BERGER PAINTS JAMAICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

CONTENTS

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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, 2019, 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, 2019 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
Accounting for defined benefit plans	
The company's post-retirement benefit provisions relate to a defined benefit pension scheme amounting to an asset of $149.52 million and a retiree medical post-retirement benefit scheme amounting to a liability of $146.23 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 amounting to $81.156 million. 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. 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 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.

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.

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 (Continued)

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.

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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)

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

March 5, 2020

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	251,168	243,700
Post employment benefits	6	149,523	136,563
Right-of-use assets	7	29,804	-
Deferred tax assets	8	8,562	5,473
Total non-current assets		439,057	385,736
Current assets			
Inventories	9	638,700	471,996
Due from fellow subsidiaries	10	42,923	17,122
Trade and other receivables	11	568,432	636,597
Income tax recoverable		47,414	62,760
Cash and bank balances	12	584,698	353,795
Total current assets		1,882,167	1,542,270
Total assets		2,321,224	1,928,006
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	141,793	141,793
Revaluation reserves	14	45,595	45,445
Revenue reserve		921,441	953,145
Total shareholders' equity		1,108,829	1,140,383
Non-current liabilities			
Post employment benefits	6	146,229	133,582
Lease liabilities	7	21,536	-
Total non-current liabilities		167,765	133,582
Current liabilities			
Due to immediate parent company	10	46,728	75,194
Due to fellow subsidiaries	10	654,800	276,231
Dividends payable		13,809	11,895
Provisions	15	17,460	15,830
Lease liabilities	7	8,705	-
Trade and other payables	16	303,128	274,891
Total current liabilities		1,044,630	654,041
Total equity and liabilities		2,321,224	1,928,006

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 March 5, 2020 and are signed on its behalf by:

.....
Adam Sabga
Chairman

.....
Michael Fennell
Director

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2019

	Notes	2019 $'000	2018 $'000
Revenue from contracts with customers	18	2,525,347	2,714,994
Raw materials and consumable used		(1,366,689)	(1,384,371)
Changes in inventories of finished goods and work in progress (net)		99,992	34,733
Manufacturing expenses		(108,298)	(132,595)
Depreciation	5,7	(48,943)	(40,805)
Employee benefits expense	20	(558,383)	(530,389)
Other operating expenses		(515,604)	(450,225)
Other income		13,975	818
PROFIT BEFORE TAXATION	19	41,397	212,160
Taxation	21	(12,095)	(38,610)
NET PROFIT FOR THE YEAR		29,302	173,550
Earnings per stock unit	22	$0.14	$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, 2019

	Notes	2019 $'000	2018 $'000
NET PROFIT FOR THE YEAR		29,302	173,550
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	14	150	150
Remeasurement of employment benefit plans	6	6,388	(20,851)
Deferred tax effect	8	(1,597)	5,213
		4,791	(15,638)
Other comprehensive income (loss) for the year net of tax		4,941	(15,488)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		34,243	158,062

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

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019

	Notes	Share Capital $'000	Revaluation Reserves $'000	Revenue Reserve $'000	Total $'000
Balance at January 1, 2018		141,793	45,295	856,314	1,043,402
Net profit for the year		-	-	173,550	173,550
Other comprehensive income (loss) for the year		-	150	(15,638)	(15,488)
Total comprehensive income for the year		-	150	157,912	158,062
Dividends	17	-	-	(61,081)	(61,081)
Balance at December 31, 2018		141,793	45,445	953,145	1,140,383
Net profit for the year		-	-	29,302	29,302
Other comprehensive income for the year		-	150	4,791	4,941
Total comprehensive income for the year		-	150	34,093	34,243
Dividends	17	-	-	(65,797)	(65,797)
Balance at December 31, 2019		141,793	45,595	921,441	1,108,829

