Devonshire Industries Limited

Annual Report and
Consolidated Financial Statements
March 31, 2018

Devonshire Industries Limited

March 31, 2018

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Devonshire Industries Limited

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Summary of financial information

	Year ended March 31				
	2018	2017	2016	2015	2014
	$	$	$	$	$
Assets	2,473,489	2,769,817	2,810,180	3,075,365	2,666,966
Liabilities	125,252	168,133	169,765	396,304	195,278
Shareholders’ equity	2,348,237	2,601,684	2,640,415	2,679,061	2,471,688
Net income	121,722	181,957	182,042	317,717	50,035

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, 2018 were 24,971 (2017 - 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, 2018 and 2017, 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, 2018 and 2017, 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
October 11, 2018

Devonshire Industries Limited
Consolidated Statement of Financial Position
As at March 31, 2018

	2018 $	2017 $
Assets		
Cash and cash equivalents (note 7)	664,825	679,846
Trade and other receivables (notes 8 and 13)	166,167	273,367
Inventories (note 9)	934,486	1,034,066
Prepaid expenses	140,193	138,411
Current assets	1,905,671	2,125,690
Property, plant and equipment (note 10)	566,317	640,206
Intangible assets (note 11)	–	2,420
Other non-current assets	1,501	1,501
Non-current assets	567,818	644,127
Total assets	2,473,489	2,769,817
Liabilities		
Trade and other payables (notes 5 and 12)	125,252	168,133
Current liabilities	125,252	168,133
Equity		
Share capital (note 14)	220,688	220,688
Share premium	145,544	145,544
Retained earnings	1,982,005	2,235,452
Total equity	2,348,237	2,601,684
Total liabilities and equity	2,473,489	2,769,817

Approved by the Board of Directors

_______________ Director _______________ Director

The accompanying notes on pages 7 to 27 are an integral part of these consolidated financial statements.

Devonshire Industries Limited
Consolidated Statement of Comprehensive Income
For the year ended March 31, 2018

	2018 $	2017 $
Net revenues	2,931,781	3,008,788
Cost of sales (notes 9, 16 and 19)	1,888,497	1,784,497
Gross profit	1,043,284	1,224,291
Administrative expenses (note 18)	566,397	613,288
Selling expenses (note 17)	256,963	278,298
Marketing expenses	105,706	46,196
Other expenses (note 20)	8,308	117,508
Operating expenses	937,374	1,055,290
Net income before undernoted items	105,910	169,001
Other income	21,110	18,897
Interest expense	–	(504)
Net foreign exchange losses	(5,298)	(5,437)
Net income for the year	121,722	181,957
Total comprehensive income	121,722	181,957
Basic and diluted earnings per share (note 15)	0.28	0.41

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

The accompanying notes on pages 7 to 27 are an integral part of these consolidated financial statements.

Devonshire Industries Limited
Consolidated Statement of Changes in Equity
For the year ended March 31, 2018

	Attributable to the owners of the Company			
	Share capital $	Share premium $	Retained earnings $	Total $
Balance, April 1, 2016	220,688	145,544	2,274,183	2,640,415
Total comprehensive income for the year	–	–	181,957	181,957
Dividends (note 14)	–	–	(220,688)	(220,688)
Balance, March 31, 2017	220,688	145,544	2,235,452	2,601,684
Total comprehensive income for the year	–	–	121,722	121,722
Dividends (note 14)	–	–	(375,169)	(375,169)
Balance, March 31, 2018	220,688	145,544	1,982,005	2,348,237

The accompanying notes on pages 7 to 27 are an integral part of these consolidated financial statements.

Devonshire Industries Limited

Consolidated Statement of Cash Flows

For the year ended March 31, 2018

	2018 $	2017 $
Cash flows from operating activities		
Net income for the year	121,722	181,957
Adjustments for:		
Depreciation and amortization	98,929	192,443
Interest expense	–	504
Changes in items of working capital:		
Short-term deposit	–	139,610
Trade and other receivables	107,200	(86,713)
Inventories	99,580	(73,710)
Prepaid expenses	(1,782)	8,807
Trade and other payables	(42,881)	(1,632)
Net cash from operating activities	382,768	361,266
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,620)	(49,083)
Cash used in investing activities	(22,620)	(49,083)
Cash flows from financing activities		
Dividends paid	(375,169)	(220,688)
Cash used in financing activities	(375,169)	(220,688)
(Decrease) increase in cash and cash equivalents	(15,021)	91,495
Cash and cash equivalents - beginning of year	679,846	588,351
Cash and cash equivalents - end of year	664,825	679,846

The accompanying notes on pages 7 to 27 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 October 11, 2018.

