expectancy for pensioners. Note 6(h) details the plan's exposure in respect of various financial assets.

Plan information

Regulatory framework	The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the Financial Services Commission (Regulator), the working party of actuaries and auditors agreed on a minimum employer contributions rate of 0.25% of payroll per annum where plan rules do not specify a minimum.
Responsibilities	The trustees ensure benefits are funded, benefits are paid, and assets are invested to maximize return subject to acceptable investment risks while considering the liability profile. The board of trustees (including sponsor, employee and pensioner representatives) have contracted a pension services provider to administer the plan's activities. The plan is registered with the Financial Services Commission.
Asset-Liability Matching	Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds.

Defined benefit pension plan

This plan is funded by contributions from the employees and the company. The company contributes to the plan at rates determined by the Board of Directors upon recommendation of external actuaries (currently 5.5% (2017: 5.5%) of pensionable salaries) and the employees contribute at a rate of 5% of pensionable salaries (with the option of contributing an additional amount subject to a maximum rate so that the total contributions (employee and employer) sum to 20% of pensionable salaries). Pension benefits are determined on a prescribed benefits basis and are payable at a rate of 1⅔% of the employee's average earnings over the three years prior to retirement multiplied by the employee's number of years membership in the plan.

Retiree Medical Plan

The company bears the full cost of health care of employees after retirement.

Valuation

The most recent actuarial valuations of the two plans were carried out as at December 31, 2018 by Ravi Rambarran of Rambarran & Associates Limited (Consulting Actuaries), Fellow of the Institute of Actuaries. The obligations were measured using the projected unit credit method.

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(a) The principal assumptions used for the purpose of the actuarial valuations were as follows:

Financial Assumptions

	2018 %	2017 %
Gross discount rate ($JA)	7.00	8.00
Expected rate of salary increases	3.50	6.50
Future pension increases	1.25	3.25
Medical inflation	4.50	8.00
Inflation	3.00	5.00
Minimum funding rate	0.25	0.25
Administration fees (percentage of pay)	1.00	1.00

Demographic Assumptions

(i) Mortality

American 1994 Company Annuitant Mortality (GAM94) table with 5 year mortality improvement.

Death rates per 1,000 are set out below:

Age	Males	Females
20 – 40	0.35 – 0.66	0.22 – 0.29
30 – 40	0.66 – 0.85	0.29 – 0.48
40 – 50	0.85 – 1.58	0.48 – 0.97
50 – 60	1.58 – 4.43	0.97 – 2.29
60 - 70	4.43 – 14.53	2.29 – 8.63

(ii) Retirement - males who joined the Plan before January 1, 2002 will retire at age 65 and all other members will retire at age 60.

(i) Terminations - no assumption was made for exit prior to retirement.

(iv) Martial statistics – 80% of members are assumed to be married at their date of retirement.

Defined benefit pension plan amounts for the current and previous four years were as follows:

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Present value of obligation	(1,069,906)	(1,080,051)	(871,233)	(806,972)	(805,006)
Fair value of plan assets	1,487,691	1,386,267	1,061,681	951,120	847,472
Unrecognised asset due to ceiling	(281,222)	(143,606)	(62,315)	(14,392)	-
Net asset (liability) in the statement of financial position	136,563	162,610	128,133	129,756	42,466

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(b) Amounts included in the statement of financial position arising from the company's obligation in respect of these plans are as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Present value of obligation	(1,069,906)	(1,080,051)	(133,582)	(131,747)
Fair value of plan assets	1,487,691	1,386,267	-	-
Unrecognised asset due to ceiling	(281,222)	(143,606)	-	-
Net asset (liability) in the statement of financial position	136,563	162,610	(133,582)	(131,747)

(c) Amounts recognised in the statement of income in respect of the plans are as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	19,951	12,898	3,690	2,850
Net interest cost:				
Interest cost on defined benefit obligation	84,664	70,640	10,345	9,309
Interest income on plan assets	(109,943)	(85,766)	-	-
Interest effect of the assets ceiling	11,488	4,514	-	-
Total included in employee benefits expense	6,160	2,286	14,035	12,159

(d) Amounts recognised in other comprehensive income in respect of the plans are as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Remeasurements				
Change in financial assumptions	110,881	169,379	23,920	38,519
Experience adjustments	(208,930)	(254,696)	(31,148)	(46,857)
Change in effect of the asset ceiling	126,128	75,732	-	-
	28,079	(9,585)	(7,228)	(8,338)

