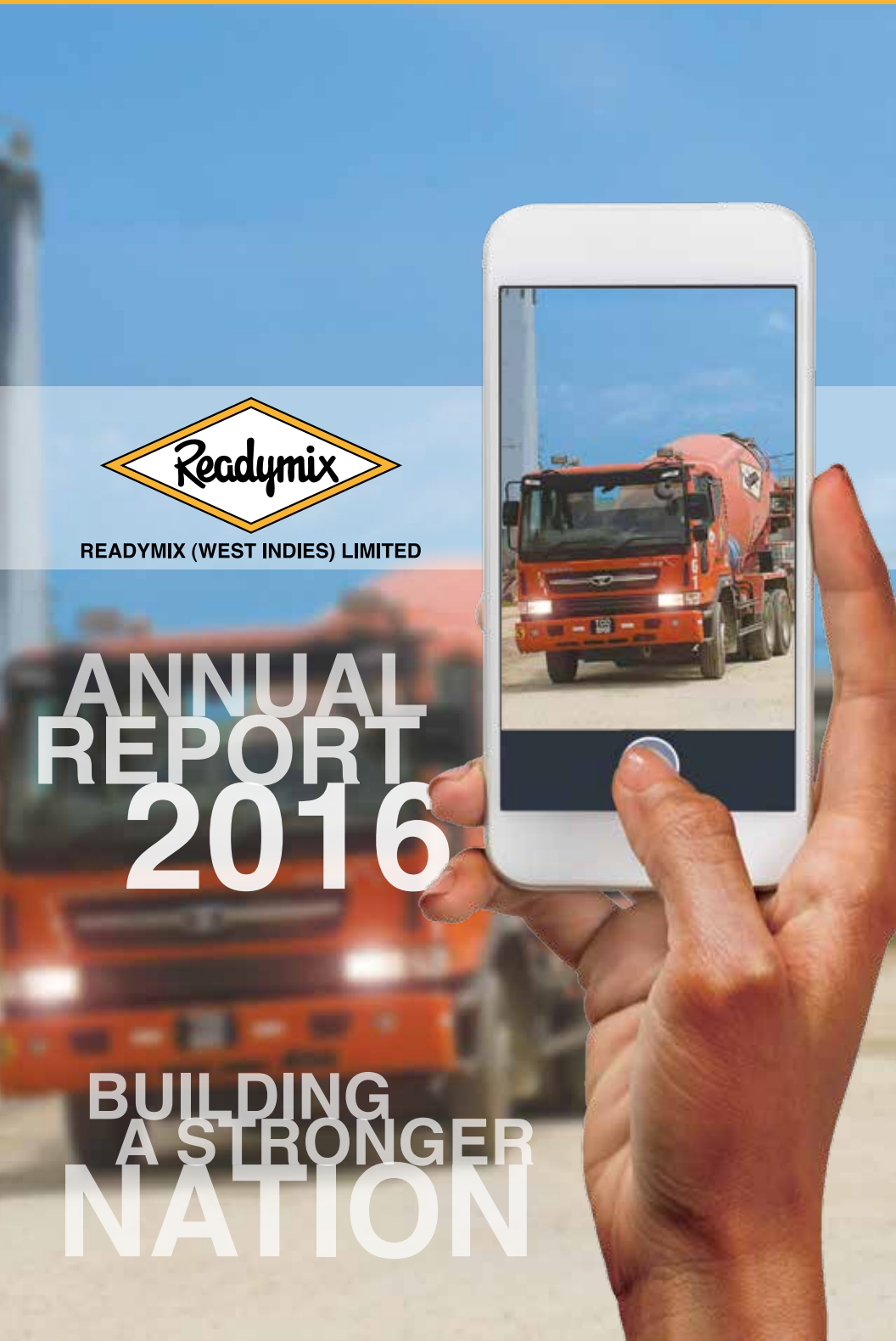


READYMIX (WEST INDIES) LIMITED

# ANNUAL REPORT 2016

## BUILDING A STRONGER NATION

# CONTENTS



Design and Layout: Paria Publishing Co. Ltd.
Main Photographers: Michael Bonaparte, Peter Lim Choy.
Printing: Scrip J

# MISSION STATEMENT

READYMIX (WEST INDIES) LIMITED

**To lead as a customer-driven producer and supplier of high quality pre-mixed concrete and related products and services, providing a superior rate of return to our shareholders, whilst being committed to the development of our human resources and the preservation of the environment.**

# NOTICE OF ANNUAL MEETING

Notice is hereby given that the ANNUAL MEETING of READYMIX (WEST INDIES) LIMITED for the year ended December 31, 2016, will be held at the Cattleya Lounge, Centre of Excellence, Macoya Road, Tunapuna, on **Monday July 10, 2017** at 2:30 p.m., for transaction of the following business:

ORDINARY BUSINESS

1. To receive and consider the Report of the Directors and the Audited Financial Statements for the financial year ended December 31, 2016, with the Report of the Auditors thereon;
2. To appoint Auditors and authorise the Directors to fix their remuneration for the ensuing year;
3. To authorise the Board of Directors to fix the remuneration of the Directors; and
4. To transact any other business which may be properly brought before the meeting.

**NOTES**

1. *Record Date*

   The Directors have fixed **Friday June 09, 2017**, as the record date for shareholders entitled to receive notice of the Annual Meeting. Formal notice of the Meeting, along with a Proxy Form, will be sent by mail to shareholders on the Register of Members as at the close of business on that date. A list of such shareholders will be available for examination by shareholders at the registered office of The Trinidad & Tobago Central Depository, 10th Floor, Nicholas Tower, 63-65 Independence Square, Port of Spain during usual business hours and at the Annual Meeting.

2. *Proxies*

   Members of the Company entitled to attend and vote at the Meeting are allowed to appoint one or more proxies to attend and vote instead of them. A proxy need not also be a member. Where a proxy is appointed by a corporate member, the form of proxy should be executed under seal or signed by some officer or attorney duly authorised.

   To be valid, the Proxy Form must be completed and deposited at the registered office of The Trinidad & Tobago Central Depository, 10th Floor, Nicholas Tower, 63-65 Independence Square, Port of Spain, not less than 48 hours before the time fixed for holding the Meeting.

BY ORDER OF THE BOARD

**MALCOLM SOOKNANAN**

Company Secretary

June 02, 2017

# CORPORATE INFORMATION

**Company Secretary:**
Mr. Malcolm Sooknanan

**Registered Office:**
Tumpuna Road, Guanapo
Arima, Trinidad, W.I.
Tel: (868) 225-8254
Fax: (868) 643-3209
Email: rmlinfo@tclgroup.com

**Registrar:**
Trinidad & Tobago Central Depository Limited
10th Floor, Nicholas Tower
63-65 Independence Square
Port of Spain, Trinidad, W.I.

**Principal Bankers**:
Republic Bank Limited
9-11 Park Street
Port of Spain, Trinidad, W.I.

**Auditors:**
Ernst & Young
5-7 Sweet Briar Road, St. Clair
Port of Spain, Trinidad, W.I.

**Attorneys At Law:**
J.D. Sellier & Company
129–131 Abercromby Street
Port of Spain, Trinidad, W.I.

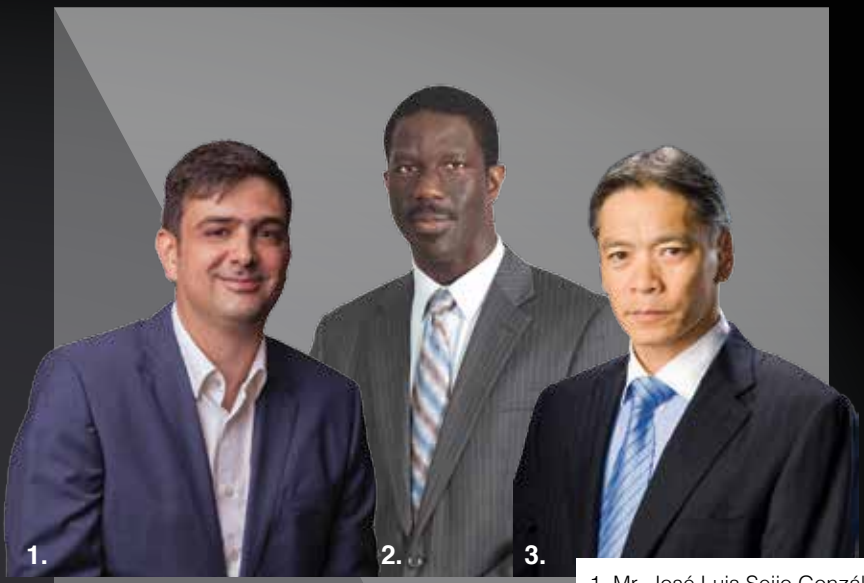
Girwar & Deonarine
Harris Court, 17-19 Court Street,
San Fernando, Trinidad, W.I.

Byrne & Byrne
84 Abercromby Street
Port of Spain, Trinidad, W.I.

Jason K. Mootoo
Barrister & Attorney-at-Law
77 Abercromby Street,
Port of Spain, Trinidad, W.I.

Mr. Derek Ali
Attorney-at-Law
36 Gordon Street,
Port of Spain, Trinidad, W.I.

# THE BOARD OF DIRECTORS




1. Mr. José Luis Seijo González
2. Mr. Nigel Edwards (Chairman)
3. Mr. Wayne Yip Choy


4. Mr. Michael Glenn Hamel-Smith
5. Mr. Jinda Maharaj
6. Mr. Luis Gilberto Ali Moya

# PRINCIPAL OFFICERS


1.


2.


3.


4.


5.


6.


7.


8.


9.


10.

| | | |
|---|---|---|
| 1. | Mr. Andres Peña | – General Manager |
| 2. | Mr. Malcolm Sooknanan | – Finance Manager/ Company Secretary |
| 3. | Mrs. Reshma Gooljar-Singh | – Marketing Manager |
| 4. | Mr. Wayne Benjamin | – Technical Services Manager |
| 5. | Mr. Arneal Sieupresad | – Maintenance Manager (Ag.) |
| 6. | Mr. Thomas Singh | – Quarry Manager |
| 7. | Ms. Cindy Siewbally | – Human Resource Manager |
| 8. | Mr. Horace Boodoo | – Senior Materials Officer |
| 9. | Mr. Anthony Ferguson | – Health, Safety, Security & Environment Coordinator |
| 10. | Mr. Kevin Douglas | – Security Supervisor |

# NEW APPOINTMENTS

**Mr. Luis Gilberto Ali Moya – Director:**

Mr. Luis Gilberto Ali Moya was appointed to RML's Board on April 15, 2016, at the Company's Annual General Meeting. He currently holds the position of TCL's Group Finance Manager, since January 01, 2016. Prior to joining the TCL Group, Mr. Ali Moya served in the positions of: Financial and Cost Analyst (Cemex, Venezuela); Business Process Coordinator (D.H.L, Costa Rica); and most recently, as Business Service Organization Manager (Cemex, Costa Rica).

