



# Trinidad and Tobago Bureau of Standards and its Subsidiary

Audited Consolidated Financial Statements

For the year ended September 30, 2020



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# Trinidad and Tobago Bureau of Standards and its Subsidiary

## Statement of management's responsibilities<sup>1</sup>

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Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Trinidad and Tobago Bureau of Standards & its Subsidiary (the "Group"), which comprise the consolidated statement of financial position as at September 30, 2020, the consolidated statements of comprehensive income, consolidated statement of accumulated surplus, consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of the Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

Management affirms that they have carried out their responsibilities as outlined above.



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Rodney Ramnath  
Executive Director

February 8, 2022



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Omawatie Birbal  
Financial Comptroller

February 8, 2022

<sup>1</sup> The above Statement of Management Responsibilities is not considered a part of the financial statements under IFRS. It is however recommended by the Institute of Chartered Accountants of Trinidad and Tobago for insertion into the financial statements immediately before the independent auditor's report and essentially represents Management's acknowledgement and acceptance of its duties, roles and responsibilities for the preparation and fair presentation of the financial statements it accompanies.

## Independent Auditor's Report

To the Members of  
Trinidad and Tobago Bureau of Standards and its Subsidiary

### Opinion

We have audited the consolidated financial statements of Trinidad and Tobago Bureau of Standards and its Subsidiary ('the Group'), which comprise the consolidated statement of financial position as at September 30, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in accumulated surplus 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 September 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS').

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ('ISA'). 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The consolidated financial statements of the Group for the year ended September 30, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 25, 2021.

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

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

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

## Independent Auditor's Report (continued)

### 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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



February 8, 2022

Port of Spain,  
Trinidad

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Consolidated statement of financial position

(Expressed in Trinidad and Tobago dollars)

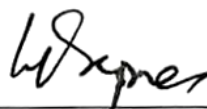
	Notes	As at September 30,	
		2020	2019
		\$	\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	15,938,277	16,299,366
Long term pension asset	6(a)	49,737,000	51,132,000
Government bonds	7	2,185,355	2,334,862
<b>Total non-current assets</b>		<b>67,860,632</b>	<b>69,766,228</b>
<b>Current assets</b>			
Government bonds	7	246,000	246,000
Cash and cash equivalents	8	42,621,624	41,587,466
Trade and other receivables	9	1,984,142	1,896,393
<b>Total current assets</b>		<b>44,851,766</b>	<b>43,729,859</b>
<b>Total assets</b>		<b>112,712,398</b>	<b>113,496,087</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Accumulated surplus	11	78,671,888	80,082,428
<b>Non-current liabilities</b>			
Government grants deferred	12	5,415,071	6,495,188
<b>Current liabilities</b>			
Trade and other payables	13	28,621,233	26,898,374
Taxation payable		4,206	20,097
<b>Total current liabilities</b>		<b>28,625,439</b>	<b>26,918,471</b>
<b>Total liabilities</b>		<b>34,040,510</b>	<b>33,413,659</b>
<b>Total equity and liabilities</b>		<b>112,712,398</b>	<b>113,496,087</b>

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

On February 8, 2022 the Board of Directors of Trinidad and Tobago Bureau of Standards authorised these consolidated financial statements for issue.



Director



Director

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Consolidated statement of comprehensive income

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended September 30,	
		2020	2019
		\$	\$
<b>Revenue:</b>			
Amortisation of capital grants (notes 12 and 23)	14	1,898,338	3,251,715
Government grants received with no vesting conditions	14	9,198,600	9,200,000
Testing and inspection income	14	43,520,439	48,648,764
Training and consultancy income	14	798,555	1,079,338
		<u>55,415,932</u>	<u>62,179,816</u>
<b>Selling, general and administrative expenses</b>	17(a)	(55,776,176)	(65,710,452)
<b>Other income</b>	19	<u>1,146,079</u>	<u>1,715,766</u>
<b>Operating Income/(loss)</b>		785,835	(1,814,870)
Interest income	18	<u>275,056</u>	<u>265,479</u>
<b>Net surplus/(deficit) for the year before taxation</b>		1,060,891	(1,549,391)
Taxation expense	15	<u>(115,431)</u>	<u>(204,803)</u>
<b>Net surplus/(deficit) for the year after taxation</b>		945,460	(1,754,194)
<b>Other comprehensive loss, net of taxes</b>			
<b>Item that will not be reclassified subsequently to profit or loss:</b>			
Re-measurement of post - employment benefit obligations	6(g)	<u>(2,356,000)</u>	<u>(1,901,000)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(1,410,540)</b></u>	<u><b>(3,655,194)</b></u>
<b>Comprehensive loss for the year comprises:</b>			
Trinidad and Tobago Bureau of Standards		(982,148)	(2,796,237)
Premier Quality Services Limited		<u>(428,392)</u>	<u>(858,957)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(1,410,540)</b></u>	<u><b>(3,655,194)</b></u>

