Devonshire Industries Limited

Annual Report and
Consolidated Financial Statements
March 31, 2019

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Devonshire Industries Limited

March 31, 2019

Summary of financial information

	Year ended March 31				
	2019	**2018**	**2017**	**2016**	**2015**
	$	**$**	**$**	**$**	**$**
Assets	2,643,161	2,473,489	2,769,817	2,810,180	3,075,365
Liabilities	171,732	125,252	168,133	169,765	396,304
Shareholders’ equity	2,471,429	2,348,237	2,601,684	2,640,415	2,679,061
Net income	123,192	121,722	181,957	182,042	317,717

Directors’ share interests and service contracts

Pursuant to Regulation 6.8(3) of Section 11B of the Bermuda Stock Exchange Listing Regulations, the total interests of all the directors and officers of the Company in the shares of the Company at March 31, 2019 were 24,971 (2018 - 24,971) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer. There are no service contracts with directors.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Devonshire Industries Limited

We have audited the accompanying consolidated financial statements of Devonshire Industries Limited (the "Company") and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiary as at March 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
September 12, 2019

Devonshire Industries Limited

Consolidated Statement of Financial Position

As at March 31, 2019

	2019 $	2018 $
Assets		
Cash and cash equivalents (note 8)	740,129	664,825
Trade and other receivables (notes 9 and 14)	159,297	166,167
Inventories (note 10)	1,050,455	934,486
Prepaid expenses	146,651	140,193
Current assets	2,096,532	1,905,671
Property, plant and equipment (note 11)	519,847	566,317
Intangible assets (note 12)	25,281	–
Other non-current assets	1,501	1,501
Non-current assets	546,629	567,818
Total assets	2,643,161	2,473,489
Liabilities		
Trade and other payables (notes 6 and 13)	171,732	125,252
Current liabilities	171,732	125,252
Equity		
Share capital (note 15)	220,688	220,688
Share premium	145,544	145,544
Retained earnings	2,105,197	1,982,005
Total equity	2,471,429	2,348,237
Total liabilities and equity	2,643,161	2,473,489

Approved by the Board of Directors

______________________ Director   ______________________ Director

The accompanying notes on pages 7 to 25 are an integral part of these consolidated financial statements.

Devonshire Industries Limited

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2019

	2019 $	2018 $
Net revenues	3,053,637	2,931,781
Cost of sales (notes 10, 17 and 20)	1,929,052	1,888,497
Gross profit	1,124,585	1,043,284
Administrative expenses (note 19)	578,952	566,397
Selling expenses (note 18)	241,848	256,963
Marketing expenses	82,403	105,706
Impairment loss/(recovery) on trade receivables (note 9)	72,877	(32,950)
Other expenses (note 21)	36,515	41,258
Operating expenses	1,012,595	937,374
Net income before undernoted items	111,990	105,910
Other income	17,230	21,110
Net foreign exchange losses	(6,028)	(5,298)
Net income for the year	123,192	121,722
Total comprehensive income	123,192	121,722
Basic and diluted earnings per share (note 16)	0.28	0.28

All amounts included in the consolidated statement of comprehensive income relate to continuing operations.

The accompanying notes on pages 7 to 25 are an integral part of these consolidated financial statements.

Devonshire Industries Limited
Consolidated Statement of Changes in Equity
For the year ended March 31, 2019

	Attributable to the owners of the Company			
	Share capital $	**Share premium $**	**Retained earnings $**	**Total $**
Balance, April 1, 2017	220,688	145,544	2,235,452	2,601,684
Total comprehensive income for the year	–	–	121,722	121,722
Dividends (note 15)	–	–	(375,169)	(375,169)
Balance, March 31, 2018	220,688	145,544	1,982,005	2,348,237
Total comprehensive income for the year	–	–	123,192	123,192
Dividends (note 15)	–	–	–	–
Balance, March 31, 2019	220,688	145,544	2,105,197	2,471,429

The accompanying notes on pages 7 to 25 are an integral part of these consolidated financial statements.