Mr. Ali Moya earned his Bachelor of Accounting degree from the Universidad Católica "Andres Bello" in Caracas, Venezuela (1997). He then went on to attain a Master of Business Administration degree from the Universidad Latinoamericana de Ciencia y Tecnología in San José, Costa Rica (2009).

**Mr. Wayne Benjamin – Technical Services Manager:**

Mr. Wayne Benjamin joined the TCL Group in January 2002 as the Chemist. Over the years, he held various positions within the organization, including Shift Engineer, Packing Plant/ Logistics Supervisor and Production Manager (Ag.).

Mr. Benjamin joined RML on September 01, 2016 as the Company's Technical Services Manager (Designate) and was subsequently appointed to the position on January 14, 2017.

Mr. Benjamin holds a BSc. Degree in Chemistry from the University of the West Indies. He is also an NRMCA's Concrete Technologist Level 4, and an NRMCA Certified Concrete Professional (CCPf). He holds membership in ASTM Committee C01 – Cement, the American Concrete Institute (ACI) and the Institute of Concrete Technology (ICT) of the UK.

Additionally, Mr. Benjamin is a Quality Management Systems Auditor for the ISO 9001, ISO 17025, API Spec 10A and API Q1 Management Systems.

**Ms. Cindy Siewbally – Human Resource Manager:**

Ms. Cindy Siewbally was appointed to the position of Human Resource Manager (Ag.) at RML in September 2016 and subsequently appointed to the positon on February 01, 2017. Ms. Siewbally has over 19 years' experience in the TCL Group and previously held the position of Senior Group Human Resource Officer at TCL's Corporate Office. Ms. Siewbally holds a Bachelor of Arts degree in Human Resource Management and a Certificate in Industrial Relations.

# CHAIRMAN'S REPORT & MANAGEMENT DISCUSSION 2016

Mr. Nigel Edwards
Chairman

## INTRODUCTION

**Subsequent to a number of new appointments to the Board of Directors and Management team in 2015, the Readymix (West Indies) Limited (RML) Group, undertook an extensive review: to ascertain its precise financial and operational position; and develop appropriate strategies and measures to increase shareholder value.**

**The Group, during 2016, pursued the strategic goals identified during the review, seeking at all times to maintain a harmonious industrial relations (IR) environment. Accordingly, the Group settled a number of IR issues during 2016 at a cost of $18 million. The settlements, though costly, set the Group on a sustainable path.**

**The one-off costs arising from the industrial settlements coincided with a reduction in revenue due to the continued deceleration of the construction sector locally and regionally. Though EBITDA (earnings before interest, tax, depreciation, gain on disposals and restructuring costs) was positive at $10.5 million (2015: $20.2 million), the confluence of the industrial settlements and the reduction in Revenue resulted in a Net Loss of $8.9 million (2015: Profit $9.3 million).**

# CHAIRMAN'S REPORT & MANAGEMENT DISCUSSION 2016 (CONT'D)

### Offer and Takeover Bid

On March 24th, 2017 the Board received notice of an offer by its immediate parent company, Trinidad Cement Limited (TCL), to acquire all of the issued and outstanding ordinary shares, not already held by TCL, in Readymix (West Indies) Limited. The Board sought an independent opinion on the fairness of the offer and on April 13th, 2017 prepared a "Directors' Circular" to shareholders, that included pertinent information related to the offer and the fairness opinion received. Subsequently, the Board was advised by TCL that it had acquired 3,136,009 shares (90.43% of outstanding shares) pursuant to the offer and "mop up" provisions under the Securities Industry (Take-Over) By-Laws, bringing its total shareholding in RML at May 29th, 2017 to 97.23% and that all terms and conditions of the offer have been complied with. Additionally, the Board was advised that TCL intends to exercise its rights under the Companies Act and Takeover By-Laws to compulsorily acquire all remaining outstanding RML shares.

## THE EXTERNAL ENVIRONMENT

### Global and Regional View:

According to the World Bank Global Economic Report for January 2017, "Stalling global trade, weak investment, and heightened policy uncertainty have depressed world economic activity. Global growth is estimated to have fallen to 2.3 percent in 2016, the weakest performance since the global financial crisis", advanced economies continued to struggle with subdued growth and low inflation in a context of increased uncertainty about policy direction, tepid investment, and sluggish productivity growth. Economic activity decelerated in the United States and, to a lesser degree, in some other major economies. As a result, advanced-economy growth is now estimated to have slowed to 1.6 percent in 2016, with a further weakening of global trade in 2016. Emerging markets and developing economies grew at an estimated 3.4 percent in 2016.

The outcome of the United States elections has made macroeconomic projections more uncertain globally; meanwhile Euro Area growth slowed from 2 percent in 2015 to 1.6 percent in 2016, as both domestic demand and exports lost momentum. Confidence in the Euro Area has been resilient, despite the United Kingdom's vote to exit the European Union in June 2016. In China, growth is estimated to have slightly decelerated to 6.7 percent in 2016. The United Kingdom has started on its path to exiting the European Union while geopolitical tensions remain elevated, particularly in the Middle East, and policies on global trade are being reassessed.

Output in Latin America and the Caribbean is estimated to have contracted 1.4 percent in 2016, the second consecutive year of negative growth. This weakness was due to the combined effects of low commodity prices and domestic economic challenges in large economies. In South America, where a large share of countries are commodity exporters, GDP growth contracted 2.8 percent. Growth in Mexico and Central America slowed to 2.3 percent, while growth in the Caribbean decelerated to 3.2 percent. Downside risks to these economies include rising policy uncertainty among advanced economies, a renewed slide in commodity prices, and weaker-than-expected activity among the region's largest economies.

# CHAIRMAN'S REPORT & MANAGEMENT DISCUSSION 2016 (CONT'D)

**Local Landscape:**

Domestically, the performance of the energy sector has been mixed. Crude oil production pushed marginally past levels observed a year earlier, but natural gas output and associated downstream activity remain very subdued. Nonetheless, there are solid prospects for a boost in gas output from the third quarter of 2017. In the non-energy sectors, the latest available data on production, sales, trade and credit show that there is yet to be a recovery in construction and distribution activities.

According to data from the Central Bank of Trinidad & Tobago (CBTT), the TT dollar depreciated 4.6 percent YoY to average TT$6.6715: US$1.00 for 2016. Foreign reserves fell by 3.7 percent (YoY) in 2016 to US$9.3 billion or 10.3 months of imports. The CBTT injected US$1.807 billion to authorised foreign exchange (FX) dealers in 2016, 30 percent less than 2015, while the public sold 13 percent less US dollars to authorised FX dealers, at US$4.3 billion in 2016. As such, total foreign exchange sales to authorised FX dealers from the public and CBTT combined was just over US$6 billion in 2016, down 19 percent (YoY) to the lowest level in five years. Conditions in the foreign exchange market remained tight in 2016.

## HEALTH SAFETY AND ENVIRONMENT (HSE)

Health and Safety remains a major priority of RML's Board and Management. During the year 2016, we continued our thrust to upgrade and modernise our facilities in order to provide a safer and more comfortable work environment for our employees and all stakeholders. We expect to continue with these upgrades in the year 2017.

RML recorded two Lost Time Injuries (LTI) in the year, one more than the comparative period in 2015. Whilst these incidents impeded our ability to achieve our goal of 'Zero Accidents and Zero Incidents', they provided valuable lessons, to arrive at strategies to mitigate against any recurrences going forward.

In the area of Regulatory Compliance, there were no adverse reports against the Company. We continue to maintain a good working relationship with all Statutory Enforcement Agencies, under whose purview we fall.

In 2016, we also placed emphasis on the adoption of key preventative HSE strategies and best practice principles. The implementation of OSH best practices within the industry continues to be rolled out and we are confident that the benefits of these new initiatives will have a major impact on our HSE performance in the years ahead.

## FINANCIAL REVIEW AND ANALYSIS

The Group's third party revenue of $139.9 million in 2016 declined by an overwhelming $76.8 million or 35 percent from 2015, driven by a 36 percent drop in concrete volumes and a 31 percent drop in aggregate volumes. This was compounded by falling selling prices, due to the lacklustre construction sector that fostered a highly competitive environment.

# CHAIRMAN'S REPORT & MANAGEMENT DISCUSSION 2016 (CONT'D)

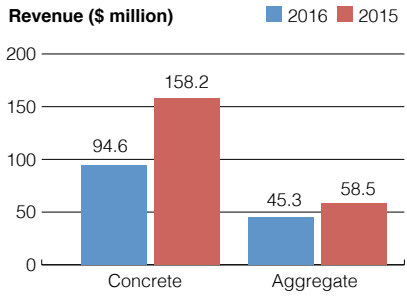
Notwithstanding this precipitous decline in revenue, the Group did very well to achieve a positive adjusted EBITDA (earnings before interest, tax, depreciation, gain on disposals and restructuring costs) of $10.5 million (2015 - $20.2 million), due in part to cost saving measures adopted by the Company. Two major restructuring programmes were implemented in 2016, one of which involved the rationalisation of spares inventory levels and the other involved a reduction in manpower levels. In addition, some long outstanding employee related matters were settled through the Industrial Court, while retroactive payroll costs were incurred due to partial settlement of collective agreements. These matters added approximately $18 million in one-off costs in 2016, resulting in a loss for the year of $8.9 million (2015: profit of $9.3 million).

### Liquidity & Financial Position

As a consequence of the decline in operating profit and working capital changes, the Group generated $7.7 million in Cash from Operations in 2016 compared with $60.1 million in the previous year. Investment in property, plant and equipment was $20.3 million, which was almost double the $10.7 million invested in 2015. This represented one of the key strategic initiatives of the company, namely, a major upgrade of the Quarry equipment, which was deemed necessary to improve efficiency, increase capacity and thus drive down production costs. Debt service cost was zero, compared to $4.8 million in 2015, as there was no debt on the books of RML in 2016. Group net cash decreased by $8.5 million (2015 – increase $3.6 million), including a $4.0 million reduction of the short-term deposits with the Parent Company, resulting in a cash balance at year-end of $10.3M (2015 - $18.8M).

### MARKETING

Concrete and aggregate sales volumes in 2016 decreased by 36 percent and 31 percent respectively from 2015 volumes, as economic activity in general and the construction sector in particular was very subdued. Latest available data from the Central Bank of Trinidad & Tobago indicate that construction sector activity declined by 15.7 percent and 23.5 percent for the first and second quarters of 2016 respectively (both YOY). This has impacted heavily on concrete and aggregate sales volumes and prices, as there are over thirty established players in the pre-mixed concrete sector in Trinidad and Tobago. Market prices of both concrete and aggregate continued to slide downwards due to competitive pressures.




