Massy Holdings Ltd.

Consolidated Financial Statements

September 30, 2018

(Expressed in Thousands of Trinidad and Tobago Dollars)

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Massy Holdings Ltd.

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Massy Holdings Ltd. which comprise the consolidated statement of financial position as at September 30, 2018, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Company keeps proper accounting records;

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

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

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

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

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

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

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

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

Chief Executive Officer
21 December 2018

Chief Financial Officer
21 December 2018

Independent Auditor's Report

To the shareholders of Massy Holdings Ltd

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Massy Holdings Ltd (the Company) and its subsidiaries (together 'the Group') as at 30 September 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Massy Holdings Ltd's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Independent Auditor's Report (Continued)

Our audit approach

Overview

- Overall group materiality: $43.7 million, which represents 5% of profit before tax.

- The Group audit included full scope audits of seven subsidiary companies which were deemed to be financially significant components, four of which have head offices in Trinidad & Tobago with the others being located in Barbados, Jamaica and Guyana.
- Performed specified procedures on certain balances such as third party borrowings, loans to customers, revenue and accounts receivables in other components.

- Impact of the early adoption of IFRS 9 'Financial Instruments'
- Expected Credit Losses
- Valuation of Goodwill
- Valuation of net retirement benefit assets
- Valuation of loss reserves on insurance contracts.

Audit scope

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

How we tailored our group audit scope

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

The following components were deemed to be individually financially significant and were subject to an audit of their complete financial information:

- Massy Transportation Group Ltd and Its Subsidiaries
- Massy Integrated Retail Ltd and Its Subsidiaries
- Massy Barbados Ltd and Its Subsidiaries
- Massy Guyana Ltd and Its Subsidiaries
- Massy Technologies Trinidad Ltd and Its Subsidiaries
- Massy Gas Products (Trinidad) Ltd and Its Subsidiaries
- Massy Gas Products (Jamaica) Limited

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

How we tailored our group audit scope (continued)

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

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

Materiality

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

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

Overall group materiality	$43.7m
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1.3m, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matters

Key audit matter	How our audit addressed the Key audit matter

Impact of the early adoption of IFRS 9 'Financial Instruments'
 	
See Notes 2.1.1 and 2.9 of the consolidated financial statements.
 	
The Group adopted the accounting standard IFRS 9 'Financial instruments' during the financial year. The standard introduces new requirements around two main aspects of how financial instruments are treated - measurement and classification and impairment.
 	
IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and the underlying cashflow characteristics.
 	
IFRS 9 introduces new impairment rules which prescribe a new, forward looking, expected credit loss ('ECL') impairment model which takes into account reasonable and supportable forward looking information ,which will generally result in the earlier recognition of impairment provisions.
 	
We focused on this area because there are a number of significant management- determined judgements including:
• the reclassification of financial assets in accordance with the Group's business model;
• as it pertains to the ECL:
  • determining the criteria for a significant increase in credit risk;
  • techniques used to determine probability of default (PDs) and loss given default (LGD); and
  • forward looking assumptions.
 	
This also includes additional complexity as use of hindsight is not permitted, which can be difficult to apply in practice.
 	
These judgements required new models to be built and implemented to measure the expected credit losses on certain financial assets measured at amortised cost.
	We read the Group's updated accounting policies that addressed classification, measurement and impairment provisioning policy and compared it with the requirements of the standard.
	
	Classification and measurement of financial assets and financial liabilities
	We performed the following audit procedures:
	• obtained an understanding and evaluated the Group's business model assessment and for a sample of instruments verified the inputs into the solely payments of principal and interest test performed by the client with original contracts;and
	• tested that management had evaluated and classified all financial assets, by reconciling the assets and liabilities included on the statement of financial position.
	
	Impairment methodology
	We performed the following audit procedures:
	• evaluated the appropriateness of the application of either a specified expected credit loss model or a simplified approach to the relevant financial assets by understanding the nature of the financial assets and comparing the application to the requirements of the standard;
	• held discussions with management and corroborated external data inputs and forward looking assumptions to publicly available information where possible;
	• for a sample of financial assets, tested whether the significant increase in credit risk and default definitions were appropriately applied and the resulting impact of this on the staging of the instruments;
	• verified the critical data inputs in assessing the reasonableness of the PD against source documents;
	• tested the loss given default in the new ECL calculation for a sample of instruments, including the value of collateral where appropriate;

Independent Auditor's Report (Continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Impact of the early adoption of IFRS 9 'Financial Instruments' (continued) There is a large increase in the data inputs of these models which increases the risk that the data used to develop assumptions and operate the model is not complete or accurate. Differences between the previously reported carrying amounts and the new carrying amounts of financial instruments as of 1 October 2017 of $84.3m has been recognised in the opening retained earnings.	• for a sample of exposures, tested the appropriateness of exposure at default, including the consideration of prepayments and repayments in the cash flows and the resulting arithmetical calculations by corroborating to source documentation and historical data; • tested the opening balance adjustment for arithmetical accuracy and corroborated a sample of the data inputs; and • compared management's assumptions, judgements and methodologies to prior year to confirm no application of hindsight in the ECL's. We evaluated the financial statement disclosures arising on early adoption of IFRS 9 to determine if they were in accordance with the requirements of the standard. As a result of the above audit procedures, no material differences were noted.

Key audit matter	How our audit addressed the Key audit matter
Expected Credit Losses (ECL) *See Notes 4.a.ii) 10, 15, 26 and 36.1.2 of the consolidated financial statements.* As at 30 September 2018 the Group had recognised $240.4m in provisions for expected credit losses, which related to three main types of financial assets: • Trade receivables and work-in-progress • Corporate and sovereign bonds • Instalment credit, hire purchase accounts and other financial assets	We obtained an understanding of the relevant controls management had in place and newly implemented in relation to the adoption of the new standard and tested for implementation. *Trade receivables and work-in-progress:* • We obtained an understanding of the Group's process for estimating the ECL; • We tested the application of any specific provisions for customers which required one; • We tested the calculation of the historical loss rate; • For forward looking assumptions used by the Group, we held discussions with management and corroborated the assumptions using both internal and publicly available information; and • Recalculated the loss rate for different aging buckets

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Expected Credit Losses (ECL) (continued) There are a number of significant judgements which are required in measuring the ECL under IFRS 9 including: • determining the criteria for a significant increase in credit risk ('SICR') • factoring in future economic assumptions • techniques used to determine the Probability of Default ('PD') and Loss Given Default ('LGD') We focused on this area as these require significant management judgement in developing and implementing new accounting models to measure the expected credit losses on the following assets measured at amortised cost: • Corporate and sovereign bonds • Instalment credit, hire purchase accounts and other financial assets As a result, there is a large increase in the data inputs of these models which increases the risk that the data used to develop assumptions and operate the model is not complete or accurate The Group utilised 'the simplified approach' for the trade receivables and work-in-progress. Under the simplified approach the provision combines the historical loss rate with forward-looking assumptions which take management's view of the future of the customer, along with other factors, into account.	*Corporate and sovereign bonds, instalment credit, hire purchase accounts and other financial assets:* • We tested the completeness of financial assets evaluated to determine whether all assets were included in the calculations by evaluating the assets included on the statement of financial position and whether they met the definition of a financial asset; • We obtained an understanding of the Group's internal rating models, evaluated their theoretical soundness and tested the mathematical integrity of the models; • We obtained an understanding and tested the key data sources and assumptions used in the ECL models used by the Group. For data from external sources we understood the process of choosing the data points and its relevance for the Group; • We held discussions with management and corroborated the assumptions using publicly available information, where available, in relation to forward looking assumptions used by the Group, ; • We evaluated the appropriateness of the Group's determination of SICR in accordance with the standard and the resultant basis for classification of various exposures into various stages; • For a sample of exposures, we tested the accuracy of the Group's staging; • For a sample of exposures, we checked the appropriateness of determining the Exposure at default, including the consideration of prepayments and repayments in the cash flows and the resulting arithmetical calculations; • For PD we tested the 'Through the Cycle' [TTC] PDs calculation and the appropriateness of its conversion to 'Point in Time' (PIT) PDs; • We tested the calculation of the LGD used by the Group in the ECL calculations, including the appropriateness of the use of collateral and the resulting arithmetical calculations. As a result of the above audit procedures, no material differences were noted.

Independent Auditor's Report (Continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of Goodwill *See Notes 4.a.i) & 7 to the consolidated financial statements.* Intangible assets stated on the Group's consolidated balance sheet include a carrying value of $223m related to Goodwill. Management performs an annual impairment assessment of intangible assets. An impairment charge was recognised in the current year as it pertained to specific entities as disclosed in the financial statements. The recoverable amount of each cash generating unit (CGU) is calculated as the higher of the value-in-use and fair value less costs of disposal. The value-in-use is based on discounted future cash flow forecasts over which the Directors make significant judgements on certain key inputs including discount rates and long term growth rates. We focused on this area because of the significant level of judgment required in arriving at the key assumptions used in management's impairment assessment.	We evaluated the method used by management to perform their annual Goodwill impairment assessment of each CGU and found it to be in accordance with the requirements of IAS 36 and the Group's accounting policy and consistent with prior year. We tested the reasonableness of management's assumptions, including discount rates and growth percentages used, in their cash flow projections, as follows: • recalculated the weighted average cost of capital (WACC) used to discount the cash flows and assessed those rates to be reasonable based on knowledge of the economic environment and the risk premium associated with the respective industries and countries. • compared the cash flow forecasts used in the impairment assessment prepared by management to those presented to the Board of Directors as part of the annual budgeting process. • evaluated the reasonableness of the forecasts made by comparing past forecasts to historical results where this was available and by comparing to the current year results of the entity. • tested the mathematical accuracy of management's calculations. As a result of the above audit procedures, no material differences were noted.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of net retirement benefit assets *See Notes 4.a. vii) & 13 of the consolidated financial statements.* The Group sponsors separate pension plans for its employees in Trinidad and overseas. As at 30 September 2018, the Group had a consolidated net retirement benefit asset for its Trinidad plan of $395.8m. The net retirement benefit asset is comprised of the value of pension assets less the pension obligation. Both components require significant judgement in relation to certain assumptions and estimates, which is why we focused on this area. The following key assumptions used to calculate the obligation can have a material impact on the calculation of the liability: • salary increases • discount rates, and • mortality rates Management utilises an external actuary to perform certain calculations with respect to the estimated obligation. The pension assets consist of financial investments held at fair value, which are based on a range of inputs. While many of the inputs required can be obtained from readily available liquid market prices and rates, certain securities are based on modelled prices as observable market data is limited. In these instances, management is required to make significant judgements due to the complexity in the valuation model estimates resulting in high estimation uncertainty risk.	For the pension obligation, we tested the key assumptions as follows: • We compared the discount rate used by management to the yield of a Government of Trinidad & Tobago bond of a similar period and noted no material differences. • Mortality rates were compared to publicly available statistics. • Salary increases were compared to historical increases, taking into account the current economic climate. We also tested the completeness and accuracy of the census data used in the actuarial calculation by comparing it to personnel files. We assessed the independence and competence of the actuary used by management to calculate the retirement benefit obligations. For investments which were valued using a valuation technique: • We evaluated the assumptions, methodologies and models used by the Group. • We tested the significant inputs relating to yield, prices and valuation to external sources where possible and compared to similar transactions in the market place. For a sample of modelled securities, we compared management's valuation to our independent valuation based on our professional experience and judgement.In some cases, these resulted in a different valuation to that calculated by management. In our view, the differences were within a reasonable range of outcomes, in the context of the inherent valuation uncertainties disclosed in the financial statements. There were no material exceptions noted in our testing of the net retirement benefit assets.

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Valuation of loss reserves on insurance contracts *See Notes 4a. viii) and 25 to the consolidated financial statements.* As at 30 September 2018, the Group had a liability of $1.7 billion in relation to the settlement of claims related to Insurance Contracts. The methodologies and assumptions utilised to develop incurred but not reported reserves involves a significant degree of judgement. Management uses an external actuarial expert to assist in determining the value of claims incurred but not reported. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods, may be used to determine these provisions. We focused on this area because, underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement patterns of claims and which are subject to complex calculations.	As historical claims data is a key input into the actuarial estimates, we performed detailed testing over the claims case estimates and settlements. We did not identify material exceptions. We also tested the completeness and accuracy of the relevant underlying data utilised by management, and their external actuarial experts, to support the actuarial valuation, which also included key data reconciliations. We engaged our actuarial expert to assist in assessing the actuarial methodologies and assumptions in determining insurance reserves. We considered the suitability of the methodology used in setting insurance reserves against industry benchmarks, consistency with established actuarial practices and our knowledge and experience. The assumptions used by management were found to be reasonable and the methodologies applied appropriate in the circumstances.