Devonshire Industries Limited
Consolidated Statement of Cash Flows
For the year ended March 31, 2019

	2019 $	2018 $
Cash flows from operating activities		
Net income for the year	123,192	121,722
Adjustments for:		
Depreciation and amortization	88,860	98,929
Changes in items of working capital:		
Trade and other receivables	6,870	107,200
Inventories	(115,969)	99,580
Prepaid expenses	(6,458)	(1,782)
Trade and other payables	46,480	(42,881)
Net cash from operating activities	142,975	382,768
Cash flows from investing activities		
Purchase of property, plant and equipment	(39,421)	(22,620)
Purchase of intangible assets	(28,250)	–
Cash used in investing activities	(67,671)	(22,620)
Cash flows from financing activities		
Dividends paid	–	(375,169)
Cash used in financing activities	–	(375,169)
Increase (decrease) in cash and cash equivalents	75,304	(15,021)
Cash and cash equivalents - beginning of year	664,825	679,846
Cash and cash equivalents - end of year	740,129	664,825

The accompanying notes on pages 7 to 25 are an integral part of these consolidated financial statements.

1. General information

Devonshire Industries Limited (the "Company") and its wholly-owned subsidiary, Bermuda Paint Company Limited, are incorporated in Bermuda under the laws of Bermuda. The Company is primarily engaged in the management of Bermuda Paint Company Limited, which is primarily engaged in the manufacture and sale of paint and related products.

The Company is listed on the Bermuda Stock Exchange and there is no ultimate controlling party. The address of its registered office is No. 9 Watlington Road, Devonshire DV06, Bermuda and its postal address is P.O. Box DV30, Devonshire DVBX, Bermuda.

2. Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on the historical cost basis.

These consolidated financial statements were approved by the Board of Directors for issue on September 12, 2019.

3. Newly adopted standards

The Company has initially applied IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from April 1, 2018. New standards that are also effective from April 1, 2018 but do not have a material effect on the Company's financial statements have not been disclosed.

Due to transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time– requires judgement.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application on April 1, 2018. Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

There was no impact on the Company's consolidated statement of financial position and related consolidated statements of comprehensive income and cash flows upon transition at April 1, 2018.

The Company's main revenue stream that constitutes contracts with customers is the "sale of paint and related products" which has had no significant impact from the adoption of IFRS 15.

Under IAS 18, revenue from sale of paints and related products was recognized when ownership of the goods was passed to the customer at the point of sale or upon delivery of goods. Under IFRS 15, the same treatment is maintained.

3. Newly adopted standards (continued)

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 ‘Presentation of Financial Statements’, which require impairment of financial assets to be presented in a separate line item in the consolidated statement of comprehensive income. Previously, the Company’s approach was to include the impairment of trade receivables in ‘Other expenses’. Consequently, the Company reclassified an impairment recovery amounting to $32,950, recognised under IAS 39, from ‘Other expenses’ to ‘Impairment loss/(recovery) on trade receivables’ in the statement of comprehensive income for the year ended 31 March 2018.

Additionally, the Company has adopted consequential amendments to IFRS 7 ‘Financial Instruments: Disclosures’ that are applied to disclosures in the current year but have not been generally applied to comparative information.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company’s accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets and financial liabilities as at April 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	664,825	664,825
Trade and other receivables	Loans and receivables	Amortised cost	166,167	166,167
Total financial assets			**830,992**	**830,992**

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Trade and other payables	Other financial liabilities	Other financial liabilities	73,256	73,256
Total financial liabilities			**73,256**	**73,256**

3. Newly adopted standards (continued)

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses may be recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9 impairment requirements at April 1, 2018 results in no additional allowance for impairment.

4. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation
The consolidated financial statements include the financial statements of Devonshire Industries Limited and its wholly-owned subsidiary, Bermuda Paint Company Limited.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

(b) Segment reporting
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reported to the Company’s chief operating decision makers, which comprise the General Manager and members of the Board of Directors, to make decisions about resources to be allocated to the segment and assess its performance. The Company has determined that it has only one operating segment.

(c) Foreign currency
The consolidated financial statements of the Company are presented in Bermuda dollars, the functional currency of the Company. All values are rounded to the nearest dollar.

Transactions in foreign currencies are initially recorded by the Company in Bermuda dollars using the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rates prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income.

(d) Cash and cash equivalents
Cash represents cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of placement, and that are subject to an insignificant risk of changes in value.