The Group was able to maintain its leadership position in both the concrete and aggregate sectors by focusing on product quality and providing excellent service. Major projects supplied by RML in 2016 included the Waste Water Treatment Plant in Malabar, the Arima Hospital, Japan Motors' Warehouse and the Republic Bank Data Centre.

# CHAIRMAN'S REPORT & MANAGEMENT DISCUSSION 2016 (CONT'D)

## OPERATIONS

The year 2016 was another challenging one for RML, however, the Company utilised the slowdown in construction activity to conduct major maintenance, housekeeping and safety works, which addressed a number of safety-related concerns identified during comprehensive audits of our operations. In addition, we were able to significantly improve equipment availability and efficiency, thus allowing RML to be more competitive and maintain its leadership position in Quality and Service in the pre-mixed concrete industry in Trinidad and Tobago.

During the year, RML was able to engineer and procure equipment for the first phase of its major upgrade of Wash Plant #1 at the Quarry. The commissioning of the Plant is carded for the third quarter of 2017 and will result in further efficiency and capacity improvements.

## HUMAN CAPITAL/INDUSTRIAL RELATIONS

The internal industrial relations climate was generally stable, despite the Company embarking on two manpower restructuring exercises in 2016. Additionally, an employee-related matter that was initiated in 2012 was settled through the Industrial Court, which ruled and delivered judgment, thus bringing closure to the matter. Despite these challenges, our employees have remained focused and committed. The company recognises that it is imperative to have the support of all stakeholders to ensure successful Company 'turnaround'. The HR/IR Team will continue to strive to maintain a healthy and stable industrial relations climate, build employee morale with increased levels of productivity in order to maintain an organisation capable of competing in a highly competitive market.

## LOOKING AHEAD

While reports from the World Bank and International Monetary Fund suggest there will be modest growth in economic activity internationally including in the Latin American and Caribbean regions for 2017, the outlook for Trinidad and Tobago is not as encouraging. There continues to be an anaemic construction sector, severe foreign exchange constraints and large sums of money owed to contractors by Central Government. Our key strategies in this challenging environment will include:

- Growth of the concrete and aggregate market share through focusing on attracting higher margin business, service excellence and personal selling/customer relationship management.
- Pursuing price competitiveness through focusing on cost reduction for both aggregate and concrete through continued investment in plant, equipment, systems and personnel.
- Developing a more integrated approach to winning business by leveraging our relationships with all our related companies.

The company fully recognises the challenging environment and obstacles being faced, however we remain optimistic and fully focused on achieving increased operational efficiencies, intensifying our customer product and services programmes in new and innovative ways and exceeding customers' quality and service expectations.

# CHAIRMAN'S REPORT & MANAGEMENT DISCUSSION 2016 (CONT'D)

## ACKNOWLEDGEMENTS

I would like to extend my sincere appreciation to all our valued stakeholders for their support and patience. My heartfelt gratitude is also extended to all the committed, loyal and hardworking employees of the RML Group, who have shown dedication and courage as we take the necessary actions to ensure a sustainable future. Finally, I wish to thank the members of the Board of Directors, past and present for their contribution to our company being able to continuously create value for our shareholders.

**Mr. Nigel Edwards**

Chairman

# DIRECTORS' REPORT

**The Directors present their Report to the Members together with the Financial Statements for the year ended December 31, 2016.**

| FINANCIAL RESULTS | TT$'000 |
|---|---|
| Turnover | 139,936 |
| Net Loss for the year | (8,945) |
| Translation Difference | (40) |
| Dividends | NIL |
| Retained Earnings Carried Forward | 79,436 |

**Directors' Interests:**

| | Ordinary Shares |
|---|---|
| Nigel Edwards, Chairman | Nil |
| José Luis Seijo González, Director | Nil |
| Wayne Yip Choy, Director | Nil |
| Michael Glenn Hamel-Smith, Director | Nil |
| Jinda Maharaj, Director | Nil |
| Luis Gilberto Ali Moya, Director | Nil |

**Senior Officers' Interests:**

| | Ordinary Shares |
|---|---|
| Andres Peña, General Manager | Nil |
| Malcolm Sooknanan, Finance Manager/Company Secretary | Nil |

**Substantial Interests:**

A substantial interest means a holding of 5% or more of the issued share capital of the Company.

| | No. of Ordinary Shares | % of Issued Share Capital |
|---|---|---|
| Trinidad Cement Limited | 8,531,977 | 71.10% |
| Republic Bank Limited – 1162 | 1,551,953 | 12.93% |
| Colonial Life Ins. Co. Trinidad Ltd. | 670,646 | 5.59% |

# DIRECTORS' REPORT (CONT'D)

## CONTRACTS

No Director of the Company had any material interest in any contract relating to the business of the Company during or at the end of the financial year.

## DIVIDENDS

Given the existing challenges, your Board of Directors does not consider it prudent to approve a dividend for 2016.

## DIRECTORS

No new director was appointed by the Board during 2016 and no director is due for re-election by rotation.

## AUDITORS

At the Annual Meeting of the parent company, Trinidad Cement Limited, held on May 26, 2017, KPMG was appointed as auditors for the year 2017.

Accordingly, the Board of Directors of Readymix (West Indies) Limited recommends that KPMG be appointed as the company's auditors for the year 2017, subject to shareholders approval at the next Annual Meeting.

**BY ORDER OF THE BOARD**

**MALCOLM SOOKNANAN**
Secretary

**Addendum to the Directors' Report**

**Substantial Interests:**

As at the close of trade on May 29, 2017, the balances of RML's substantial interests were recorded as follows:-

- Trinidad Cement Limited (TCL) – Holdings **increased** to **11,667,986** Ordinary Shares (97.23% of Issued Share Capital). *Note: The increase reflects a total of 3,136,009 shares that were acquired by TCL, pursuant to its Offer and Take-Over Bid issued on March 27, 2017.*
- Republic Bank Limited 1162 – Holdings **decreased** to **zero** Ordinary Shares (**0.0%** of Issued Share Capital).
- Colonial Life Ins. Co. Trinidad Ltd. – Holdings **decreased** to **zero** Ordinary Shares (**0.0%** of Issued Share Capital).

# BUILDING A STRONGER NATION

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF READYMIX (WEST INDIES) LIMITED

### Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Readymix (West Indies) Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT (CONT'D)

## TO THE SHAREHOLDERS OF READYMIX (WEST INDIES) LIMITED

**Report on the Audit of the Consolidated Financial Statements** (continued)

**Key Audit Matters** (continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Existence and collectability of trade receivables and revenue recognition**<br><br>Refer to relevant notes 5 and 18, and accounting policy notes 2 (c), 2 (l) and 2 (m). Trade receivables (net of provision) amounted to $28.1 million as at 31 December 2016 and the related revenue amounted to $140 million for the year then ended. These amounts are material to the consolidated financial statements.<br><br>As presented in note 5 to the consolidated financial statements, a significant percentage (42% or $11.9 million) of the Group's trade receivables are aged in excess of 180 days and have not been provided for by management.<br><br>There is an element of management judgment involved in the assessment of the extent of recoverability of certain trade receivable balances and the consequent determination of provisioning at year end.<br><br>Furthermore, given the nature of the Group's business and the high volume of sales transactions there are factors which may result in the recognition of revenue before the risks and rewards have been transferred to the Group's customers. | Our audit procedures included, but were not limited to, internal control testing on the recognition of revenue to assess compliance with IAS 18: "Revenue". In addition we sample tested revenue recognised during the year to supporting documents including invoices and delivery documentation, to evaluate the existence of the recorded revenues and related accounts receivable balances in the accounting period and at year end.<br><br>Our testing also included comparing trade receivable balances to Customer Confirmation Letters received from the customers, subsequent collections from customers or delivery documentation.<br><br>We evaluated and tested the Group's process and documented policy for accounts receivable provisioning. We also evaluated management's assumptions and explanations in relation to trade receivable provisioning through inspection of the aged receivables listing and verification to supporting documentation.<br><br>We also tested on a sample basis, sales transactions on either side of the year end date and credit notes issued after year end, to assess whether those transactions were recognised in the correct accounting period. |

**Other information included in the Group's 2016 Annual Report**

Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

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

# INDEPENDENT AUDITOR'S REPORT (CONT'D)

## TO THE SHAREHOLDERS OF READYMIX (WEST INDIES) LIMITED

**Report on the Audit of the Consolidated Financial Statements** (continued)

**Other information included in the Group's 2016 Annual Report** (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

# INDEPENDENT AUDITOR'S REPORT (CONT'D)

**TO THE SHAREHOLDERS OF READYMIX (WEST INDIES) LIMITED**

**Report on the Audit of the Consolidated Financial Statements** (continued)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** (continued)

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

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

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

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

The engagement partner in charge of the audit resulting in this independent auditor's report is Mr. Sheldon Griffith.

Ernst & Young

Port of Spain,
TRINIDAD:
23 February 2017

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **Non–current assets** | | | |
| Property, plant and equipment | 3 | 53,936 | 40,523 |
| Deferred tax assets | 4 (b) | 7,127 | 2,315 |
| Receivables | 5 | 1,458 | 3,218 |
| | | 62,521 | 46,056 |
| **Current assets** | | | |
| Inventories | 6 | 14,814 | 14,951 |
| Receivables and prepayments | 5 | 31,165 | 30,625 |
| Cash at bank and short-term deposits | 7 | 47,330 | 59,806 |
| | | 93,309 | 105,382 |
| Assets directly associated with the discontinued operation | 8 | – | 44 |
| | | 93,309 | 105,426 |
| **Current liabilities** | | | |
| Payables and accruals | 9 | 48,100 | 39,900 |
| Liabilities directly associated with the discontinued operation | 8 | 421 | 402 |
| | | 48,521 | 40,302 |
| **Net current assets** | | 44,788 | 65,124 |
| **Non–current liabilities** | | | |
| Employee benefits liability | 10 | 15,004 | 6,753 |
| Deferred tax liabilities | 4 (b) | 5,768 | 4,855 |
| | | 20,772 | 11,608 |
| **Total net assets** | | 86,537 | 99,572 |
| **Equity attributable to the parent** | | | |
| Stated capital | 11 | 12,000 | 12,000 |
| Retained earnings | | 79,436 | 92,446 |
| | | 91,436 | 104,446 |
| **Non-controlling interest** | 12 | (4,899) | (4,874) |
| **Total equity** | | 86,537 | 99,572 |

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on 23 February 2017 and signed on their behalf by:

_____ Director _____ Director

# CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 13, 18 | 139,936 | 216,716 |
| **Earnings before interest, tax, depreciation, gain on disposal of property, plant and equipment and restructuring costs** | 13 | 10,543 | 20,184 |
| Depreciation | 3 | (6,859) | (6,596) |
| Gain on disposal of property, plant and equipment | | 67 | – |
| Stockholding and inventory restructuring costs | 6 | (2,567) | – |
| Manpower restructuring costs | 14 | (10,753) | – |
| **Operating (loss)/profit from continuing operations** | | (9,569) | 13,588 |
| Finance costs | 15 | (327) | (760) |
| Interest income | | 189 | 472 |
| **(Loss)/profit before taxation from continuing operations** | | (9,707) | 13,300 |
| Taxation | 16 (a) | 785 | (3,863) |
| **(Loss)/profit for the year from continuing operations** | | (8,922) | 9,437 |
| **Discontinued operations** | | | |
| Loss before taxation from discontinued operations | 8 | (23) | (115) |
| Taxation | | – | – |
| **Loss for the year from discontinued operations** | 8 | (23) | (115) |
| **(Loss)/profit for the year** | | (8,945) | 9,322 |
| **Attributable to:** | | | |
| Equity holders of the Parent | | (8,936) | 9,368 |
| Non-controlling interest | 12 | (9) | (46) |
| | | (8,945) | 9,322 |
| **Basic and diluted (loss)/earnings per share: (expressed in $ per share)** | | | |
| From continuing operations | 17 | ($0.74) | $0.79 |
| From discontinued operations | 17 | ($0.00) | ($0.01) |
| Total | | ($0.74) | $0.78 |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **(Loss)/profit for the year** | | (8,945) | 9,322 |
| **Other comprehensive (loss)/income:** | | | |
| *Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:* | | | |
| Re-measurement losses on defined benefit plans | 10 (a) | (6,140) | (799) |
| Income tax effect | | 2,090 | 200 |
| | | (4,050) | (599) |
| *Other comprehensive loss to be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translation of foreign operations | | (40) | (37) |
| **Total other comprehensive loss for the year, net of taxes** | | (4,090) | (636) |
| **Total comprehensive (loss)/income for the year, net of tax** | | (13,035) | 8,686 |
| **Attributable to:** | | | |
| Equity holders of the Parent | | (13,010) | 8,747 |
| Non-controlling interest | | (25) | (61) |
| | | (13,035) | 8,686 |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

| | Equity attributable to the Parent | | | | |
|---|---|---|---|---|---|
| | Stated capital $ | Retained earnings $ | Total $ | Non-controlling interest $ | Total equity $ |
| **Year ended 31 December 2016** | | | | | |
| Balance at 1 January 2016 | 12,000 | 92,446 | 104,446 | (4,874) | 99,572 |
| Currency translation loss | – | (24) | (24) | (16) | (40) |
| Other comprehensive loss | – | (4,050) | (4,050) | – | (4,050) |
| Loss after taxation | – | (8,936) | (8,936) | (9) | (8,945) |
| Total comprehensive loss | – | (13,010) | (13,010) | (25) | (13,035) |
| **Balance at 31 December 2016** | 12,000 | 79,436 | 91,436 | (4,899) | 86,537 |
| **Year ended 31 December 2015** | | | | | |
| Balance at 1 January 2015 | 12,000 | 83,699 | 95,699 | (4,813) | 90,886 |
| Currency translation loss | – | (22) | (22) | (15) | (37) |
| Other comprehensive loss | – | (599) | (599) | – | (599) |
| Profit/(loss) after taxation | – | 9,368 | 9,368 | (46) | 9,322 |
| Total comprehensive income/(loss) | – | 8,747 | 8,747 | (61) | 8,686 |
| **Balance at 31 December 2015** | 12,000 | 92,446 | 104,446 | (4,874) | 99,572 |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/profit before taxation from continuing operations | | (9,707) | 13,300 |
| Loss before taxation from discontinued operations | | (23) | (115) |
| (Loss)/profit before taxation | | (9,730) | 13,185 |
| Adjustments to reconcile (loss)/profit before taxation to net cash generated by operating activities: | | | |
| Depreciation | 3 | 6,859 | 6,596 |
| Net increase in provision for doubtful debts | | 1,101 | 2,460 |
| Stockholding and inventory restructuring costs | 6 | 2,567 | – |
| Decrease in provision for obsolete spares | 13 | (125) | – |
| Finance costs | | 327 | 760 |
| Employee benefits expense | 10 (a) | 4,111 | 3,015 |
| Gain on disposal of long-term assets and other movements | | (57) | 217 |
| | | 5,053 | 26,233 |
| (Increase)/decrease in inventories | | (2,305) | 16,340 |
| Decrease in receivables and prepayments | | 491 | 11,972 |
| Increase in payables and accruals | | 9,002 | 11,862 |
| **Cash generated by operations** | | 12,241 | 66,407 |
| Taxation paid | | (2,175) | (3,584) |
| Finance costs paid | | (327) | (760) |
| Pension contributions paid | 10 (a) | (2,000) | (2,008) |
| **Net cash generated by operating activities** | | 7,739 | 60,055 |
| **Investing activities** | | | |
| Additions to property, plant and equipment | 3 | (20,282) | (10,692) |
| Reduction/(investment) in short-term deposits | 7 | 4,000 | (41,000) |
| Proceeds from sale of property, plant and equipment | | 67 | – |
| **Net cash used in investing activities** | | (16,215) | (51,692) |
| **Financing activities** | | | |
| Repayment of borrowings | | – | (4,778) |
| **Net cash used in financing activities** | | – | (4,778) |
| **(Decrease)/increase in cash and cash equivalents** | | (8,476) | 3,585 |
| **Cash and cash equivalents – beginning of year** | | 18,806 | 15,221 |
| **Cash and cash equivalents – end of year** | | 10,330 | 18,806 |
| **Represented by:** | | | |
| Cash on hand and at bank | 7 | 10,330 | 18,806 |

The accompanying notes form an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 1. Incorporation and activities

Readymix (West Indies) Limited (the "Company" or "RML") is a limited liability company incorporated and resident in the Republic of Trinidad and Tobago and its shares are publicly listed on the Trinidad and Tobago Stock Exchange. The registered office of the Company is Tumpuna Road, Guanapo, Arima. Trinidad Cement Limited, also incorporated in the Republic of Trinidad and Tobago, is the parent company and as at 31 December 2016 holds 71% (2015: 71%) of the issued ordinary shares of the Company. Readymix (West Indies) Limited has a 60% shareholding in Premix & Precast Concrete Incorporated ("PPCI"), a company incorporated and domiciled in Barbados and 100% shareholding in RML Property Development Limited, a company incorporated and domiciled in Trinidad and Tobago. As described in note 24, subsequent to year end and effective 24 January, 2017, the Company's ultimate parent company is CEMEX, S.A.B. de C.V., a public stock corporation with variable capital (S.A.B. de C.V.) organised under the laws of the United Mexican States, or Mexico, and its shares are publicly traded on the Mexican Stock Exchange ("MSE") as Ordinary Participation Certificates ("CPOs") under the symbol "CEMEXCPO". Each CPO represents two series "A" shares and one series "B" share of common stock of CEMEX, S.A.B. de C.V. In addition, CEMEX, S.A.B. de C.V.'s shares are listed on the New York Stock Exchange ("NYSE") as American Depositary Shares ("ADSs") under the symbol "CX." Each ADS represents ten CPOs.

Readymix (West Indies) Limited and its subsidiaries' (the "Group") operations are located in Trinidad and Tobago and Barbados. The principal business activities of the Group are the manufacture and sale of pre-mixed concrete and the winning and sale of sand and gravel ("Aggregates").

Effective September 2014, the Board of Directors discontinued the operations of Premix & Precast Concrete Incorporated ("PPCI"), the subsidiary previously operating in Barbados.

On 23 May 2014, RML Property Development Limited ("RML Property"), a limited liability company was incorporated under the Companies Act, 1995 in the Republic of Trinidad and Tobago and is a wholly owned subsidiary of the parent company Readymix (West Indies) Limited. This subsidiary had no trading activities to date.

## 2. Significant accounting policies

### (a) Basis of preparation

*Statement of compliance*

The consolidated financial statements of the Group have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Changes in accounting policy and disclosures*

***New and amended standards and interpretations***

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(a) Basis of preparation** (continued)

*Changes in accounting policy and disclosures* (continued)

***New and amended standards and interpretations*** (continued)

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Improvements to IFRSs – 2012-2014 cycle

The nature and the impact of each new standard and amendment are described below:

**IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

**Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(a) Basis of preparation** (continued)

*Changes in accounting policy and disclosures* (continued)

***New and amended standards and interpretations*** (continued)

The nature and the impact of each new standard and amendment are described below: (continued)

**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

**Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Group as it does not have any bearer plants.

**Amendments to IAS 27: Equity Method in Separate Financial Statements**

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(a) Basis of preparation** (continued)

*Changes in accounting policy and disclosures* (continued)

***New and amended standards and interpretations*** (continued)

The nature and the impact of each new standard and amendment are described below: (continued)

**Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the consolidated statement(s) of profit or loss and OCI and the consolidated statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to consolidated financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

**Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(a) Basis of preparation** (continued)

*Changes in accounting policy and disclosures* (continued)

***New and amended standards and interpretations*** (continued)

The nature and the impact of each new standard and amendment are described below: (continued)

**Annual Improvements 2012-2014 Cycle**

These improvements are effective from 1 January 2016 and the Group has applied these amendments (where applicable) for the first time in these consolidated financial statements. They include:

*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively. These amendments have no impact on the consolidated financial statements.

*IFRS 7 Financial Instruments: Disclosures*

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

These amendments have no impact on the consolidated financial statements.

*IAS 19 Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(a) Basis of preparation** (continued)

*Changes in accounting policy and disclosures* (continued)

***New and amended standards and interpretations*** (continued)

The nature and the impact of each new standard and amendment are described below: (continued)

**Annual Improvements 2012-2014 Cycle** (continued)

*IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively and is relevant to the Group's interim reporting.

***Standards issued but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments – Effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers – Effective 1 January 2018
- IFRS 16, 'Leases' – Effective 1 January 2019
- Amendments to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions' - Amendments to IFRS 2 - Effective for annual periods beginning on or after 1 January 2018
- Amendments to IAS 7 – Disclosure Initiative – Effective 1 January 2017
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses – Effective 1 January 2017

The Group is currently assessing the potential impact of these new standards and interpretations and will adopt them when they are effective, where applicable.

**(b) Basis of consolidation**

These consolidated financial statements comprise the financial statements of Readymix (West Indies) Limited (the "Parent") and its subsidiaries (PPCI and RML Property). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(b) Basis of consolidation** (continued)

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. All intra-group transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income, comprehensive income and within equity in the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016

(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(c) Significant accounting judgments, estimates and assumptions**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting dates. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key judgments, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Provision for doubtful debts*

Management exercises judgment in determining the adequacy of provisions established for accounts receivable balances for which collections are considered doubtful. Judgment is used in the assessment of the extent of the recoverability of certain balances. Actual outcomes may be materially different from the provision established by management and as reported in the consolidated financial statements.

*Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

*Pension benefits*

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making judgments and assumptions in determining discount rates, expected rates of return on assets, future salary increases and future pension increases. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty. All assumptions are reviewed at the reporting date.

*Property, plant and equipment*

Management exercises judgment in determining whether costs incurred can accrue significant future economic benefits to the Group to enable the value to be treated as a capital expense.

Management also exercises judgment in the annual review of the useful lives of all categories of property, plant and equipment and the resulting depreciation charge determined thereon.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(d) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 - Financial Instruments: Recognition and Measurement either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016

(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(e) Property, plant and equipment**

It is the Group's policy to account for property, plant and equipment at cost, net of accumulated depreciation and/or accumulated impairment losses, if any (Note 3). Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are recognised in the consolidated statement of income.

Depreciation is provided on the straight line basis at rates estimated to write-off the assets over their expected useful lives. The estimated useful lives of assets are reviewed periodically, taking account of commercial and technological obsolescence as well as normal wear and tear, and the depreciation rates are adjusted if appropriate.

Current rates of depreciation are:

| | | | | |
|---|---|---|---|---|
| Buildings | - | 2% | - | 4% |
| Plant, machinery and equipment | - | 3% | - | 40% |
| Motor vehicles | - | 10% | - | 20% |
| Office furniture and equipment | - | 10% | - | 25% |

Property, plant and equipment acquired under finance lease or leasehold improvements are depreciated over the shorter of the useful life of the asset and the lease term. Land and capital work in progress are not depreciated.

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

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Work in progress and finished goods include attributable production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(g) Foreign currency translation**

The consolidated financial statements are presented in Trinidad and Tobago dollars (expressed in thousands), which is the functional and presentation currency of the Parent. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*Foreign currency transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are recognised in the consolidated statement of income.

*Foreign entities*

On consolidation, assets and liabilities of foreign entities are translated into Trinidad and Tobago dollars at the rate of exchange ruling at the reporting date and their statements of income are translated at exchange rates at the date of the transaction. The exchange differences arising on re-translation are recognised in other comprehensive income. On disposal of the foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of income.

**(h) Taxation**

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

*Deferred income tax*

A deferred tax charge is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which these deductible temporary differences, and carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(i) Employee benefits**

The Company's employees are members of the Trinidad Cement Limited Employee's pension plan, while Premix & Precast Concrete Incorporated's employees are members of the Arawak Cement Limited Employee's pension plan. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the rules of the pension plans and recommendations of independent qualified actuaries.

The Group accounts for this defined benefit plan using the projected unit credit method. Under this method, the cost of providing pensions is calculated based on the advice of independent professional actuaries. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of long-term government securities.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'personnel remuneration and benefits' in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

**(j) Financial instruments**

Financial instruments carried on the consolidated statement of financial position include cash at bank and short-term deposits, accounts payables and accounts receivables.

***Financial assets***

*Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(j) Financial instruments** (continued)

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

*Derecognition*

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

***Financial liabilities***

*Initial recognition and measurement*

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include accounts payable and accruals which are recognised initially at fair value.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016

(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(k) Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include all cash and bank balances and overdraft balances and short-term deposits with maturities of less than three months from date of establishment, which are subject to an insignificant risk of change in value.

**(l) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding returns, discounts, rebates and sales taxes. The Group has concluded that it is the principal in all its revenue arrangements since it is the primary obligor in all of its revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The following specific recognition criteria must be met before revenue is recognised:

*Sales of concrete and aggregate*

Revenue from the sale of concrete and aggregates is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, and the amount of revenue can be measured reliably.

*Interest income*

Interest income is recognised as interest accrues.

**(m) Trade and other receivables**

Trade and other receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

**(n) Trade and other payables**

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(o) Earnings per share**

Earnings per share is computed by dividing net profit attributable to the shareholders of the Parent for the year by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares in issue for the assumed conversion of potential dilutive ordinary shares into issued ordinary shares. The Group has no potential dilutive ordinary shares in issue.

**(p) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of the obligation.

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan has been established concerning the location and number of employees affected, a detail estimate of the associated costs and timelines have been established and affected employees notified of the plan's main features.

**(q) Leases**

*Operating leases*

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

*Finance leases*

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased assets or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016

(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(r) Interest bearing loans and borrowings**

Borrowings are initially stated at cost, being the fair value of the consideration received, net of issue costs associated with the borrowings. After initial recognition, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds and the redemption value is recognised in the consolidated statement of income over the period of the borrowings.

**(s) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. There were no borrowing costs capitalised during the year.

**(t) Impairment of assets**

*Non–financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal 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. When the carrying amount of an asset exceeds its recoverable amount, the asset 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment been recognised for the asset in prior years. Such reversal is treated as a revaluation increase.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(t) Impairment of assets** (continued)

*Financial assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**(u) Fair value measurement**

The Group does not measure any assets or liabilities at fair value in its consolidated statement of financial position. The fair value of assets and liabilities which are measured at amortised cost is presented in Note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**2. Significant accounting policies** (continued)

**(v) Non-current assets held for sale and discontinued operations**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets and liabilities classified as held for discontinuation are presented separately as current items in the consolidated statement of financial position. Discontinued operations are excluded from the results of the continuing operations and presented as a single amount as profit or loss after tax from continuing operations in the consolidated statement of income.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of income.

Additional disclosures are provided in Note 8.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 3. Property, plant and equipment

| | Land & buildings $ | Plant machinery & equipment & motor vehicles $ | Office furniture & equipment $ | Capital WIP $ | Total $ |
|---|---|---|---|---|---|
| **At 31 December 2016** | | | | | |
| Cost | 28,861 | 102,861 | 6,357 | 19,726 | 157,805 |
| Accumulated depreciation | (15,581) | (84,096) | (4,192) | – | (103,869) |
| **Net book amount** | 13,280 | 18,765 | 2,165 | 19,726 | 53,936 |
| 1 January 2016 | 13,890 | 19,316 | 2,553 | 4,764 | 40,523 |
| Additions | 396 | 1,535 | 249 | 18,102 | 20,282 |
| Transfer from WIP | 794 | 2,235 | 111 | (3,140) | – |
| Disposals and adjustments | – | (10) | – | – | (10) |
| Depreciation charge | (1,800) | (4,311) | (748) | – | (6,859) |
| **31 December 2016** | 13,280 | 18,765 | 2,165 | 19,726 | 53,936 |
| **At 31 December 2015** | | | | | |
| Cost | 27,671 | 99,101 | 5,997 | 4,764 | 137,533 |
| Accumulated depreciation | (13,781) | (79,785) | (3,444) | – | (97,010) |
| **Net book amount** | 13,890 | 19,316 | 2,553 | 4,764 | 40,523 |
| 1 January 2015 | 11,419 | 20,413 | 1,682 | 3,084 | 36,598 |
| Additions | 1,274 | 3,665 | 1,012 | 4,741 | 10,692 |
| Transfer from WIP | 2,209 | 445 | 407 | (3,061) | – |
| Disposals and adjustments | – | (171) | – | – | (171) |
| Depreciation charge | (1,012) | (5,036) | (548) | – | (6,596) |
| **31 December 2015** | 13,890 | 19,316 | 2,553 | 4,764 | 40,523 |

A water truck with a net book value of nil was disposed of during the year which resulted in a net gain on disposal of $0.067 million (2015: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 4. Deferred taxation

| | 2016 $ | 2015 $ |
|---|---|---|
| **(a) Movement in deferred taxation (net)** | | |
| Balance as at 1 January | 2,540 | 3,106 |
| Other movements | – | (2) |
| Credit to other comprehensive income | (2,090) | (200) |
| Credit to income: | | |
| Continuing operations (Note 16(a)) | (1,809) | (364) |
| Balance at 31 December | (1,359) | 2,540 |
| **(b) Components of deferred taxation** | | |
| *Deferred tax assets:* | | |
| Tax losses carried forward | (1,933) | – |
| Employee benefits liability | (4,501) | (1,688) |
| Provisions | (693) | (627) |
| | (7,127) | (2,315) |
| *Deferred tax liabilities:* | | |
| Accelerated tax depreciation | 5,768 | 4,746 |
| Finance leases | – | 109 |
| | 5,768 | 4,855 |
| Net balance at 31 December | (1,359) | 2,540 |

Effective 1 January 2016, the applicable rates of business levy and green fund levy increased to 0.6% (previously 0.2%) and 0.3% (previously 0.1%) respectively of gross sales/receipts for the period.

In addition, effective 1 January 2017, the corporation tax structure will undergo a change whereby taxable profits up and equal to $1 million dollars will be taxed at 25% while all taxable profits in excess of $1 million dollars will incur a tax charge of 30%. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date. The net effect of this change is an increase in the tax charge of $0.328 million for 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 5. Receivables and prepayments

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Trade receivables | 52,104 | 52,003 |
| Less: provision for doubtful debts | (23,981) | (22,880) |
| Trade receivables (net) | 28,123 | 29,123 |
| Sundry receivables and prepayments | 1,224 | 2,677 |
| Due from related parties (Note 23 (a)) | 963 | 98 |
| Corporation tax recoverable | 2,313 | 1,945 |
| | 32,623 | 33,843 |
| **Presented in the consolidated statement of financial position as follows:** | | |
| Non-current | 1,458 | 3,218 |
| Current | 31,165 | 30,625 |
| | 32,623 | 33,843 |

Included within trade receivables are balances due from four (4) (2015: two (2)) classes of customers which are expected to be settled over one year and therefore $1.458 million (2015: $3.2 million) is presented as a non-current asset.

As at 31 December, the aging analysis of trade receivables is as follows:

| | | | Past due but not impaired | | |
|---|---|---|---|---|---|
| | Total | Neither past due nor impaired | 1-90 days | 91-180 days | Over 180 days |
| | $ | $ | $ | $ | $ |
| **2016** | 28,123 | 2,556 | 9,780 | 3,889 | 11,898 |
| **2015** | 29,123 | 1,900 | 10,500 | 4,653 | 12,070 |

As at 31 December, trade receivables at a value of $23.9 million (2015: $22.8 million) were considered impaired and provided for. Movements in the provision for doubtful debts of receivables were as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| At 1 January | 22,880 | 20,191 |
| Charge for the year | 2,610 | 4,423 |
| Unused amounts reversed | (1,509) | (1,734) |
| At 31 December | 23,981 | 22,880 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 6. Inventories

| | 2016 $ | 2015 $ |
|---|---|---|
| Finished goods | 6,959 | 4,180 |
| Raw materials | 3,093 | 2,870 |
| Plant spares and consumables | 4,762 | 7,901 |
| | 14,814 | 14,951 |

Inventory includes finished goods held at the Melajo quarry which comprises of sand and gravel ("Aggregates") and raw materials held at the concrete plants which comprises of cement, add-mixtures, fiber-mesh and sand and gravel ("Aggregates") and Pitrun at the Melajo quarry. Quarterly surveys are conducted by an independent qualified quantity surveyor to establish physical quantities on hand for Aggregates and Pitrun using an unmanned aerial vehicle ("drone") photogrammetry methodology at the Melajo quarry and traditional topographic methodology at the concrete plants.