Independent Auditor's Report (Continued)

Other information

Management is responsible for the other information. The other information comprises the Chairman's report, Chief Executive Officer's report, Chief Financial Officer's report, Segment review and Country review included in Massy Holdings Ltd. annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

Independent Auditor's Report (Continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Fatima Aziz-Mohammed.

21 December 2018
Port of Spain
Trinidad
West Indies

Massy Holdings Ltd.

Consolidated Statement of Financial Position

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	As at September 30 2018 $	As at September 30 2017 $ (Restated)	As at October 1 2016 $ (Restated)
Assets				
Non-current assets				
Property, plant and equipment	5	2,443,915	2,311,511	2,370,886
Investment properties	6	406,826	419,159	417,246
Goodwill	7	223,071	238,498	197,075
Other intangible assets	8	53,561	51,744	50,783
Investments in associates and joint ventures	9	248,291	239,305	244,963
Financial assets	10	1,040,568	859,655	737,713
Instalment credit and other loans	11	--	309,424	294,780
Deferred income tax assets	12	118,837	106,976	103,104
Retirement benefit assets	13	475,769	467,434	452,207
		5,010,838	5,003,706	4,868,757
Current assets				
Inventories	14	1,653,193	1,567,009	1,574,748
Trade and other receivables	15	2,964,230	4,053,669	2,129,112
Financial assets	10	1,104,239	780,714	147,175
Instalment credit and other loans	11	--	177,776	156,667
Statutory deposits with regulators	16	118,558	128,312	134,244
Cash and cash equivalents	17	1,626,132	1,565,945	2,030,126
		7,466,352	8,273,425	6,172,072
Total assets		12,477,190	13,277,131	11,040,829
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital	18	763,516	760,607	753,261
Retained earnings		4,522,052	4,312,406	4,170,809
Other reserves	20	99,253	64,119	80,640
		5,384,821	5,137,132	5,004,710
Non-controlling interests	21	230,337	240,882	258,349
Total equity		5,615,158	5,378,014	5,263,059

Massy Holdings Ltd.

Consolidated Statement of Financial Position (continued)

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	As at September 30 2018 $	As at September 30 2017 $ (Restated)	As at October 1 2016 $ (Restated)
Liabilities				
Non-current liabilities				
Borrowings	22	1,867,805	1,905,591	1,870,654
Deferred income tax liabilities	12	235,788	234,485	224,168
Customers' deposits	23	103,232	105,717	118,830
Retirement benefit obligations	13	183,550	199,076	174,904
Provisions for other liabilities and charges		76,627	85,272	114,751
		2,467,002	2,530,141	2,503,307
Current liabilities				
Trade and other payables	24	1,909,870	1,917,609	1,795,100
Liabilities on insurance contracts	25	1,652,509	2,750,345	757,294
Customers' deposits	23	238,914	246,312	264,180
Current income tax liabilities		141,126	98,355	110,650
Borrowings	22	452,611	356,355	347,239
		4,395,030	5,368,976	3,274,463
Total liabilities		6,862,032	7,899,117	5,777,770
Total equity and liabilities		12,477,190	13,277,131	11,040,829

The notes on pages 21 to 118 are an integral part of these consolidated financial statements.

On 21 December 2018 the Board of Directors of Massy Holdings Ltd. authorised these consolidated financial statements for issue.

E.G.Warner
Director

William Lucie-Smith
Director

Ian Chinapoo
Director

Massy Holdings Ltd.

Consolidated Statement of Profit or Loss
(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Year ended September 30 2018 $	2017 $
Continuing Operations:			
Revenue	3	12,004,802	11,763,669
Operating profit before finance costs and impairments		912,291	799,985
Expected credit losses	26.2	(29,282)	(22,123)
Impairment of goodwill	26.2	(13,742)	(36,959)
Operating profit before finance costs	26	869,267	740,903
Finance cost - net	28	(74,056)	(55,604)
Operating profit after finance costs		795,211	685,299
Share of profit of associates and joint ventures	9	78,853	68,993
Profit before income tax		874,064	754,292
Income tax expense	29	(308,589)	(274,465)
Profit for the year		565,475	479,827
Discontinued operations:			
Loss for the year from discontinued operations	33	--	(67,986)
Profit for the year		565,475	411,841
Owners of the parent:			
Profit for the year from continuing operations		519,753	435,555
Loss for the year from discontinued operations		--	(59,327)
		519,753	376,228
Non-controlling interests:			
Profit for the year from continuing operations		45,722	44,272
Loss for the year from discontinued operations		--	(8,659)
Profit attributable to non-controlling interests		45,722	35,613
Profit for the year		565,475	411,841
Earnings per share attributable to the owners of the parent during the year (expressed in TT$ per share)			
Basic earnings per share			
- from continuing operations	30	5.32	4.46
- from discontinued operations	30	--	(0.61)
		5.32	3.85

The notes on pages 21 to 118 are an integral part of these consolidated financial statements.

Massy Holdings Ltd.

Consolidated Statement of Other Comprehensive Income

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Year ended September 30 2018 $	2017 $
Profit for the year	565,475	411,841
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
- remeasurement of defined benefit pension plans	13,561	(28,406)
	13,561	(28,406)
Items that may be subsequently reclassified to profit or loss		
- available for sale financial assets	--	171
- currency translation differences	(11,266)	(9,325)
	(11,266)	(9,154)
Other comprehensive income/(loss) for the year, net of tax	2,295	(37,560)
Total comprehensive income for the year	567,770	374,281
Attributable to:		
- owners of the parent	521,321	338,668
- non-controlling interests	46,449	35,613
Total comprehensive income for the year	567,770	374,281

The notes on pages 21 to 118 are an integral part of these consolidated financial statements.

Massy Holdings Ltd.

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

	Notes	Share capital $	Other reserves $	Retained earnings $	Subtotal attributable to equity holders of the parent $	Non-controlling interest $	Total equity $
Balance at October 1, 2017		760,607	64,119	4,312,406	5,137,132	240,882	5,378,014
IFRS 9 initial application adjustments	35	--	--	(70,956)	(70,956)	(13,347)	(84,303)
Balance at October 1, 2017- restated		760,607	64,119	4,241,450	5,066,176	227,535	5,293,711
Profit for the year		--	--	519,753	519,753	45,722	565,475
Other comprehensive income		--	(11,739)	13,307	1,568	727	2,295
Total comprehensive income for the year		--	(11,739)	533,060	521,321	46,449	567,770
Other movements:							
- Transfer to other reserves	20	--	46,873	(46,873)	--	--	--
- Other reserve movements		--	--	(273)	(273)	(4,887)	(5,160)
Transaction with owners:							
- Share option expense	18	2,909	--	--	2,909	--	2,909
- Dividends paid	19	--	--	(205,260)	(205,260)	(36,749)	(242,009)
- Purchase of non-controlling interests		--	--	(52)	(52)	(2,011)	(2,063)
Balance at September 30, 2018		763,516	99,253	4,522,052	5,384,821	230,337	5,615,158

		Year ended September 30, 2018	Year ended September 30, 2017
Dividends per share	19	2.10	2.10
Dividends paid per share	19	2.10	2.10

Massy Holdings Ltd.

Consolidated Statement of Changes in Equity (continued)

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Share capital $	Other reserves $	Retained earnings $	Subtotal attributable to equity holders of the parent $	Non-controlling Interest $	Total equity $
Balance at October 1, 2016		753,261	(134,127)	4,170,809	4,789,943	258,349	5,048,292
Reclassification of catastrophe reserve	20	--	214,767	--	214,767	--	214,767
Balance at October 1, 2016- restated		753,261	80,640	4,170,809	5,004,710	258,349	5,263,059
Profit for the year		--	--	376,228	376,228	35,613	411,841
Other comprehensive income		--	(9,154)	(28,406)	(37,560)	--	(37,560)
Total comprehensive income for the year		--	(9,154)	347,822	338,668	35,613	374,281
Other movements:							
- Other reserve movements	20	--	7,281	12	7,293	(933)	6,360
Transaction with owners:							
- Share option expense	18	7,346	--	--	7,346	--	7,346
- Dividends paid	19	--	--	(206,237)	(206,237)	(35,411)	(241,648)
- Purchase of non-controlling interests	20	--	(14,648)	--	(14,648)	(7,626)	(22,274)
- Disposal of non-controlling interests		--	--	--	--	(9,110)	(9,110)
Balance at September 30, 2017		760,607	64,119	4,312,406	5,137,132	240,882	5,378,014

See Note 20 for details regarding the reclassification.

The notes on pages 21 to 118 are an integral part of these consolidated financial statements.

Massy Holdings Ltd.

Consolidated Statement of Cash Flows

(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Year ended September 30 2018 $	2017 $
Cash flows from operating activities			
Profit before income tax		874,064	754,292
Operating losses from discontinued operations	33	--	(67,986)
		874,064	686,306
Adjustments for:			
Share of results of associates and joint ventures	9	(78,853)	(68,993)
Depreciation and impairment of property, plant and equipment and investment properties	5 and 6	291,639	286,207
Capitalised borrowing costs	28.1	322	--
Impairment of goodwill	7	13,742	36,959
Amortisation of other intangible assets		10,904	4,736
Gain on disposal of property, plant and equipment		(36,862)	(4,094)
Loss on disposal of subsidiary and associate		--	56,236
Increase in expected credit losses/impairment expense on financial instruments	26	29,282	22,123
Fair value gains on other financial instruments		(4,564)	(12,225)
Employee share grant scheme provision	18	2,909	7,346
Employee retirement and other benefits		(10,300)	29,278
Earnings before tax, depreciation and amortisation		1,092,283	1,043,879
Changes in working capital:			
(Increase)/decrease in inventories		(86,184)	103,233
Decrease/(increase) in trade and other receivables		1,008,047	(1,907,615)
Increase in other provisions and other charges		(8,645)	--
Decrease/(increase) in instalment credit and other loans		85,454	(35,754)
(Decrease)/increase in trade and other payables		(21,917)	74,761
Decrease in statutory deposits		9,754	--
(Decrease)/increase in liabilities on insurance contracts		(1,097,836)	1,990,797
Decrease in customers' deposits		(9,883)	(30,981)
Cash generated from operations		971,073	1,238,320
Taxation paid		(235,122)	(247,145)
Net cash provided by operating activities		735,951	991,175

Massy Holdings Ltd.

Consolidated Statement of Cash Flows (continued)
(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	Year ended September 30 2018 $	2017 $
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and investment properties		113,953	130,941
Additions to property, plant and equipment, investment properties and acquisitions	5 and 6	(489,551)	(566,099)
(Increase)/decrease in other financial assets excluding instalment credit and other loans		(145,845)	154,102
Increase in other investments, other intangibles, non-controlling interests and investments in associates and joint ventures		(12,662)	(892,270)
Dividends received from associated companies	9	46,072	49,154
Sale of Massy Communications Ltd		--	196,330
Acquisition of Automontaña Group Colombia		--	(78,095)
Net cash used in investing activities		(488,033)	(1,005,937)
Cash flows from financing activities			
Proceeds from borrowings		176,281	148,105
Principal repayments on borrowings		(110,156)	(417,054)
Purchase of non-controlling interest		(2,063)	--
Dividends paid to company's shareholders	19	(205,260)	(206,237)
Dividends paid to non-controlling interests		(36,749)	(35,411)
Net cash used in financing activities		(177,947)	(510,597)
Net increase/(decrease) in cash, cash equivalents		69,971	(525,359)
Cash, cash equivalents and bank overdrafts at beginning of the year		1,531,457	2,019,391
Effect of exchange rate changes on cash and bank overdrafts		(1,807)	37,425
Cash, cash equivalents and bank overdrafts at end of the year		1,599,621	1,531,457
Cash and short – term funds	17	1,626,132	1,565,945
Bank overdrafts	22	(26,511)	(34,488)
		1,599,621	1,531,457
Classified as Operating Cashflows			
Interest received from other financial instruments		106,076	111,439
Dividends received from other financial instruments		3,344	2,237

The notes on pages 21 to 118 are an integral part of these consolidated financial statements.