4. Summary of significant accounting policies (continued)

(e) Financial instruments

The Company's financial assets comprise of trade and other receivables and cash and cash equivalents. The Company's financial liabilities include trade payables, dividends payable and amounts payable to related parties.

(i) Recognition and initial measurement

Trade receivables and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. Trade and other receivables are initially measured at the transaction price which reflect fair value. All other financial assets and liabilities are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Management determines the classification of its financial instruments at the time of initial recognition. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and if its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The information considered includes the stated policies and objectives for the portfolio, how the performance of the portfolio is evaluated and reported to the Company's management and the risks that affect the performance of the business model and how those risks are managed. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument including assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The following summarises the classification the Company applies to each significant categories of financial instruments:

Category	**Classification**
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Trade and other payables	Other financial liabilities

Financial assets and financial liabilities are subsequently accounted for based on their classification as described below.

Financial assets measured at amortised cost

The Company's financial assets classified as amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses.

Other financial liabilities

The Company classifies its other financial liabilities as amortised cost and these are subsequently measured at amortised cost using the effective interest method.

4. Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting
Financial assets and other financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Impairment of financial assets
The Company recognises a loss allowance for expected credit losses (ECLs) for all financial assets measured at amortised cost. The Company measures the loss allowance at an amount equal to 12-month ECLs for bank balances for which credit risk has not increased significantly since initial recognition. Loss allowances for trade and other receivables are measured at an amount equal to lifetime ECLs.

In estimating ECLs for trade and other receivables, the Company does not track changes in credit risk but recognises a loss allowance based on lifetime ECLs at each reporting date. The Company established an allowance matrix that is based on its historical credit loss experience, adjusted for forward-looking information.

The Company considers a trade and other receivables balance to be in default when contractual payments are 120 days past due. However, in certain cases, the Company may consider individual receivables to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before 120 days. The asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment losses are recognised in the consolidated statement of comprehensive income and reflected in an allowance account against trade and other receivables. If in subsequent periods, an event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the consolidated statement of comprehensive income.

(f) Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that its property, plant and equipment and intangible assets may be impaired. When an indicator of impairment exists or when annual impairment testing for an asset is required, the Company makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which the asset belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

4. Summary of significant accounting policies (continued)

Impairment losses from continuing operations are recognized under other gains and losses in the consolidated statement of comprehensive income. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value ("NRV").

NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined based on the first-in first-out method for finished goods, trading goods and raw materials. Finished goods include direct materials and labour and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

When inventories are sold, the carrying amounts of those inventories are recognized under cost of sales in the consolidated statement of comprehensive income in the period when the related revenue is recognized.

The amount of any write-down of inventories to NRV is recognized in cost of sales in the consolidated statement of comprehensive income in the period the write-down or loss was incurred. The amount of any reversal of any write-down of inventories, arising from an increase in the NRV, is recognized as a reduction to cost of sales in the period where the reversal occurred.

(h) Property, plant and equipment

Property, plant and equipment, except land which is stated at cost less any impairment in value, are measured at cost less accumulated depreciation and impairment losses, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Depreciation of property, plant and equipment commences once the assets are available for use, and is computed using the straight-line method over the estimated useful life of the assets, regardless of utilization.

Property, plant and equipment are depreciated as follows:

Buildings (straight-line method)	4%
Improvements (straight-line method)	4 - 10%
Factory and office equipment (straight-line/diminishing balance method)	15%
Motor vehicles (straight-line method)	20%
Computers (straight-line method)	25%

4. Summary of significant accounting policies (continued)

(h) Property, plant and equipment (continued)

The assets' residual values, useful lives and methods of depreciation are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation on these major spare parts and stand-by equipment commences once these have become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the Company).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income, in the year the item is derecognized.

(i) Intangible assets
Intangible assets (color system, distribution rights and computer software) acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses, if any.

The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized under cost of sales, selling and administrative expenses in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

Costs incurred to acquire computer software (not an integral part of its related hardware) and bring it to its intended use are capitalized as intangible assets. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Company are also recognized as intangible assets. In particular, costs that are directly attributable to the development phase are recognized as intangible assets provided they meet the following recognition requirements:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Company intends to complete the intangible asset and use or sell it;
- The Company has the ability to use or sell the intangible assets;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

4. Summary of significant accounting policies (continued)

(i) Intangible assets (continued)

Development costs not meeting above criteria for capitalization are expensed as incurred. The capitalization of development costs is initiated when all the criteria mentioned are met. Directly attributable costs include employee costs incurred in the development, along with an appropriate portion of relevant overheads. The assets are subject to impairment testing on an annual basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the consolidated statement of comprehensive income when the asset is derecognized.