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(e) Movements in the net asset (liability) were as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	162,610	148,936	(131,747)	(132,209)
Amount charged to income	(6,160)	(2,286)	(14,035)	(12,159)
Remeasurement recognised in OCI	(28,079)	9,585	7,228	8,338
Contributions by employer	8,192	6,375	4,972	4,283
Closing balance	136,563	162,610	(133,582)	(131,747)

(f) Changes in the present value of the defined benefit obligation were as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Opening defined benefit obligation	1,080,051	997,223	131,747	132,209
Service cost	19,951	12,898	3,690	2,850
Interest cost	84,664	70,640	10,345	9,309
Members' contributions	11,739	9,337	-	-
Benefits paid	(67,915)	(27,621)	(4,972)	(4,283)
Value of purchased annuities	23,551	-	-	-
Remeasurement:				
Changes in financial assumptions	112,740	191,484	23,920	38,519
Changes in experience adjustments	(194,875)	(173,910)	(31,148)	(46,857)
Closing defined benefit obligation	1,069,906	1,080,051	133,582	131,747

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(g) Changes in the fair value of plan assets are as follows:

	Defined Benefit Pension Plan	
	2018	**2017**
	$'000	**$'000**
Opening fair value of plan assets	1,386,267	1,209,519
Members' contributions	11,739	9,337
Employer's contributions	8,192	6,375
Interest income on plan assets	109,943	85,766
Benefits paid	(67,915)	(27,621)
Value of purchased annuities	23,551	-
Remeasurement:		
Changes in financial assumptions	1,859	22,105
Experience adjustments	14,055	80,786
Closing fair value of plan assets	1,487,691	1,386,267
Movement in asset ceiling liability(asset)		
Effect of asset ceiling at beginning	(143,606)	(63,360)
Interest in asset	(11,488)	(4,514)
Remeasurement effects	(126,128)	(75,732)
Effect of ceiling at the end of period	(281,222)	(143,606)

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(h) The major categories of plan assets are as follows:

	Defined Benefit Pension Plan	
	2018 Fair Value of Plan Asset $'000	**2017 Fair Value of Plan Asset $'000**
Equity fund	405,356	314,340
CPI indexed fund	49,180	46,286
International equity	44,153	40,996
Fixed income fund	125,245	136,417
Mortgage and real estate fund	299,344	316,374
Foreign currency fund	161,858	156,916
Money market fund	7,762	5,952
Value of purchased annuities	393,239	367,184
Other adjustments	1,554	1,802
Closing fair value of plan assets	1,487,691	1,386,267

Apart from purchased annuities, each asset is held in a segregated fund.

There are no plan assets in respect of the Retiree Medical Plan.

(i) Sensitivity analyses

.1 Medical Inflation

	1% decrease in Medical inflation Assumption $'000	**1% increase in Medical inflation Assumption $'000**
(Decrease) Increase in defined benefit obligation - 2018	(17,606)	21,764
(Decrease) Increase in defined benefit obligation - 2017	(18,540)	23,172

.2 Discount rate

	1% decrease in Discount rate Assumption $'000	**1% increase in Discount rate Assumption $'000**
2018		
Increase (Decrease) in defined benefit obligation – Medical	21,422	(17,091)
Increase (Decrease) in defined benefit obligation – Pension	108,074	(85,957)
2017		
Increase (Decrease) in defined benefit obligation – Medical	23,051	(18,158)
Increase (Decrease) in defined benefit obligation – Pension	115,282	(91,408)

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(i) Sensitivity analyses (continued)

.3 Future pension increase

	1% decrease in Future Pension Assumption $'000	1% increase in Future Pension Assumption $'000
2018		
(Decrease) Increase in defined benefit obligation – Pension	(89,098)	104,143
2017		
(Decrease) Increase in defined benefit obligation – Pension	(91,936)	107,427

.4 Salary assumption

	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000
2018		
(Decrease) Increase in defined benefit obligation – Pension	(32,773)	36,500
2017		
(Decrease) Increase in defined benefit obligation – Pension	(36,270)	40,486