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

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		29,302	173,550
Adjustments for:			
Depreciation on property, plant and equipment	5	39,582	40,805
Depreciation on right of use assets	7	9,361	-
Interest expense on leased liabilities	7	1,083	-
Unrealised foreign exchange gains (net)		(9,650)	(35,089)
Post retirement benefit charge	6(e)	19,052	20,195
Income tax expense	21	12,095	38,610
Provision charge	15	19,765	16,748
Expected credit loss recognised on trade receivables	11	30,045	76,460
Expected credit loss recognised on other receivables	11	799	761
Reversal of expected credit loss on trade receivables	11	(32,465)	(58,920)
Impact of IFRS 9 adoption		-	(11,244)
Impact of IFRS 15 adoption		-	(2,837)
Gain on sale of property, plant and equipment		(548)	-
Operating cash flows before movements in working capital:		118,421	259,039
Decrease in trade and other receivables		69,786	25,354
Increase in inventories		(166,704)	(33,217)
Increase in due to/from fellow subsidiaries (net)		352,768	143,171
Provisions utilised	15	(18,135)	(20,361)
Increase /(Decrease) in trade and other payables		28,237	(105,904)
(Decrease)/Increase in due to immediate parent company		(28,466)	47,718
Post employment benefits contributions	6(e)	(12,977)	(13,164)
Cash generated from operations		342,930	302,636
Interest paid		(1,083)	-
Income tax paid		(1,285)	(143,179)
Net cash provided by operating activities		340,562	159,457
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(47,050)	(12,370)
Proceeds on sale of property, plant and equipment		548	-
Net cash used in investing activities		(46,502)	(12,370)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(63,883)	(60,377)
Lease liabilities payments	7	(8,924)	-
Net cash used in financing activities		(72,807)	(60,377)
NET INCREASE IN CASH AND CASH EQUIVALENTS		221,253	86,710
OPENING CASH AND CASH EQUIVALENTS		353,795	231,996
Effect of foreign exchange rate changes		9,650	35,089
CLOSING CASH AND CASH EQUIVALENTS	12	584,698	353,795
Non-cash item			
Transfer of assets	10	-	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 54.12% subsidiary of Ansa Coatings International Limited. 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.

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, interpretations and amendments to existing standards effective during the year*

The company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2019, the nature and the impact of each new standard or amendment is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company. These are also described in more detail below.

- ***IFRS 16 Leases***
  IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

  Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The company is not a lessor.

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- ***IFRS 16 Leases (continued)***
  The company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of January 1, 2019. The company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at January 1, 2019. Instead, the company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

  The effect of adoption of IFRS 16 as at January 1, 2019 (increase/(decrease)) is as follows:

	$'000
Assets	
Right-of-use assets	13,297
Total assets	13,297
Liabilities	
Lease liabilities	13,297
Total liabilities	13,297

  The company has lease rental contracts for office space. Before the adoption of IFRS 16, the company classified each if its leases (as lessee) at the inception date as an operating lease. Refer to Note 3.7 for the accounting policy prior to January 1, 2019.

  Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases where the Company is the lessee except for short-term leases and leases of low-value assets. Refer to Note 3.7 for the accounting policy beginning January 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the company.

  Leases previously accounted for as operating leases
  The company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- ***IFRS 16 Leases (continued)***

Leases previously accounted for as operating leases (continued)
The company also applied the available practical expedients, as applicable, wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the above, as at January 1, 2019:
- Right-of-use assets of $13.297 million were recognised and presented separately in the statement of financial position.
- Lease liabilities of $13.297 million were recognised and presented separately in the statement of financial position.
- There was no effect of these adjustments on retained earnings.

The lease liability as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

	$'000
Operating lease commitments as at December 31, 2018	14,240
Weighted average rate as at January 1, 2019	4.83% - 5.77%
Discounted operating lease commitments and lease liability as at January 1, 2019	13,297

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- ***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement***
  The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to 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. An entity is also required to 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).

  The amendments had no impact on the financial statements of the company as It did not have any plan amendments, curtailments, or settlements during the period.

- ***Amendments to IAS 28: Long-term interests in associates and joint ventures***
  The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

  The amendments had no impact on the financial statements of the company as the company does not have long-term interests in associates and joint ventures.

- **Amendments to IFRS 9 -** ***Prepayment Features with Negative Compensation***
  Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the financial statements of the company.

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- **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:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  Upon adoption of the Interpretation, the company considered whether it has any uncertain tax positions, but has determined, based on its level of tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

- ***Annual Improvements 2015-2017 Cycle (issued in December 2017)***

  These improvements include:

  - IFRS 3 Business Combinations
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    The amendments had no impact on the company's financial statements.

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- ***Annual Improvements 2015-2017 Cycle (issued in December 2017)***

  - IFRS 11 Joint Arrangements
    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    The amendments had no impact on the company's financial statements.

  - IAS 12 Income Taxes
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

    These amendments had no impact on the company's financial statements as the current practice is in line with these amendments.

  - IAS 23 Borrowing Costs

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the company's financial statements.

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

2.2 *Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company*

		Effective for annual periods beginning on or after
New and Revised Standards		
IAS 1 and IAS 8	Definition of Material – Amendments to IAS 1 and IAS 8	January 1, 2020
IFRS 3	Definition of a Business – Amendments to IFRS 3	January 1, 2020
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
New and Revised Standards		
IFRS 17	Insurance Contracts	January 1, 2021
	The Conceptual Framework for Financial Reporting	January 1, 2020

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 is relevant to the operations of the company and are likely to impact amounts reported in the company's financial statements:

The Conceptual Framework for Financial Reporting
Effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

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

2.2 *Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)*

The Conceptual Framework for Financial Reporting (continued)

The Conceptual Framework includes some new concepts provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The directors and management have not yet assessed the impact of the application of this Framework 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Fair value measurement (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Transactions with jointly controlled entities (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment (continued)

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.

