# Devonshire Industries Limited

Annual Report and
Consolidated Financial Statements
**March 31, 2022**

## Contents page

# Devonshire Industries Limited

## March 31, 2022

### Summary of financial information

| | Year ended March 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2022<br>$ | 2021<br>$ | 2020<br>$ | 2019<br>$ | 2018<br>$ | 2017<br>$ |
| Assets | 2,612,074 | 2,663,469 | 2,619,025 | 2,643,161 | 2,473,489 | 2,769,817 |
| Liabilities | 168,856 | 140,274 | 112,385 | 171,732 | 125,252 | 168,133 |
| Shareholders’ equity | 2,443,218 | 2,523,195 | 2,506,640 | 2,471,429 | 2,348,237 | 2,601,684 |
| Net income | 140,711 | 237,243 | 145,555 | 123,192 | 121,722 | 181,957 |

### 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, 2022 were 24,987 (2021 - 24,987) 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**

### Qualified opinion

We have audited the consolidated financial statements of Devonshire Industries Limited and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and March 31, 2021, 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.

In our opinion, except for the possible effects of the matters described in the *Basis for qualified opinion on 2022 opening balances related to 2021 inventory count and Basis for qualified opinion relating to 2021 inventory count* sections of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS as issued by the International Accounting Standards Board.

### Basis for qualified opinion on 2022 opening balances related to 2021 inventory count

Due to the continued impact of the COVID-19 pandemic and the related restrictions, we did not observe the counting of physical inventories at March 31, 2021. We were unable to satisfy ourselves by performing other auditing procedures concerning the opening inventory held at March 31, 2021 amounting to $1,227,924. Since opening inventories enter into the determination of the consolidated financial performance and consolidated cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the consolidated statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the consolidated statement of cash flows.

### Basis for qualified opinion relating to 2021 inventory count

Due to the continued impact of the COVID-19 pandemic and the related restrictions, we did not observe the counting of physical inventories at March 31, 2021. We were unable to satisfy ourselves by performing other auditing procedures concerning the inventory held at March 31, 2021. Since closing inventories enter into the determination of the consolidated financial position, consolidated financial performance and consolidated cash flows, we were unable to determine whether adjustments might have been necessary in respect of inventory and retained earnings reported in the consolidated statement of financial position as at March 31, 2021, and the cost of sales, gross profit and net income reported in the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended March 31, 2021.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

**Other information**

Management is responsible for the other information included in the consolidated financial statements. The other information comprises the summary of financial information but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
March 15, 2023

# Devonshire Industries Limited
Consolidated Statement of Financial Position

**As at March 31, 2022**

| | 2022 $ | 2021 $ |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents (notes 6 and 8) | 663,886 | 716,210 |
| Trade and other receivables (notes 6, 9 and 14) | 186,231 | 143,991 |
| Inventories (note 10) | 1,180,985 | 1,227,924 |
| Prepaid expenses | 166,378 | 139,207 |
| **Current assets** | 2,197,480 | 2,227,332 |
| Property, plant and equipment (note 11) | 404,762 | 420,655 |
| Intangible assets (note 12) | 8,331 | 13,981 |
| Other non-current assets | 1,501 | 1,501 |
| **Non-current assets** | 414,594 | 436,137 |
| **Total assets** | 2,612,074 | 2,663,469 |
| **Liabilities** | | |
| Trade and other payables (notes 6 and 13) | 168,856 | 140,274 |
| **Current liabilities** | 168,856 | 140,274 |
| **Equity** | | |
| Share capital (note 15) | 220,688 | 220,688 |
| Share premium | 145,544 | 145,544 |
| Retained earnings | 2,076,986 | 2,156,963 |
| **Total equity attributable to equity shareholders of the Company** | 2,443,218 | 2,523,195 |
| **Total liabilities and equity** | 2,612,074 | 2,663,469 |