(Expressed in Thousands of Trinidad and Tobago Dollars)

1 **General information**

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

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

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

1 **General information (continued)**

Integrated Retail	**Country of incorporation**	**Percentage equity capital held**
Massy Integrated Retail Ltd.	Trinidad and Tobago	100%
Arvee Foodmaster Limited	Trinidad and Tobago	100%
Athabasca Limited	Trinidad and Tobago	100%
Massy Stores (SLU) Ltd.	St. Lucia	60%
Massy Stores (Guyana) Inc.	Guyana	100%
Massy Stores (Barbados) Ltd.	Barbados	100%
Price Low Ltd.	Barbados	100%
Massy Stores (SVG) Ltd.	St Vincent	83.33%
Massy Distribution (Jamaica) Limited	Jamaica	100%
Massy Distribution (Guyana) Inc.	Guyana	92.9%
Massy Distribution (Barbados) Ltd.	Barbados	100%
Massy Distribution (St. Lucia) Ltd.	St. Lucia	100%
Knights Limited	Barbados	99.9%
Massy Loyalty Ltd.	Barbados	100%
Information Technology & Communications and Other Services		
Massy Technologies Trinidad Ltd	Trinidad and Tobago	100%
Massy Technologies InfoCom (Trinidad) Ltd.	Trinidad and Tobago	100%
Massy Technologies InfoCom (Antigua) Ltd.	Antigua	100%
Massy Technologies InfoCom (Barbados) Ltd.	Barbados	100%
Massy Technologies InfoCom (Jamaica) Limited	Jamaica	100%
Massy Technologies (Guyana) Ltd.	Guyana	92.9%
Massy Technologies Applied Imaging (Trinidad) Ltd.	Trinidad and Tobago	100%

(Expressed in Thousands of Trinidad and Tobago Dollars)

1 **General information (continued)**

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

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

	Reporting year end
Massy Motors Colombia S.A.S	31 December
Massy Energy Colombia S.A.S	31 December

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.1.1 Standards, amendments and interpretations adopted by the Group

The Group has adopted the following new and amended standards and interpretations as of October 1, 2017:

- IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective January 1, 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses (effective January 1, 2017). These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- Annual improvements 2014–2016 – IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard (effective for annual periods beginning on or after 1 January 2017). This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.

- IFRS 9, 'Financial instruments': The Group has early adopted IFRS 9 and all of its related amendments using a date of initial application of 1 October 2017. This has resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and non-controlling interest of the current period.

  The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets, the details of which are outlined in Note 2.8.

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

2.1 **Basis of preparation (continued)**

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

- IFRS 9, 'Financial instruments' (continued):

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

	Balance at 30 September 2017 (restated) $	Re - classifications $	Expected credit loss adjustments (net of deferred tax) $	Fair value adjustments $	Balance at 1 October 2017 $
Other financial assets:					
- at amortised cost	--	1,744,218	(29,184)	--	1,715,034
- at fair value through profit or loss	207,309	176,042	--	--	383,351
- held to maturity	840,405	(840,405)	--	--	--
- available-for-sale	176,042	(176,042)	--	--	--
- loans and receivables	416,613	(416,613)			--
Trade and other receivables (Note 36.1.2a)	4,053,669	--	(70,643)	--	3,983,026
Installment credit debtors and other accounts	487,200	(487,200)	--	--	--
	6,181,238	--	(99,827)	--	6,081,411
Tax impact of adjustment	--	--	15,524	--	15,524
	6,181,238	--	(84,303)	--	6,096,935
Adjustments to equity:					
- adjustment to retained earnings	4,312,406	--	(70,956)	--	4,241,450
- adjustment to non-controlling interest	240,882	--	(13,347)	--	227,535
	4,553,288	--	(84,303)	--	4,468,985

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Standards, amendments and interpretations that are not yet effective for the financial year beginning October 1,2017, not early adopted by the Group and their impact has not yet been evaluated

- Amendments to IFRS 2, ‘Share based payments’, on clarifying how to account for certain types of share-based payment transactions (effective January 1, 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

- IFRS 15 ‘Revenue from contracts with customers’ (effective January 1, 2018). IFRS15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to IFRS 15, ‘Revenue from contracts with customers’ (effective January 1, 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

  Management has assessed the effects of applying the new standard on the Group’s financial statements and has identified the following areas that will be affected:

  - Presentation of contract assets and contract liabilities in the balance sheet – IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 October 2018 in relation to contracts for the rendering of certain services and the customer loyalty programme which are currently included in other balance sheet line items.

  - The application of IFRS 15 may further result in the identification of separate performance obligations in relation to certain contracts which could affect the timing of the recognition of revenue going forward.

  The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 October 2018 and that comparatives will not be restated.

- Amendment to IAS 40, ‘Investment property’ (effective January 1, 2018) relating to transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

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

2.1 **Basis of preparation (continued)**

2.1.2 Standards, amendments and interpretations that are not yet effective for the financial year beginning October 1,2017, not early adopted by the Group and their impact has not yet been evaluated (continued)

- Annual improvements 2014–2016 (effective January 1, 2018). These amendments impact 2 standards:

  - IFRS 1, ’First-time adoption of IFRS’, regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10.

  - IAS 28, ’Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value.

- Annual improvements 2015–2017 (effective January 1, 2019). These amendments include minor changes to:
  - IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to IAS 28 ‘Investments in associates’, on long term interests in associates and joint ventures (effective January 1, 2019). These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.

- Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’ (effective January 1, 2019). These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Standards, amendments and interpretations that are not yet effective for the financial year beginning October 1,2017, not early adopted by the Group and their impact has not yet been evaluated (continued)

- IFRS 16 'Leases' (effective January 1, 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.
  - Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.
  - For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.
  - Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- IFRS 17, 'Insurance contracts' (effective January 1, 2022). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- IFRIC 23, 'Uncertainty over income tax treatments' (effective January 1, 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

2.2.1 Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2.2.2 Transactions with non-controlling interests

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

2.2.2 Transactions with non-controlling interests (continued)

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

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

2.2.3 *Associates and Joint ventures*

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.
Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

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

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

2.3 Segment reporting

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

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

2.4 **Foreign currency translation**

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

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

2.4.3 Group companies

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

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

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

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

Land is not depreciated.

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

Current rates of depreciation are:

Freehold property	-	2%
Leasehold property and improvements	-	2% to 20%
Plant and equipment	-	5% to 33.3%
Rental assets	-	25%
Furniture and fixtures	-	10% to 25%
Motor vehicles	-	10% to 25%

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

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Investment properties

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

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

The current rate of depreciation is 2%.

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

2.7 Intangible assets

2.7.1 Goodwill

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

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

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

2.7 **Intangible assets (continued)**

2.7.2 Computer software

Costs associated with the maintenance of existing computer software programmes are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

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

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

2.7.3 Brands

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

2.7.4 Impairment of non-financial assets

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

2 Summary of significant accounting policies (continued)

2.8 Financial assets under IFRS 9 – from 1 October 2017

2.8.1 Classification

From 1 October 2017, the Group classifies its financial assets in the following measurement categories:

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

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

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

All debt instruments passing the Business Model and SPPI tests are classified at amortised cost.

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

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

2.8.2 Recognition and derecognition

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

2 Summary of significant accounting policies (continued)

2.8 Financial assets under IFRS 9 – from 1 October 2017

2.8.3 Measurement

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

a) Debt instruments (IFRS 9)

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.8 Financial assets under IFRS 9 – from 1 October 2017

2.8.3 Measurement (continued)

b) Equity instruments

The Group subsequently measures all equity investments at fair value at FVPL. Changes in the fair value of financial assets at FVPL are recognised in ‘net interest and other investment income’ in the statement of profit or loss as applicable. Dividends from equity investments are recognised in profit or loss within ‘net interest and other investment income’ when the Group’s right to receive payments is established.

2.8.4 Impairment

From 1 October 2017, the Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost.

a) Debt instruments carried at amortised cost

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

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

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

Expected credit loss (ECL) is measured as follows:

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

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

2.8 **Financial assets under IFRS 9 – from 1 October 2017**

2.8.4 Impairment (continued)

a) Debt instruments carried at amortised cost (continued)

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

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

b) Trade receivables

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

2.9 **Financial assets under IAS 39 – up to 30 September 2017**

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy, IAS 39.

2.9.1 Classification

Until 30 September 2017, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

2 Summary of significant accounting policies (continued)

2.9 Financial assets under IAS 39 – up to 30 September 2017 (continued)

2.9.2 Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

2.9.3 Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in profit or loss within 'net interest and other investment income'
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 36.3.
When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

2 Summary of significant accounting policies (continued)

2.9 Financial assets under IAS 39 – up to 30 September 2017 (continued)

2.9.4 Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

a) Assets carried at amortised cost:

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

b) Assets classified as available-for-sale:

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

2 Summary of significant accounting policies (continued)

2.10 Inventories

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

2.11 Trade receivables

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

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

Impairment of trade receivables is described in Note 2.9.4(a) and 2.9.4(b).

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

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

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

2.14 Trade payables

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

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

2 Summary of significant accounting policies (continued)

2.15 Insurance

2.15.1 Insurance and reinsurance contracts

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

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

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

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

2.15.2 Amounts receivable from reinsurance companies

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

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

2.16 Borrowings

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

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

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

2 Summary of significant accounting policies (continued)

2.17 Current and deferred income tax

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

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

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

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

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

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

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

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

2.18 **Employee benefits**

2.18.1 Pension obligations

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

The Neal & Massy Group Pension Fund Plan, contributions to which were frozen on January 3,1990, is a defined benefit plan whose assets are held separately from those of the Group in an independently administered fund. The most recent actuarial valuation, at March 31, 2017, revealed that the plan is adequately funded. There are certain benefits payable by the Neal & Massy Group Pension Fund Plan which fall within the scope of IAS 19 (revised) – Employee Benefits.

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

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

2.18.1 Pension obligations (continued)

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.18.2 Other post-employment obligations

Certain Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which it arises. These obligations are valued annually by independent qualified actuaries.

2.18.3 Termination benefits

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

2 Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

2.18.4 Bonus plans

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

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

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

2.18.5 Executive Share-based payments and Long Term Incentive Plan

(a) *Share-based payments*

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

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

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

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

Non-market vesting conditions are included in assumptions about the number of shares that are expected to be granted and then vested. The total expense is recognised over the vesting period, which is the period over which all of the specified performance criterion and vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares that

2 Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

are expected to vest based on the performance criterion and any applicable non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

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

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

(b) *Long Term Incentive Plan*

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

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

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

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

2 Summary of significant accounting policies (continued)

2.19 Provisions

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

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

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

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.20.1 Sale of goods – wholesale

The Group manufactures and sells a range of products in the wholesale market. Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

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

2.20 **Revenue recognition (continued)**

2.20.2 Sale of goods – retail

The Group operates retail outlets for selling a range of products. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the Group's policy to sell its products to the retail customer with a right to return within a stipulated number of days as required by the entities in the Group. Accumulated experience is used to estimate and provide for such returns at the time of sale.

2.20.3 Sale of services

The Group is engaged in providing a number of services. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts, typically from delivering design services, is recognised under the percentage-of-completion method. Revenue is generally recognised at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered. For material contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering design services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

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

2.20.4 Premium income

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

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

2.20 **Revenue recognition (continued)**

2.20.5 Rental income

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

line basis over the lease term.

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

2.20.6 Interest income

Financial assets under IFRS 9 – from 1 October 2017

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

Financial assets under IAS 39 – up to 30 September 2017

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.20.7 Dividend income

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

2 Summary of significant accounting policies (continued)

2.21 Leases

2.21.1 Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

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

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

2.21.2 Group is the lessor

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

2.22 Dividend distribution

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

Summary of significant accounting policies (continued)

2.23 **Comparative information**

The Group has presented three consolidated statements of financial positions, two of each of the other primary statements and related notes. The consolidated statements of financial position were presented as at the current period, the end of the previous period (which is the same as the beginning of the current period), and the beginning of the earliest comparative period. The impact of the restatement is summarised in Note 20.

3 Segment information

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

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

The Group is organised into six main business segments:

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

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

(1) *Automotive and Industrial Equipment*

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

3 **Segment information (continued)**

(2) *Integrated Retail*

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

(3) *Financial Services*

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

(4) *Energy and Industrial Gases*

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

(5) *ITC*

This segment derives its revenue mainly from the sale, rental and provision of professional services of technology-based solutions and office interiors.