3.7 Leases

Policy effective January 1, 2019
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and building 2 to 5 yrs.

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies at 3.8 “Impairment of non-financial assets”.

Lease liabilities
At the commencement date of the lease, the company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event of condition that triggers the payment occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

Policy effective January 1, 2019 (continued)

Company as a lessee (continued)

Lease liabilities (continued)
In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low-value assets
The company applies the short term lease recognition exemption to its short term leases (that is, those leases that have a lease term of 2 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value. Lease payments on short-term leases an lases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policy prior to January 1, 2019

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial 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.

3.9 Employee benefits

3.9.1 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)

3.9 Employee benefits (continued)

3.9.1 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

3.9.2 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.

3.9.3 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.

3.10 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)

3.11 Financial instruments

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 24. Listed below are the company's financial assets and liabilities and the specific accounting policies relating to each:

3.11.1 ***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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.1 Financial assets (continued)

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.1 ***Financial assets (continued)***

Financial assets at amortised cost (debt instruments) (continued)

Derecognition (continued)
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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.2 ***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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.2 Financial liabilities (continued)

Initial recognition and measurement (continued)

(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.

3.12 Taxation

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

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Taxation (continued)

Deferred tax (continued)
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.

The company offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

Sales tax
Expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.
- when receivables and payables are stated with the amount of tax included.

The net amount of sales tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

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.

3.13 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers

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.

Sales of products to third parties
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. Effective 2019, certain customers were provided with a right of return and discount incentives based on volumes subject to the maintenance of their customer account on a current basis. Previously, certain customers were provided with a right if return and volume rebates. The rights of return and discounts/volume rebates give rise to variable consideration.

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (continued)

Sales of products to third parties (continued)

(i) Variable consideration (continued)

- Discount incentives/Volume rebates

Effective January 1, 2019
The company provides discount incentives under a partnership incentive plan (PIP) whereby discounts are applied at the point of invoicing to certain customers based on the achievement of volume targets and/or maintenance of their account on a current basis. The company uses historical performance to estimate the discount incentive tier the customer is likely to fall in subject to the attainment of the two criteria previously mentioned. The model is assessed on a quarterly basis.

Policy prior to January 1, 2019
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, the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (continued)

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 3.11 Financial instruments – initial recognition and subsequent measurement.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (continued)

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.

3.15 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.

3.16 Research and development expenditure

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

3.17 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 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.

Critical judgements in applying accounting policies

a) 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 discount incentives/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.

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

Critical judgements in applying accounting policies (continued)

a) Revenue from contracts with customers (continued)

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.

b) Determining the lease term of contracts with renewal and termination options – company as a lessee

The company determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The company has lease contracts that include extensions and termination options. The company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The company included the renewal period as part of the lease term for leases or property. The company typically exercises its option to renew for these leases. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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.

a) <u>Post employment benefits</u>
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 $149.52 million (2018: $136.56 million) in respect of the defined benefit pension plan and a liability of approximately $146.23 million (2018: $133.58 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.

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

Key sources of estimation uncertainty (continued)

a) Post employment benefits (continued)

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 $1.21 million (2018: $3.86 million) increase/decrease in the current and deferred tax provisions.

c) Revenue from contracts with customers – Returns and incentive discounts/volume rebates

Estimating variable consideration for returns and incentive discount/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 incentive discount/volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold among other factors. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical discount incentive/rebates entitlement and accumulated purchases to date among other factors.

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

Key sources of estimation uncertainty (continued)

c) Revenue from contracts with customers – Returns and incentive discounts/volume rebates (continued)

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

The company updates its assessment of expected returns and discounts/volume rebates periodically and the refund liabilities are adjusted accordingly. Estimates of expected returns and discounts/volume rebates are sensitive to changes in circumstances and the company's past experience regarding returns and discount/rebate entitlements may not be representative of customers' actual returns and discount/rebate entitlements in the future. As at December 31, 2019, the amount recognised as refund liabilities for the expected returns and discounts/volume rebates was $4.29 million (2018: $10.04 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 11.

At year end trade receivables totaled $588.42 million (2018: $692.90 million) for which an allowance for expected credit losses of $81.16 million (2018: $83.58 million) (Note 11) 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.

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

Key sources of estimation uncertainty (continued)

f) Leases - estimating the incremental borrowing rate

If the company cannot readily determine the interest rate implicit in the lease, its uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as stand-alone credit rating).