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

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Consolidated statement of accumulated surplus (Expressed in Trinidad and Tobago dollars)

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	Accumulated surplus \$	Total \$
<b>Year ended September 30, 2020</b>		
<b>Balance at October 1, 2019</b>	<b>80,082,428</b>	<b>80,082,428</b>
Net surplus for the year after taxation	945,460	945,460
Other comprehensive loss	<u>(2,356,000)</u>	<u>(2,356,000)</u>
<b>Total comprehensive loss for the year</b>	<b><u>(1,410,540)</u></b>	<b><u>(1,410,540)</u></b>
<b>Balance at September 30, 2020</b>	<b><u>78,671,888</u></b>	<b><u>78,671,888</u></b>
<b>Year ended September 30, 2019</b>		
<b>Balance at October 1, 2018</b>	<b>83,737,622</b>	<b>83,737,622</b>
Net deficit for the year after taxation	(1,754,194)	(1,754,194)
Other comprehensive loss	<u>(1,901,000)</u>	<u>(1,901,000)</u>
<b>Total comprehensive loss for the year</b>	<b><u>(3,655,194)</u></b>	<b><u>(3,655,194)</u></b>
<b>Balance at September 30, 2019</b>	<b><u>80,082,428</u></b>	<b><u>80,082,428</u></b>

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



## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Consolidated statement of cash flows (Expressed in Trinidad and Tobago dollars)

	Year ended September 30,	
	2020	2019
	\$	\$
<b>Cash flows from operating activities:</b>		
<b>Net surplus/(deficit) for the year before taxation</b>	1,060,891	(1,549,391)
Adjustments to reconcile net cash generated from operating activities to net (loss) / surplus for the year:		
Depreciation	2,936,958	4,216,375
Gain on disposal of property, plant and equipment	-	-
Fair movement of investment	(96,493)	(102,176)
Net pension cost	537,000	821,000
	<u>4,438,356</u>	<u>3,385,808</u>
<b>Changes in working capital:</b>		
(Increase)/decrease in trade and other receivables	(87,749)	2,368,864
Increase / (decrease) in trade and other payables	1,722,859	(2,114,605)
Pension contributions paid	(1,498,000)	(1,557,000)
	<u>4,575,466</u>	<u>2,083,068</u>
<b>Cash generated from operating activities</b>	4,575,466	2,083,068
Taxation paid	(131,322)	(142,862)
	<u>4,444,144</u>	<u>1,940,206</u>
<b>Cash flows from investing activities</b>		
Redemption on investment	246,000	246,000
Purchase of property, plant & equipment	(2,575,869)	(1,217,539)
	<u>(2,329,869)</u>	<u>(971,539)</u>
<b>Net cash used in investing activities</b>	(2,329,869)	(971,539)
<b>Cash flows from financing activities</b>		
Capital grants utilised	(1,898,338)	(3,251,715)
Capital grants received	818,221	128,000
	<u>(1,080,117)</u>	<u>(3,123,715)</u>
<b>Net cash used in financing activities</b>	(1,080,117)	(3,123,715)
<b>Net decrease in cash and cash equivalents</b>	1,034,158	(2,155,049)
<b>Cash and cash equivalents at beginning of year</b>	41,587,466	43,742,515
<b>Cash and cash equivalents at end of year</b>	<u><u>42,621,624</u></u>	<u><u>41,587,466</u></u>
<b>Represented by:</b>		
Cash and cash equivalents	<u><u>42,621,624</u></u>	<u><u>41,587,466</u></u>

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

# Trinidad and Tobago Bureau of Standards and its Subsidiary

## Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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### 1. Incorporation and principal activity

The Trinidad and Tobago Bureau of Standards (the Bureau) was established by Act of Parliament number 38 of 1972, Chapter 82:03 as amended by Act 29 of 1985 and Act 18 of 1997 (the "Act"). The principal activities of the Bureau are to promote and encourage the development and maintenance of standards and to establish standards by the testing of goods produced or used in Trinidad and Tobago:

- (i) For improvement of goods produced or used in Trinidad and Tobago;
- (ii) To ensure industrial efficiency and development;
- (iii) To promote public and industrial welfare, health and safety, and
- (iv) For the protection of the environment.

The registered office of the Bureau is situated at #2 Century Drive, Trincity Industrial Estate, Macoya, Tunapuna.