3. 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.

3. *Summary of significant accounting policies* (continued)

(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.

(e) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

The Company's financial instruments comprise loans and receivables and other financial liabilities:

(i) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents and trade and other receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(ii) Other financial liabilities include trade and other payables. These are initially recognized at fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method.

Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value of the asset or liability and amortised over the expected life of the instruments using the effective interest method.

(f) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that the Company's financial assets are impaired. The criteria used to determine if there is objective evidence of an impairment loss include significant financial difficulty of the obligor, delinquencies in interest or principal payments, and if it becomes probable that the debtor will enter bankruptcy or other financial reorganization.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may 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 decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

3. *Summary of significant accounting policies* (continued)

(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%

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.

3. ***Summary of significant accounting policies*** (continued)

(h) Property, plant and equipment (continued)

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.

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.

3. ***Summary of significant accounting policies*** (continued)

(j) 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).

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.

(k) 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.

(l) Revenue and cost recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade and prompt payment discounts.

Revenue from sale of goods is recognized upon delivery, or at point of sale, when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably and collection is reasonably assured.

(m) 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.

(n) Provisions

Provisions are recognized 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 recognized as a separate asset but only when the reimbursement is probable.

3. ***Summary of significant accounting policies*** (continued)

(o) Contingencies

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

(p) 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, 2018 were $17,245 (2017 - $29,740).

(q) 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.

(r) 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.

(s) 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.

(t) 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, 2018 or later periods and are expected to be relevant to the Company. The Company does not plan to adopt these standards early.

3. ***Summary of significant accounting policies*** (continued)

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

IFRS 9 Financial Instruments
IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 for its period ending March 2019.

The actual impact of adopting IFRS 9 on the Company's consolidated financial statements in 2019 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its financial instruments at March 31, 2018.

Classification – Financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its preliminary assessment, the Company does not believe that the new classification requirements, if applied at March 31, 2018, would have a material impact on its accounting for accounts receivable, and cash and cash equivalents.

Impairment – Financial assets

Accounts receivable

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

3. *Summary of significant accounting policies* (continued)

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

IFRS 9 Financial Instruments (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company's preliminary assessment indicated that application of IFRS 9's impairment requirements at March 31, 2018 could result in an increase in loss allowances and become more volatile for assets in scope of the IFRS 9 impairment model at that date compared with impairment losses recognised under IAS 39. However, the Company has not yet finalised the impairment methodologies that it will apply under IFRS 9.

Cash and cash equivalents

The cash and cash equivalents are held with the banks, which are regulated by the Bermuda Monetary Authority as at March 31, 2018.

The estimated impairment on cash and cash equivalents was calculated based on the 12-months expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external regulation requirements of the banks.

Classification – Financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Company has not designated any financial liabilities at FVTPL and the Company has no current intention to do so. The Company's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at March 31, 2018.

Disclosures
IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Company's preliminary assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at April 1, 2018.

- The following assessment have to be made on the basis of the facts and circumstances that exist at the date of initial application.

3. *Summary of significant accounting policies* (continued)

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

IFRS 9 Financial Instruments (continued)

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Company has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. Based on this assessment the Company does not expect any difference in the timing of revenue recognition. The Company plans to adopt IFRS 15 in its consolidated financial statements for the period ending March 2019, using the practical expedient approach. This will result in revenues for the reporting period, as well as the comparative period presented, not being restated.

The Company will continue to perform a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information if it becomes applicable, before it adopts IFRS 15.

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.

4. 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. Areas where estimates and judgment are exercised by management include the allowance for impairment of trade receivables, useful lives of property, plant and equipment and intangible assets with finite life and impairment of assets. The areas where significant estimates and judgments have been applied by management are described below.