(6) *Other Investments*

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

Head Office and Other

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 Segment information (continued)

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

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

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $	Other Investments $	Head Office and Other Adjustments $	Total $
Continuing operations								
Group revenue	2,701,187	6,928,913	625,838	1,171,790	624,610	568,557	1,348	12,622,243
Inter-segment revenue	(115,802)	(374,858)	(1,853)	(14,328)	(33,936)	(75,316)	(1,348)	(617,441)
Third party revenue	2,585,385	6,554,055	623,985	1,157,462	590,674	493,241	--	12,004,802
Operating profit/(loss) before finance costs	174,576	348,952	111,819	175,870	87,883	84,184	(114,017)	869,267
Finance costs – net	(18,234)	(31,863)	(287)	360	(3,371)	1,190	(21,851)	(74,056)
	156,342	317,089	111,532	176,230	84,512	85,374	(135,868)	795,211
Share of results of associates and joint ventures net of impairment (Note 9)	--	--	--	74,818	--	4,035	--	78,853
Profit/(loss) before income tax	156,342	317,089	111,532	251,048	84,512	89,409	(135,868)	874,064
Taxation	(63,545)	(111,768)	(28,676)	(80,238)	(23,250)	(16,405)	15,293	(308,589)
Profit/(loss) for the year	92,797	205,321	82,856	170,810	61,262	73,004	(120,575)	565,475

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 Segment information (continued)

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

The segment results for the year ended September 30, 2017 are as follows:

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $	Other Investments $	Head Office and Other Adjustments $	Total $
Continuing operations								
Group revenue	2,601,089	7,048,439	555,977	1,001,686	627,972	558,448	1,369	12,394,980
Inter-segment revenue	(114,399)	(375,680)	(2,124)	(16,443)	(44,235)	(77,061)	(1,369)	(631,311)
Third party revenue	2,486,690	6,672,759	553,853	985,243	583,737	481,387	--	11,763,669
Operating profit/(loss) before finance costs	191,359	368,336	620	125,903	96,736	73,977	(116,028)	740,903
Finance costs – net	(21,919)	(29,402)	17,444	5,531	(4,391)	4,330	(27,197)	(55,604)
	169,440	338,934	18,064	131,434	92,345	78,307	(143,225)	685,299
Share of results of associates and joint ventures net of impairment (Note 9)	--	--	--	68,851	--	142	--	68,993
Profit/(loss) before income tax	169,440	338,934	18,064	200,285	92,345	78,449	(143,225)	754,292
Taxation	(68,433)	(116,203)	(16,918)	(70,825)	(21,226)	(17,688)	36,828	(274,465)
Profit/(loss) for the year	101,007	222,731	1,146	129,460	71,119	60,761	(106,397)	479,827

The disclosure note for Group and Inter-Segment Revenue for 30 September 2017 was restated in the current financial year.

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 **Segment information (continued)**

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

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

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

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 **Segment Information (continued)**

The segment assets and liabilities at September 30, 2017 and capital expenditure for the year then ended are as follows:

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $	Other Investments $	Head Office and Other Adjustments $	Total $
Total assets	1,463,645	2,952,341	4,235,315	1,178,705	484,950	1,470,020	1,492,155	13,277,131
Investments in associates and joint ventures (Note 9)	--	6,740	169	180,676	--	51,720	--	239,305
Total liabilities (restated)	507,694	976,673	3,241,599	304,375	214,102	474,112	2,180,562	7,899,117
Capital expenditure	127,761	275,214	28,327	54,217	59,518	38,540	1,783	585,360

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

	Automotive and Industrial Equipment $	Integrated Retail $	Financial Services $	Energy and Industrial Gases $	Information Technology and Communications $	Other Investments $	Head Office and Other Adjustments $	Total $
Depreciation and impairment (Notes 5 and 6)	101,541	88,530	7,921	37,767	27,670	19,305	3,473	286,207
Impairment of goodwill (Note 7)	11,665	1,431	--	23,863	--	--	--	36,959

(Expressed in Thousands of Trinidad and Tobago Dollars)

3 **Segment information (continued)**

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to third parties. Capital expenditure comprises additions to property, plant and equipment and investment properties.

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

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

	Third party revenue		Profit before income tax		Total assets		Capital expenditure	
	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$
Trinidad and Tobago	4,982,849	5,256,799	498,264	493,700	5,102,487	5,089,702	209,727	336,569
Barbados and Eastern Caribbean	3,967,861	3,878,332	277,596	199,747	5,203,880	6,254,472	133,433	195,476
Guyana	924,597	895,447	143,021	130,323	691,175	613,067	62,962	22,265
Jamaica	684,904	667,721	69,621	74,014	457,105	406,477	12,851	20,935
Colombia	1,360,364	980,014	15,220	(7,269)	641,321	534,160	70,254	9,551
Other	84,227	85,356	6,209	7,002	381,222	379,253	324	564
Head Office and other Adjustments	--	--	(135,867)	(143,225)	--	--	--	--
	12,004,802	**11,763,669**	**874,064**	**754,292**	**12,477,190**	**13,277,131**	**489,551**	**585,360**

4 Critical accounting estimates and judgements (continued)

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

a. *Critical accounting estimates and assumptions*

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

(i) *Estimated impairment of goodwill*

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

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

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

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

ECL calculations are shown in Note 36.1.2. Had there been a 10% shift in the average ECL rate for all financial instruments at amortised cost, the Group ECL allowance would have been higher by $24,038.

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

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

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

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

(iv) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Current and deferred income tax balances are disclosed in the statement of financial position. Details of the expense for the year are shown in Note 29.

(v) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The Group uses discounted cash flow analyses for various available-for-sale financial assets that were not traded in active markets. The assumptions and amounts subject to fair value measurements are shown in Note 36.3.

(vi) *Revenue recognition*

The Group uses the percentage-of-completion method in accounting for its sales of services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Revenue from the rendering of services is disclosed in Note 26.

(vii) Pension benefits

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

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

As at 30 September 2018, if the discount rate had been 1.0% higher or lower with all other variables held constant, the carrying amount of pension benefits would have been $174,042

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

lower or $226,097 higher (2017: $169,059 lower or $217,545 higher).

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

(viii) *Liabilities on insurance contracts*

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

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

Additional information is disclosed in Note 25.

(Expressed in Thousands of Trinidad and Tobago Dollars)

5 Property, plant and equipment

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

The net book amount of property, plant and equipment includes $1,413 (2017: $1,913) in respect of motor vehicles held under finance leases.

Depreciation expense of $102,999 (2017: $114,505) has been charged in cost of sales and $184,477 (2017: $168,040) in selling, general and administrative expenses.

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

	Freehold Properties $	Leasehold properties and improvements $	Plant and equipment $	Rental assets $	Furniture and fixtures $	Motor vehicles $	Capital work in progress $	Total $
Year ended September 30, 2017								
Opening net book amount	1,088,878	186,862	567,848	247,483	67,888	102,225	109,702	2,370,886
Additions	68,173	11,832	128,788	117,007	12,787	36,760	204,670	580,017
Acquisitions of subsidiaries	9,848	--	8,841	--	572	--	--	19,261
Disposals and adjustments	(33,843)	(3,391)	(204,980)	(70,593)	(4,983)	(6,451)	(49,954)	(374,195)
Translation adjustments	(116)	(177)	(1,127)	(95)	(160)	(173)	(65)	(1,913)
Transfer from capital work in progress	14,833	46	33,261	--	(115)	13	(48,038)	--
Depreciation charge	(22,918)	(14,102)	(98,141)	(97,663)	(20,856)	(28,852)	(13)	(282,545)
Closing net book amount	1,124,855	181,070	434,490	196,139	55,133	103,522	216,302	2,311,511
At September 30, 2017								
Cost	1,284,633	314,014	1,441,270	485,558	208,212	253,568	216,330	4,203,585
Accumulated depreciation	(159,778)	(132,944)	(1,006,780)	(289,419)	(153,079)	(150,046)	(28)	(1,892,074)
Net book amount	1,124,855	181,070	434,490	196,139	55,133	103,522	216,302	2,311,511
At September 30, 2016								
Cost	1,253,721	318,244	1,596,976	524,587	219,517	245,089	109,716	4,267,850
Accumulated depreciation	(164,843)	(131,382)	(1,029,128)	(277,104)	(151,629)	(142,864)	(14)	(1,896,964)
Net book amount	1,088,878	186,862	567,848	247,483	67,888	102,225	109,702	2,370,886

(Expressed in Thousands of Trinidad and Tobago Dollars)

6 Investment properties

	2018 $	2017 $
Cost	463,791	472,760
Accumulated depreciation and impairment	(56,965)	(53,601)
Net book amount	406,826	419,159
Movement analysis:		
Opening net book amount	419,159	417,246
Adjustment to opening balance and other adjustments	52	(33)
Translation adjustments	1,069	265
Additions	3,165	5,343
Disposals	(12,456)	--
Depreciation	(4,163)	(3,662)
Closing net book amount	406,826	419,159

The fair value of the investment properties amounted to $613,031 (2017: $640,707) as valued by independent, professionally qualified valuators taking into consideration current replacement costs, land tax valuations and other valuation techniques.

The property rental income earned by the Group during the year from its investment properties, amounted to $39,222 (2017: $43,666). Direct operating expenses arising on the investment properties which generated revenue during the year amounted to $ 19,547 (2017: $20,492).

Direct operating expenses arising on the investment properties which did not generate revenue during the year amounted to $ 750 (2017: $735).

Depreciation and impairment expense has been charged in cost of sales.

7 Goodwill

	2018 $	2017 $
Cost	355,099	357,365
Accumulated translation adjustments	(7,690)	(8,271)
Accumulated impairment	(124,338)	(110,596)
Net book amount	223,071	238,498
Movement analysis:		
Opening net book amount	238,498	197,075
Adjustments	(2,266)	(1,174)
Translation adjustments	581	189
Additions	--	79,367
Impairment charge (Note 26.2)	(13,742)	(36,959)
Closing net book amount	223,071	238,498

(Expressed in Thousands of Trinidad and Tobago Dollars)

7 Goodwill (continued)

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

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

	2018 $ Trinidad and Tobago	2018 $ Overseas	2017 $ Trinidad and Tobago	2017 $ Overseas
Automotive and Industrial Equipment	953	103,186	953	103,187
Energy and Industrial Gases	--	2,485	10,092	2,485
Integrated Retail	--	72,440	2,266	75,571
Financial Services	--	40,736	--	40,673
Other Investments	--	3,271	--	3,271
Total	953	222,118	13,311	225,187

The recoverable amount of cash generating units is determined based on value-in-use calculations.

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

Key assumptions used for value-in-use calculations:

	2018 Growth rate	2018 Discount rate	2017 Growth rate	2017 Discount rate
Automotive and Industrial Equipment	3.7%	8.87%	2.2%-2.9%	8.31%
Energy and Industrial Gases	2%-2.1%	15.49%	1%	11.82%
Integrated Retail	2.6%-6%	8.61%-16.16%	1.5%-3%	8.6%-9.5%
Financial Services	1.5%-2%	12.17%	10%	9.7%
Other Investments	1.5%-3.5%	18.22%	1.6%	10.04%

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

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

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

8 Other intangible assets

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

	2018 $	**2017 $**
Opening net book value	51,744	50,783
Translation adjustments	59	78
Additions for the year	12,662	5,618
Amortisation charge for the year	(10,904)	(4,735)
Net book amount	53,561	51,744
Cost	86,132	73,411
Accumulated amortisation	(32,571)	(21,667)
Net book amount	53,561	51,744

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

9 Investments in associates and joint ventures

Investment and advances	73,773	73,773
Share of post-acquisition reserves	174,518	165,532
	248,291	239,305
Movement analysis:		
Balance at beginning of year	239,305	244,963
Share of results before tax	78,853	68,993
Share of tax (Note 29)	(25,730)	(23,921)
Dividends received	(46,072)	(49,154)
Disposal of associates	--	(2,103)
Exchange differences	260	497
Other	1,675	30
Balance at end of year	248,291	239,305
Analysed as:		
Individually material associates	187,668	180,677
Individually immaterial associates	60,623	58,628
	248,291	239,305

Investments in associates at September 30, 2018 include goodwill of $16,671 (2017: $17,437), net of accumulated impairment of $11,490 (2017: $10,724).