(j) Share capital

Share capital is classified as equity and is recorded at par value. Proceeds in excess of par value are recorded as share premium in the consolidated statement of financial position. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(k) Revenue

The Company has initially applied IFRS 15 'Revenue from Contracts with Customers' from April 1, 2018. The effect of initially applying IFRS 15 is described in Note 3(a).

The Company generates revenue from the sale of paint and related products.

Performance obligations and revenue recognition policies

The Company recognizes revenue when it transfers control over goods to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant terms, and the related revenue recognition policies.

Revenue stream	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from April 1, 2018)	Revenue recognition under IAS 18 (applicable before April 1, 2018)
Sale of paint and related products	Sale of paint and related products are based on customer purchases at point of sale or upon delivery of goods. The performance obligation is the transfer of goods to the customer. Payment for account sales is due at the end of the following month after purchase.	Revenue is recognised at a point in time when the performance obligation is satisfied.	Revenue is recognised at a point in time when the performance obligation is satisfied.

4. Summary of significant accounting policies (continued)

(l) Other income
Gains from sale of property, plant and equipment and intangibles are recognized upon completion of the sales process and the collectability of the sales price is reasonably assured.

(m) Provisions
Provisions are recognised when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in the consolidated statement of comprehensive income. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is probable.

(n) Contingencies
Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

(o) Pension costs
The Company has an administered defined contribution pension plan for its employees. Pension benefits are determined as a function of accumulated contributions made by both the Company and the employees and the investment returns earned by the invested contributions. The Company's contributions are charged against income in the year the employees provided the service. The net defined contribution plan expenses for the Company for the year ended March 31, 2019 were $17,832 (2018 - $13,766).

(p) Earnings per share ("EPS")
Basic EPS is computed by dividing net income attributable to the ordinary equity holders by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(q) Dividends on common shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the Board of Directors of the Company in the case of cash dividends, and the Board of Directors and shareholders in the case of stock dividends.

4. Summary of significant accounting policies (continued)

(r) Subsequent events

Any post year-end event up to the date of approval by the Board of Directors of the consolidated financial statements that provides additional information about the Company's position at the reporting date, in which such event is deemed an adjusting event, is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

(s) Accounting standards and amendments issued but not yet effective and not adopted by anticipation

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after April 1, 2019 or later periods and are expected to be relevant to the Company. The Company does not plan to adopt these standards early.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluation the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Company has completed an initial assessment of the potential impact on its consolidated financial statements. Based on this assessment the Company does not expect the application of IFRS 16 to have any impact on the consolidated financial statements.

5. Significant accounting estimates and judgements

The preparation of the Company's consolidated financial statements requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge, and their predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Revisions to accounting estimates are recognized in the year of the revision and future years, where applicable. The areas where significant estimates and judgments have been applied by management are described in the following notes:

- Note 4 (e) (v) – impairment of financial assets
- Note 4 (f) – impairment of non-financial assets
- Note 9 – allowance for impairment of trade and other receivables
- Note 11 – useful lives of property, plant and equipment
- Note 12 – useful lives of intangible assets

6. Financial risk management objectives and policies

The Company's financial instruments comprises cash and cash equivalents, trade and other receivables and trade and other payables. The Company has exposure to credit risk, liquidity risk and market risk from the use of financial instruments. The Board of Directors ("BOD") of the Company review and approve the policies for managing risks which are summarized below, together with the related risk management structure.

Risk management structure
The BOD of the Company is ultimately responsible for the oversight of the Company's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks. The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

The Company's BOD has created the board-level Audit Committee ("AC") to spearhead the managing and monitoring of risks. The AC assists the Company's BOD in its fiduciary responsibility for the overall effectiveness of risk management systems of the Company. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

(a) financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
(b) risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management; and
(c) the Company's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Day-to-day risk management function
At the business or company level, the day-to-day risk management functions are handled by the Finance Committee and senior management who initiate and are directly accountable for all risks taken.