The Bureau has a wholly owned subsidiary, Premier Quality Services Limited (the "Subsidiary"), whose principal business activity is training and consultancy services.

### 2. Summary of significant accounting policies

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

#### a. Basis of preparation

The consolidated financial statements of Trinidad and Tobago Bureau of Standards have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRIC) applicable to entities reporting under IFRS.

These consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

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

#### b. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank advances repayable on demand and other short-term highly liquid investments, which are subject to an insignificant risk of changes in value.

#### c. Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are carried at the original invoice amount less the assessed credit loss amount. The credit loss amount is determined by a probability weighted estimate of the credit losses over the expected period of payment. The assessment of the probability of default and loss given default is based on the historical payment patterns of the debtors.

# Trinidad and Tobago Bureau of Standards and its Subsidiary

## Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

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

#### d. Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation at rates which are expected to apportion the cost of the assets on a systematic basis over their estimated 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.

Property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives as follows:

Building	2% per annum
Plant & machinery	15.0% per annum
Motor Vehicles	25.0% per annum
Office furniture & equipment & library stock	12.5%-25% per annum

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

The carrying amount of property, plant and equipment is reviewed whenever events or changes in circumstances indicate that impairment may have occurred.

#### e. Government grants

Grants from the Government of the Republic of Trinidad and Tobago are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all the attached conditions. Grants that contain no vesting conditions are recognised immediately in the consolidated statement of comprehensive income.

Grants related to recurrent costs are deferred in liabilities and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Grants relating to capital expenditure are deferred in liabilities and are credited to the consolidated statement of comprehensive income on a systematic basis over the expected useful lives of the related assets.

#### f. Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

#### g. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the testing and inspection activities undertaken in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group upon performance of services and customer acceptance.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

##### h. Foreign currency transactions

Items included in the consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and the circumstances relevant to the Group (the functional currency). The presentation and functional currency of the Group is Trinidad and Tobago dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

##### i. Employee retirement benefit obligations

###### *Pension obligations*

The Group participates in the Trinidad and Tobago Bureau of Standards Staff Pension Fund Plan (the "Plan"). It is a defined benefit plan which covers substantially all of its permanent employees. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The assets recognised in the consolidated statement of financial position in respect of the Plan is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The current service cost of the Plan, recognised in the consolidated statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past-service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of comprehensive income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

##### j. Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

# Trinidad and Tobago Bureau of Standards and its Subsidiary

## Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

#### k. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### i. Financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified and subsequently measured based on the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVTOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented under impairment.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business model each reporting period to determine whether the business models has changes since the preceding period.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

##### k) Financial instruments (continued)

##### ii. Subsequent measurement of financial assets

###### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

###### Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVPTL are:

- financial assets whose contractual cash flows are not SPPI
- financial assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell
- financial assets designated at FVPTL using the fair value option

Assets in this category are measured at fair value with gains or losses, including any interest or dividend income recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

###### Financial assets at fair value through other comprehensive income (FVTOCI)

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is holding to collect the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI)

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

# Trinidad and Tobago Bureau of Standards and its Subsidiary

## Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

#### k) Financial instruments (continued)

##### ii. Subsequent measurement of financial assets (continued)

###### Reclassification

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets.

###### Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

Instruments within the scope of the new impairment requirements includes loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') for which a 12-month ECL is recognised
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2') for which 'lifetime expected credit losses' are recognised.

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. It is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ('cash shortfalls'). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets [POCI])

# Trinidad and Tobago Bureau of Standards and its Subsidiary

## Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

#### k) Financial instruments (continued)

##### iii. Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

##### iv. Trade and other receivables

The Group makes use of a simplified approach in accounting for trade receivables as well as contract assets. Therefore, the Group does not track changes in credit risk, but records the loss allowance based on lifetime expected credit losses at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. Expected credit losses on all items of trade and other receivables are recognised in the profit or loss.



## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

##### k) Financial instruments (continued)

##### v. Financial assets at fair value through other comprehensive income

The Group currently does not hold any financial assets at fair value through other comprehensive income. In the future for debt instruments at FVTOCI, the Group will apply the low credit risk simplification and recognise a 12 month expected credit losses, as most of these instruments have an investment grade credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Group will assess whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group will rely on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group will consider other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group will recognise for this instrument or class of instruments the lifetime ECL.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

##### vii Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

# Trinidad and Tobago Bureau of Standards and its Subsidiary

## Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

#### k) Financial instruments (continued)

##### viii. Other financial liabilities

Other financial liabilities including long-term debt, dividends payable, trade and sundry payables and accruals are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### ix. Derecognition of other financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### m. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

#### n. Investment in subsidiary

Subsidiaries are all entities, (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. These consolidated financial statements include the results of the subsidiary.