Inventories are shown net of obsolescence provision of $2.476 million (2015: $2.593 million) in relation to plant spares and consumables. Inventories charged against operating profit are disclosed in Note 13.

Stockholding and inventory restructuring costs comprise a write down of overstocked spares and consumables amounting to $2.567 million (2015: Nil) identified in a comprehensive review of spares and consumables inventory quantities on hand, which was undertaken in 2016. In accordance with IAS 2: "Inventories," management has recorded an expense of $2.567 million in respect of the overstocked items, which has been written down to their net realisable value. This expense has been accounted for as a change in an accounting estimate consistent with IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors" resulting from new developments in relation to the implementation of a more robust preventative maintenance programme and closer proximity to a wider operational and technical capabilities.

## 7. Cash at bank and short-term deposits

| | 2016 $ | 2015 $ |
|---|---|---|
| Cash on hand and at bank – continuing operations | 10,330 | 18,806 |
| Short-term deposits – continuing operations | 37,000 | 41,000 |
| | 47,330 | 59,806 |

Cash at bank earns interest at floating rates based on daily deposits rates.

Short-term deposits includes an advance placed with Trinidad Cement Limited for a period of one year maturing 15 March 2017 and which earns interest at a rate of 0.45% per annum (Refer to Note 23 (b)). This advance was rolled over on the maturity date of 15 March 2016, for a period of one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 8. Net liabilities directly associated with the discontinued operation

The Board of Directors suspended operations of Premix & Precast Concrete Incorporated (PPCI) ("the subsidiary"), located in Barbados effective 30 September 2014 due to a major decline in the demand for concrete on the island.

In September 2014, the Board of Directors agreed to pursue disposal of the Subsidiary, and Management continues to explore all options in this regard.

As at 31 December 2014, the subsidiary was classified as a disposal group held for sale and as a discontinued operation. The results of the Subsidiary for the years ended 31 December 2016 and 2015 are presented below:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Sales revenue | – | – |
| Expense for the year | (23) | (115) |
| Loss before taxation | (23) | (115) |
| Taxation | – | – |
| **Net loss for the year** | (23) | (115) |

The major classes of assets and liabilities of Premix & Precast Concrete Incorporated (PPCI) classified as held for sale as at 31 December 2016 and 2015 are as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Assets** | | |
| Receivables and prepayments | – | 44 |
| Assets directly associated with the discontinued operation | – | 44 |
| **Liabilities** | | |
| Payables and accruals | (421) | (402) |
| Liabilities directly associated with the discontinued operation | (421) | (402) |
| **Net liabilities directly associated with discontinued operation** | (421) | (358) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 9. Payables and accruals

| | 2016 $ | 2015 $ |
|---|---|---|
| Due to related parties (Note 23 (a)) | 2,394 | 3,325 |
| Sundry payables and accruals | 27,073 | 20,454 |
| Trade payables | 18,633 | 16,121 |
| | 48,100 | 39,900 |

## 10. Employee benefits liability

| | 2016 $ | 2015 $ |
|---|---|---|
| Defined benefit liability | 15,004 | 6,753 |

The Company (RML) participates in a defined benefit pension plan which is a final salary Plan for its employees, which requires contributions to be made to a separately administered fund.

This Plan is governed by the employment laws of Trinidad and Tobago, which require final salary payments to be adjusted for the consumer price index once in payment during retirement. The level of benefits provided depends on the members' length of service and salary at retirement age.

The Fund has the legal form of a foundation and it is governed by the Board of Trustees, which consists of an equal number of employer's and employee's representatives. The Board of Trustees is responsible for the administration of the Plan's assets and for the definition of the investment strategy.

The Plan's financial funding position is assessed by means of triennial actuarial valuations carried out by an independent actuary. The Actuarial Valuation report as at 31 December 2015 revealed that the Company's section of the Plan was in deficit of $2.1 million and the Company would need to increase its contributions above the current rate of 15.8% of pensionable earnings to reverse the existing deficit. The next triennial Actuarial Valuation is due as at 31 December 2018.

The Plan's assets are invested in a strategy agreed with the Plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints and the availability of suitable investments.

The Barbados subsidiary participates in a defined benefit pension plan which is a final salary Plan for the Company's employees, which requires contributions to be made to a separately administered fund.

During 2014, PPCI ceased its operations and therefore the Pension Plan was partially terminated effective 31 December 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**10. Employee benefits liability** (continued)

The data that follows relates to the defined benefit plan of the Company (RML).

**(a) Changes in the defined benefit obligation and fair value of plan assets**

| | Defined benefit obligation $ | Fair value of plan assets $ | Net benefit liability $ |
|---|---|---|---|
| **Balance at 1 January 2016** | (59,114) | 52,361 | (6,753) |
| ***Pension cost charged to profit or loss*** | | | |
| Current service cost | (3,571) | – | (3,571) |
| Past service cost | – | – | – |
| Expenses | – | (265) | (265) |
| Net interest | (2,937) | 2,662 | (275) |
| **Sub-total included in profit or loss** | (6,508) | 2,397 | (4,111) |
| ***Re-measurement gains/(losses) in OCI*** | | | |
| Return on plan assets | – | (33) | (33) |
| Actuarial gains from changes in financial assumptions | 6,051 | – | 6,051 |
| Experience adjustment | (12,158) | – | (12,158) |
| **Sub-total included in OCI** | (6,107) | (33) | (6,140) |
| ***Other movements*** | | | |
| Contributions by employees | (759) | 759 | – |
| Contributions by employer | – | 2,000 | 2,000 |
| Benefits paid | 743 | (743) | – |
| Other movements | – | – | – |
| **Sub-total – other movements** | (16) | 2,016 | 2,000 |
| Defined benefit liability | (71,745) | 56,741 | (15,004) |
| **Balance at 31 December 2016** | (71,745) | 56,741 | (15,004) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**10. Employee benefits liability** (continued)

| | Defined benefit obligation $ | Fair value of plan assets $ | Net benefit liability $ |
|---|---|---|---|
| **Balance at 1 January 2015** | (56,630) | 51,683 | (4,947) |
| ***Pension cost charged to profit or loss*** | | | |
| Current service cost | (2,617) | – | (2,617) |
| Past service cost | – | – | – |
| Expenses | – | (214) | (214) |
| Net interest | (2,812) | 2,628 | (184) |
| **Sub-total included in profit or loss** | (5,429) | 2,414 | (3,015) |
| ***Re-measurement gains/(losses) in OCI*** | | | |
| Return on plan assets | – | (3,719) | (3,719) |
| Experience adjustment | 2,920 | – | 2,920 |
| **Sub-total included in OCI** | 2,920 | (3,719) | (799) |
| ***Other movements*** | | | |
| Contributions by employees | (767) | 767 | – |
| Contributions by employer | – | 2,008 | 2,008 |
| Benefits paid | 792 | (792) | – |
| Other movements | – | – | – |
| **Sub-total – other movements** | 25 | 1,983 | 2,008 |
| Defined benefit liability | (59,114) | 52,361 | (6,753) |
| **Balance at 31 December 2015** | (59,114) | 52,361 | (6,753) |

The weighted average duration of the defined benefit obligation as at 31 December 2016 is 17.4 years (2015: 19.4 years).

**(a) Major categories of plan assets as a percentage of fair value:**

| | 2016 | 2015 |
|---|---|---|
| Equities – locally listed | 30% | 31% |
| – overseas | 12% | 10% |
| Debt securities | 52% | 53% |
| Other assets | 6% | 6% |

Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the markets are relatively illiquid. Other assets principally include cash and cash equivalents.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**10. Employee benefits liability** (continued)

**(b) The principal actuarial assumptions used for accounting purposes for the pension plans are:**

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 5.5% | 5.0% |
| Rate of future salary increases | 5.0% | 5.0% |
| Rate of future pension increases | 0.0% | 0.0% |

**(c) A quantitative sensitivity analysis for significant assumptions as at 31 December 2016 is as shown below:**

| Assumptions | Discount rate | | Future salary Increases | | Life expectation of pensioners |
|---|---|---|---|---|---|
| Sensitivity level | 1% increase $ | 1% decrease $ | 1% increase $ | 1% decrease $ | one year increase $ |
| Impact on the net defined benefit obligation | (10,529) | 13,432 | 6,121 | (5,325) | 813 |

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Group expects to contribute $3.2 million to its defined benefit plan in 2017.

**11. Stated capital**

| | 2016 $ | 2015 $ |
|---|---|---|
| **Authorised** | | |
| An unlimited number of ordinary shares of no par value | | |
| **Issued and fully paid** | | |
| 12,000,000 ordinary shares of no par value | 12,000 | 12,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 12. Material partly owned subsidiaries

Financial information of the subsidiary with a material non-controlling interest and the related percentage of equity interest held by a non-controlling interest are shown below:

| Name | Country of incorporation and operation | 2016 | 2015 |
|---|---|---|---|
| Premix & Precast Concrete Inc. (PPCI) | Barbados | 40% | 40% |

| | 2016 $ | 2015 $ |
|---|---|---|
| **Accumulated balances of material non-controlling interest:** | | |
| Premix & Precast Concrete Inc. | (4,899) | (4,874) |
| **Loss for the year allocated to material non-controlling interest:** | | |
| Premix & Precast Concrete Inc. | (9) | (46) |
| The summarised financial information of this subsidiary is provided below: | | |
| **Summarised statement of losses:** | | |
| Administrative expenses | (90) | (115) |
| Gain on disposal of long-term assets | 67 | – |
| Loss before tax | (23) | (115) |
| Income tax | – | – |
| Loss for the year from discontinued operations | (23) | (115) |
| Attributable to non-controlling interest | (9) | (46) |
| **Summarised statement of financial position** | | |
| Receivables and other non-current assets | – | 44 |
| Trade payables and other current liabilities | (421) | (402) |
| Total net liabilities | (421) | (358) |
| Attributable to equity holders of the Parent | (253) | (215) |
| Non-controlling interest | (168) | (143) |
| | (421) | (358) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 13. Earnings before interest, tax, depreciation, gain on disposal of property, plant and equipment and restructuring costs