.5 Life expectancy

	1 year Decrease $'000	1 year Increase $'000
2018		
(Decrease) Increase in defined benefit obligation – Medical	(4,128)	4,135
(Decrease) Increase in defined benefit obligation – Pension	(11,289)	11,198
2017		
(Decrease) Increase in defined benefit obligation – Medical	(4,431)	4,463
(Decrease) Increase in defined benefit obligation – Pension	(13,382)	13,346

(j) Other

(i) Expected contributions for the next year

	$'000
Employer	7,960
Employee	11,283
	19,243

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(j) Other (continued)

(ii) Expected expense for the next year

	Medical $'000	Pension $'000	Total $'000
Service cost	3,297	18,284	21,581
Financing cost (net)	9,180	(10,221)	(1,041)
	12,477	8,063	20,540

(iii) Maturity profile of defined benefit obligation

	Weighted Average Duration of liability 2018	Weighted average Duration of liability 2017
Pension	26	27
Medical	26	27

(iv) Included in the holdings of plan assets is an investment in the Sagicor Pooled Pension Investment Funds which holds 10.4% (2017: 10.4%) of the company's issued shares.

7. DEFERRED TAX ASSETS (LIABILITIES)

Certain deferred tax assets and liabilities have been offset in accordance with the company's accounting policy. The following is the analysis of the deferred tax balances:

	2018 $'000	2017 $'000
Deferred tax assets	52,522	49,930
Deferred tax liabilities	(47,049)	(45,364)
	5,473	4,566

The movement during the period in the company's deferred tax position was as follows:

	2018 $'000	2017 $'000
Opening balance	4,566	6,412
(Charge)/Credit to income for the period (Note 20(a))	(4,456)	2,485
Credit/(Charge) to other comprehensive income for the period (Note 20(b))	5,363	(4,331)
Closing balance	5,473	4,566

The following are the major deferred tax liabilities and assets recognised by the company and the movements thereon, during the current and prior periods:

7. DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

Deferred tax assets

	Excess value over tax allowances on motor vehicles $'000	Depreciation charges in excess of capital allowances $'000	Accrued vacation $'000	Post employment benefits obligation $'000	Accrued incentive and other $'000	Total $'000
Balance, April 1, 2017	-	-	3,991	33,052	12,408	49,451
(Charge)/Credit to income for the year	59	3,520	869	1,969	(3,853)	2,564
Charge to other comprehensive income for the year	-	-	-	(2,085)	-	(2,085)
Balance, December 31, 2017	59	3,520	4,860	32,936	8,555	49,930
Credit/(Charge) to income for the year	152	(3,148)	(903)	2,266	6,062	4,399
Charge to other comprehensive income for the year	-	-	-	(1,807)	-	(1,807)
Balance, December 31, 2018	211	372	3,957	33,395	14,617	52,522

Deferred tax liabilities

	Unrealised foreign exchange gains $'000	Revaluation of properties $'000	Post-employment benefits asset $'000	Excess value over tax allowances on motor vehicles $'000	Capital allowances in excess of depreciation charges $'000	Total $'000
Balance, April 1, 2017	534	4,434	37,233	421	417	43,039
Charge/(Credit) to income for the year	(105)	-	1,022	(421)	(417)	79
(Credit)/Charge to other comprehensive income for the year	-	(150)	2,396	-	-	2,246
Balance, December 31, 2017	429	4,284	40,651	-	-	45,364
Charge to income for the year	8,347	-	508	-	-	8,855
Credit to other comprehensive income for the year	-	(150)	(7,020)	-	-	(7,170)
Balance, December 31, 2018	8,776	4,134	34,139	-	-	47,049

8. INVENTORIES

	2018 $'000	2017 $'000
Finished goods	222,775	187,596
Work-in-progress	-	446
Raw materials and supplies	248,937	213,338
Goods-in-transit	284	7,354
	471,996	408,734

Inventories stated above are net of provision for obsolescence amounting to approximately $38.97 million (2017: $38.36 million).

The cost of inventories recognised as an expense during the period, was $1,349.64 million (2017: $931.90 million).

Movement in provision for obsolescence

	2018 $'000	2017 $'000
Opening balance	38,361	35,237
Charged to income	8,471	20,724
Reversal of write down (Note 8(a))	(7,859)	(17,600)
Closing balance	38,973	38,361

(a) Previous write downs have been reversed as a result of reworks of material in the production process.

Charges in respect of inventory obsolescence of $8.47 million (2017: $20.72 million) are recorded in other operating expenses.