(a) Estimation of allowance for impairment of trade receivables

In determining amounts recorded for the impairment of trade receivables, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a decrease in the estimated future cash flows from receivables, for example, from default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

During the year, the (recovery)/impairment charge for trade receivables included in other expense in the consolidated statement of comprehensive income amounted to $32,950 (2017 – $12,114). The carrying value of the Company's total receivables, net of allowance for impairment, is disclosed in note 8.

(b) Estimation of useful lives of property, plant and equipment, and intangible assets with finite life

The Company estimates the useful lives of its depreciable property, plant and equipment and intangible assets with finite life based on the period over which the assets are expected to be available for use. The estimated useful life of the depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful life of the depreciable property, plant and equipment and intangible assets would increase depreciation and amortization expense and decrease non-current assets.

5. 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.

5. *Financial risk management objectives and policies* *(continued)*

Risk management structure (continued)

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, 2018.

(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 credit given to customers, including related parties, and deposits with financial institutions.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analyzed 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.

The Company's normal term of credit on the sale of goods is 30 days. Impairment for trade and other receivables is recognized based on an estimate of irrecoverable amounts, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Due from related parties

Related party transactions are reviewed and approved by management on an on-going basis.

5. *Financial risk management objectives and policies* (continued)

(a) Credit risk (continued)

Cash and cash equivalents

Cash and cash equivalents are held with financial institutions which have minimal risk of credit default and are rated by Standard & Poor's with credit ratings of BBB at March 31, 2018.

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, 2018, 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, 2018	73,256	73,256	73,256	–	–	–
Trade and other payables at March 31, 2017	82,618	82,618	82,618	–	–	–

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

(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.

6. *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, 2018 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.

7. *Cash and cash equivalents and short-term deposits*

Cash and cash equivalents comprises of cash held in current accounts in the amount of $664,825 (2017 - $679,846).

8. *Trade and other receivables*

	2018 **$**	**2017** **$**
Trade receivables	185,908	335,578
Allowance for impairment losses on trade and other receivables	(10,715)	(56,910)
Allowance for trade discounts	(44,050)	(56,483)
Due from related parties (note 13)	35,024	51,182
	166,167	273,367

8. *Trade and other receivables* (continued)

The following is the aging of trade and other receivables at the reporting date, which include related party receivables arising from regular business transactions of $11,987 (2017 - $17,851):

	2018		2017	
	Gross $	**Allowance for impairment $**	**Gross $**	**Allowance for impairment $**
Not past due	196,569	–	280,748	–
Past due 31 – 60 days	15,324	613	34,556	1,482
Past due 61 – 90 days	5,261	–	–	–
More than 90 days	3,778	10,102	71,456	55,428
	220,932	10,715	386,760	56,910

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

	2018 $	**2017 $**
Balance at beginning of year	56,910	45,553
(Recovery) impairment charge for the year (note 20)	(32,950)	12,114
Amounts written off	(13,245)	(757)
	10,715	56,910

9. *Inventories*

Inventories are comprised as follows:

	2018 $	**2017 $**
Raw materials	472,891	494,472
Trading goods	306,920	379,355
Finished goods	154,675	160,239
	934,486	1,034,066

Cost of sales includes inventories expensed during the year in the amount of $1,549,690 (2017 - $1,477,825). Inventory written-down as expensed and included in cost of sales in the consolidated statement of comprehensive income amounted to $10,388 (2017 - $12,872).

10. Property, plant and equipment

	Land $	Building $	Improvements $	Factory equipment $	Office equipment $	Motor vehicles $	Computer $	Total $
Cost								
At April 1, 2016	225,000	804,583	452,771	909,715	243,889	115,956	197,653	2,949,567
Additions	–	–	23,810	–	22,963	–	2,310	49,083
At March 31, 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**
Accumulated depreciation								
At April 1, 2016	–	721,847	284,419	762,158	186,216	97,013	190,776	2,242,429
Charge for year	–	30,641	26,501	34,689	14,597	4,210	5,377	116,015
At March 31, 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**
Net book value								
At April 1, 2016	225,000	82,736	168,352	147,557	57,673	18,943	6,877	707,138
At March 31, 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

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

11. 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.