(Expressed in Thousands of Trinidad and Tobago Dollars)

9 Investments in associates and joint ventures (continued)

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

	2018			2017		
	Massy Wood Group Limited $	Caribbean Industrial Gases Unlimited $	Total $	Massy Wood Group Limited $	Caribbean Industrial Gases Unlimited $	Total $
As at September 30, 2018						
Summarised balance sheet:						
Current assets	576,156	52,299	628,455	500,337	44,869	545,206
Non-current assets	11,190	164,700	175,890	10,517	198,325	208,842
Current liabilities	(326,707)	(37,820)	(364,527)	(285,380)	(35,627)	(321,007)
Non-current liabilities	--	(72,488)	(72,488)	--	(81,224)	(81,224)
Net assets	260,639	106,691	367,330	225,474	126,343	351,817
Reconciliation to net carrying amounts:						
Group share of associates (%)	50%	50%	50%	50%	50%	50%
Group share of associates ($)	130,320	53,345	183,665	112,737	63,171	175,908
Goodwill	727	3,263	3,990	729	4,028	4,757
Other adjustments	(176)	189	13	(181)	193	12
	130,871	56,797	187,668	113,285	67,392	180,677
Other information:						
Country of incorporation	Trinidad & Tobago	Trinidad & Tobago		Trinidad & Tobago	Trinidad & Tobago	
Nature of relationship	Associates	Associates		Associates	Associates	

(Expressed in Thousands of Trinidad and Tobago Dollars)

9 Investments in associates and joint ventures (continued)

Summarised statement of comprehensive income	**Massy Wood Group Limited $**	**Caribbean Industrial Gases Unlimited $**	**Total $**
As at September 30, 2018			
Revenue	1,101,996	115,492	1,217,488
Interest income	15	--	15
Depreciation and amortisation	--	(131)	(131)
Interest expense	--	(1,000)	(1,000)
Income tax expense	32,767	(12,210)	20,557
Profit for the year	75,651	27,364	103,015
Comprehensive income	75,651	27,364	103,015
As at September 30, 2017			
Revenue	1,065,047	121,700	1,186,747
Interest income	28	--	28
Depreciation and amortisation	--	(175)	(175)
Interest expense	--	(943)	(943)
Income tax expense	25,412	(22,822)	2,590
Profit for the year	63,435	25,275	88,710
Comprehensive income	63,435	25,275	88,710

The Group has investments in associates whose year ends are not coterminous with September 30. These are principally:

	Country of incorporation	**Reporting year end**
Massy Wood Group Limited	Trinidad and Tobago	31 December
G4S Holdings Trinidad Limited	Trinidad and Tobago	31 December
G4S Security Services (Barbados) Limited	Barbados	31 December

(Expressed in Thousands of Trinidad and Tobago Dollars)

10 Financial assets

	2018 $	2017 $
At amortised cost:		
- Bonds	842,489	--
- Instalment credit and other accounts (Note 10.1)	406,289	--
- Hire purchase receivables	45,413	--
- Mortgages	4,851	--
	1,299,042	--
Fair value through profit or loss:		
- Bonds and treasury bills	469,613	31,319
- Listed equities	114,763	104,305
- Unlisted equities	17,384	180
- Investment funds	244,005	71,505
	845,765	207,309
Available for sale:		
- Bonds and treasury bills	--	1,348
- Listed equities	--	13,261
- Unlisted equities	--	161,433
- Investment funds	--	--
	--	176,042
Held to maturity	--	840,405
Loans and receivables	--	416,613
Total	2,144,807	1,640,369
Non-Current portion	1,040,568	859,655
Current portion	1,104,239	780,714
	2,144,807	1,640,369

10.1 Finance leases

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

	2018 $	2017 $
Not later than 1 year	7,048	8,722
Later than 1 year and not later than 5 years	7,519	8,443
	14,567	17,165
Unearned finance charges on finance leases	(1,413)	(1,494)
Net investment in finance leases	13,154	15,671
Not later than 1 year	6,178	7,665
Later than 1 year and not later than 5 years	6,976	8,006
	13,154	15,671

(Expressed in Thousands of Trinidad and Tobago Dollars)

11 Instalment credit and other accounts

	2018 $	2017 $
Non-current portion	--	309,424
Current portion	--	177,776
	--	487,200

12 Deferred income tax

Deferred income taxes are calculated in full, on temporary differences under the liability method using a principal tax rate of 30% (2017: 30%).

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

Deferred income tax assets

	Accelerated depreciation $	Tax losses $	Other $	Total $
Year ended September 30, 2018				
At beginning of year	30,422	20,456	56,098	106,976
IFRS 9 initial application adjustments	--	--	15,524	15,524
Charge to consolidated income statement	317	(1,013)	2,184	1,488
Exchange adjustment	(1)	(16)	33	16
Other movements	(1,644)	1,508	(5,031)	(5,167)
At end of year	29,094	20,935	68,808	118,837
Year ended September 30, 2017				
At beginning of year	26,216	20,593	56,295	103,104
Charge to consolidated income statement	437	15,404	4,929	20,770
Exchange adjustment	32	(16)	40	56
Other movements	3,737	(15,525)	(5,166)	(16,954)
At end of year	30,422	20,456	56,098	106,976

(Expressed in Thousands of Trinidad and Tobago Dollars)

12 Deferred income tax (continued)

Deferred income tax liabilities

	Accelerated depreciation $	Pension plan surplus $	Other $	Total $
Year ended September 30, 2018				
At beginning of year	96,044	126,112	12,329	234,485
Charge to consolidated income statement	(7,409)	(581)	3,006	(4,984)
Exchange adjustment	(380)	(22)	(329)	(731)
Other movements	765	(1,266)	7,519	7,018
At end of year	89,020	124,243	22,525	235,788
Year ended September 30, 2017				
At beginning of year	84,124	122,647	17,397	224,168
Charge to consolidated income statement	15,869	(892)	4,492	19,469
Exchange adjustment	(236)	(22)	(69)	(327)
Other movements	(3,713)	4,379	(9,491)	(8,825)
At end of year	96,044	126,112	12,329	234,485

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

13 Retirement benefit assets/obligations

	2018 $	2017 $
Retirement benefit assets		
Neal & Massy Group Pension Fund Plan	395,828	401,983
Overseas plans – Other	79,941	65,451
	475,769	467,434

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

Neal & Massy Group Pension Fund Plan

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

	2018 $	2017 $
Fair value of plan assets	1,623,329	1,697,389
Present value of obligation	(1,207,670)	(1,174,617)
	415,659	522,772
Unutilisable asset	(19,831)	(120,789)
Asset in the statement of financial position	395,828	401,983

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

Neal & Massy Group Pension Fund Plan (continued)	**2018 $**	**2017 $**
The movement in the present value of the defined benefit obligation is as follows:		
Opening present value of defined benefit obligation	1,174,617	1,138,136
Current service cost	22,035	22,474
Interest cost	57,617	55,802
Actuarial (gains)/losses on obligation	(2,048)	2,388
Benefits paid	(44,551)	(44,183)
Closing present value of defined benefit obligation at September 30	1,207,670	1,174,617
The movement in the fair value of plan assets for the year is as follows:		
Opening fair value of plan assets	1,697,389	1,616,103
Expected return on plan assets	77,716	75,305
Actuarial (losses)/gains on plan assets	(107,225)	50,164
Benefits paid	(44,551)	(44,183)
Closing fair value of plan assets at September 30	1,623,329	1,697,389
The amounts recognised in the consolidated income statement are as follows:		
Current service cost	22,035	22,474
Net interest cost	(20,099)	(19,502)
Total included in profit or loss	1,936	2,972
Actuarial losses/(gains) recognised in other comprehensive income before tax	4,219	(14,894)
Movement in the asset recognised in the consolidated statement of financial position:		
Asset at beginning of year	401,983	390,061
Net pension expense	(1,936)	(2,972)
Actuarial (losses)/gains	(4,219)	14,894
Asset at end of year	395,828	401,983

The principal actuarial assumptions used were:;

	Per annum	**Per annum**
Discount rate	5.0%	5.0%
Future salary increases	5.0%	5.0%
Future pension increases – post retirement	3.0%	3.0%
Sensitivity	1% increase	1% increase
Discount rate $	(174,042)	(169,059)

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

Neal & Massy Group Pension Fund Plan (continued)

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

	2018	2017
Plan assets are comprised as follows:		
Local equities/mutual funds	37%	41%
Local bonds/mortgages	15%	18%
Foreign investments	37%	33%
Deferred annuities/insurance policy	6%	6%
Short-term securities/cash/accrued income	5%	2%

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

Male	81	81
Female	85	85

Overseas plans – Other

The amounts recognised in the statement of financial position are as follows:	2018 $	2017 $
Fair value of plan assets	277,628	236,418
Present value of the defined benefit obligation	(174,843)	(164,654)
	102,785	71,764
Unutilisable asset	(22,844)	(6,313)
Asset recognised in the statement of financial position	79,941	65,451

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

Opening present value of defined benefit obligation	164,654	154,898
Current service cost	3,910	3,599
Interest cost	11,961	11,020
Plan participant contributions	3,456	3,300
Actuarial losses on obligation	300	3,885
Liabilities extinguished on settlement/curtailment	--	(879)
Exchange differences on foreign plans	(2,135)	(1,484)
Benefits paid	(7,303)	(9,685)
Closing present value of defined benefit obligation	174,843	164,654

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

Overseas plans – Other (continued)	**2018 $**	**2017 $**
The movement in the fair value of plan assets for the year is as follows:		
Opening fair value of plan assets	236,418	220,524
Income from discount rate on utilisable plan assets	17,293	16,015
Actual return on assets greater than/(less than) above	30,204	6,517
Exchange differences on foreign plans	(3,983)	(1,960)
Employer contributions	2,475	2,237
Plan participant contributions	3,456	3,300
Administration expenses	(932)	(530)
Benefits paid	(7,303)	(9,685)
Closing fair value of plan assets at September 30	277,628	236,418

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

Current service cost	3,910	3,599
Net interest cost	(5,332)	(4,994)
Administration expenses	932	530
Curtailments and settlements	--	(879)
Total included in other income	(490)	(1,744)
Actual return on plan assets	47,497	22,532

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

Asset at beginning of year	65,451	62,146
Actuarial gains/(losses) recognised in other comprehensive income	11,525	(676)
Net pension income	490	1,744
Employer contributions	2,475	2,237
Asset at end of year	79,941	65,451
Actuarial gains/(losses) recognised in other comprehensive income	11,525	(676)

The principal actuarial assumptions used were:

	Per annum	**Per annum**
Discount rate	6%-7.75%	6%-9%
Future salary increases	4.5%-5.0%	5%-6.5%
Future NIS increases	4%	4%-5.5%
Future pension increases	1%-4%	1%-5%
Future bonuses	0%-2%	0%-2%

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

	2018 $	2017 $
Retirement benefit obligations		
Barbados Shipping & Trading (BST) – medical plan	(101,910)	(98,141)
Barbados Shipping & Trading (BST) – pension plan	(26,353)	(50,338)
Other plans	(55,287)	(50,597)
	(183,550)	(199,076)

Overseas plans – BS&T

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

	2018 $	2017 $
Fair value of plan assets	594,025	554,037
Present value of the defined benefit obligation	(547,003)	(545,370)
	47,022	8,667
Unrecognised asset due to limit	(73,375)	(59,005)
Liability in the statement of financial position	(26,353)	(50,338)

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

	2018 $	2017 $
Opening present value of defined benefit obligation	545,370	541,921
Current service cost	7,842	8,145
Interest cost	41,557	41,272
Actuarial gains on obligation	(12,188)	(9,281)
Exchange differences on foreign plans	1,622	1,610
Benefits paid	(37,200)	(38,297)
Closing present value of defined benefit obligation at 30 September	547,003	545,370

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

	2018 $	2017 $
Opening fair value of plan assets	554,037	500,771
Income from discount rate on utilisable plan assets	42,639	38,994
Actual return on assets greater than/(less than) above	6,922	11,913
Administration expenses	(254)	(907)
Employer contributions	26,236	40,076
Exchange differences	1,645	1,487
Benefits paid	(37,200)	(38,297)
Closing fair value of plan assets at September 30	594,025	554,037

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

Overseas plans – BS&T (continued)

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

	2018 $	**2017 $**
Current service cost	7,842	8,145
Net interest cost	(1,082)	2,278
Administration expenses	254	907
Expense recognised in the income statement	7,014	11,330
Actual return on plan assets	49,561	50,907
Liability at beginning of year	(50,338)	(41,150)
Increase in unrecognisable asset	(14,345)	(59,005)
Income recognised in other comprehensive income	19,107	21,071
Net pension expense	(7,013)	(11,330)
Contributions paid	26,236	40,076
Liability at end of year	(26,353)	(50,338)

The principal actuarial assumptions used were:

	2018	**2017**
	Per annum	**Per annum**
Discount rates	7.75%	7.75%
Future salary increases	5.75%	5.75%
Future NIS increases	3.50%	3.50%
Future pension increases – past service	0.75%	0.75%
Future pension increases – future service	0.75%	0.75%

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

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

Male	81	81
Female	85	85

BS&T – medical plans

The principal actuarial assumptions used were:

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

14 Inventories

	2018 $	2017 $
Finished goods and goods for resale	1,213,186	1,244,596
Goods in transit	359,005	222,898
Raw materials and consumables	66,168	89,922
Work in progress	14,834	9,593
	1,653,193	1,567,009

The cost of inventories recognised as expense and included in 'cost of sales' amounted to $7,842,521 (2017: $7,871,935).

15 Trade and other receivables

	2018 $	2017 $
Trade receivables	1,470,486	1,272,856
Receivables with related parties	18,949	3,742
Less: provision for impairment of receivables	(177,593)	(98,308)
Trade receivables – net	1,311,842	1,178,290
Reinsurance assets (Note 25)	1,115,570	1,914,587
Other debtors and prepayments	542,670	962,225
Less: provision for impairment	(5,852)	(1,433)
Other debtors and prepayments – net	1,652,388	2,875,379
	2,964,230	4,053,669

Included in other debtors and prepayments in the prior year is $1,914,587 of Reinsurance Recoverable on the $1,976,740 of Claims outstanding from Hurricanes (Note 25).