Risk management
The following analysis provides a measure of the Company's risk exposure and concentrations as at March 31, 2019.

(a) Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises primarily from cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents are held with a Bermuda-based financial institution which has minimal risk of credit default and is rated by Standard & Poor's with credit rating of BBB+ at March 31, 2019 in the opinion of management.

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company consider that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties.

6. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's receivable balances are primarily with various Bermuda-based commercial and residential customers, and are subject to credit risks in the normal course of business.

The maximum exposure to credit risks at the reporting date is the carrying value of trade and other receivables on the consolidated statement of financial position.

To mitigate the credit exposure, Management has established a credit policy under which each customer is analysed for creditworthiness prior to being offered credit. Management also has procedures in place to restrict credit transactions if the customers have not cleared outstanding debts within the credit period.

Credit risk is monitored according to each customer's characteristics, such as whether it is an individual or company, industry, aging profile and previous financial difficulties.

See note 4 (e) (v) for the policy on expected credit loss assessment for trade receivables and note 9 for amount of loss allowance.

b) Liquidity risk

Liquidity risk is the risk of not being able to meet financial requirements as they fall due. The Company's liquidity management involves maintaining funding capacity to service maturing liabilities. The Company maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

As at March 31, 2019, the carrying amount of the trade and other payables is equal to the fair value. All are short-term in nature and due within a period of 12 months.

The following are the contractual maturities of financial liabilities as at the reporting date:

	Carrying amount $	Contractual cash flows $	0 – 12 months $	1 – 2 years $	2 – 5 years $	More than 5 years $
Trade and other payables at March 31, 2019	83,032	83,032	83,032	–	–	–
Trade and other payables at March 31, 2018	73,256	73,256	73,256	–	–	–

The Company does not expect to encounter significant difficulties in meeting its financial liabilities.

6. Financial risk management objectives and policies (continued)

(c) Market risk

Market risk is the risk of loss to future earnings, fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors. The following discussion covers the market risk of the Company:

Foreign currency risk

The Company is exposed to foreign currency risk primarily on purchases that are denominated in a currency other than the Bermuda Dollar. However, foreign currency risk is minimal, due to the fact that the Bermuda Dollar is pegged to the US Dollar at a 1:1 rate and the majority of the Company's materials and trading goods are imported from the United States.

The Company is not exposed to significant interest rate or other price risk.

7. Fair value of financial assets and liabilities

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and cash equivalents, trade and other receivables and trade and other payables
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

As at March 31, 2019 none of the Company's financial instruments are measured at fair value.

Certain items such as property, plant and equipment, prepaid expenses, intangible assets and other non-current assets are excluded from fair value disclosure requirements as they are not financial instruments. Thus the carrying amounts of all items in the consolidated statements of financial position cannot be aggregated to determine the underlying fair value of the Company. The Company considers that the fair value of financial instruments on initial recognition falls within the Level 1 fair value hierarchy as defined by IFRS 13.

8. Cash and cash equivalents

Cash and cash equivalents comprises of cash held in current accounts in the amount of $740,129 (2018 - $664,825).

9. Trade and other receivables

	2019 $	2018 $
Trade receivables	243,285	197,895
Allowance for impairment losses on trade and other receivables	(83,592)	(10,715)
Allowance for trade discounts	(23,840)	(44,050)
Due from related parties (note 14)	23,444	23,037
	159,297	166,167

The following table provides information about the exposure to credit risk and ECLs for trade receivable from individual customers, which include related party receivables arising from regular business transactions of $15,294 (2018 - $11,987):

	2019		2018	
	Gross $	Allowance for impairment $	Gross $	Allowance for impairment $
Not past due	195,357	34,329	196,569	–
Past due 31 – 60 days	58,612	42,920	15,324	613
Past due 61 – 90 days	4,560	274	5,261	–
More than 90 days	8,199	6,069	3,778	10,102
	266,728	83,592	220,932	10,715

Changes in the allowance for impairment losses on trade and other receivables are as follows:

	2019 $	2018 $
Balance at beginning of year	10,715	56,910
Impairment charge (recovery) for the year (note 3 (b))	72,877	(32,950)
Amounts written off	–	(13,245)
	83,592	10,715

10. Inventories

Inventories are comprised as follows:

	2019 $	2018 $
Raw materials	474,539	472,891
Trading goods	380,342	306,920
Finished goods	195,574	154,675
	1,050,455	934,486

Cost of sales includes inventories expensed during the year in the amount of $1,623,214 (2018 - $1,549,690). Inventory written-down as expensed and included in cost of sales in the consolidated statement of comprehensive income amounted to $2,412 (2018 - $10,388).