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings & Leasehold Improvements $'000	Plant and Machinery $'000	Furniture Fixtures & Equipment $'000	Motor Vehicles $'000	Totals $'000
At cost						
January 1, 2018	27,000	99,089	268,443	98,650	35,255	528,437
Additions (Note 10)	-	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
Additions	-	4,065	93	36,666	6,226	47,050
Disposals	-	-	-	-	(1,534)	(1,534)
December 31, 2019	27,000	109,390	345,586	143,547	44,610	670,133
Accumulated depreciation						
January 1, 2018	-	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
Depreciation charge	-	3,575	23,005	9,859	3,143	39,582
On disposal	-	-	-	-	(1,534)	(1,534)
December 31, 2019	-	54,553	229,413	97,753	37,246	418,965
Carrying amounts						
December 31, 2019	27,000	54,837	116,173	45,794	7,364	251,168
December 31, 2018	27,000	54,347	139,085	18,987	4,281	243,700

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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% (2018 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.

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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, 2019 by Apex Consulting Limited (Consulting Actuaries) (2018: Ravi Rambarran & Associates Limited (Consulting Actuaries)), Fellow of the Institute of Actuaries). The obligations were measured using the projected unit credit method.

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

Financial Assumptions

	2019 %	2018 %
Gross discount rate	7.50	7.00
Expected rate of salary increases	3.50	3.50
Future pension increases	1.25	1.25
Medical inflation	5.00	4.50
Inflation	4.00	3.00
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.

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

	2019	2018	2017	2016	2015
	$'000	$'000	$'000	$'000	$'000
Present value of obligation	(1,004,652)	(1,069,906)	(1,080,051)	(871,233)	(806,972)
Fair value of plan assets	1,663,555	1,487,691	1,386,267	1,061,681	951,120
Unrecognised asset due to ceiling	(509,380)	(281,222)	(143,606)	(62,315)	(14,392)
Net asset in the statement of financial position	149,523	136,563	162,610	128,133	129,756

(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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Present value of obligation	(1,004,652)	(1,069,906)	(146,229)	(133,582)
Fair value of plan assets	1,663,555	1,487,691	-	-
Unrecognised asset due to ceiling	(509,380)	(281,222)	-	-
Net asset (liability) in the statement of financial position	149,523	136,563	(146,229)	(133,582)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current service cost	15,275	19,951	3,101	3,690
Net interest cost:				
Interest cost on defined benefit obligation	75,000	84,664	9,392	10,345
Interest income on plan assets	(83,716)	(109,943)	-	-
Interest effect of the assets ceiling	-	11,488	-	-
Total included in employee benefits expense	6,559	6,160	12,493	14,035

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Remeasurements				
Change in financial assumptions	(52,749)	110,881	387	23,920
Experience adjustments	(186,984)	(208,930)	4,800	(31,148)
Change in effect of the asset ceiling	228,158	126,128	-	-
	(11,575)	28,079	5,187	(7,228)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	136,563	162,610	(133,582)	(131,747)
Amount charged to income	(6,559)	(6,160)	(12,493)	(14,035)
Remeasurement recognised in OCI	11,575	(28,079)	(5,187)	7,228
Contributions by employer	7,944	8,192	5,033	4,972
Closing balance	149,523	136,563	(146,229)	(133,582)

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Opening defined benefit obligation	1,069,906	1,080,051	133,582	131,747
Service cost	15,275	19,951	3,101	3,690
Interest cost	75,000	84,664	9,392	10,345
Members' contributions	12,227	11,739	-	-
Benefits paid	(41,329)	(67,915)	(5,033)	(4,972)
Value of purchased annuities	-	23,551	-	-
Remeasurement:				
Changes in financial assumptions	(52,749)	112,740	387	23,920
Changes in experience adjustments	(73,678)	(194,875)	4,800	(31,148)
Closing defined benefit obligation	1,004,652	1,069,906	146,229	133,582

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

	Defined Benefit Pension Plan	
	2019 $'000	**2018 $'000**
Opening fair value of plan assets	1,487,691	1,386,267
Members' contributions	12,227	11,739
Employer's contributions	7,944	8,192
Interest income on plan assets	83,716	109,943
Benefits paid	(41,329)	(67,915)
Value of purchased annuities	-	23,551
Remeasurement:		
Changes in financial assumptions	-	1,859
Experience adjustments	113,306	14,055
Closing fair value of plan assets	1,663,555	1,487,691
Movement in asset ceiling asset		
Effect of asset ceiling at beginning	(281,222)	(143,606)
Interest in asset	-	(11,488)
Remeasurement effects	(228,158)	(126,128)
Effect of ceiling at the end of period	(509,380)	(281,222)

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

	Defined Benefit Pension Plan	
	2019 Fair Value of Plan Asset $'000	**2018 Fair Value of Plan Asset $'000**
Equity fund	532,337	405,356
CPI indexed fund	49,907	49,180
International equity	49,907	44,153
Fixed income fund	149,720	125,245
Mortgage and real estate fund	299,440	299,344
Foreign currency fund	182,991	161,858
Money market fund	16,635	7,762
Value of purchased annuities	382,618	393,239
Other adjustments	-	1,554
Closing fair value of plan assets	1,663,555	1,487,691