# Trinidad and Tobago Bureau of Standards and its Subsidiary

## Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

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

#### o. Leases

##### i) The Group as lessee

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Group obtains substantially all the economic benefits from the use of the asset; and
- The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Group obtains substantially all the economic benefits from the use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low-value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

##### o. Leases

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before the commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

##### o. Leases

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

##### ii) The Group as lessor

Rental profit or loss from operating leases is recognised on a straight-line basis over the term of the relevant lease in the statement of comprehensive income.

##### p. Other financial liabilities

Other financial liabilities are initially measured at transaction price, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

##### q. Taxation

Income tax expense represents the sum of the Group's tax currently payable and deferred tax.

##### i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

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

##### q. Taxation

Income tax expense represents the sum of the Group's tax currently payable and deferred tax.

##### ii) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income 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 taxable profit will be available against which the deductible temporary differences, and the carry forward of the unused tax credits and unused tax losses can be utilised. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

##### iii) Corporation tax

The Bureau has been exempted from corporation tax but is subjected to Green Fund Levy (See Note 15). The Subsidiary, however is not exempted from corporation tax.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

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#### 3. Application of new and revised International Financial Reporting Standards ('IFRS')

##### 3.1 New IFRS and amendments to IFRS that are mandatorily effective for the current year

In the current year, the Group adopted the below new Standard.

- **IFRS 16 Leases**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The application of IFRS 16 did not have an impact on the Group's consolidated financial statements.

##### 3.2 New and revised IFRS in issue but not yet effective

There are no new and revised IFRS that have been issued but are not yet effective and applicable to the Group.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

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#### 4. Critical judgements and the use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make critical judgements and use estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from the estimates and assumptions used. Key sources of uncertainty, which requires the use of estimates, include:

##### Useful lives and residual values of property, plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in the property, plant and equipment policy above. These rates and the residual lives of the assets are reviewed annually taking cognizance of the forecasted commercial and economic realities and through benchmarking of accounting treatments within the industry.

##### Contingent liabilities

Management applies its judgement to the facts and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. Such judgement is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

##### Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 6.



## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

#### 5. Property, plant and equipment

	Leasehold land and buildings \$	Plant, machinery and motor vehicles \$	Office furniture, equipment and library stock \$	Total \$
<b>Year ended September 30, 2020</b>				
Opening net book amount	9,537,463	2,680,132	4,081,771	16,299,366
Additions		2,203,927	371,942	2,575,869
Depreciation expense	(458,559)	(1,291,786)	(1,186,613)	(2,936,958)
Net book value	<b>9,078,904</b>	<b>3,592,273</b>	<b>3,267,100</b>	<b>15,938,277</b>
<b>At September 30, 2020</b>				
Cost	15,436,500	42,539,465	27,045,693	85,021,658
Accumulated depreciation	(6,357,596)	(38,947,192)	(23,778,593)	(69,083,381)
Net book value	<b>9,078,904</b>	<b>3,592,273</b>	<b>3,267,100</b>	<b>15,938,277</b>
<b>Year ended September 30, 2019</b>				
Opening net book amount	10,081,772	4,528,608	4,687,821	19,298,201
Additions		399,756	817,783	1,217,539
Disposals	-	-	-	-
Depreciation expense	(544,309)	(2,248,232)	(1,423,833)	(4,216,374)
Net book value	<b>9,537,463</b>	<b>2,680,132</b>	<b>4,081,771</b>	<b>16,299,366</b>
<b>At September 30, 2019</b>				
Cost	15,436,499	40,335,538	26,673,751	82,445,788
Accumulated depreciation	(5,899,036)	(37,655,406)	(22,591,980)	(66,146,422)
Net book value	<b>9,537,463</b>	<b>2,680,132</b>	<b>4,081,771</b>	<b>16,299,366</b>

#### Library stock

Library stock consists of volumes of reference books on standards, manuals and magazines maintained by the Group.