16 Statutory deposits with regulators

This comprises the following:

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

- Massy Finance GFC Ltd – The Financial Institutions Act, 2008 requires that every non-banking financial institution licensed under the Act in the Republic of Trinidad and Tobago hold and maintain a non-interest bearing deposit account with the Central Bank of Trinidad and Tobago equivalent to 9% of the total deposit liabilities of that institution. As at 30 September 2018 and 2017, Massy Finance GFC Ltd complied with the above requirement.

(Expressed in Thousands of Trinidad and Tobago Dollars)

17 Cash and cash equivalents

	2018 $	2017 $
Cash at bank and in hand	1,438,545	1,404,313
Short-term bank deposits	187,587	161,632
	1,626,132	1,565,945

Deposits have an average maturity of less than 90 days.

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

	2018 $	2017 $
Cash and cash equivalents	1,626,132	1,565,945
Bank overdrafts (Note 22)	(26,511)	(34,488)
Cash, net of bank overdrafts	1,599,621	1,531,457

18 Share capital

	Number of shares #	Ordinary shares $	Total $
At September 30, 2017	97,743	760,607	760,607
Employee share grant – value of services provided	--	2,909	2,909
At September 30, 2018	97,743	763,516	763,516
At September 30, 2016	97,743	753,261	753,261
Employee share grant – value of services provided	--	7,346	7,346
At September 30, 2017	97,743	760,607	760,607

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

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

18 **Share capital (continued)**

The Base Share Price will be calculated based on the average market price of the shares, for the last ten trading days, in the calendar month immediately preceding the Grant Date. Shares may vest between three and six years from the Grant Date subject to, the applicable compound annual growth rate from the Base Share Price, which must be achieved to trigger the vesting and issue of the shares. The amount recognised in the income statement of $2,909 (2017: $7,346) is the best estimate of the award value over its specified life – i.e. until vesting or expiry. At this time, no Performance Share Plan Grants have satisfied the condition to be vested.

In 2017, this plan was suspended and therefore no new share grants were issued to the Executives of Massy Holdings Ltd. and its subsidiaries. A deferred cash compensation plan has been introduced which is linked to the Group's EPS.

19 **Dividends per share**

	2018 **$**	**2017** **$**
Interim paid – 52 cents per share (2017 – 52 cents)	50,826	50,826
Final paid – 158 cents per share (2016 – 159 cents)	154,434	155,411
	205,260	206,237

On December 21, 2018 the Board of Directors of Massy Holdings Ltd. declared a final dividend per share of $1.58, bringing the total dividends per share for the financial year ended September 30, 2018 to $2.10 (2017 - $2.10).

20 **Other reserves**

	Translation reserve $	**Catastrophe reserve** (Note 20.2) $	**Statutory and general banking reserves** (Note 20.1) $	**Other amounts** $	**Total** $
As at 30 September 2018					
Balance at beginning of year	(70, 430)	339,656	17,000	(222,107)	64,119
Currency translation adjustments	(11,739)	--	--	--	(11,739)
Transfer to other reserves	--	41,054	1,000	4,819	46,873
Balance at end of year	(82,169)	380,710	18,000	(217,288)	99,253

(Expressed in Thousands of Trinidad and Tobago Dollars)

20 **Other reserves (continued)**

	Translation reserve $	**Catastrophe reserve** (Note 20.2) $	**Statutory and general banking reserves** (Note 20.1) $	**Other amounts** $	**Total** $
As at 30 September 2017					
Balance at beginning of year	(61,276)	93,548	17,000	(183,399)	(134,127)
Reclassification from other provisions	--	214,767	--	--	214,767
Balance at beginning of the year – restated	(61,276)	308,315	17,000	(183,399)	80,640
Currency translation adjustments	(9,154)	--	--	--	(9,154)
Purchase of non-controlling interest	--	--	--	(14,648)	(14,648)
Other reserve movements	--	31,341	--	(24,060)	7,281
Balance at end of year	(70,430)	339,656	17,000	(222,107)	64,119

Reclassification

In previous years, the TIRCL's catastrophe reserve of $214,767 was classified within provisions for other liabilities and charges. This was reclassified into a separate component of equity in other reserves in keeping with the requirements of International Financial Reporting Standard #4 – Insurance Contracts during the year ended 30 September 2018. There was no material impact on the consolidated statement of profit or loss and the consolidated statement of other comprehensive income as a result of this reclassification for the years ended 30 September 2017 and 30 September 2016 respectively.

	As previously reported $	**Reclassification** $	**As restated** $
As at 1 October 2017			
Provisions for other liabilities and charges	300,039	(214,767)	85,272
Other reserves	(150,648)	214,767	64,119
As at 1 October 2016			
Provisions for other liabilities and charges	329,518	(214,767)	114,751
Other reserves	(134,127)	214,767	80,640

(Expressed in Thousands of Trinidad and Tobago Dollars)

20 Other reserves (continued)

20.1 Statutory and General Banking Reserves

These are applicable to Massy Finance GFC Ltd as follows:

- Statutory Reserve – The Financial Institutions Act, 2008 requires a financial institution to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is equal to the paid-up capital of the institution. The reserve amounted to $15,000 (2017: $15,000).

- General Baking Reserve – In keeping with the Financial Institutions (Prudential Criteria) Regulations, 1994, the Company has set aside a reserve out of retained earnings to provide against unforeseen losses on the loan portfolio. The reserve amounted to $3,000 (2017: $2,000).

20.2 Catastrophe Reserve

This comprises reserves arising from two entities:

- Massy United Insurance Ltd – This entity transfers from its retained earnings, as permitted in Section 155 of the Insurance Act, 1996 – 32, 25% of net premium income earned arising from its property business into a reserve established to cover claims made by the Group's policyholders arising from a catastrophic event, which is included as a separate component of equity. The reserve amounted to $134,715 (2017: $124,889).

- The Interregional Reinsurance Company Limited (TIRCL) – Appropriations from Retained Earnings are periodically made to this reserve as determined by the Directors. The reserve is intended to be only available to meet both current and future losses arising under the entity's insurance policies from catastrophic events. The reserve amounted to $245,995 (2017: $214,767).

21 Non-controlling interests

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

	2018 $	2017 $
Material non-controlling interests	192,416	200,485
Individually immaterial non-controlling interests	37,921	40,397
	230,337	240,882

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

The following is a movement analysis of subsidiaries with non-controlling interests that are material to the Group:

	Roberts Manufacturing Co Limited $	Massy Integrated Retail (SLU) Ltd $	Total $
As at September 30, 2018			
Balance at beginning of year	115,747	84,738	200,485
Share of profit for the year	13,160	27,811	40,971
Dividends	(13,467)	(20,400)	(33,867)
Currency translation adjustments	--	340	340
Other movements for the year	(15,351)	(162)	(15,513)
Balance at end of year	100,089	92,327	192,416
As at September 30, 2017			
Balance at beginning of year	114,323	77,125	191,448
Share of profit for the year	14,074	25,590	39,664
Dividends	(13,429)	(19,123)	(32,552)
Currency translation adjustments	--	311	311
Other movements for the year	779	835	1,614
Balance at end of year	115,747	84,738	200,485

(Expressed in Thousands of Trinidad and Tobago Dollars)

21 Non-controlling interests (continued)

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

	Roberts Manufacturing Co Limited $	Massy Integrated Retail (SLU) Ltd $	Total $
As at September 30, 2018			
Summarised balance sheet:			
Current assets	166,609	234,704	401,313
Non-current assets	82,575	153,022	235,597
Current liabilities	(54,305)	(105,772)	(160,077)
Non-current liabilities	(19,604)	(32,743)	(52,347)
Net assets	175,275	249,211	424,486
Summarised statement of comprehensive income:			
Revenue	411,081	1,264,716	1,675,797
Profit for the year	24,883	16,850	41,733
Other comprehensive income	--	--	--
Summarised statement of cash flows:			
Operating activities	11,709	71,103	82,812
Investing activities	(27,207)	(22,035)	(49,242)
Financing activities	(5,954)	(23,835)	(29,789)
Net change in cash flows	(21,452)	25,233	3,781
As at September 30, 2017			
Summarised balance sheet:			
Current assets	196,490	186,811	383,301
Non-current assets	83,293	184,825	268,118
Current liabilities	(57,452)	(102,196)	(159,648)
Non-current liabilities	(16,109)	(37,605)	(53,714)
Net assets	206,222	231,835	438,057
Summarised statement of comprehensive income:			
Revenue	388,808	1,206,221	1,595,029
Profit for the year	25,151	12,485	37,636
Other comprehensive income	--	--	--
Summarised statement of cash flows:			
Operating activities	16,943	75,301	92,244
Investing activities	(11,010)	(9,967)	(20,977)
Financing activities	(26,798)	(25,705)	(52,503)
Net change in cash flows	(20,865)	39,629	18,764

(Expressed in Thousands of Trinidad and Tobago Dollars)

22 Borrowings

	2018 $	2017 $
Secured advances and mortgage loans	404,760	418,876
Unsecured advances	1,889,145	1,808,582
Bank overdrafts	26,511	34,488
Total borrowings	2,320,416	2,261,946
Less short-term borrowings	(452,611)	(356,355)
Medium and long-term borrowings	1,867,805	1,905,591
Short-term borrowings comprise:		
Bank overdrafts	26,511	34,488
Current loan instalments	426,100	321,867
	452,611	356,355

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

Total borrowings include secured liabilities of $374,664 (2017: $358,920).

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

22.1 Net debt reconciliation

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

22.1 **Net debt reconciliation (continued)**

	Cash and cash equivalents, net of overdrafts	Borrowings	Total
	$	$	$
Year ended 30 September 2017			
At beginning of year	2,019,391	(2,217,893)	(198,502)
Proceeds on new borrowings	--	(148,105)	(148,105)
Principal repayments on borrowings	--	417,054	417,054
Effect of exchange rate changes on cash and bank overdrafts	37,425	--	37,425
At end of year	(525,359)	(278,514)	(803,873)
	1,531,457	(2,227,458)	(696,001)

23 Customers' deposits

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

	2018	2017
	$	$
Payable within one year	238,914	246,312
Payable between two and five years	103,232	105,717
	342,146	352,029
Sectorial analysis of deposit balances		
Private sector	65,464	67,607
Consumers	276,682	284,422
	342,146	352,029

Interest expense on customers' deposits of $8,124 (2017: $8,757) is shown within "other direct costs" in Note 26.

(Expressed in Thousands of Trinidad and Tobago Dollars)

24 Trade and other payables

	2018 $	2017 $
Trade creditors	989,447	931,743
Other payables	920,423	985,866
	1,909,870	1,917,609

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

Balance at the beginning of the year	4,106	--
Current service cost	10,675	4,106
Balance at the end of the year	14,781	4,106

25 Liabilities on insurance contracts

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

Outstanding claims	1,183,730	2,363,253
Unearned premiums	468,779	387,092
	1,652,509	2,750,345

Movement in outstanding claims reserve may be analysed as follows:

	Insurance liabilities 2018 $	Reinsurers' share 2018 $	Insurance liabilities 2017 $	Reinsurers' share 2017 $
Beginning of the year	2,363,253	1,960,123	390,587	68,056
Exchange adjustment	7,013	5,820	926	(252)
Claims incurred	74,586	(115,363)	2,207,684	1,962,550
Claims paid	(1,261,122)	(1,018,306)	(235,944)	(70,231)
	1,183,730	832,274	2,363,253	1,960,123

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

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

	Insurance liabilities 2018 $	Reinsurers' share 2018 $	Insurance liabilities 2017 $	Reinsurers' share 2017 $
Beginning of the year	387,092	217,774	366,707	211,122
Exchange adjustment	1,148	647	225	124
Premiums written in the year	921,442	530,413	807,651	469,411
Premiums earned in the year	(840,903)	(465,534)	(787,491)	(462,883)
	468,779	283,300	387,092	217,774

The reinsurers' share of outstanding claims and unearned premium reserves are included in accounts receivable. Claims reserves comprise provisions for claims reported by policyholders and claims incurred but not yet reported and are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the statement of financial position date. Outstanding claims reserves are not discounted for the time value of money.

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

Included in this outstanding claims balance in the prior year, are claims in the amount of $1,977,740 in relation to two hurricanes that occurred in the last month of the year ended September 30, 2017.