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 - 2019	(19,424)	24,288
(Decrease) Increase in defined benefit obligation - 2018	(17,606)	21,764

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(i) Sensitivity analyses (continued)

2. Discount rate

	1% decrease in Discount rate Assumption $'000	1% increase in Discount rate Assumption $'000
2019		
Increase (Decrease) in defined benefit obligation - Medical	23,475	(18,694)
Increase (Decrease) in defined benefit obligation - Pension	117,684	(91,396)
2018		
Increase (Decrease) in defined benefit obligation - Medical	21,422	(17,091)
Increase (Decrease) in defined benefit obligation - Pension	108,074	(85,957)

3. Future pension increase

	1% decrease in Future Pension Assumption $'000	1% increase in Future Pension Assumption $'000
2019		
(Decrease) Increase in defined benefit obligation - Pension	(83,664)	97,791
2018		
(Decrease) Increase in defined benefit obligation - Pension	(89,098)	104,143

4. Salary assumption

	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000
2019		
(Decrease) Increase in defined benefit obligation - Pension	(23,842)	29,733
2018		
(Decrease) Increase in defined benefit obligation - Pension	(32,773)	36,500

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(i) Sensitivity analyses (continued)

5. Life expectancy

	1 year Decrease $'000	1 year Increase $'000
2019		
(Decrease) Increase in defined benefit obligation - Medical	(4,518)	4,526
(Decrease) Increase in defined benefit obligation - Pension	(17,517)	17,194
2018		
(Decrease) Increase in defined benefit obligation - Medical	(4,128)	4,135
(Decrease) Increase in defined benefit obligation - Pension	(11,289)	11,198

(j) Other

(i) Expected employer contributions for the next year

	$'000
Pension	12,799
Medical	5,599
	18,398

(ii) Expected expense for the next year

	Medical $'000	Pension $'000	Total $'000
Service cost	3,101	15,275	18,376
Financing cost (net)	9,392	(8,716)	676
	12,493	6,559	19,052

(iii) Maturity profile of defined benefit obligation

	Weighted average duration of liability 2019	Weighted average duration of liability 2018
Pension	13	26
Medical	16	26

(iv) Included in the holdings of plan assets is an investment in the Sagicor Pooled Pension Investment Funds which holds 10.4% (2018: 10.4%) of the company's issued shares.

7. LEASES

Set out below are the carrying amount of right of use assets recognised and the movement during the year:

	$'000
As at January 1, 2019 upon application of IFRS 16	13,297
Additions	25,868
Depreciation	(9,361)
As at December 31, 2019	29,804

Set out below are the carrying amount of lease liabilities and the movement during the period:

	$'000
As at January 1, 2019 upon application of IFRS 16	13,297
Additions	25,868
Accretion of interest	1,083
Payments	(10,007)
As at December 31, 2019	30,241
Classified as:	
Current	8,705
Non-current	21,536
	30,241

The following are the amounts recognised in profit or loss:

	2019 **$'000**
Depreciation expense of right of use asset	9,361
Interest expense on lease liabilities	1,083
Total amount recognised in profit or loss	10,444

8. 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:

	2019 $'000	2018 $'000
Deferred tax assets	56,308	52,522
Deferred tax liabilities	(47,746)	(47,049)
	8,562	5,473

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

	2019 $'000	2018 $'000
Opening balance	5,473	4,566
Credit/(Charge) to income for the period (Note 21(a))	4,536	(4,456)
(Charge)/Credit to other comprehensive income for the period (Note 21(b))	(1,447)	5,363
Closing balance	8,562	5,473

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

8. 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	Unrealised Foreign exchange losses $'000	Lease liabilities in excess of right of use assets $'000	Total $'000
Balance, January 1, 2018	59	3,520	4,860	32,936	8,555	-	-	49,930
Credit/(Charge) to income for the year	152	(3,178)	(903)	2,266	6,062	-	-	4,399
Charge to other comprehensive income for the year	-	-	-	(1,807)	-	-	-	(1,807)
Balance, December 31, 2018	211	342	3,957	33,395	14,617	-	-	52,522
Credit/(Charge) to income for the year	(211)	(342)	408	1,865	(3,628)	4,288	109	2,489
Credit to other comprehensive Income for the year	-	-	-	1,297	-	-	-	1,297
Balance, December 31, 2019	-	-	4,365	36,557	10,989	4,288	109	56,308

8. DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

Deferred tax liabilities

	Unrealised foreign exchange gains $'000	Revaluation of properties $'000	Post-employment benefits asset $'000	Capital allowances in excess of depreciation charges $'000	Capital allowances in excess of depreciation charges on motor vehicles $'000	Total $'000
Balance, January 1, 2018	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
(Credit)/Charge to income for the year	(8,776)	-	348	6,283	98	(2,047)
Charge/(Credit) to other comprehensive income for the year	-	(150)	2,894	-	-	2,744
Balance, December 31, 2019	-	3,984	37,381	6,283	98	47,746

9. INVENTORIES

	2019 $'000	2018 $'000
Finished goods	311,947	222,775
Work-in-progress	10,820	-
Raw materials and supplies	240,641	248,937
Goods-in-transit	75,292	284
	638,700	471,996

Inventories stated above are net of provision for obsolescence amounting to approximately $62.74 million (2018: $38.97 million).