9. BALANCES/TRANSACTIONS WITH RELATED PARTIES

Details of transactions and balances with the parent company and other related parties are disclosed below:

Trading transactions and balances

The company carried out transactions in the ordinary course of business during the period with its affiliates as follows:

	Sales of Goods and Raw Materials		Purchases of Goods, Raw Materials and Equipment		Technical Service Fees		Amounts Owed by (to) Related Parties	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Immediate parent								
Lewis Berger (Overseas Holdings) Ltd.	-	-	-	-	75,638	54,795	(75,194)	(27,476)
Fellow subsidiaries								
Berger Trinidad	3,226	-	168	1,402	-	-	17,122	13,427
Berger Barbados	5,178	204	3,936	1,301	-	-	(1,329)	(3,182)
ABEL Building Solutions	-	-	3,190	3,171	-	-	(1,556)	(3,171)
Ansa Mcal (Barbados)	-	-	-	149	-	-	(71)	(149)
Ansa Coating (Ja) Ltd.	-	-	-	200	-	-	(120,307)	(200)
Ansa Mcal Trading	-	-	987,160	2,356	-	-	(144,263)	(2,356)
Ansa Coatings Limited	-	-	35,765	-	-	-	(4,650)	-
Ansa Mcal Limited	-	-		-	-	-	(4,035)	-
Ansa Polymer	-	-	-	-	-	-	(20)	-
	8,404	204	1,030,219	8,579	-	-	(259,109)	4,369
Reflected in statement of financial position:								
Due from fellow subsidiaries							17,122	13,427
Due to fellow subsidiaries							(276,231)	(9,058)
							(259,109)	4,369
Directors							-	125

9. BALANCES/TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Sale of goods to related parties were made at the predetermined company rates. Purchases are made at market prices discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized during the year for irrecoverable debts in respect of the amounts owed by related parties.

Loans to related parties

	2018 $'000	2017 $'000
Key management personnel	-	125

These comprise short-term loans. No interest is charged on these amounts.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	2018 $'000	2017 $'000
Short-term benefits	64,206	63,095
Post-employment benefits	1,956	1,827
	66,162	64,922

The remuneration of directors and key executives is determined by the directors of the parent company having considered the recommendation of the local Board and performance of individuals and prevailing macro-economic factors.

Business combinations under common control

During the year the company took control over certain assets and activities of ANSA Coatings Jamaica Limited, a related party that engaged in the purchase and distribution of industrial and decorative paints and accessories. The company did not acquire any voting shares of ANSA Coatings Jamaica Limited, which continues to exist as a separate, but non-trading, legal entity. The nature and significance of the activities acquired by the company resulted in this transaction being accounted for as a business combination and not as an asset acquisition. Further, as the company acquired the business of a related party that shares the company's ultimate parent, ANSA McAL Limited, this transaction is considered a business combination under common control.

The POI method was applied to this transaction given the size of the activities and assets acquired relative to that of the company.

The purpose of this transaction was to realise synergies and generate economies of scale by manufacturing and distributing the products formerly managed by ANSA Coatings Jamaica Limited in addition to those products already managed by the company.

9. BALANCES/TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Business combinations under common control (Continued)

The carrying value of the net assets acquired was $120.31 million, being $83.81 million for PPE, $30.05 million for inventory and $6.45 million of other receivables.

Consideration of $120.31 million remains payable to ANSA Coatings Jamaica Limited.

10. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Trade receivables	692,902	694,260
Less allowance for expected credit losses	(83,576)	(58,255)
	609,326	636,005
Other receivables and prepayments (net of an allowance for expected credit losses of $14.73 million (2017: $13.97 million))	27,271	37,795
	636,597	673,800

The average credit period on sale of goods is 30 - 60 days. The company has provided fully for all receivables due for over one year because historical experience has shown that receivables that are past due beyond this period are generally not recoverable. Trade receivables outstanding between 30 days and 1 year are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the company uses a credit bureau to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Of the trade receivables balance at the end of the reporting period, $146.50 million (2017: $161.69 million) (amount within the approved credit limit) is due from two (2017: two) of the company's customers (See also Note 23(d)). There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the company's trade receivable balance are debtors with a carrying amount of $166.16 million (2017: $175.76 million) which is past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality of the debtors and the amounts are still considered recoverable. The company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amount owed by the company to the counterparty. The average age of these receivables is 82 days (2017: 78 days).