#### Capital work in progress- building

There are no capital work in progress.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

#### 6. Long term pension asset

##### a. Net asset shown on statement of financial position

	<u>2020</u>	<u>2019</u>
	\$	\$
Present value of defined benefit obligation	92,923,000	86,481,000
Fair value of assets	<u>(142,660,000)</u>	<u>(137,613,000)</u>
Net defined benefit asset	<u><b>(49,737,000)</b></u>	<u><b>(51,132,000)</b></u>

##### b. Movement in present value of defined benefit obligation

	<u>2020</u>	<u>2019</u>
	\$	\$
Defined benefit obligation at start of year	86,481,000	79,998,000
Current service cost	3,399,000	3,016,000
Interest cost	4,665,000	4,305,000
Members' contribution	354,000	362,000
Past service cost	-	734,000
Actuarial gain from changes in financial assumptions	-	1,695,000
Re-measurements-experience adjustments	1,406,000	(142,000)
Benefits paid	<u>(3,382,000)</u>	<u>(3,487,000)</u>
Defined benefit obligation at end of year	<u><b>92,923,000</b></u>	<u><b>86,481,000</b></u>

##### c. The defined benefit obligation is allocated between the Plan's members as follows:

- Active	55%
- Deferred members	7%
- Pensioners	38%

The weighted average duration of the defined benefit obligation is 15.2 years. 96% of the value of the benefits for active members is vested. 26% of the defined benefit obligation for active members is conditional on future salary increases.

##### d. Movement in fair value of plan assets

	<u>2020</u>	<u>2019</u>
	\$	\$
Fair value of plan assets at start of year	137,613,000	132,295,000
Interest income	7,527,000	7,234,000
Return on plan assets, excluding interest income	(950,000)	(348,000)
Group contributions	1,498,000	1,557,000
Members' contributions	354,000	362,000
Benefits paid	<u>(3,382,000)</u>	<u>(3,487,000)</u>
Fair value of plan assets at end of year	<u><b>142,660,000</b></u>	<u><b>137,613,000</b></u>
Actual return on plan assets	<u><b>6,577,000</b></u>	<u><b>6,886,000</b></u>

Plan assets are primarily invested in listed common stock, government and corporate securities, cash and fixed deposits.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

#### 6. Long term pension asset (continued)

##### e. Asset allocation

	<u>2020</u>	<u>2019</u>
	\$	\$
Regionally listed equities (prices quoted on regional exchanges)	36,378,000	35,049,000
Overseas equities (developed markets)	24,281,000	23,083,000
TT\$ bonds (no quoted market prices)	70,504,000	66,487,000
US\$ bonds (no quoted market prices)	4,407,000	4,466,000
Local equity/income mutual fund	406,000	1,399,000
Cash and cash equivalents	6,684,000	7,129,000
	<u>142,660,000</u>	<u>137,613,000</u>
Fair value of Plan assets at end of year		

All asset values as at September 30, 2020 were taken from the Plan's Unaudited accounts (2019-Audited accounts) provided by the Plan's Trustee (First Citizens Trustee Services Limited). Overseas equities have quoted prices in active markets. Local equities also have quoted prices, but the market is relatively illiquid. The Investment Manager (First Citizens Asset Management) calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the Plan's government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan.

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 (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the Plan.

##### f. Expense recognised in profit or loss

	<u>2020</u>	<u>2019</u>
	\$	\$
Current service cost	3,399,000	3,016,000
Net interest on net defined benefit asset	(2,862,000)	(2,929,000)
Past service cost	-	734,000
	<u>537,000</u>	<u>821,000</u>
Net pension cost (Note 17.b)		

##### g. Re-measurements recognised in other comprehensive income

	<u>2020</u>	<u>2019</u>
	\$	\$
Experience losses	2,356,000	1,901,000
Total amount recognised in other comprehensive income	<u>2,356,000</u>	<u>1,901,000</u>

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

#### 6. Long term pension asset (continued)

##### h. Reconciliation of opening and closing balance sheet entries

	<u>2020</u>	<u>2019</u>
	\$	\$
Opening defined benefit asset	(51,132,000)	(52,297,000)
Net pension cost	537,000	821,000
Re-measurements recognised in other comprehensive income	2,356,000	1,901,000
Group contributions paid	<u>(1,498,000)</u>	<u>(1,557,000)</u>
Closing defined benefit asset	<b><u>(49,737,000)</u></b>	<b><u>(51,132,000)</u></b>

##### i. Summary of principal assumptions

	<u>2020</u>	<u>2019</u>
Discount rate	5.5%	5.5%
Salary increases	5.0%	5.0%
Pensioner liabilities	3.0%	3.0%
Life expectancy at age 60 for current pensioner in years		
- Male	21.8	21.7
- Female	26.0	26.0
Life expectancy at age 60 for current members age 40 in years		
- Male	22.7	22.6
- Female	27.0	26.9

##### j. Sensitivity analysis

	<u>1%p.a higher</u>	<u>1%p.a lower</u>
	\$	\$
Discount rate	(11,932,000)	14,000,000
Future salary increases	3,553,000	(2,985,000)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at September 30, 2020 by \$2.165 million (2019 - \$2.015 million).