	Color system $	Distribution rights $	Computer software $	Total $
Cost				
At April 1, 2016	226,012	80,000	22,800	328,812
Additions	–	–	–	–
At March 31, 2017	226,012	80,000	22,800	328,812
Additions	–	–	–	–
At March 31, 2018	226,012	80,000	22,800	328,812
Accumulated amortization				
At April 1, 2016	154,144	80,000	15,820	249,964
Amortization charge	45,202	–	4,560	49,762
Impairment charge	26,666	–	–	26,666
At March 31, 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**
Net book value				
At April 1, 2016	71,868	–	6,980	78,848
At March 31, 2017	–	–	2,420	2,420
At March 31, 2018	–	–	–	–

12. Trade and other payables

	2018 $	2017 $
Trade payables	67,782	79,153
Dividends payable	5,138	3,129
Amounts payable to related parties (note 13)	336	336
Accrued expenses	51,996	85,515
	125,252	168,133

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.

13. 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.

	2018 $	2017 $
Sale of goods	261,376	165,200
Purchases of goods and services	145,392	163,863
Trade receivables from sales of goods (note 8)	11,987	17,851
Amounts receivable from related parties (note 8)	23,037	33,331
Amounts payable to related parties (note 12)	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.

14. Share capital

	2018 $	2017 $
Authorized 456,000 (2017 - 456,000) common shares of $0.50 par value	228,000	228,000
Issued and fully paid: 441,375 (2017 - 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 23, 2016 the Company declared a dividend of $0.25 per common share for a total dividend of $110,344 payable on August 15, 2016.

On February 23, 2017 the Company declared a dividend of $0.25 per common share for a total dividend of $110,344 payable on March 24, 2017.

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.

15. 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 $121,722 (2017 - $181,957), and a weighted average number of common shares of 441,375 (2017 - 441,375).

16. Cost of sales

	2018 $	2017 $
Raw materials used	913,159	854,819
Overhead cost (note 19)	219,597	205,787
Direct labor (note 19)	119,210	100,885
Cost of goods manufactured	1,251,966	1,161,491
Trading goods	636,531	623,006
	1,888,497	1,784,497

17. Selling expenses

	2018	**2017**
	$	**$**
Wages, salaries and benefits (note 19)	205,622	236,100
Repairs and maintenance	13,581	1,457
Payroll tax (note 19)	12,631	13,064
Depreciation and amortization	9,248	9,248
Fuel expenses	6,303	6,562
Other taxes and licenses	3,781	3,702
Insurance expenses	3,047	3,188
Stationery and other office supplies	2,750	4,977
	256,963	278,298

18. Administrative expenses

	2018	**2017**
	$	**$**
Wages, salaries and benefits (note 19)	280,388	291,263
Professional services	125,373	123,719
Depreciation and amortization	60,030	81,677
Insurance expenses	28,055	28,157
Repairs and maintenance	18,220	25,683
Payroll tax (note 19)	12,570	14,966
Other taxes and licenses	10,340	10,340
Electricity and water	9,623	8,875
Telephone and other communication	9,568	11,354
Stationery and other office supplies	6,283	9,700
Subscription and dues	3,390	3,390
Postage	2,557	4,164
	556,397	613,288

19. Personnel expenses

	2018 $	2017 $
Salaries and wages	600,949	614,188
Other employee benefits	114,459	114,358
Pension expenses	13,766	23,893
	729,174	752,439

The breakdown of personnel expenses is as follows:

	2018 $	2017 $
Administrative expenses (note 18)	292,958	306,229
Selling expenses (note 17)	218,253	249,164
Cost of sales (note 16)	217,963	197,046
	729,174	752,439

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

	2018 $	2017 $
Salaries and wages	132,809	142,308
Other employee benefits	12,504	17,095
Pension expenses	3,479	5,847
	148,792	165,250

20. Other expenses

	2018 $	2017 $
Bank charges	32,857	29,686
Miscellaneous	5,162	2,363
Donations	3,239	1,477
Research and development	–	45,202
Impairment of intangible asset	–	26,666
Impairment (recovery) charge for the year on trade and other receivables (note 8)	(32,950)	12,114
	8,308	117,508

21. 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 taxation current or deferred has been made in the consolidated financial statements.