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of past due but not impaired

	2018 $'000	2017 $'000
31 – 90 days	45,021	68,308
91 – 180 days	6,230	54,197
181 – 270 days	18,992	53,256
271 – 360 days	95,915	-
	166,158	175,761

Movement in allowance for expected credit losses

	Trade Receivables		Other Receivables	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Opening balance	58,255	40,010	13,971	12,244
Impact of IFRS 9 adoption	11,244	-	-	-
Expected credit losses recognised	76,460	44,373	761	1,727
Amounts written-off as uncollectible	(3,463)	-	-	-
Amounts recovered during the year	(58,920)	(26,128)	-	-
Closing balance	83,576	58,255	14,732	13,971

In determining the recoverability of a receivable, the company considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The directors believe that, at the end of the reporting period, there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	2018 $'000	2017 $'000
≥ 12 months	83,576	58,255

Ageing of impaired other receivables

	2018 $'000	2017 $'000
≥ 12 months	14,732	13,971

11. CASH AND BANK BALANCES

	2018 $'000	2017 $'000
Cash on hand	429	410
Foreign currency bank deposits (Note 11(a))	39,131	76,250
Jamaican dollar bank deposits (Note 11(b))	314,235	155,336
	353,795	231,996

(a) These include non-interest bearing accounts totalling $1.65 million (2017: $1.65 million), representing the Jamaican dollar equivalent of Belize $26,700 (2017: $26,700) and $37.48 million (2017: $74.5 million) representing the Jamaican dollar equivalent of US$293,468 (2017: US$596,301).

(b) (i) This includes an interest bearing account totalling $0.008 million (2017: $0.008 million) at an interest rate of 0.025% (2017: 0.025%) per annum.
(ii) The company has a credit facility (overdraft) with a commercial bank with a limit of $90 million (2017: $90 million) at a rate of 16.25% (2017: 16.25%) per annum. The company did not utilise the facility in the current or prior period.

(c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, net of bank overdraft, and other highly liquid bank deposits held with financial institutions, with an original maturity of three months or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

12. SHARE CAPITAL

	2018 No. of shares	2017 No. of shares	2018 $'000	2017 $'000
Authorised: No par value ordinary shares at the beginning and end of the period	214,322,393	214,322,393		
Issued and fully paid at the beginning and end of the period:	214,322,393	214,322,393		
Stated capital			141,793	141,793

There were no movements in share capital during the period.

The company has one class of ordinary shares which carry one vote per share and no right to fixed income.

13. REVALUATION RESERVES

	Properties Revaluation Reserve	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of year	45,295	45,145
Adjustments to deferred tax liability in respect of revalued buildings (Note 20(b))	150	150
Balance at end of year	45,445	45,295

The properties revaluation reserve arose on the revaluation of land and buildings prior to conversion to IFRS, and is shown net of annual deferred tax charges. Where revalued land and buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to revenue reserve.

14. PROVISIONS

	Employee Benefits	
	2018	**2017**
	$'000	**$'000**
Opening balance	19,443	15,964
Charged to income for year	425	6,725
Utilised during the year	(4,038)	(3,246)
Closing balance	15,830	19,443

The provision for employees' benefits represents annual leave entitlements accrued.

15. TRADE AND OTHER PAYABLES

	2018	**2017**
	$'000	**$'000**
Trade payables	87,370	234,720
Other payables and accruals	187,521	146,075
	274,891	380,795

The credit period on purchases of goods from the company's major suppliers range from 30 - 60 days. The company has financial risk management procedures in place to ensure that all payables are paid within the credit timeframe.

16. DIVIDENDS

During the current year:

A final dividend of 28.5¢ per share totalling $61.08 million for the 9 months ended December 31, 2017 was approved at the company's Annual General Meeting and paid to shareholders on the company's register of members at the close of business July 31, 2018.

During the prior period:

A special dividend of 20¢ per share totalling $42.86 million and a final dividend of 30¢ per share totalling $64.30 million for the year ended March 31, 2017 were approved at the company's Annual General Meeting and paid to shareholders on the company's register of members at the close of business July 31, 2017.