**Approved by the Board of Directors**

_______________ Director _______________ Director

The accompanying notes on pages 8 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, 2022**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Revenues | 2,621,079 | 2,557,225 |
| Cost of sales (notes 10, 17 and 20) | 1,530,848 | 1,439,454 |
| **Gross profit** | 1,090,231 | 1,117,771 |
| Administrative expenses (note 19) | 572,261 | 532,370 |
| Selling expenses (note 18) | 314,053 | 301,901 |
| Other expenses (note 21) | 56,712 | 47,663 |
| Marketing expenses | 16,416 | 18,477 |
| Impairment (recovery) loss on trade receivables (note 9) | 477 | (7,923) |
| **Operating expenses** | 959,919 | 892,488 |
| **Net income before undernoted items** | 130,312 | 225,283 |
| Other income | 15,077 | 17,467 |
| Net foreign exchange losses | (4,678) | (5,507) |
| **Net income for the year** | 140,711 | 237,243 |
| **Total comprehensive income** | 140,711 | 237,243 |
| **Basic and diluted earnings per share** (note 16) | 0.32 | 0.54 |

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

The accompanying notes on pages 8 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, 2022**

| | Attributable to the owners of the Company | | | |
|---|---|---|---|---|
| | **Share capital $** | **Share premium $** | **Retained earnings $** | **Total $** |
| **Balance, April 1, 2020** | 220,688 | 145,544 | 2,140,408 | 2,506,640 |
| Total comprehensive income for the year | – | – | 237,243 | 237,243 |
| Dividends (note 15) | – | – | (220,688) | (220,688) |
| **Balance, March 31, 2021** | 220,688 | 145,544 | 2,156,963 | 2,523,195 |
| Total comprehensive income for the year | – | – | 140,711 | 140,711 |
| Dividends (note 15) | – | – | (220,688) | (220,688) |
| **Balance, March 31, 2022** | 220,688 | 145,544 | 2,076,986 | 2,443,218 |

The accompanying notes on pages 8 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, 2022**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income for the year | 140,711 | 237,243 |
| Adjustment for: | | |
| Depreciation and amortization (notes 11 and 12) | 47,558 | 56,726 |
| Changes in items of working capital: | | |
| Trade and other receivables | (42,240) | 36,727 |
| Inventories | 46,939 | (192,479) |
| Prepaid expenses | (27,171) | 28,241 |
| Trade and other payables | 28,582 | 27,889 |
| Net cash from operating activities | 194,379 | 194,347 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment (note 11) | (26,015) | (13,960) |
| Cash used in investing activities | (26,015) | (13,960) |
| **Cash flows from financing activities** | | |
| Dividends paid | (220,688) | (220,688) |
| Cash used in financing activities | (220,688) | (220,688) |
| **Decrease in cash and cash equivalents** | (52,324) | (40,301) |
| **Cash and cash equivalents - beginning of year** | 716,210 | 756,511 |
| **Cash and cash equivalents - end of year** | 663,886 | 716,210 |

The accompanying notes on pages 8 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

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

These 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 March 2, 2023.

## 3. New and amended standards adopted by the Company

A number of new or amended standards are effective for annual periods beginning after March 31, 2021 and early adoption is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

I. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
II. Deferred Tax related to Assets and Liabilities arising from a Single Transaction
III. (Amendments to IAS 12)
IV. Annual Improvements to IFRS Standards 2018 – 2020
V. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
VI. Reference to the Conceptional Framework (Amendments to IFRS 3)
VII. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
VIII. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
IX. Definition of Accounting Estimates (Amendments to IAS 8)
X. IFRS 17 Insurance Contracts (and Amendments to IFRS 17)
XI. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes
XII. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

## 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
These 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
These 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.

### (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 and other payables.

#### (i) Recognition and initial measurement
Trade receivables and other receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial 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.

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

**(e) Financial instruments** (continued)

**(ii) Classification and subsequent measurement (continued)**

A financial asset is measured at amortized 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 | Amortized cost |
| Trade and other receivables | Amortized 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 amortized cost**

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

**Other financial liabilities**

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

**(iii) Derecognition**

The Company derecognizes 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 derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes 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 recognized 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 recognized in profit or loss.