11. Property, plant and equipment

	Land $	Building $	Improvements $	Factory equipment $	Office equipment $	Motor vehicles $	Computer $	Total $
Cost								
At April 1, 2017	225,000	804,583	476,581	909,715	266,852	115,956	199,963	2,998,650
Additions	–	–	1,953	–	–	–	20,667	22,620
At March 31, 2018	225,000	804,583	478,534	909,715	266,852	115,956	220,630	3,021,270
Additions	–	–	13,379	27,678	9,181	–	4,695	54,933
Reclassification	–	–	–	–	–	–	(15,512)	(15,512)
At March 31, 2019	**225,000**	**804,583**	**491,913**	**937,393**	**276,033**	**115,956**	**209,813**	**3,060,691**
Accumulated depreciation								
At April 1, 2017	–	752,488	310,920	796,847	200,813	101,223	196,153	2,358,444
Charge for year	–	13,547	23,671	34,689	18,093	4,210	2,299	96,509
At March 31, 2018	–	766,035	334,591	831,536	218,906	105,433	198,452	2,454,953
Charge for year	–	–	25,969	35,442	17,351	4,210	2,919	85,891
At March 31, 2019	–	**766,035**	**360,560**	**866,978**	**236,257**	**109,643**	**201,371**	**2,540,844**
Net book value								
At April 1, 2017	225,000	52,095	165,661	112,868	66,039	14,733	3,810	640,206
At March 31, 2018	225,000	38,548	143,943	78,179	47,946	10,523	22,178	566,317
At March 31, 2019	225,000	38,548	131,353	70,415	39,776	6,313	8,442	519,847

Management has determined that there was no impairment of property, plant and equipment at the end of the current and prior fiscal years.

12. Intangible assets

(a) The Company purchased distribution rights as a non-exclusive distributor for certain products on September 1, 2007. The cost pertaining to this purchase has been recorded as an intangible asset and was amortized on a straight-line basis over four years. This intangible asset was fully amortized in September 2011.

(b) The Company commenced development of a color system in 2009 which was completed in October 2012. The amortization for the costs associated in the development of this asset was started in November 2012. This intangible asset was fully amortized in March 2017.

(c) The Company purchased computer software to be used in its production process. The cost of this asset is amortized over a period of five years starting in August 2012. This intangible asset was fully amortized in July 2017.

(d) The Company purchased computer software to be used in the shop. The cost of this asset is amortized over a period of five years starting in September 2018.

12. Intangible assets (continued)

	Color system $	Distribution rights $	Computer software $	Total $
Cost				
At April 1, 2017	226,012	80,000	22,800	328,812
Additions	–	–	–	–
At March 31, 2018	226,012	80,000	22,800	328,812
Additions	–	–	28,250	28,250
At March 31, 2019	**226,012**	**80,000**	**51,050**	**357,062**
Accumulated amortization				
At April 1, 2017	226,012	80,000	20,380	326,392
Amortization charge	–	–	2,420	2,420
At March 31, 2018	226,012	80,000	22,800	328,812
Amortization charge	–	–	2,969	2,969
At March 31, 2019	**226,012**	**80,000**	**25,769**	**331,781**
Net book value				
At April 1, 2017	–	–	2,420	2,420
At March 31, 2018	–	–	–	–
At March 31, 2019	–	–	25,281	25,281

13. Trade and other payables

	2019 $	2018 $
Trade payables	61,163	67,782
Dividends payable	21,533	5,138
Amounts payable to related parties (note 14)	336	336
Accrued expenses	88,700	51,996
	171,732	125,252

Trade payables
Trade payables are non-interest-bearing and are normally settled on 30 to 60-day terms. Trade payables arise mostly from purchases of inventories, which include trading goods and raw materials for use in manufacturing. Trade payables also include liabilities arising from purchased goods and services for use in operations.

Accrued expenses
Accrued expenses consist of accruals for audit fees, director’s fees, bonus and other employee benefits.