17. SALES (NET OF DISCOUNTS AND REBATES)

The following are entity-wide disclosures:

(a) Products

	2018 $'000	2017 $'000
Decorative/architectural products	2,614,087	1,833,555
Industrial products	100,907	76,933
	2,714,994	1,910,488

(b) Geographical areas

	2018 $'000	2017 $'000
Domestic sales	2,621,955	1,833,159
Export sales	93,039	77,329
	2,714,994	1,910,488

(c) Major customers

Of the sales for the year, 14% (2017: 11%) was attributable to the company's largest customer. There were no other customers who represented 10% or more of the company's revenue.

17. SALES (NET OF DISCOUNTS AND REBATES) (CONTINUED)

(d) Right of return assets and liabilities

	2018 $'000	2017 $'000
Right of return asset (included in other receivables)	961	-
Refund liabilities (included in other payables)		
- Arising from retrospective volume rebates	5,752	-
- Arising from rights of return	4,290	-
	10,042	-

(e) Performance obligations

The performance obligation is satisfied upon delivery of manufactured products or of goods purchased for resale. The terms of payment are determined by prior approval and can be cash or credit for a period of 7 or 30 days and 60 days for export customers. Where there are returns due to damaged or faulty products or sales errors, customers are entitled to full refunds. Such returns usually occur within one month of delivery.

18. PROFIT BEFORE TAXATION

The profit before taxation is stated after taking into account the following:

		2018 $'000	2017 $'000
(i)	Expenses on financial assets at amortised cost		
	Allowance for expected credit losses on sale of goods net of recoveries of $58.92 million (2017: $26.12 million)	17,540	18,245
	Allowance for expected credit losses on other receivables	761	1,727
(ii)	Net loss on financial assets and financial liabilities at amortised cost		
	Net foreign exchange loss	9,820	2,781
(iii)	Other expenses		
	Directors' emoluments		
	Fees	1,500	1,463
	Management	9,409	13,608
	Audit fees	5,872	5,320

19. STAFF COSTS

Staff costs incurred during the period were:

	2018 $'000	2017 $'000
Salaries, wages and statutory contributions	453,583	324,125
Other staff benefits	76,806	57,116
	530,389	381,241

20. TAXATION

Current and deferred taxes have been calculated using the tax rate of 25% (2017: 25%).

(a) Recognised in profit and loss

(i) The total charge for the period comprises:

	2018 $'000	2017 $'000
Current tax	34,154	36,595
Deferred tax adjustment (Note 7)	4,456	(2,485)
	38,610	34,110

(ii) The charge for the period is reconciled to the profit as per the income statement as follows:

	2018 $'000	2017 $'000
Profit before tax	212,160	208,239
Tax at the domestic income tax rate of 25%	53,040	52,060
Tax effect of expenses that are not deductible in determining taxable profit	50	-
Non assessable income	-	(2,313)
Employment tax credit	(14,638)	(15,683)
Other	158	46
Tax expense for the year/period	38,610	34,110

(b) Recognised directly in other comprehensive income in equity (Note 7)

	2018 $'000	2017 $'000
Revaluation of properties (Note 13)	150	150
Remeasurement of defined benefit plans	5,213	(4,481)
	5,363	(4,331)

21. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on the profit after taxation of $173.55 million (2017: $174.13 million) and the number of stock units in issue during the period of 214,322,393 units (2017: 214,322,393 units).

22. COMMITMENTS

(a) Capital commitment

There were no capital commitments as at December 31, 2018. Capital commitments as at December 31, 2017 totalled $2.53 million.

(b) Operating lease arrangements

Operating lease payments represent rentals payable by the company for certain of its office locations. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three to five years.

	2018 $'000	2017 $'000
Minimum lease payments under operating leases recognised as an expense in the period	11,702	6,575

At the end of the reporting period, the company has outstanding commitments under operating leases, which fall due as follows:

	2018 $'000	2017 $'000
Within one year	10,150	9,293
In the second to fifth years inclusive	24,940	10,850
	35,090	20,143

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2018 $'000	2017 $'000
Financial Assets		
Loans and receivables – at amortised cost		
- Due from fellow subsidiaries	17,122	13,427
- Trade and other receivables (excluding prepayments)	636,302	670,668
- Cash and bank balances	353,795	231,996
	1,007,219	916,091
Financial Liabilities (at amortised cost)		
- Due to immediate parent company	75,194	27,476
- Due to fellow subsidiaries	276,231	9,058
- Dividends payable	11,895	11,191
- Trade and other payables (excluding accruals)	179,430	311,464
	542,750	359,189

Financial risk management policies and objectives

By its nature, the company's activities involve the use of financial instruments.