**(iv) Offsetting**

Financial assets and other financial liabilities are offset and the net amount presented in the consolidated 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 realize the asset and settle the liability simultaneously.

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

**(e) Financial instruments** (continued)

**(v) Impairment of financial assets**
The Company recognizes a loss allowance for expected credit losses (ECLs) for all financial assets measured at amortized 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. Cash and cash equivalents are placed with counterparties who have minimal risk of credit default and are rated by Standard & Poor's with credit ratings of between A2 and BBB+ (2021 - A2 and BBB+). No impairment for ECL's related to cash and cash equivalents was recognized for the year ended March 31, 2022 (March 31, 2021 - $nil).

In estimating ECLs for trade and other receivables, the Company does not track changes in credit risk but recognizes 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 recognized 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).

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 average goods processed and produced, but excluding borrowing costs.

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

**(g) Inventories** (continued)
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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 expenses 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) | 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.

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).

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

**(h) Property, plant and equipment** (continued)
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.

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.

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

**(k) Revenue**

*Revenue stream*

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.

*Nature and timing of satisfaction of performance obligations, including significant payment terms*

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. Customers have a right to return items sold provided the items returned pass the Company's quality inspection after which the customer is entitled to receive a full cash refund. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

*Revenue recognition policy*

Revenue is recognized at a point in time when the performance obligation is satisfied.

**(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) 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.

**(n) 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, 2022 were $22,474 (2021 - $21,974).

## 4. Summary of significant accounting policies (continued)

### (o) 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.

### (p) 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.

### (q) Subsequent events
Any post year-end event up to the date of approval by the Board of Directors of these 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.

## 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 9 – allowance for impairment losses on 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.

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

**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 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, 2022.

**(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 a credit rating of between A2 and BBB+ (2021 - A2 and BBB+) at March 31, 2022 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 considers 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 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.

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, 2022, 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, 2022 | 168,856 | 168,856 | 168,856 | – | – | – |
| Trade and other payables at March 31, 2021 | 140,274 | 140,274 | 140,274 | – | – | – |

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 financial 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, 2022, none of the Company's financial instruments are measured at fair value.

Certain items such as inventory, 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 statement of financial position cannot be aggregated to determine the underlying fair value of the Company.

## 8. Cash and cash equivalents

Cash and cash equivalents comprises of cash held in current accounts in the amount of $663,886 (2021 - $716,210).

## 9. Trade and other receivables

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Trade receivables | 174,320 | 123,484 |
| Due from related parties (note 14) | 19,072 | 27,518 |
| Allowance for impairment losses on trade and other receivables | (7,161) | (7,011) |
| | 186,231 | 143,991 |

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 $19,072 (2021 - $27,518):

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Gross<br>$ | Allowance for impairment<br>$ | Gross<br>$ | Allowance for impairment<br>$ |
| Not past due | 167,016 | 2,073 | 129,704 | 1,950 |
| Past due 31 – 60 days | 6,757 | 87 | 4,011 | 65 |
| Past due 61 – 90 days | 4,482 | 363 | 4,113 | 355 |
| More than 90 days | 15,136 | 4,638 | 13,174 | 4,641 |
| | 193,391 | 7,161 | 151,002 | 7,011 |

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

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Balance at beginning of year | 7,011 | 15,339 |
| Increase in impairment charge for the year | 394 | 846 |
| Recoveries charge for the year | 477 | (7,923) |
| Amounts written off | (721) | (1,251) |
| | 7,161 | 7,011 |

## 10. Inventories

Inventories are comprised as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Raw materials | 699,519 | 675,859 |
| Trading goods | 345,540 | 407,530 |
| Finished goods | 135,926 | 144,535 |
| | 1,180,985 | 1,227,924 |

Cost of sales includes inventories expensed during the year in the amount of $1,345,262 (2021 - $1,277,298). Inventory written-down as expensed and included in cost of sales in the consolidated statement of comprehensive income amounted to $10,051 (2021 - $2,240).