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Revenue | 139,936 | 216,716 |
| Less expenses: | | |
| Raw materials and consumables | 38,593 | 66,938 |
| Personnel remuneration and benefits (see below) | 34,580 | 42,765 |
| Equipment hire | 21,999 | 30,747 |
| Other operating expenses | 16,257 | 18,213 |
| Changes in raw materials and work in progress | 9,049 | 23,745 |
| Repairs and maintenance | 5,182 | 8,532 |
| Fuel and electricity | 1,686 | 2,023 |
| Provision for doubtful debts | 1,101 | 2,689 |
| Insurance | 867 | 833 |
| Foreign exchange loss | 65 | 138 |
| Provision for obsolete spares | (125) | – |
| | 10,682 | 20,093 |
| Other (expense)/income | (139) | 91 |
| Earnings before interest, tax, depreciation, gain on disposal of property, plant and equipment and restructuring costs | 10,543 | 20,184 |
| **Personnel remuneration and benefits include:** | | |
| Salaries and wages | 27,485 | 36,470 |
| Pension cost – defined benefit plan (Note 10) | 4,111 | 3,015 |
| National insurance | 1,779 | 1,313 |
| Other benefits | 1,205 | 1,967 |
| | 34,580 | 42,765 |

## 14. Manpower restructuring costs

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Manpower restructuring costs | 10,753 | – |

Manpower restructuring costs comprise of severance and other costs associated with the termination of employees incurred during the year relative to the implementation of current and prior restructuring programmes by the Group. The objective of these programmes is to improve cost efficiency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 15. Finance costs

| | 2016 $ | 2015 $ |
|---|---|---|
| Interest costs on borrowings | – | 140 |
| Bank and other finance charges | 327 | 620 |
| | 327 | 760 |

## 16. Taxation

| | 2016 $ | 2015 $ |
|---|---|---|
| **(a) Taxation (credit)/charge – continuing operations** | | |
| Deferred taxation (Note 4(a)) | (1,809) | (364) |
| Current taxation | 1,024 | 4,227 |
| | (785) | 3,863 |
| **(b) Reconciliation of applicable tax (credit)/charge reported to the statutory tax rate** | | |
| (Loss)/profit before tax from continuing operations | (9,707) | 13,300 |
| Loss before tax from discontinued operations | (23) | (115) |
| (Loss)/profit before taxation | (9,730) | 13,185 |
| Tax calculated at the rate of 25% | (2,432) | 3,296 |
| Green fund levy | 433 | 218 |
| Business levy | 842 | – |
| Prior year over provision | (251) | (10) |
| Effect of disallowed expenses | 316 | 1,265 |
| Net effect of allowances and other write-back | (21) | (906) |
| Effect of change in tax rate (Note 4) | 328 | – |
| Taxation (credit)/charge reported in the consolidated statement of income – continuing operations | (785) | 3,863 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 17. (Loss)/earnings per share

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| The following reflects the income and share data used in the earnings per share computation: | | |
| Net (loss)/profit for the year attributable to equity holders of the Parent – continuing operations | (8,922) | 9,437 |
| Net loss for the year attributable to equity holders of the Parent – discontinued operations | (14) | (69) |
| Net (loss)/profit for the year attributable to equity holders – total company | (8,936) | 9,368 |
| Weighted average number of ordinary shares issued (thousands) | 12,000 | 12,000 |
| Basic and diluted (loss)/earnings per share – continuing operations (expressed in $ per share) | ($0.74) | $0.79 |
| Basic and diluted loss per share – discontinued operations (expressed in $ per share) | ($0.00) | ($0.01) |
| Basic and diluted (loss)/earnings per share – total company (expressed in $ per share) | ($0.74) | $0.78 |

The Group has no dilutive potential ordinary shares in issue.

## 18. Segmental information

The Group derived 68% (2015: 73%) of its revenue from the sale of pre-mixed concrete in Trinidad & Tobago. The sale of aggregates in Trinidad and Tobago accounts for the remaining 32% (2015: 27%) of the Group's revenue and forms part of the sales strategy for RML and hence it is incorporated in the Group's business activities. Accordingly, the Group's assets and liabilities are associated with the pre-mixed concrete and aggregates business.

For management purposes the Group also considers operating segment information with reference to the geographical location. The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Operating segments are reported in a manner consistent with the internal reporting framework. The General Manager monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**18. Segmental information** (continued)

The following table presents information regarding the Group's geographical segments for the years ended 31 December 2016 and 2015:

| | Trinidad and Tobago $ | Barbados $ | Adjustments & eliminations $ | Total $ |
|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | |
| Total revenue | 139,936 | – | – | 139,936 |
| Inter-segment revenue | – | – | – | – |
| Third party revenue | 139,936 | – | – | 139,936 |
| Loss before taxation | (9,707) | (23) | – | (9,730) |
| Segment assets | 155,830 | – | – | 155,830 |
| Non-current assets | 62,521 | – | – | 62,521 |
| Capital expenditure | 20,282 | – | – | 20,282 |
| **Year ended 31 December 2015** | | | | |
| Total revenue | 216,716 | – | – | 216,716 |
| Inter-segment revenue | – | – | – | – |
| Third party revenue | 216,716 | – | – | 216,716 |
| Profit/(loss) before taxation | 12,102 | (115) | 1,198 | 13,185 |
| Segment assets | 151,438 | 44 | – | 151,482 |
| Non-current assets | 46,056 | – | – | 46,056 |
| Capital expenditure | 10,692 | – | – | 10,692 |

The revenue information above represents third party revenue based on the location of the customers' operations.

| | Concrete | | Aggregate | | Total | |
|---|---|---|---|---|---|---|
| | 2016 $ | 2015 $ | 2016 $ | 2015 $ | 2016 $ | 2015 $ |
| Revenue | 94,570 | 158,255 | 45,366 | 58,461 | 139,936 | 216,716 |
| (Loss)/profit before tax | (14,521) | 7,574 | 4,791 | 5,611 | (9,730) | 13,185 |

Administrative and general and selling expenses are apportioned between the concrete and aggregate segments based on the ratio of revenues derived from each segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 19. Fair value

The fair value of short-term financial assets and liabilities comprising cash and short-term deposits balances, receivables and payables approximate their carrying amounts because of the short-term maturities of these instruments. The fair value and carrying amounts of financial assets and liabilities is presented below:

| | Carrying amount 2016 $ | Fair value 2016 $ | Carrying amount 2015 $ | Fair value 2015 $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and short-term deposits | 47,330 | 47,330 | 59,806 | 59,806 |
| Receivables and due from related parties | 29,086 | 29,086 | 29,221 | 29,221 |
| **Financial liabilities** | | | | |
| Payables and due to related parties | 21,027 | 21,027 | 19,446 | 19,446 |

## 20. Commitments and contingencies

### (a) Capital commitments

There was one (1) capital commitment for $0.349 million (2015: $7.012 million) as at 31 December 2016, in respect of a local contractor for road rehabilitation works at the Guanapo plant.

### (b) Operating lease commitments

Future minimum rentals payable under operating leases entered into with various companies in respect of motor vehicles and property rentals are as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| Due within one year | 1,211 | 2,093 |
| Due after one year but not more than five years | 2,304 | 1,424 |
| More than five years | 2,683 | 2,994 |
| | 6,198 | 6,511 |

Operating lease expenses amounting to $1.759 million (2015: $2.077 million) are included within the other operating expenses (refer to Note 13).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**20. Commitments and contingencies** (continued)

**(c) Contingent liabilities**

At 31 December 2016, the Company (RML) had contingent liabilities as follows:

- Performance Bond ($1.448 million) dated 15 April 2013 in favour of the Ministry of Energy and Energy Affairs in respect to Quarry Licence over Melajo at Tapana Road, Valencia. Expiry: 15 April 2018
- Rehabilitation Bond ($1.448 million) dated 15 April 2013 in favour of the Ministry of Energy and Energy Affairs in respect to Quarry Licence over Melajo at Tapana Road, Valencia. Expiry: 15 April 2019
- Performance Bond ($0.295 million) dated 15 April 2013 in favour of the Ministry of Energy and Energy Affairs in respect to Quarry Licence over Bermudez at Valencia Old Road, Tapana, Valencia. Expiry: 15 April 2018
- Rehabilitation Bond ($0.295 million) dated 15 April 2013 in favour of the Ministry of Energy and Energy Affairs in respect to Quarry Licence over Bermudez at Valencia Old Road, Tapana, Valencia. Expiry: 15 April 2019
- The Company was assessed by the Board of Inland Revenue (BIR) for additional corporation taxes of principal and interest for income tax year 2004. The Company has formally objected to this assessment. No provision has been recorded for the exposure of $0.36 million inclusive of interest as at 31 December 2016 as the Directors are of the opinion that the liability is not considered probable.
- During 2011 the Company received a notification of outstanding claims amounting to $2.6 million. RML has since written to the relevant party asking for further information and clarification on the nature of the claim. The relevant party has acknowledged receipt of RML's letter and has advised that their legal department is looking into the matter. Owing to the uncertainty of this possible liability no provision has been recorded.
- In October 2015, a claim was filed against the Company for an alleged breach of contract amounting to $76.1 million. The Company is vigorously defending its position. The matter is currently in the case management phase, which involves the filing of statements by the parties involved. In light of significant uncertainty as regards any potential liability of the Company, no provisions have been recorded at this time.

**(d) Contingencies – Guarantor or loans**

TCL and its subsidiaries have successfully repaid the lenders under the Override Agreement. On 6 August 2015, RML entered into an "Amended and Restated Credit Agreement" as a guarantor of loans in the amount of US$200 million as executed by TCL. Principal and interest repayments commenced on 11 November 2015 and are payable quarterly to 11 August 2020. The TCL Group is required to comply with certain financial covenants and expenditure limits as prescribed by the Agreement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 21. Financial risk management

### Introduction

The Group's activities expose it to a variety of financial risks, including the effects of changes in interest rates, market liquidity conditions, and foreign currency exchange rates which are accentuated by the Group's foreign operations, the earnings of which are denominated in foreign currencies. Accordingly, the Group's financial performance and position are subject to changes in the financial markets. Overall risk management measures are focused on minimising the potential adverse effects on the financial performance of the Group of changes in financial markets.

### Risk management structure

The Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies, principles and policies and procedures. Day to day adherence to risk principles is carried out by the executive management in compliance with the policies approved by the Board of Directors.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided at the reporting date. Management therefore carefully manages its exposure to credit risk.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer, or group of customers, and to geographical and industry segments. Such risks are monitored on an ongoing basis, and limits on the levels of credit risk that the Group can engage in are approved by the Board of Directors.

Continued exposure to credit risk is further managed through regular analysis of the ability of debtors to settle outstanding balances and by changing these credit limits when appropriate. The Group does not hold collateral as security.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, without taking account of any other credit enhancements:

| | Gross maximum exposure | |
|---|---|---|
| | 2016<br>$ | 2015<br>$ |
| Cash at bank and short-term deposits | 47,330 | 59,806 |
| Receivables and due from related parties | 29,086 | 29,221 |
| Total credit risk exposure | 76,416 | 89,027 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**21. Financial risk management** (continued)

***Credit risk related to receivables***

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored. At 31 December 2016, the Group had nine (9) individual customers (2015: 9 customers) that owed the Group more than $1.0 million each and accounted for approximately 38% (2015: 39%) of all trade receivables outstanding. Included therein are amounts receivable from three (3) class of customers with an outstanding receivable balance of $1.5 million (2015: $8.3 million) net of provision.