14. Related party transactions and balances

Related party transactions are with directors, senior management, certain shareholders and individuals related to shareholders or companies affiliated to shareholders.

Transactions and balances between the Company and its related parties are disclosed below.

	2019 $	2018 $
Sale of goods	202,283	261,376
Purchases of goods and services	179,662	145,392
Trade receivables from sales of goods (note 9)	15,294	11,987
Amounts receivable from related parties (note 9)	23,444	23,037
Amounts payable to related parties (note 13)	336	336

Sales of goods to related parties were made at the Company's usual list prices, less normal trade discounts. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provision has been made for impairment in respect of the amounts owed by related parties as they are considered collectible.

15. Share capital

	2019 $	2018 $
Authorized 456,000 (2018 - 456,000) common shares of $0.50 par value	228,000	228,000
Issued and fully paid: 441,375 (2018 - 441,375) common shares of $0.50 par value	220,688	220,688

There are no restrictions attached to the common shares with regards to dividend distribution and repayment of capital.

On June 29, 2017 the Company declared a dividend of $0.25 per common share for a total dividend of $110,344 payable on July 21, 2017.

On September 7, 2017 the Company declared a dividend of $0.60 per common share for a total dividend of $264,825 payable on December 8, 2017.

Capital management

The Company's policy is to maintain a strong capital structure, sufficient to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, to meet its financial obligations, and to have the financial flexibility to take advantage of growth opportunities. The Company defines capital as the amount presented in the equity section of the consolidated statement of financial position.

In order to maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The Company is not subject to any external capital requirements as at the year end.

16. Earnings per share

The calculation of basic and diluted earnings per share has been based on basic and diluted net income attributable to common shareholders of $123,192 (2018 - $121,722), and a weighted average number of common shares of 441,375 (2018 - 441,375).

17. Cost of sales

	2019 $	2018 $
Raw materials used	940,939	913,159
Overhead cost (note 20)	216,746	219,597
Direct labor (note 20)	89,092	119,210
Cost of goods manufactured	1,246,777	1,251,966
Trading goods	682,275	636,531
	1,929,052	1,888,497

18. Selling expenses

	2019 $	2018 $
Wages, salaries and benefits (note 20)	200,517	205,622
Payroll tax (note 20)	10,813	12,631
Depreciation and amortization	9,248	9,248
Fuel expenses	7,026	6,303
Repairs and maintenance	4,606	13,581
Other taxes and licenses	3,802	3,781
Insurance expenses	3,050	3,047
Stationery and other office supplies	2,786	2,750
	241,848	256,963

19. Administrative expenses

	2019 $	2018 $
Wages, salaries and benefits (note 20)	297,237	280,388
Professional services	125,678	125,373
Depreciation and amortization	49,208	60,030
Insurance expenses	27,944	28,055
Repairs and maintenance	18,054	18,220
Other taxes and licenses	14,848	10,340
Electricity and water	13,452	9,623
Payroll tax (note 20)	11,145	12,570
Telephone and other communication	10,540	9,568
Stationery and other office supplies	6,081	6,283
Subscription and dues	3,713	3,390
Postage	1,052	2,557
	578,952	556,397

20. Personnel expenses

	2019 $	2018 $
Salaries and wages	580,604	600,949
Other employee benefits	109,097	114,459
Pension expenses	17,832	13,766
	707,533	729,174

The breakdown of personnel expenses is as follows:

	2019 $	2018 $
Administrative expenses (note 19)	308,382	292,958
Selling expenses (note 18)	211,330	218,253
Cost of sales (note 17)	187,821	217,963
	707,533	729,174

Key management comprises members of the Board of Directors, executive committees and senior management. Compensation of key management consists of:

	2019 $	2018 $
Salaries and wages	144,304	132,809
Other employee benefits	12,387	12,504
Pension expenses	5,302	3,479
	161,993	148,792

21. Other expenses

	2019 $	2018 $
Bank charges	32,526	32,857
Miscellaneous	3,133	5,162
Donations	856	3,239
	36,515	41,258

22. Taxation

Under current Bermuda law the Company is not required to pay taxes in Bermuda on either income or capital gains. Accordingly, no provision for current or deferred taxation has been made in the consolidated financial statements.