## 11. Property, plant and equipment

| | Land $ | Building $ | Improvements $ | Factory equipment $ | Office equipment $ | Motor vehicles $ | Computer $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At April 1, 2020 | 225,000 | 804,583 | 493,551 | 951,340 | 278,325 | 115,956 | 210,233 | 3,078,988 |
| Additions | – | – | – | 8,303 | 3,790 | – | 1,867 | 13,960 |
| At March 31, 2021 | 225,000 | 804,583 | 493,551 | 959,643 | 282,115 | 115,956 | 212,100 | 3,092,948 |
| Additions | – | – | 6,082 | 1,581 | 4,002 | 14,350 | – | 26,015 |
| At March 31, 2022 | **225,000** | **804,583** | **499,633** | **961,224** | **286,117** | **130,306** | **212,100** | **3,118,963** |
| **Accumulated depreciation** | | | | | | | | |
| At April 1, 2020 | – | 766,035 | 386,197 | 898,883 | 251,752 | 113,853 | 204,498 | 2,621,218 |
| Charge for year | – | – | 18,993 | 16,604 | 10,567 | 2,103 | 2,808 | 51,075 |
| At March 31, 2021 | – | 766,035 | 405,190 | 915,487 | 262,319 | 115,956 | 207,306 | 2,672,293 |
| Charge for year | – | – | 19,498 | 12,527 | 6,862 | 478 | 2,543 | 41,908 |
| At March 31, 2022 | – | **766,035** | **424,688** | **928,014** | **269,181** | **116,434** | **209,849** | **2,714,201** |
| **Net book value** | | | | | | | | |
| At April 1, 2020 | 225,000 | 38,548 | 107,354 | 52,457 | 26,573 | 2,103 | 5,735 | 457,770 |
| At March 31, 2021 | 225,000 | 38,548 | 88,361 | 44,156 | 19,797 | – | 4,793 | 420,655 |
| At March 31, 2022 | 225,000 | 38,548 | 74,945 | 33,210 | 16,936 | 13,872 | 2,251 | 404,762 |

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.

**(e)** Management has determined that there was no impairment of intangible assets at the end of the current and prior fiscal years.

| | Color system $ | Distribution rights $ | Computer software $ | Total $ |
|---|---|---|---|---|
| **Cost** | | | | |
| At April 1, 2021 and 2022 | **226,012** | **80,000** | **51,050** | **357,062** |
| **Accumulated amortization** | | | | |
| At April 1, 2020 | 226,012 | 80,000 | 31,419 | 337,431 |
| Amortization charge | – | – | 5,650 | 5,650 |
| At March 31, 2021 | 226,012 | 80,000 | 37,069 | 343,081 |
| Amortization charge | – | – | 5,650 | 5,650 |
| At March 31, 2022 | **226,012** | **80,000** | **42,719** | **348,731** |
| **Net book value** | | | | |
| At April 1, 2020 | – | – | 19,631 | 19,631 |
| At March 31, 2021 | – | – | 13,981 | 13,981 |
| At March 31, 2022 | – | – | **8,331** | **8,331** |

## 13. Trade and other payables

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Trade payables | 27,008 | 41,933 |
| Accrued expenses | 85,403 | 75,682 |
| Dividends payable | 56,445 | 22,659 |
| | 168,856 | 140,274 |

*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.

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **Amounts included in revenue** | | |
| J.W. Gray & Co. | 212,996 | 119,915 |
| D&J Construction Company Limited | 38,281 | 38,018 |
| CTX Design Group | 4,596 | 8,746 |
| Richard Moulder | 3,298 | 2,901 |
| D&J Excavating and Landscaping Services Limited | 2,218 | 2,886 |
| Island Construction | 2,159 | 2,052 |
| Vincent Frith | 1,516 | 540 |
| Wilbur Warner | 1,406 | 310 |
| | 266,470 | 175,368 |
| **Amounts included in purchases of goods and services** | | |
| J.W. Gray & Co. | 68,125 | 73,469 |
| D&J Excavating and Landscaping Services Limited | 4,536 | 4,536 |
| | 72,661 | 78,005 |
| **Amounts included in trade and other receivables (Note 9)** | | |
| J.W. Gray & Co. | 16,848 | 14,956 |
| D&J Construction Company Limited | 1,137 | 9,950 |
| Wilbur Warner | 375 | – |
| CTX Design Group | 364 | – |
| Vincent Frith | 348 | – |
| Island Construction | - | 462 |
| Richard Moulder | - | 2,150 |
| | 19,072 | 27,518 |