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

Claims development table

Gross	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At end of accident year	140,246	159,056	291,785	139,166	151,005	185,908	222,149	296,680	2,227,344	243,529	
One year later	212,679	199,406	351,359	178,168	159,302	153,387	220,387	285,913	2,091,375	--	
Two years later	223,349	246,085	350,734	177,990	153,144	157,994	208,057	272,664	--	--	
Three years later	217,999	244,905	349,540	157,774	153,840	157,723	197,339	--	--	--	
Four years later	216,006	243,359	355,715	159,470	153,864	157,332	--	--	--	--	
Five years later	212,587	244,395	357,739	158,799	151,740	--	--	--	--	--	
Six years later	209,530	245,277	356,895	156,809	--	--	--	--	--	--	
Seven years later	210,207	245,426	356,317	--	--	--	--	--	--	--	
Eight years later	210,171	244,396	--	--	--	--	--	--	--	--	
Nine years later	212,495	--	--	--	--	--	--	--	--	--	
	212,495	244,396	356,317	156,809	151,740	157,332	197,339	272,664	2,091,375	243,529	4,083,996
Cumulative payments to date	269,785	144,839	345,911	137,462	143,427	140,450	173,235	230,012	1,244,352	101,650	2,931,123

(Expressed in Thousands of Trinidad and Tobago Dollars)

25 Liabilities on insurance contracts (continued)

Claims development table (continued)

Gross	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	$	$	$	$	$	$	$	$	$	$	$
Liability recognized	(57,290)	99,557	10,406	19,347	8,313	16,882	24,104	42,652	847,023	141,879	1,152,873
Liability in respect of prior years											30,857
Total liability											1,183,730
Net favourable/ (unfavourable) development	(72,248)	(85,340)	(64,532)	(17,643)	(736)	28,577	24,810	24,015	135,969		

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

Claims development table (continued)

Net Claims	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At end of accident year	137,747	156,351	142,435	103,443	92,030	115,203	170,280	190,548	242,313	205,335	
One year later	198,041	172,636	218,334	112,781	102,804	112,537	161,335	176,249	274,625	--	
Two years later	198,171	218,352	220,488	118,428	96,355	109,998	151,790	168,437	--	--	
Three years later	193,716	217,135	220,010	123,337	96,305	105,405	142,970	--	--	--	
Four years later	191,427	216,221	226,895	125,271	96,890	105,239	--	--	--	--	
Five years later	188,385	217,150	229,026	125,123	95,082	--	--	--	--	--	
Six years later	185,445	218,972	227,566	122,806	--	--	--	--	--	--	
Seven years later	186,512	218,950	227,226	--	--	--	--	--	--	--	
Eight years later	186,464	217,822	--	--	--	--	--	--	--	--	
Nine years later	188,845	--	--	--	--	--	--	--	--	--	
	188,845	217,822	227,226	122,806	95,082	105,239	142,970	168,437	274,625	205,335	1,748,387
Cumulative payments to date	246,380	118,785	131,590	101,197	167,539	90,313	119,208	131,915	219,516	89,427	1,415,870

(Expressed in Thousands of Trinidad and Tobago Dollars)

25 Liabilities on insurance contracts (continued)

Claims development table (continued)

Net Claims	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	Total $
Liability recognized	(57,535)	99,037	95,636	21,609	(72,457)	14,926	23,762	36,522	55,109	115,908	332,517
Liability in respect of prior years											18,939
Total liability											351,456
Net favourable/ (unfavourable) development	(51,098)	(61,471)	(84,791)	(19,363)	(3,052)	9,964	27,310	22,111	(32,312)		

(Expressed in Thousands of Trinidad and Tobago Dollars)

26 Operating profit before finance costs

	2018 $	2017 $
Revenue:		
- Sale of goods	10,318,451	10,053,492
- Rendering of services	1,158,355	1,229,480
- Net interest and other investment income (Note 26.1)	62,298	60,223
- Net premium income and other insurance revenue	465,698	420,474
	12,004,802	11,763,669
Cost of sales and other direct costs:		
- Cost of sales	(7,842,521)	(7,871,935)
- Net claims and other direct insurance expenses	(189,981)	(245,860)
- Other direct costs	(677,640)	(507,826)
	(8,710,142)	(8,625,621)
Gross profit	3,294,660	3,138,048
Administrative expenses	(1,342,228)	(1,344,373)
Other operating expenses	(1,273,278)	(1,221,674)
Other income	190,113	168,902
Operating profit before finance costs	869,267	740,903

26.1 'Net interest and other investment income' is attributable to loans to customers and other financial assets held for investment purposes only. Income from bank balances, short term investments, treasuries and other securities held for cash management purposes is included within interest income (Note 28).

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

	2018	2017
Staff and staff related costs	1,791,627	1,692,069
Depreciation of property, plant and equipment and investment properties	291,639	286,207
Expected credit losses/net impairment expense on financial assets (Note 36.1.2):		
- Trade and other receivables	10,748	18,703
- Corporate and sovereign bonds	13,816	--
- Instalment credit, hire purchase accounts and other financial assets	4,718	3,420
Impairment of goodwill	13,742	36,959
Amortisation of other intangible assets	10,904	4,736
Directors' fees	3,306	3,358
Operating lease rentals	108,278	110,152

(Expressed in Thousands of Trinidad and Tobago Dollars)

27 Staff costs

	2018 $	2017 $
Staff costs included in cost of sales, selling, general and administrative expenses are as follows:		
Wages and salaries and termination benefits	1,486,694	1,368,248
Share based compensation	2,909	7,346
Pension costs	51,500	47,075
	1,541,103	1,422,669
Average number of persons employed by the Group during the year:		
Full time	10,399	10,090
Part time	1,852	1,490
	12,251	11,580

28 Finance costs – net

	2018 $	2017 $
Interest expense (Note 26.1)	121,178	109,057
Interest income (Note 26.1)	(47,122)	(53,453)
Finance costs – net	74,056	55,604

28.1 Borrowing costs of $322 (2017: $0) was capitalised during the year using a capitalisation rate of 5.12%.

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

29 Income tax expense

	2018 $	2017 $
Current tax	275,983	247,323
Deferred tax	6,473	1,301
Business levy/green fund levy/withholding taxes	26,133	25,841
	308,589	274,465

The Group's effective tax rate of 35% (2017 – 36%) differs from the statutory Trinidad and Tobago tax rate of 30% as follows:

	2018 $	2017 $
Profit before income tax	874,064	754,292
Tax calculated at a tax rate of 30%	262,219	226,288
Effect of different tax rates in other countries	24,814	10,581
Expenses not deductible for tax purposes	43,760	88,841
Income not subject to tax	(54,583)	(78,791)
Business levy/green fund levy/withholding taxes	26,133	25,841
Adjustments to prior year tax provisions	6,246	1,705
Tax charge	308,589	274,465

The income tax expense is attributable to:

	2018 $	2017 $
Trinidad and Tobago subsidiaries	189,039	173,342
Overseas subsidiaries	93,820	77,202
Associated companies	25,730	23,921
	308,589	274,465

30 Earnings per share

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

	2018	2017
Profit attributable to shareholders:		
- from continuing operations	519,753	435,555
- from discontinued operations	--	(59,327)
	519,753	376,228
Weighted average number of ordinary shares in issue (thousands)	97,743	97,743
Basic earnings per share		
- from continuing operations	5.32	4.46
- from discontinued operations	--	(0.61)
	5.32	3.85

(Expressed in Thousands of Trinidad and Tobago Dollars)

31 Contingencies

Subsidiaries

At September 30, 2018 the Group had contingent liabilities in respect of bonds, guarantees and other matters arising in the ordinary course of business amounting to $820,106 (2017: $813,295).

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

Associates and joint ventures

Massy Holdings Ltd. entered into guarantees with Mitsubishi Heavy Industries Ltd (MHI) under which it guaranteed payment of 10% of Caribbean Gas Chemical Limited's payment obligations to MHI under the contracts for the engineering procurement and construction of the methanol and DME plants and 12.5% of the base equity commitment. MHL's maximum liability under guarantees is $646,418.

32 Commitments

Capital commitments

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

	2018 $	2017 $
Property, plant and equipment	22,862	75,075

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

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

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

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

No later than 1 year	63,371	61,529
Later than 1 year and no later than 5 years	159,315	172,310
Later than 5 years	277,495	297,546
	500,181	531,385

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

Less than one year	41,022	34,828
One year to five years	40,075	27,968
	81,097	62,796

(Expressed in Thousands of Trinidad and Tobago Dollars)

33 Discontinued operations

Massy Communications Ltd. a 75% owned subsidiary, was sold to the Telecommunications Services Company of Trinidad and Tobago effective July 31, 2017 with final sales proceeds to Massy being $196,330.

	2017
	$
Loss for the year from discontinued operations	(67,986)
Loss attributable to non-controlling interests	8,659
Loss attributable to owners of the parent	(59,327)

(ii) Analysis of the results:	**Massy Communications Ltd. 2017**
	$
Revenue	35,812
Operating loss before finance costs	(40,998)
Impairment provision	(26,692)
Finance costs - net	(13,677)
Share of results of associated company	--
Loss before tax of discontinued operations	(81,367)
Tax	13,381
Loss for the year of discontinued operations	(67,986)
Loss attributable to non-controlling interests	8,659
Loss attributable to equity shareholders	(59,327)

(iii) Cashflow Impact:	**Massy Communications Ltd. 2017**
	$
Operating cash flows	(682)
Investing cash flows	161,227
Financing cash flows	--
Total cash flows	160,445

(Expressed in Thousands of Trinidad and Tobago Dollars)

34 Related party transactions

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

The following transactions were carried out with related parties:

		2018 $	2017 $
a.	Sales of goods		
	Associates	32,727	33,091
	Goods are sold on the basis of the price lists in force with non-related parties.		
b.	Purchases of goods		
	Associates	6,616	3,086
	Goods purchased from entities controlled by non-executives directors	137,249	137,468
	Goods are bought on the basis of the price lists in force with non-related parties.		
c.	Key management compensation		
	Salaries and other short-term employee benefits	104,771	93,327
	Post-employment benefits	6,810	6,066
	Share-based compensation	2,909	7,346
		114,490	106,739
d.	Year-end balances arising from sales/purchases of goods/services		
	Receivables from related parties: Associates	15,523	3,647
	Payables to related parties: Associates	3,611	1,410

(Expressed in Thousands of Trinidad and Tobago Dollars)

34 **Related party transactions (continued)**

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

	2018 $	2017 $
e. Loans to associates		
Beginning of year	14,433	17,338
Loans advanced during the year	2,159	--
Loans repayments received	(8,220)	(2,856)
Interest charged	291	565
Interest received	(285)	(614)
End of the year	8,378	14,433
f. Loans from associates		
Beginning of year	--	2,411
Other movements	--	(2,411)
End of the year	--	--
g. Total loans to other related parties		
Beginning of year	144	144
Loans advanced during year	4,329	6,533
Loan repayments received	(3,436)	(6,533)
Interest charged	503	--
Interest received	(503)	--
End of the year	1,037	144
h. Customer deposits to related parties	7,445	9,570

35 **Business combinations**

On February 1, 2017 the Group acquired 100% of the issued share capital of the Automontaña Group. The acquisition has increased the Group's market share in the Automotive Industry in Colombia.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date:

Purchase consideration	2017 $
Cash paid	103,610
Total purchase consideration	103,610

(Expressed in Thousands of Trinidad and Tobago Dollars)

35 **Business combinations (continued)**

The assets and liabilities recognized as a result of the acquisition are as follows:

	2017 $ Fair Value
Cash and short term investments	25,515
Trade receivables	11,228
Inventories	96,985
Tax receivable	6,618
Other assets	384
Fixed assets	19,261
Other non-current assets	10,756
Current portion-medium and long term borrowings	(92,012)
Trade payable	(31,014)
Tax payable	(8,322)
Other liabilities	(15,156)
Total identifiable net assets acquired	24,243
Goodwill	79,367
	103,610

35 Business combinations (continued)

Purchase consideration-cash outflow

	2017 $
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	103,610
Less: balances acquired	
Cash	25,515
Net outflow of cash-investing activities	78,095

Acquisition-related costs

Acquisition-related costs of $2,045 that were not directly attributable to the issue of shares are included in other expenses in the income statement and in operating cash flows in the statement of cash flows.

36 Financial risk management

36.1 Financial risk factors

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

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

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

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

36.1.1 *Market risk*

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 **Financial risk management (continued)**

36.1 **Financial risk factors (continued)**

36.1.1 **Market risk (continued)**

(a) *Currency risk*

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

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

As at September 30, 2018

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

As at September 30, 2017

Currency	Net Currency Exposure	Sensitivity	Change/ Impact
	$		$
USD	568,431	2%	11,369
BBD	(341,777)	2%	(6,836)
PESO	19,167	1%	191
GYD	154,275	3%	4,628
JCD	69,043	5%	3,453
OTHER	54,238	2%	1,085
TOTAL	523,377		13,890

36 Financial risk management (continued)

36.1 Financial risk factors (continued)

36.1.1 Market risk (continued)

(b) Interest rate risk

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

At the end of 2018, interest rates were fixed on approximately 93% of the borrowings (2017: 93%). The impact on the consolidated income statement to a 50 basis points change in floating interest rates is $850 in 2018 (2017: $713).