The cost of inventories recognised as an expense during the period, was $1,266.70 million (2018: $1,349.64 million).

Movement in provision for obsolescence

	2019 $'000	2018 $'000
Opening balance	38,973	38,361
Charged to income	26,698	8,471
Reversal of write down (Note 9(a))	(2,934)	(7,859)
Closing balance	62,737	38,973

(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 $26.70 million (2018: $8.47 million) are recorded in raw materials and consumable used.

10. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Immediate parent								
Ansa Coatings International Ltd.	-	-	-	-	72,392	75,638	(46,728)	(75,194)
Fellow subsidiaries								
Berger Trinidad	-	3,226	1,523	168	-	-	17,024	17,122
Berger Barbados	489	5,178	85	3,936	-	-	2,963	(1,329)
ABEL Building Solutions	-	-	-	3,190	-	-	(55)	(1,556)
Ansa Mcal (Barbados)	-	-	-	-	-	-	-	(71)
Ansa Coating (Ja) Ltd.	-	-	-	-	-	-	(110,257)	(120,307)
Ansa Mcal Trading	-	-	1,003,779	987,160	-	-	(462,812)	(144,263)
Ansa Coatings Limited	-	-	112,507	35,765	-	-	(23,402)	(4,650)
Ansa Mcal Limited	-	-	-	-	-	-	(58,274)	(4,035)
Ansa Polymer	-	-	-	-	-	-	2	(20)
Sissons Paints	-	-	-	-	-	-	27	-
Ansa Mcal Chemicals	-	-	-	-	-	-	22,861	-
Richmond Motors	-	-	-	-	-	-	46	-
	489	8,404	1,117,894	1,030,219	-	-	(611,877)	(259,109)
Reflected in statement of financial position:								
Due from fellow subsidiaries							42,923	17,122
Due to fellow subsidiaries							(654,800)	(276,231)
							(611,877)	(259,109)

10. 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.

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

	2019 $'000	2018 $'000
Short-term benefits	83,577	64,206
Post-employment benefits	3,652	1,956
	87,229	66,162

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 2018, 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.

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.

11. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Trade receivables	588,421	692,902
Less allowance for expected credit losses	(81,156)	(83,576)
	507,265	609,326
Other receivables and prepayments (net of an allowance for expected credit losses of $15.53 million (2018: $14.73 million)	61,167	27,271
	568,432	636,597

The average credit period on sale of goods is 30 - 60 days. The company has provided fully for all receivables due for over 180 days (2018: 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 and 180 days (2018: 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, there were no consumers with balances representing more than 5% of the total balance of trade receivables. At December 31, 2018, $146.50 million (amount within the approved credit limit) is due from two of the company's customers (See also Note 24(d)). There were no other customers who represented more than 5% of the total balance of trade receivables.

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.

Movement in allowance for expected credit losses

	Trade Receivables		Other Receivables	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Opening balance	83,576	58,255	14,732	13,971
Impact of IFRS 9 adoption	-	11,244	-	-
Expected credit losses recognised	30,045	76,460	799	761
Amounts written-off as uncollectible	-	(3,463)	-	-
Amounts recovered during the year	(32,465)	(58,920)	-	-
Closing balance	81,156	83,576	15,531	14,732

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in allowance for expected credit losses (continued)

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

	2019 $'000	2018 $'000
0-30 days	581	5,537
31-90 days	17,483	1,460
91-180 days	7,517	1,015
181-270 days	2,813	820
271-360 days	1,316	20,921
Over 360 days	51,446	53,823
	81,156	83,576

Ageing of impaired other receivables

	2019 $'000	2018 $'000
≥ 12 months	15,531	14,732

12. CASH AND BANK BALANCES

	2019 $'000	2018 $'000
Cash on hand	501	429
Foreign currency bank balances (Note 12(a))	263,136	39,131
Jamaican dollar bank balances (Note 12(b))	321,061	314,235
	584,698	353,795

(a) These include non-interest bearing accounts totalling $1.67 million (2018: $1.65 million), representing the Jamaican dollar equivalent of Belize $26,700 (2018: $26,700) and $261.47 million (2018: $37.48 million) representing the Jamaican dollar equivalent of US$1.99 million (2018: US$293,468).

(b) (i) This includes an interest bearing account totalling $0.001 (2018: $0.008 million) at an interest rate of 0.025% (2018: 0.025%) per annum.
(ii) The company has a credit facility (overdraft) with a commercial bank with a limit of $90 million (2018: $90 million) at a rate of 16.25% (2018: 16.25%) per annum. The company did not utilise the facility in the current or prior period.