The company has exposure to the following risks from its use of its financial instruments: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Financial risk management objectives

The company's activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company has documented financial risk management policies which are directed by its parent company. These policies set out the company's overall business strategies and its risk management philosophy. The financial risk management programme seeks to minimise potential adverse effects of financial performance of the company. The Board of Directors, directed by the parent company, provides written policies for overall financial risk management as well as policies covering specific areas, such as market risk, credit risk and liquidity risk. Periodic reviews are undertaken to ensure that the company's policy guidelines are complied with.

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

There has been no change during the year to the company's exposure to these financial risks or the manner in which it manages and measures the risk.

The company does not hold or issue derivative financial instruments.

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company's activities exposes it primarily to the financial risks of changes in foreign currencies, as disclosed in Note 23(b) below, interest rates as disclosed in Note 23(c) below.

(b) Foreign exchange risk

The company undertakes certain transactions denominated in currencies other than the Jamaican dollar resulting in exposures to exchange rate fluctuations.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management of foreign exchange risk
Management consistently reviews the company's exposure in this regard by constant monitoring of international foreign exchange markets and factors influencing currency movements including daily analysis of its demand for foreign currency to meet supplier payments and positioning its foreign currency bank account holdings accordingly.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities arising in the ordinary course of business at the reporting date are as follows:

	Liabilities		Assets		Net Liabilities (Assets)	
	2018	2017	2018	2017	2018	2017
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
US dollars	173,974	209,636	93,473	114,488	80,501	95,148
Euros	601	634	-	-	601	634
Belize dollars	-	-	1,652	1,652	(1,652)	(1,652)

Foreign currency sensitivity
The following table details the sensitivity to a 2% revaluation and 4% devaluation (2017: 2% revaluation and 4% devaluation) in the Jamaican dollar against the relevant foreign currencies. The above sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for the above change in foreign currency rates.

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(b) Foreign exchange risk (continued)

Foreign currency sensitivity (continued)

If the Jamaican dollar strengthens by 2% or weakens by 4% (2017: strengthens by 2% or weakens by 4%) against the relevant foreign currency, profit will increase (decrease) by:

Profit or loss increase (decrease)

	2018				2017			
	Revaluation		Devaluation		Revaluation		Devaluation	
	%	J$'000	%	J$'000	%	J$'000	%	J$'000
US dollars	+2	1,610	-4	(3,220)	+2	1,903	-4	(3,806)
Euros	+2	12	-4	(24)	+2	13	-4	(25)
Belize dollars	+2	(33)	-4	66	+2	(33)	-4	66
		1,589		(3,178)		1,883		(3,765)

This is mainly attributable to the exposure outstanding on bank balances, receivables and payables in the respective foreign currency at the end of the reporting period.

The company's sensitivity to foreign currency has increased during the current period mainly due to the increased trade receivables offset by decreased holdings of bank deposits and increased payables denominated in foreign currencies.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as at the end of the reporting period as it does not reflect the exposure during the period. US dollar denominated sales and liabilities are seasonal, fluctuating throughout the period.

(c) Interest rate risk management

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates as a result of cash flow or fair value interest rate risk. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow risk.

The company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section at Note 23(e) below.

Management of interest rate risk
The company manages its interest rate risk by monitoring the movements in the market interest rates closely.

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(c) Interest rate risk management (continued)

Interest rate sensitivity
The sensitivity analyses is determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. In respect of Jamaican dollar investments, a 100 basis points increase and a 100 basis point decrease (2017: a 100 basis points increase and a 100 basis points decrease) and for foreign currency denominated balances, a 50 basis points increase and a 50 basis points decrease (2017: 50 basis point increase and a 100 basis points decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

As at December 31, 2018 and December 31, 2017, the company had no significant exposure to interest rate risk.

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Financial assets that potentially subject the company to concentration of credit risk consist principally of cash, cash equivalents, trade and other receivables and amounts due from related parties. The maximum exposure to credit risk is the amount of approximately $991.51 million (2017: $915.68 million) disclosed under 'categories of financial instruments' above and the company holds no collateral in this regard. Generally, the company manages its credit risk by screening its customers, establishing credit limits and the rigorous follow-up of receivables.