**14. Related party transactions and balances** (continued)

Sales of goods to related parties were made at the Company's usual list prices, less normal trade discounts. Purchases from and settlement to related parties were made at the counterparties' normal business terms. 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.

The total interests of all the directors and officers of the Company in the shares of the Company at March 31, 2022 were 24,987 (2021 - 24,987) 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.

**15. Share capital**

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Authorized 456,000 (2021 - 456,000) common shares of $0.50 par value | 228,000 | 228,000 |
| Issued and fully paid: 441,375 (2021 - 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 November 3, 2020 the Company declared a dividend of $0.50 per common share for a total dividend of $220,688 payable on December 11, 2020.

On December 2, 2021 the Company declared a dividend of $0.50 per common share for a total dividend of $220,688 payable on January 21, 2022.

**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 $140,711 (2021 - $237,243), and a weighted average number of common shares of 441,375 (2021 - 441,375).

## 17. Cost of sales

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Raw materials used | 838,691 | 780,373 |
| Overhead cost (note 20) | 93,632 | 81,230 |
| Direct labor (note 20) | 91,954 | 80,926 |
| Cost of goods manufactured | 1,024,277 | 942,529 |
| Trading goods | 506,571 | 496,925 |
| | 1,530,848 | 1,439,454 |

## 18. Selling expenses

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Wages, salaries and benefits (note 20) | 275,001 | 268,688 |
| Payroll tax (note 20) | 13,779 | 13,495 |
| Repairs and maintenance | 9,818 | 1,951 |
| Fuel expenses | 4,316 | 4,061 |
| Other taxes and licenses | 4,017 | 3,976 |
| Stationery and other office supplies | 3,749 | 4,715 |
| Insurance expenses | 2,895 | 2,910 |
| Depreciation and amortization | 478 | 2,105 |
| | 314,053 | 301,901 |

## 19. Administrative expenses

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Wages, salaries and benefits (note 20) | 279,625 | 263,908 |
| Professional services | 163,865 | 138,716 |
| Depreciation and amortization | 34,552 | 38,017 |
| Insurance expenses | 29,521 | 28,167 |
| Other taxes and licenses | 13,540 | 13,540 |
| Repairs and maintenance | 11,890 | 15,249 |
| Payroll tax (note 20) | 10,619 | 7,624 |
| Telephone and other communication | 9,223 | 9,741 |
| Electricity and water | 8,205 | 7,422 |
| Stationery and other office supplies | 4,134 | 5,155 |
| Subscription and dues | 4,122 | 3,655 |
| Postage | 2,965 | 1,176 |
| | 572,261 | 532,370 |

## 20. Personnel expenses

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Salaries and wages | 571,025 | 512,008 |
| Other employee benefits | 110,327 | 124,937 |
| Pension expenses | 22,474 | 21,974 |
| | 703,826 | 658,919 |

The breakdown of personnel expenses is as follows:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Administrative expenses (note 19) | 290,244 | 271,532 |
| Selling expenses (note 18) | 288,780 | 282,183 |
| Cost of sales (note 17) | 124,802 | 105,204 |
| | 703,826 | 658,919 |

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

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Salaries and wages | 136,825 | 134,059 |
| Other employee benefits | 12,387 | 13,025 |
| Pension expenses | 6,052 | 6,052 |
| | 155,264 | 153,136 |

## 21. Other expenses

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Bank charges | 37,300 | 40,161 |
| Miscellaneous | 19,374 | 7,448 |
| Donations | 38 | 54 |
| | 56,712 | 47,663 |

## 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.