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

##### k. Funding

The Group meets the balance of the cost of funding the defined benefit Pension Plan and the Board must pay contributions at least equal to 18% of members' pensionable pay, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay contributions of \$1.7 million to the Pension Plan during 2020/21 (2019/20-\$1.5 million). However, this amount could increase if outstanding pay negotiations are completed during the year.

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

#### 7. Government bonds

	<u>2020</u>	<u>2019</u>
	\$	\$
Opening value	2,580,862	2,724,686
Increase in fair value of investment	96,493	102,176
Redemption of investment during the year	<u>(246,000)</u>	<u>(246,000)</u>
	<b><u>2,431,355</u></b>	<b><u>2,580,862</u></b>
Current portion	246,000	246,000
Non-current portion	<u>2,185,355</u>	<u>2,334,862</u>
	<b><u>2,431,355</u></b>	<b><u>2,580,862</u></b>

The fair value of the investment as at the end of September 30, 2020 is \$2,431,355 (2019: \$2,580,862).

#### 8. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	<u>2020</u>	<u>2019</u>
	\$	\$
Cash in hand	19,084	26,181
Cash at bank:		
First Citizens Bank Limited	20,074,411	16,221,442
Republic Bank Limited	5,184,037	8,133,443
Money Market Fund accounts	4,201,785	4,142,430
Short term investments	<u>13,142,307</u>	<u>13,063,970</u>
	<b><u>42,621,624</u></b>	<b><u>41,587,466</u></b>

#### 9. Trade and other receivables

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade receivables	1,508,522	1,444,803
Expected credit losses	<u>(572,846)</u>	<u>(584,456)</u>
Trade receivables (net)	935,676	860,347
Other receivable	104,342	172,128
Interest receivable	59,236	41,505
Advances and prepaid expenses	<u>884,888</u>	<u>822,413</u>
	<b><u>1,984,142</u></b>	<b><u>1,896,393</u></b>

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

#### 9. Trade and other receivables (continued)

Trade receivables are aged as follows:

At September 30, 2020	0 – 30 days	31-60 days	61- 90 days	> 90 days	Total
Expected loss rate	2%	9%	11%	54%	
Receivables	51,919	99,486	398,972	958,145	1,508,522
Expected credit losses	(1,241)	(8,950)	(45,000)	(517,655)	(572,846)
Net receivable	<b>50,678</b>	<b>90,536</b>	<b>353,972</b>	<b>440,490</b>	<b>935,676</b>
At September 30, 2019	0 – 30 days	31-60 days	61- 90 days	> 90 days	Total
Expected loss rate				39%	
Receivables	189,175	104,919	42,324	1,108,385	1,444,803
Expected credit losses	-	-	-	(584,456)	(584,456)
Net receivable	<b>189,175</b>	<b>104,919</b>	<b>42,324</b>	<b>523,929</b>	<b>860,347</b>

#### 10. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	
	2020	2019
	\$	\$
<b>Assets as per statement of financial position</b>		
Trade and other receivables, excluding prepayments	1,702,763	1,571,014
Government bonds (Note 7)	2,431,355	2,580,862
Cash at bank and in hand (Note 8)	42,621,624	41,587,466
	<b>46,755,742</b>	<b>45,739,342</b>
<b>Other financial liabilities at amortised cost</b>		
	2020	2019
	\$	\$
<b>Liabilities as per statement of financial position</b>		
Trade and other payables, excluding statutory liabilities	<b>28,621,233</b>	<b>26,898,374</b>
	2020	2019
	\$	\$
<b>Cash and cash equivalents</b>		
Counterparties without external credit rating:		
Reputable financial institutions:		
Cash at bank	<b>42,621,624</b>	<b>41,587,466</b>

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

#### 11. Accumulated surplus

The reserves of the Group comprise an accumulation of profits/losses over its years of operations. Section 5 of the Act exempts any member of the Group from personal liability and under section 26 (2) with the approval of the Minister, the Group may build up reserves with a limit that shall be determined by the Minister.