***Credit risk related to cash and short-term deposits***

Credit risks from balances with banks and financial institutions are managed in accordance with Group policy. Investments of surplus funds are made only with approved counterparties and within limits assigned to each counterparty. Counterparty limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Credit Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

**Foreign currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses. As such, there is no material risk relating to foreign currency fluctuations.

The aggregate value of financial assets and liabilities by denominated currency are as follows:

| 2016 | TTD<br>$ | USD<br>$ | BDS<br>$ | Total<br>$ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash at bank and short-term deposits | 42,174 | 5,156 | – | 47,330 |
| Receivables and due from related parties | 29,086 | – | – | 29,086 |
| | 71,260 | 5,156 | – | 76,416 |
| **LIABILITIES** | | | | |
| Payables and due to related parties | 21,027 | – | – | 21,027 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**21. Financial risk management** (continued)

**Foreign currency risk** (continued)

| **2015** | **TTD** $ | **USD** $ | **BDS** $ | **Total** $ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash at bank and short-term deposits | 59,529 | 277 | – | 59,806 |
| Receivables and due from related parties | 29,197 | – | 24 | 29,221 |
| | 88,726 | 277 | 24 | 89,027 |
| **LIABILITIES** | | | | |
| Payables and due to related parties | 19,446 | – | – | 19,446 |

**Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group monitors its liquidity risk by considering the maturity of both its financial assets and projected cash flows from operations. Where possible the Group utilises surplus internal funds to a large extent to finance its operations and ongoing projects. However, the Group also utilises available credit facilities such as loans, overdrafts and other financing options where required.

The table below summarises the maturity profile of the Group's financial instruments at 31 December based on contractual undiscounted payments:

**Year ended 31 December 2016**

| | **On demand** $ | **< 1 year** $ | **1 to 5 years** $ | **> 5 years** $ | **Total** $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash at bank and short-term deposits | 10,330 | 37,000 | – | – | 47,330 |
| Receivables and due from related parties | – | 27,628 | 1,458 | – | 29,086 |
| | 10,330 | 64,628 | 1,458 | – | 76,416 |
| **Financial liabilities** | | | | | |
| Payables and due to related parties | – | 21,027 | – | – | 21,027 |
| | – | 21,027 | – | – | 21,027 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**21. Financial risk management** (continued)

**Liquidity risk** (continued)

The table below summarises the maturity profile of the Group's financial instruments at 31 December based on contractual undiscounted payments: (continued)

**Year ended 31 December 2015**

| | On demand $ | < 1 year $ | 1 to 5 years $ | > 5 years $ | Total $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash at bank and short-term deposits | 18,806 | 41,000 | – | – | 59,806 |
| Receivables and due from related parties | – | 26,003 | 3,218 | – | 29,221 |
| | 18,806 | 67,003 | 3,218 | – | 89,027 |
| **Financial liabilities** | | | | | |
| Payables and due to related parties | – | 19,446 | – | – | 19,446 |
| | – | 19,446 | – | – | 19,446 |

**Credit quality per category of financial asset**

The credit quality of the balance due from the Group's various counterparties are internally determined from an assessment of each counterparty based on a combination of factors.

These factors include financial strength and the ability of the counterparty to service its debts, the stability of the industry or market in which it operates and its proven track record with the Group. The categories defined are as follows:

Superior: This category includes balances due from the Government and Government agencies that have been secured by a letter of comfort from the Government and balances due from institutions that have been accorded the highest rating by an international rating agency or is considered to have the highest credit rating. These balances are considered risk free.

Desirable: These are balances due from counterparties that are considered to have good financial strength and reputation.

Acceptable: These are balances due from counterparties that are considered to have fair financial strength and reputation.

Sub-standard: Balances that are impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

## 21. Financial risk management (continued)

**Liquidity risk** (continued)

The table below illustrates the credit quality of the Group's trade receivables as at 31 December:

| | Superior $ | Desirable $ | Acceptable $ | Sub-Standard $ | Total $ |
|---|---|---|---|---|---|
| **2016** | 5,809 | 6,527 | 15,787 | 23,981 | 52,104 |
| **2015** | 7,628 | 4,772 | 16,723 | 22,880 | 52,003 |

## 22. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, maximise shareholder value and comply with the capital requirements set by the regulators of the markets where the Group operates.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

## 23. Related party disclosures

Related party balances arose from transactions with fellow subsidiaries of the Trinidad Cement Limited Group.

### (a) Related party balances

| | 2016 $ | 2015 $ |
|---|---|---|
| Amounts due from related parties (Note 5): | | |
| Trinidad Cement Limited | 456 | 51 |
| TCL Ponsa Manufacturing Limited | 12 | 23 |
| Arawak Cement Company Limited | 495 | 24 |
| | 963 | 98 |
| Amounts due to related parties (Note 9): | | |
| Trinidad Cement Limited | 2,394 | 3,301 |
| Caribbean Cement Company Limited | – | 3 |
| TCL Ponsa Manufacturing Limited | – | 21 |
| | 2,394 | 3,325 |

All related party balances above are unsecured and carry no fixed repayment terms.

The Group also holds short-term advances at year-end with the parent company, Trinidad Cement Limited (TCL), amounting to $37.0 million (2015: $41.0 million), which earns interest at a rate of 0.45% per annum and matures on 15 March 2017 (Refer to Note 7).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended 31 December 2016
(Expressed in Thousands of Trinidad and Tobago dollars, except where otherwise stated)

**23. Related party disclosures** (continued)

**(b) Related party transactions**

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Purchases of goods | 27,536 | 45,852 |
| Management fee expenses – parent company | 4,228 | 1,977 |
| Interest income | 186 | 470 |
| Reduction/(investment) in short-term deposits | 4,000 | (41,000) |

Related party transactions were conducted with the parent company, Trinidad Cement Limited, and its subsidiaries. These transactions were consummated on terms no less favorable than those that could have been obtained from other parties providing goods and services.

*Compensation of key management personnel:*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Short-term employment benefits | 5,041 | 5,354 |
| Pension plan benefits | 95 | 144 |

In 2016, the total remuneration of the directors was $0.084 million (2015: $0.123 million).

**24. Subsequent events**

On 24 January 2017, CEMEX, S.A.B. de C.V, through its indirect subsidiary Sierra Trading acquired 113 million of the ordinary shares of Trinidad Cement Limited and on that date increased their shareholding from 39.5% to a majority stake of 69.8% of the total issued ordinary share of Trinidad Cement Limited. As a result of this transaction the TCL group and consequently Readymix (West Indies) Limited became a subsidiary of Sierra Trading and as at 24 January 2017, CEMEX, S.A.B. de C.V is the ultimate parent of the TCL Group and the Company.

# MANAGEMENT PROXY CIRCULAR

REPUBLIC OF TRINIDAD AND TOBAGO
The Companies Act, Chapter 81:01
Section 144
***(Form 10)***

**1. Name of Company:**

READYMIX (WEST INDIES) LIMITED. Company No. R-84 (C).

**2. Particulars of Meeting:**

The fifty-eighth Annual Meeting of the Company for the year ended December 31, 2016, to be held at the Cattleya Lounge, Centre of Excellence, Macoya Road, Tunapuna, Trinidad, on Monday July 10, 2017, at 2:30pm.

**3. Solicitation:**

It is intended to vote the Proxy solicited hereby (unless the Shareholder directs otherwise) in favour of all resolutions specified therein.

**4. Any director's statement submitted pursuant to Section 76 (2):**

No statement has been received from any Director pursuant to Section 76 (2) of The Companies Act, Chapter 81:01.

**5. Any auditor's statement submitted pursuant to Section 171 (1):**

No statement has been received from the Auditors of the Company pursuant to Section 171 (1) of The Companies Act, Chapter 81:01.

**6. Any shareholder's proposal and/or statement submitted pursuant to Sections 116 (a) and 117 (2):**

No proposal has been received from any Shareholder pursuant to Sections 116 (a) and 117 (2) of The Companies Act, Chapter 81:01.

| DATE | NAME AND TITLE | SIGNATURE |
|---|---|---|
| June 02, 2017 | Malcolm Sooknanan, Secretary | |

# PROXY FORM

READYMIX (WEST INDIES) LIMITED

**REPUBLIC OF TRINIDAD & TOBAGO**
**The Companies Act, Chapter 81:01**
**Section 143(1)**
**(Form 9)**

1. Name of Company: **READYMIX (WEST INDIES) LIMITED.** Company No. R-84 (C).
2. Particulars of Meeting: Fifty-eighth Annual Meeting of the Company for the year ended December 31, 2016, to be held at the Cattleya Lounge, Centre of Excellence, Macoya Road, Tunapuna, Trinidad, on **Monday July 10, 2017, at 2:30pm.**

<COMPLETE IN BLOCK LETTERS PLEASE>

I/We _____

<NAME(S) OF SHAREHOLDER(S)>

of _____

<ADDRESS>

being Shareholder(s) in the above-named Company, hereby appoint the Chairman of the meeting or failing him,

Mr./Mrs._____

<NAME OF PROXY>

of _____

<ADDRESS>

to be my/our Proxy to vote for me/us on my/our behalf at the above meeting and any adjournment thereof, as indicated on the Resolutions to be proposed (see reverse side hereof) in the same manner, to the same extent and with the same powers as if I/we were present at the said meeting or such adjournment or adjournments thereof.

_____ _____

Signature of Shareholder(s) Date

P.T.O >>

## PROXY FORM (continued)

Please indicate with an "X" in the spaces below how you wish your votes to be cast.

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| 1. Be it resolved that the Financial Statements for the year ended December 31, 2016 and the reports of the Directors and Auditors thereon be adopted. | ☐ | ☐ |
| 2. Be it resolved that KPMG be appointed as the Auditors for the Year 2017 and that the Board be authorised to fix their remuneration. | ☐ | ☐ |
| 3. Be it resolved that the Board of Directors be authorised to fix the remuneration of the Directors for the Year 2017, in accordance with Clause 7.2 of the Company's Bye-law No. 1. | ☐ | ☐ |

**NOTES:**

1. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
2. In the case of joint holders, the signature of any one holder should be stated.
3. If you do not indicate how you wish to vote the proxy will use his discretion both as to how he votes or whether or not he abstains from voting.
4. To be valid this form must be completed and deposited with the Registrar at least 48 hours before the time appointed for the meeting or adjourned meeting.
5. Any alterations made on this form should be initialled.

To:

The Registrar
Readymix (West Indies) Limited
The Trinidad and Tobago Central Depository Ltd.
10th Floor, Nicholas Tower
63-65 Independence Square
Port of Spain

READYMIX (WEST INDIES) LIMITED

www.readymix.co.tt