12. CASH AND BANK BALANCES (CONTINUED)

(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.

13. SHARE CAPITAL

	2019 No. of shares	2018 No. of shares	2019 $'000	2018 $'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.

14. REVALUATION RESERVES

	Properties Revaluation Reserve	
	2019 $'000	2018 $'000
Balance at beginning of year	45,445	45,295
Adjustments to deferred tax liability in respect of revalued buildings (Note 21(b))	150	150
Balance at end of year	45,595	45,445

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.

15. PROVISIONS

	Employee Benefits	
	2019	**2018**
	$'000	**$'000**
Opening balance	15,830	19,443
Charged to income for year	19,765	16,748
Utilised during the year	(18,135)	(20,361)
Closing balance	17,460	15,830

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

16. TRADE AND OTHER PAYABLES

	2019	**2018**
	$'000	**$'000**
Trade payables	183,863	87,370
Other payables and accruals	119,265	187,521
	303,128	274,891

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.

17. DIVIDENDS

During the current year:

A final dividend of 30.7¢ per share totalling $65.80 million for the year ended December 31, 2018 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 May 28, 2019.

During the prior period:

A final dividend of 28.5¢ per share totalling $61.08 million for the 9 months ended December 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, 2018.

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following are entity-wide disclosures:

(a) Products

	2019 $'000	2018 $'000
Decorative/architectural products	2,482,877	2,614,087
Industrial products	42,470	100,907
	2,525,347	2,714,994

(b) Geographical areas

	2019 $'000	2018 $'000
Domestic sales	2,449,400	2,621,955
Export sales	75,947	93,039
	2,525,347	2,714,994

(c) Major customers

Of the sales for the year, 13% (2018: 14%) was attributable to the company's largest customer. There were no other customers who represented 10% or more of the company's revenue.

(d) Right of return assets and liabilities

	2019 $'000	2018 $'000
Right of return asset (included in other receivables)	961	961
Refund liabilities (included in other payables)		
- Arising from retrospective incentive discounts/volume rebates	-	5,752
- Arising from rights of return	4,290	4,290
	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.

19. PROFIT BEFORE TAXATION

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

	2019 $'000	2018 $'000
(i) Expenses on financial assets at amortised cost		
Allowance for expected credit losses on sale of goods net of recoveries of $32.46 million (2018: $58.92 million)	(110)	17,540
Allowance for expected credit losses on other receivables	799	761
(ii) Net loss on financial assets and financial liabilities at amortised cost		
Net foreign exchange loss	27,559	9,820
(iii) Other expenses		
Directors' emoluments		
Fees	3,579	1,500
Management	22,416	9,409
Audit fees	5,872	5,872

20. EMPLOYEES BENEFITS EXPENSE

Staff costs incurred during the period were:

	2019 $'000	2018 $'000
Salaries, wages and statutory contributions	486,055	453,583
Other staff benefits	71,769	76,806
	557,824	530,389

21. TAXATION

Current and deferred taxes have been calculated using the tax rate of 25% (2018: 25%).

(a) Recognised in profit and loss

(i) The total charge for the period comprises:

	2019 $'000	2018 $'000
Current tax	16,631	34,154
Deferred tax adjustment (Note 8)	(4,536)	4,456
	12,095	38,610

Current and deferred taxes have been calculated using the tax rate of 25% (2018: 25%).

21. TAXATION (CONTINUED)

(a) Recognised in profit and loss (continued)

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

	2019 $'000	2018 $'000
Profit before tax	41,397	212,160
Tax at the domestic income tax rate of 25%	10,349	53,040
Tax effect of expenses that are not deductible in determining taxable profit	2,140	50
Non assessable income	(137)	-
Employment tax credit	(7,128)	(14,638)
Other	6,871	158
Tax expense for the year	12,095	38,610

(b) Recognised directly in other comprehensive income in equity (Note 8)

	2019 $'000	2018 $'000
Revaluation of properties (Note 14)	150	150
Remeasurement of defined benefit plans	(1,597)	5,213
	(1,447)	5,363

22. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit of $0.14 (2018: $0.81) is based on the profit after taxation of $29.302 million (2018: $173.55 million) and the number of stock units in issue during the period of 214,322,393 units (2018: 214,322,393 units).

23. COMMITMENTS

a) 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 two to five years and rentals renewable. At the end of the reporting period, the company has outstanding commitments under operating leases, which fall due as follows:

	2019 $'000	2018 $'000
Within one year	10,112	7,112
In the second to fifth years inclusive	23,063	7,128
	33,175	14,240

Operating lease payments relating to short term leases and leases of low value assets recognized as expense for the year amounted to $0.929 million (2018: $Nil).