#### 12. Government grants deferred

	<u>2020</u>	<u>2019</u>
	\$	\$
Balance as at October 1	6,495,188	9,618,903
Grants received from Government of Trinidad & Tobago	818,221	128,000
Grants utilised for the year (notes 14 and 23)	<u>(1,898,338)</u>	<u>(3,251,715)</u>
Balance as at September 30	<u><b>5,415,071</b></u>	<u><b>6,495,188</b></u>

#### 13. Trade and other payables

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade payables	2,826,508	2,716,861
Other payables and accruals	3,388,679	6,232,999
Payroll liabilities-Salary, Travelling & Gratuity arrears	17,896,079	12,858,076
Performance deposits	<u>4,509,967</u>	<u>5,090,437</u>
	<u><b>28,621,233</b></u>	<u><b>26,898,374</b></u>

#### 14. Revenue

	<u>2020</u>	<u>2019</u>
	\$	\$
Amortisation of capital grants (notes 12 and 23)	1,898,338	3,251,715
Government grants received with no vesting conditions	9,198,600	9,200,000
Testing and inspection income	43,520,439	48,648,764
Training and consultancy income	<u>798,555</u>	<u>1,079,338</u>
	<u><b>55,415,932</b></u>	<u><b>62,179,816</b></u>

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

#### 15. Taxation expense

Income tax expense consists of the following:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Business levy	4,928	9,415
Green fund levy	110,503	148,921
Green fund levy credit applied against overpayment	-	27,616
Prior year tax under -provision	-	18,851
<b>Total charge</b>	<b>115,431</b>	<b>204,803</b>

The effective tax rates differ from the statutory tax rates for the following reasons:

<b>Net surplus/(deficit) for the year before taxation</b>	<b>1,060,891</b>	<b>(1,549,391)</b>
<b>Income tax charge calculated at statutory rate</b>	<b>318,267</b>	<b>(464,817)</b>
Business levy	4,928	9,415
Green fund levy	110,503	148,921
Green fund levy credit applied against overpayment	-	27,616
Current/prior year tax (under)/over-provision	-	18,851
Exempt income and tax losses	(318,267)	464,817
<b>Total charge</b>	<b>115,431</b>	<b>204,803</b>

The current rate of corporation tax is 30% for 2020 (2019:30%) and is only applicable to the Subsidiary, Premier Quality Services Limited. The Subsidiary currently has unutilised tax losses of \$2,093,553 (2019: \$1,397,599). A deferred tax asset has not been recognised relating to this amount due to the uncertainty relating to future taxable profits against which the losses can be utilised. The current rate of business levy is 0.6% for 2020 (2019:0.6%). The current rate of green fund levy is 0.3% for 2020 (2019:0.3%)

The Subsidiary is entitled to carry forward its entire tax loss against future tax profits. There is no expiry period for adjustment of tax losses against future tax profits.



## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

#### 16. Contingencies

The Group is a defendant in various Industrial Relations matters and also involved in legal proceedings arising in the normal course of business at the reporting date. Management believes that, based on the advice of legal counsel, the outcome of these proceedings will not give rise to any significant loss and have any adverse material effect on the Group's consolidated financial statements and as such no provisions were required.

The Trade Disputes before the Industrial Court are generally for declarations and orders rather than specific sums whilst the matter before the Civil Appeal Court, if successful, may require the Group to refund the legal costs of the Appellant and be liable for legal costs referable to two-thirds (2/3rds) of the costs in the High Court. These costs are indeterminate at the reporting date and as such no provisions were required.

#### 17. Expenses by nature

##### a. Selling, general and administrative expenses

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Employee benefit expenses (Note 17b)	42,736,118	47,819,197
Utilities and insurance	2,524,791	2,264,708
Depreciation	2,936,958	4,216,676
Expense of capital grants	323,712	987,455
Contract services	896,430	2,499,053
Fees	1,319,098	1,249,343
Repairs and maintenance	604,738	910,347
Promotions and publicity	254,149	342,864
Training	243,004	279,028
Office supplies	306,603	618,862
Rentals	590,440	775,065
Board fees	817,433	825,011
Bad debts expense/(recovery)	25,476	(87,831)
Other expenses	2,197,226	3,010,975
Total selling, general and administrative expenses	<b>55,776,176</b>	<b>65,710,452</b>

##### b. Employee benefit expense

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Contract employees	28,501,300	26,739,686
Wages and salaries	8,866,609	18,167,729
Travelling and uniforms	489,173	758,506
National insurance	2,415,487	715,825
Retirement and termination benefits (Note 6.f)	537,000	821,000
Arrears of remuneration	1,926,549	616,452
	<b>42,736,118</b>	<b>47,819,197</b>

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

#### 18. Interest income

	<u>2020</u>	<u>2019</u>
	\$	\$
Interest income	173,208	149,611
Foreign exchange gain	5,355	13,692
Bond interest income	96,493	102,176
	<u><b>275,056</b></u>	<u><b>265,479</b></u>

#### 19. Other income

	<u>2020</u>	<u>2019</u>
	\$	\$
Certification	1,011,436	1,452,932
Standards information	117,836	229,535
Other income	16,807	33,300
	<u><b>1,146,079</b></u>	<u><b>1,715,766</b></u>

#### 21. Financial risk management

##### a. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Risk management is carried out in line with policies approved by the Board of Directors.