(c) Price risk

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

36.1.2 Credit risk

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

The Group has no significant concentrations of credit risk and trades mainly with recognised, creditworthy third parties. It is the Group's policy that all customers trading on credit terms are subject to credit verification procedures. These procedures are elements of a structured credit control system and include an analysis of each customer's creditworthiness and the establishment of limits before credit terms are set. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 **Financial risk management (continued)**

36.1 **Financial risk factors (continued)**

36.1.2 **Credit risk (continued)**

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

	2018 $	2017 $
Cash and cash equivalents	1,626,132	1,565,945
Trade and other receivables	2,964,230	4,053,669
Other financial assets at amortised cost:		
- Bonds	842,489	--
- Instalment credit and other accounts	406,289	447,495
- Hire purchase receivables	45,413	39,705
- Mortgages	4,851	--
Other financial assets at fair value through profit or loss:		
- Bonds and treasury bills	469,613	31,319
Other financial assets available-for-sale:		
- Bonds and treasury bills	--	176,042
Other financial assets held to maturity	--	840,405
Loans and receivables	--	416,613
Total	6,359,017	7,571,193

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

The Group uses three approaches in arriving at expected losses

- The simplified approach (for trade receivables and work in progress)
- The general approach (for all other financial assets)
- A practical expedient for financial assets with low credit risk

The simplified approach

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for Trade Receivables and Work in Progress. The unbilled work in progress has substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. Accordingly, a lifetime expected loss allowance is used from day 1. To measure the lifetime loss allowance, the Group first considers whether any individual customer accounts require specific provisions. Loss rates are then assigned to these accounts based on an internal risk rating system considering various qualitative and quantitative factors. All other non-specific trade receivables and work in progress are then grouped based on shared credit risk characteristics and the days past due.

36 **Financial risk management (continued)**

36.1 **Financial risk factors (continued)**

36.1.2 **Credit risk (continued)**

The simplified approach (continued)

The expected loss rates for non-specific accounts are based on the payment profiles of sales over a period of 12 months starting 1 October 2016 and ending on 30 September 2017 and the corresponding historical credit losses experienced within this period.

The general approach

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

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

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

Regardless of the analysis above, a significant increase in credit risk is presumed

- if a debtor is more than 30 days past due in making a contractual payment.
- If the bond issuer’s credit rating has been downgraded from investment grade to non-investment grade.

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

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

Practical expedient for financial assets with low credit risk

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

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

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

36 Financial risk management (continued)

36.1 Financial risk factors (continued)

36.1.2 Credit risk (continued)

Incorporation of forward-looking information

Historical loss rates for trade receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified indicators such as trends in days sales outstanding, concentration risk and macroeconomic fundamentals of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

For other financial assets, the Group employs various probability weighted scenarios, transition matrices and regression curves to predict future behaviour. In developing the various models, the Group considers both internal data and external macroeconomic data.

Assets written off

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

Collateral and other credit enhancements

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

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

- *Corporate debt securities and investment funds:* These are generally secured by fixed or floating charges on the assets of the issuer or in the case of investment funds, portfolios of financial instruments purchased and managed on behalf of the Group.

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 **Financial risk management (continued)**

36.1 **Financial risk factors (continued)**

36.1.2 **Credit risk (continued)**

Summary of ECL calculations

a) The simplified approach (trade receivables and work-in-progress)

A summary of the assumptions underpinning the company's expected credit loss model under the simplified approach is further analysed below showing:

- Specific provisions using the Group's internal grading system
- General provisions using a standardised provision matrix

Trade receivables assessed for specific provisions are identified based on certain default triggers (e.g. customers with a significant portion of their invoices > 90 days, customers with significant cash flow issues, business model issues and other relevant factors). Once the population for specific provisions is identified, it is segregated from the rest of the portfolio and an ECL is calculated based on an individual rating assignment. Each customer is assigned a specific Loss Given Default (LGD) rate ranging from 20% to 100% depending on the aging and the risk rating of the customer.

A provision matrix is then applied to all remaining accounts on a portfolio basis. Customer balances covered by specific provisions are excluded from the portfolio provision calculations to avoid double counting.

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

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 **Financial risk management (continued)**

36.1 **Financial risk factors (continued)**

36.1.2 **Credit risk (continued)**

a) The simplified approach (trade receivables and work-in-progress) (continued)

The movement in the provision for expected credit losses for trade receivables and work-in-progress accounts is as follows:

	2018	**2017**
	$	**$**
Balance at beginning of the year as reported under IAS 39	98,308	86,411
Amounts restated through opening retained earnings (Note 2.1.1)	70,643	--
Opening ECL under IFRS 9	168,951	86,411
Increase in loss allowance recognised in profit or loss	10,748	34,864
Amounts written off in the current year	(2,106)	(17,920)
Other adjustments	--	(5,047)
Balance at end of the year	177,593	98,308

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

Net changes to provisions for the year per above	10,748	34,864
Other adjustments	--	(16,161)
Net expense for the year (Note 26.2)	10,748	18,703

36 **Financial risk management (continued)**

36.1 **Financial risk factors (continued)**

36.1.2 **Credit risk (continued)**

b) The general approach

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

Category	**Definition**	**Basis for recognition of expected credit loss provision**
Performing (Stage 1)	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming (Stage 2)	Financial assets for which there is a significant increase in credit risk since origination	Lifetime expected losses
Non-performing (Stage 3)	The financial asset is in default.	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery.	Asset is written off

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

36.1 **Financial risk factors (continued)**

36.1.2 **Credit risk (continued)**

b) The general approach (continued)

Corporate and sovereign bonds

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

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

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

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

	Total $
Net changes to provisions for the year per above	11,573
Other adjustments	2,243
Net expense for the year (Note 26.2)	13,816

36 Financial risk management (continued)

36.1 **Financial risk factors (continued)**

36.1.2 **Credit risk (continued)**

b) The general approach (continued)

Corporate and sovereign bonds (continued)

Government of Barbados exposure:

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

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 **Financial risk management (continued)**

36.1 **Financial risk factors (continued)**

36.1.2 **Credit risk (continued)**

b) The general approach (continued)

Instalment credit, hire purchase accounts and other financial assets

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

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

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

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

Net expense for the year (Note 26.2)	4,718

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 Financial risk management (continued)

36.1 Financial risk factors (continued)

36.1.3 Liquidity risk

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

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

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

Maturity analysis of financial liabilities

	Less than 1 year $	1 - 5 years $	More than 5 years $	Contractual cash flows $	Carrying amount $
2018					
Financial liabilities					
Bank Overdraft	26,511	--	--	26,511	26,511
Other borrowings	529,260	788,456	469,660	1,787,376	2,293,905
Customers' deposits	239,855	110,825	--	350,680	342,146
Trade payables	989,447	--	--	989,447	989,447
Liabilities on insurance contracts	1,652,509	--	--	1,652,509	1,652,509
Total	3,437,582	899,281	469,660	4,806,523	5,304,518
2017					
Financial liabilities					
Bank overdraft	34,488	--	--	34,488	34,488
Other borrowings	430,960	1,170,000	1,141,829	2,742,789	2,227,458
Customers' deposits	249,280	110,605	--	359,885	352,029
Trade payables	931,743	--	--	931,743	931,743
Liabilities on insurance contracts	2,750,345	--	--	2,750,345	2,750,345
Total	4,396,816	1,280,605	1,141,829	6,819,250	6,296,063

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 Financial risk management (continued)

36.2 Capital risk management

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

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

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

	2018 $	2017 $
Total borrowings (Note 22)	2,320,416	2,261,946
Less: Cash and cash equivalents (Note 17)	(1,626,132)	(1,565,945)
Net debt	694,284	696,001
Total equity (restated)	5,615,158	5,378,014
Total capital	6,309,442	6,074,015
Gearing ratio	11%	12%

36.2.1 Regulatory capital held by subsidiaries

a) *Massy United Insurance Ltd.*

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

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

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

b) *Massy Finance GFC Ltd*

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

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

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 **Financial risk management (continued)**

36.2 **Capital risk management (continued)**

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

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

	Massy Finance GFC Limited		Massy United Insurance Ltd.	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Total equity	121,185	111,046	372,452	378,572

36.3.1 **Fair value hierarchy**

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

Level 1

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

Level 2

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

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

Level 3

Inputs that are unobservable for the asset or liability for which there are no active markets to determine a price. These financial instruments are held at cost being the fair value of the consideration paid for the acquisition of the investments, and are regularly assessed for impairment.

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 **Financial risk management (continued)**

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

36.3.1 **Fair value hierarchy (continued)**

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

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

The following table presents the Group's assets that are measured at fair value at September 30, 2017:

Assets	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Financial assets				
- Trading securities	135,960	70,995	354	207,309
- Debt securities	573,405	--	--	573,405
Available-for-sale financial assets				
- Equity securities	13,261	--	155,773	169,034
- Debt securities	1,348	--	5,660	7,008
	723,974	70,995	161,787	956,756

(Expressed in Thousands of Trinidad and Tobago Dollars)

36 Financial risk management (continued)

36.3 Fair value of financial assets and liabilities (continued)

36.3.1 Fair value hierarchy (continued)

The movement in level 3 financial assets is as follows:

	2018 $	2017 $
Balance at beginning of year	161,787	195,452
Additions for the year	10,555	--
Disposals for the year	--	(33,665)
Exchange adjustments on retranslation of overseas operations	(383)	--
	171,959	161,787

36.3.2 Fair value of financial instruments carried at amortised cost

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

	Carrying amount		Fair value	
	2018 $	2017 $	2018 $	2017 $
Financial assets				
Financial assets at amortised cost				
- Bonds	842,489	681,735	834,148	682,264
- Instalment credit and other accounts	406,289	447,495	412,733	455,638
- Hire purchase receivables	45,413	39,705	45,413	45,351
- Mortgages	4,851	6,255	4,851	6,255
	1,299,042	1,175,190	1,297,145	1,189,508
Financial liabilities				
Bank overdraft	26,511	34,488	50,640	59,752
Other borrowings	2,293,905	2,227,458	2,293,725	2,226,973
Customers’ deposits	342,146	352,029	343,327	353,201
	2,662,562	2,613,975	2,687,692	2,639,926

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

37 Management of insurance risk

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

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

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

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

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

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

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

	2018			2017		
	General liabilities	**Reinsurers' share of liabilities**	**Net liabilities**	**General liabilities**	**Reinsurers' share of liabilities**	**Net liabilities**
	$	**$**	**$**	**$**	**$**	**$**
Fire	1,027,880	(939,905)	87,975	1,806,673	(1,737,356)	69,317
Motor	319,913	(32,214)	287,699	196,894	10,107	207,001
Employers liability	--	--	--	62,938	--	62,938
Engineering	96,937	(77,231)	19,706	185,852	(179,031)	6,821
Other accident	171,472	(39,588)	131,884	60,510	(8,864)	51,646
Marine	33,387	(25,028)	8,359	50,385	(44,977)	5,408
	1,649,589	(1,113,966)	535,623	2,363,252	(1,960,121)	403,131

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

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

	2018			2017		
	General liabilities	Reinsurers' share of liabilities	Net liabilities	General liabilities	Reinsurers' share of liabilities	Net liabilities
	$	$	$	$	$	$
Barbados	270,397	(111,291)	159,106	179,843	(3,338)	176,505
St. Lucia	30,720	(14,745)	15,975	13,860	(6,389)	7,471
Antigua	64,729	(31,166)	33,563	57,754	(45,437)	12,317
St. Vincent	21,807	(10,001)	11,806	7,017	(426)	6,591
Trinidad	189,741	(77,385)	112,356	80,348	(17,755)	62,593
Other Caribbean	1,061,132	(869,378)	191,754	2,013,400	(1,886,776)	126,624
Asia and Europe	11,063	--	11,063	11,030	--	11,030
	1,649,589	(1,113,966)	535,623	2,363,252	(1,960,121)	403,131

Sensitivities

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

	Change in assumptions	Impact on gross liabilities	Impact on reinsurers' share	Impact on income before tax	Impact on equity
		$	$	$	$
As at September 30, 2018					
Average claim cost	10%	164,959	(111,396)	53,563	40,171
As at September 30, 2017					
Average claim cost	10%	236,325	(196,012)	40,313	30,235