23. COMMITMENTS (CONTINUED)

(b) Capital commitment

There were no capital commitments as at December 31, 2019 nor at December 31, 2018.

(c) Contingencies

During the year, the company received assessments from the Taxpayer Audit and Assessment department for additional tax liabilities in respect of General Consumption Tax, payroll statutory deductions and Corporate Income Tax. The company filed its objection to certain aspects of the assessments and is awaiting the completion of the appeals to be notified of the final tax liabilities subject to charges (interest, surcharge and penalties). A provision of $1.020 million (included in Trade and Other Payables) was made by the company in respect of tax liabilities not subject to objections. This amount was paid subsequent to year end.

24. 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:

	2019 $'000	2018 $'000
Financial Assets		
Loans and receivables – at amortised cost		
- Due from fellow subsidiaries	42,923	17,122
- Trade and other receivables (excluding prepayments)	560,895	636,302
- Cash and bank balances	584,698	353,795
	1,188,516	1,007,219
Financial Liabilities (at amortised cost)		
- Due to immediate parent company	46,728	75,194
- Due to fellow subsidiaries	595,159	276,231
- Dividends payable	13,809	11,895
- Trade and other payables (excluding accruals)	203,162	179,430
- Lease liabilities	30,241	-
	889,099	542,750

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

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.

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 24(b) below, interest rates as disclosed in Note 24(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.

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

Financial risk management policies and objectives (continued)

(b) Foreign exchange risk (continued)

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)	
	2019	2018	2019	2018	2019	2018
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
US dollars	605,446	173,974	342,792	93,473	262,654	80,501
Euros	-	601	-	-	-	601
Belize dollars	-	-	1,666	1,652	(1,666)	(1,652)

Foreign currency sensitivity
The following table details the sensitivity to a 4% revaluation and 6% devaluation (2018: 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.

If the Jamaican dollar strengthens by 4% or weakens by 6% (2018: strengthens by 2% or weakens by 4%) against the relevant foreign currency, profit will (decrease) increase by:

	2019				2018			
	Revaluation		Devaluation		Revaluation		Devaluation	
	%	J$'000	%	J$'000	%	J$'000	%	J$'000
US dollars	+4	10,506	-6	(15,759)	+2	1,610	-4	(3,220)
Euros	+4	-	-6	-	+2	12	-4	(24)
Belize dollars	+4	(67)	-6	100	+2	(33)	-4	66
		10,439		(15,659)		1,589		(3,178)

24. 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)

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 and bank deposits as well as 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 24(e) below.

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

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 points decrease (2018: a 100 basis points increase and a 100 basis point decrease) and for foreign currency denominated balances, a 100 basis points increase and a 100 basis points decrease (2018: 50 basis points increase and a 50 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, 2019 and December 31, 2018, the company had no significant exposure to interest rate risk.

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

Financial risk management policies and objectives (continued)

(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 $1,188.02 million (2018: $1,006.79 million) (excluding cash on hand) 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 $584.20 million (2018: $353.37 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 at December 31, 2018 (within the approved credit limits) amounted to approximately 21% of trade receivables (see Note 11). There were no customers with outstanding balances in excess of 5% of the total receivables at December 31, 2019. 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.

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 180 days and are not subject to enforcement activity.

24. 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)

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 2019	**0-30 days Current**	**31- 90 days**	**91- 180 days**	**181 - 270 days**	**271 – 360 days**	**Over 361 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	0.21%	8.01%	23.68%	100.00%	100.00%	100.00%	
Estimated total gross carrying amount at default	282,844	218,268	31,734	2,813	1,316	51,446	588,421
Allowance for expected credit loss	581	17,483	7,517	2,813	1,316	51,446	81,156

	Trade receivables						
		Days past due					
31 December 2018	**0-30 days Current**	**31- 90 days**	**91- 180 days**	**181 - 270 days**	**271 - 360 days**	**Over 361 days**	**Total**
	$'000	**$'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	53,823	83,576

The carrying amount of financial assets in respect of trade receivables totalling $507.26 million (2018: $609.33 million) and other receivables totalling $53.63 million (2018: $26.98 million) excluding prepayments at year end which is net of impairment of approximately $15.53 million (2018: $83.58 million and $14.73 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 $42.92 million (2018: $17.12 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

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

Financial risk management policies and objectives (continued)

(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 (2018: $90.0 million).

Liquidity and interest risk analyses in respect of 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	1 - 5 years $'000	Total $'000
December 2019				
Non-interest bearing	Nil	858,858	-	858,858
Interest bearing – lease liabilities	4.83 – 5.77	10,112	23,063	33,175
		868,970	23,063	892,033
December 2018				
Non-interest bearing	Nil	542,750		542,750

(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.

24. 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 (continued)

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.
- The carrying amount of lease liabilities (variable rate) is assumed to approximate their fair value.

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 year ended December 31, 2018.