Cash and bank deposits
The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings. The carrying amount of cash and bank balances (excluding cash on hand) totalling $353.37 million (2017: $231.59 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

Trade and other receivables
The company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management on an annual basis. Further, trade receivables consist of a large number of customers, spread across the retail and construction sectors and as such, the company does not have significant credit risk exposure to any single counterparty, except in respect of two retail entities whose outstanding balances (March 2017: two retail entity whose balance) (within the approved credit limits) amount to approximately 21% (2017: 23%) of trade receivables (see Note 10). Ongoing credit evaluation is performed on the financial condition of trade receivables. The book value of receivables is stated after allowance for likely losses estimated by the company's management based on prior experience and their assessment of the current economic environment.

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(d) Credit risk management (continued)

Trade and other receivables (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the company's trade receivables using a provision matrix.

	Trade receivables						
		Days past due					
31 December 2018	**0-30 days**	**31- 90 days**	**91- 180 days**	**181 - 270 days**	**271 – 360 days**	**Over 361 days**	**Total**
	Current						
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	1.25%	3.24%	16.30%	4.32%	21.81%	64.40%	
Estimated total gross carrying amount at default	443,168	45,021	6,230	18,992	95,915	83,576	692,902
Allowance for expected credit loss	5,537	1,460	1,015	820	20,921	53,822	83,576

	Trade receivables						
		Days past due					
1 January 2018	**0-30 days**	**31- 90 days**	**91- 180 days**	**181 - 270 days**	**271 – 360 days**	**Over 361 days**	**Total**
	Current						
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	2.69%	3.71%	23.85%	30.10%	0.00%	43.98%	
Estimated total gross carrying amount at default	460,244	68,308	54,197	53,256	-	58,255	694,260
Allowance for expected credit loss	12,388	2,535	12,926	16,028	-	25,623	69,499

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(d) Credit risk management (continued)

Trade and other receivables (continued)

The carrying amount of financial assets in respect of trade receivables totalling $609.33 million (2017: $636.01 million) and other receivables totalling $26.98 million (2017: $34.66 million) at year end which is net of impairment of approximately $83.58 million and $14.73 million, respectively (2017: $58.25 million and $13.97 million respectively), represents the company's maximum exposure to this class of financial asset.

Amounts due from fellow subsidiaries
The directors believe that the credit risks associated with this financial instrument are minimal. There is no significant increase in credit risk associated with related parties and therefore the probability of default is considered insignificant. The carrying amount of $17.12 million (2017: $13.43 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

(e) Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the nature of the underlying business, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments. The company also maintains a credit overdraft facility with a commercial bank to a limit of $90.0 million (2017: $90.0 million).

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(e) Liquidity risk management (continued)

Liquidity and interest risk analyses in respect of non-derivative financial liabilities and non-derivative financial assets

Non-derivative financial liabilities

The following tables detail the company's remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective Interest Rate %	On Demand or Within 1 Year $'000	Total $'000
December 2018			
Non-interest bearing	-	542,750	542,750
December 2017			
Non-interest bearing	-	359,189	359,189

Non-derivative financial assets

The following table details the company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company anticipates that the cash flow will occur in a different period.

	Weighted Average Effective Interest Rate %	On Demand or Within 1 Year $'000	Total $'000
December 2018			
Non-interest bearing	-	1,007,211	1,007,211
Interest bearing	0.0	8	8
December 2017			
Non-interest bearing	-	916,083	916,083
Interest bearing	0.0	8	8

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(f) Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for the financial assets and liabilities of the company, fair values in the financial statements have been presented using various estimation techniques based on market conditions existing at the end of the reporting period. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the company would realise in a current market exchange.

The following methods and assumptions have been used in determining the fair values of financial assets and financial liabilities:

- The carrying amounts included in the financial statements for cash and bank balances, trade and other receivables and trade and other payables, due to immediate parent company and due from or to fellow subsidiaries reflect the approximate fair values because of the short-term maturity of these instruments.

Capital risk management policies and objectives

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance.

The Board monitors the return on capital (net income divided by shareholder's equity).

The company's Board of Directors reviews the capital structure on a semi-annual basis. As a part of this review, the Board of Directors considers the cost of capital and the associated risks. Additionally, based on recommendations of the Board of Directors, the company balances its overall capital structure through the payment of dividends.

The company's overall strategy as directed by its parent remains unchanged from the period ended December 31, 2017.