##### (i) Market risk

##### (a) Foreign exchange risk

The Group is not exposed to foreign exchange risk since it does not operate internationally nor maintain holdings of foreign currency.

##### (b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets and liabilities other than deposits held at banks, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

##### (c) Price risk

The Group is not exposed to equity securities price risk since there are no investments held as available for sale or at fair value through profit or loss.

##### (ii) Credit risk

Credit risk arises from cash and cash equivalents, financial instruments as well as credit exposures to customers. The Group has credit risk; however, the Group has policies in place to ensure that use of its services is made to customers with an appropriate credit history and the financial instruments held are issued by the Government of Trinidad and Tobago and are regarded as risk free investments. Credit risk arises primarily from outstanding receivables (See Note 9).

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020 (Expressed in Trinidad and Tobago dollars)

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

##### a. Financial risk factors (continued)

###### (ii) Credit risk

The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk and are regularly monitored through the use of credit terms. Management does not expect any losses from non-performance by counterparties in excess of the provision made. Cash and deposits are held with reputable financial institutions. The maximum exposure to credit risk at the reporting date is the fair value of cash and cash equivalents, and government bonds as well as each class of receivables mentioned in Note 9.

###### (iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term funds.

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within one year equal their carrying balances.

	Less than one year	
	2020	2019
	\$	\$
Trade and other payables	<u>28,261,233</u>	<u>26,898,374</u>

##### b. Capital risk management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The Group currently has no borrowings to constitute net debt.

#### 22. Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Transactions are entered into with related parties in the normal course of business where the Group makes payments or receives cash on a related party's behalf. These payments are reimbursed to or from the related party and any differences result in a receivable or payable at year end. These transactions are carried out on normal commercial terms and conditions at market rates.

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

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

#### 22. Transactions with related parties (continued)

Balances and transactions with related parties and key management personnel during the year were as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
a. <u>Trading transactions</u>		
Government grants	<u>10,016,821</u>	<u>9,328,000</u>
b. Key management remuneration for the year	<u>3,237,698</u>	<u>3,813,759</u>
c. Directors' remuneration for the year	<u>817,433</u>	<u>825,011</u>
<b>Liabilities</b>		
Government grants deferred subventions from Ministry of Trade and Investment (MTI)	<u>5,415,071</u>	<u>6,495,188</u>
<b>Income</b>		
Recurrent expenditure subvention from MTI	9,198,600	9,200,000
Project capital expenditure subvention from MTI	1,574,626	2,264,260
Project revenue expenditure subvention from MTI	<u>323,713</u>	<u>987,455</u>
	<u>11,096,939</u>	<u>12,451,715</u>

#### 23. Project expenditure

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Capital expenditure:</b>		
PSIP 214- Central Services - Bureau of Standards	507,018	589,959
PSIP 216:-Procurement of equipment for the Implementation of the Metrology Act 2004	532,104	761,160
PSIP 210:- Procurement of testing materials and equipment	<u>535,604</u>	<u>913,141</u>
	<u>1,574,726</u>	<u>2,264,260</u>
<b>Revenue expenditure:</b>		
PSIP 212:-Providing reliability to quality infrastructure	13,531	20,227
PSIP 218:- TTBS-Building capability for sustaining export led growth		19,033
PSIP 220:-Quality Infrastructure	<u>310,181</u>	<u>948,195</u>
	<u>323,712</u>	<u>987,455</u>
<b>Total project expenditure</b>	<u>1,898,338</u>	<u>3,251,715</u>

## Trinidad and Tobago Bureau of Standards and its Subsidiary

### Notes to the consolidated financial statements for the year ended September 30, 2020

(Expressed in Trinidad and Tobago dollars)

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#### 24. Events after the end of the reporting period

The Group has evaluated subsequent events from October 1, 2020, through to February 8, 2022, the date the financial statements were available to be issued. During this period, the Group did not have any subsequent events requiring recognition or disclosure in the financial statements other than the matter disclosed below.

Management is currently evaluating the potential impact of the coronavirus disease 2019 (COVID-19) that began during the financial year and continued subsequent to year end, particularly on the operations of the Group. This disease was declared a pandemic by the World Health Organisation on March 11, 2020. The extent of the impact on the financial position and performance of the Group depends on future developments, including but not limited to:

- the duration and spread of the outbreak,
- the extent of restrictions and advisories, and
- the effects on the local and global financial and economic markets, all of which are highly uncertain and cannot be predicted.

The continuation of these circumstances could have a negative impact on the Group's financial results.