

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 1995

1. IDENTIFICATION

The main activity of the company, which is incorporated in Jamaica, is the manufacture and distribution of industrial and decorative paints and paint-related processed material.

The company is a 51% subsidiary of Lewis Berger (Overseas Holdings) Limited, which is incorporated in the United Kingdom. The ultimate holding company is California Limited, which is incorporated in the Isle of Man.

These financial statements are expressed in Jamaican dollars.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention and principles

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets. The accounting principles followed by the company are those generally accepted in Jamaica.

(b) Investment in subsidiary company

This is accounted for at cost. Consolidated financial statements have not been prepared as the subsidiary company, West Indies Resin Products Limited, ceased trading on December 31, 1988 and the directors consider that no useful purpose would be served by consolidation. Assets and liabilities of the subsidiary company at December 31, 1988 were:

	\$,000
Assets	
Owed by fellow subsidiary company	747
Shareholders' equity	
Share capital	1
Capital reserve	254
Revenue reserve	492
	747

(c) Foreign currencies

Transactions in foreign currencies have been converted to Jamaican dollars at the rates of exchange ruling at the dates of those transactions. Assets and liabilities denominated in foreign currencies are translated to Jamaican dollars at exchange rates current at balance sheet date. All foreign exchange gains and losses are credited to or charged against income of the year in which exchange rate changes occur.

(d) Inventories

These are stated at the lower of (first-in, first-out) cost and net realisable value.

The cost of finished goods comprises direct materials and labour plus an appropriate proportion of over-head expenses. The cost of work-in-progress comprises direct materials, and an appropriate proportion of labour and overhead expenses.

(e) Depreciation

Depreciation is calculated on the straight-line basis on cost or revalued amounts over the estimated useful lives of depreciable assets. Annual depreciations rates are:

	Per annum
Freehold buildings	- 2%
Plant and machinery	- 8% - 15%
Other fixed assets	- 12% - 25%

No depreciation is provided on land.

(f) Deferred taxation

The company provides for the deferred tax effects of transactions in the same year that such transactions enter into the determination of net profit regardless of when they are recognised for tax purposes. The deferred liability is calculated at current rates.

(g) Deferred income

Gains on sale of fixed assets which are leased back under finance leases are deferred and amortised over the lease term.

(h) Pension costs

Pension costs are generally recognised by current funding and accruals. Such costs are actuarially determined and include amounts to fund past and future benefits.

3. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	1995 \$'000	1994 \$'000
Trade receivables	104,977	57,271
Other receivables	11,231	5,001
Current portion of long-term receivables (Note 6)	25,047	-
	141,255	62,272

Less provision for doubtful debts	5,821	681
	135,434	61,591
4. INVENTORIES		
	1995	1994
	\$'000	\$'000
Finished goods	50,055	33,128
Work-in-progress	10,136	10,183
Raw materials and supplies	62,159	42,004
Goods-in-transit	14,582	11,234
	136,932	96,549
5. ACCOUNTS PAYABLE AND ACCRUALS		
	1995	1994
	\$'000	\$'000
These comprise:		
Trade	63,516	17,975
Others	20,478	11,953
Current portion of lease obligations (Note 10)	5,451	-
	89,445	29,928
6. LONG-TERM RECEIVABLES		
	1995	1994
	\$'000	\$'000
(i) National Housing Trust Recoverable in years 2001-2004	91	91
(ii) Lewis Berger (Overseas Holdings) Limited (US\$626,000) - Recoverable in three years with interest at a rate of two percentage points above the prime rate as quoted by Citibank - New York	25,047	20,894
Less current portion	(25,047)	-
	91	20,985

7. FIXED ASSETS

		1995		1994		
	(V)	Cost or Valuation	Accumulated depreciation	(V)	Cost or Valuation	Accumulated depreciation
		\$ '000	\$ '000		\$,000	\$,000
Freehold land	(V)	27,000		(V)	9,000	-
Freehold buildings	(V)	43,000)		(V)	28,212)	
Freehold buildings	(C)	4,530)	373		11,393)	1,236
Leasehold machinery		14,000	525		-	-
Plant and machinery		10,916	3,521		9,768	3,049
Other freehold fixed assets		9,447	2,811		8,948	1,572
Other leasehold fixed assets		7,191	1,610		-	-
		116,084	8,840		67,321	5,857

Freehold land and buildings were independently valued in July 1995 by Allison Pitter and Co., Chartered Surveyors (1994: in December 1992 by Chang Rattray & Company, Chartered Surveyors), on an open market existing use basis. Subsequent additions are included at cost. Unrealised surpluses on valuation are credited to capital reserve.

89,445 29,928

8. SHARE CAPITAL

1995 1994

	\$'000	\$'000
Authorised - 56,400,631 shares of 50c each	28,200	28,200
Issued and fully paid Ordinary stock units of 50c each	28,200	28,200

9. CAPITAL RESERVE

	1995	1994
	\$'000	\$'000
Balance, January 1	33,457	42,862
Transfer to profit and loss account:		
Profit on sale of investment in associated company	-	(9,405)
Surplus on re-valuation of fixed assets	22,954	-
Balance, December 31	56,411	33,457

10. LONG-TERM LIABILITY

This represents obligations under finance leases.

	1995
	\$'000
Repayable over 3 years interest rate 48% - 50%)	19,171
Less current portion	5,451
	13,720

11. TRANSACTIONS WITH HOLDING COMPANY AND FELLOW SUBSIDIARY COMPANIES

Significant transactions were:

	1995	1994
	\$'000	\$'000
Sales	9,272	5,379
Purchases	6,845	5,368

Technical fees	6,897	5,967
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12. PROFIT BEFORE TAXATION

The profit before taxation is stated after taking into account the following:

	1995	1994
	\$'000	\$'000
Expenses		
Directors' emoluments		
Fees	33	33
Management	2,903	2,128
Termination payments	-	2,138
Audit fees	950	700
Depreciation		
Buildings	836	664
Plant and machinery	1,299	752
Other assets	2,834	387
Pension contributions	2,750	2,017

13. PENSION PLAN

The company operates a pension plan. The plan is funded by contributions from employees and employer. The plan is valued every three years by independent actuaries. Retirement and other benefits are on a prescribed benefits basis.

The plan was last actuarially valued at December 31, 1994. The actuaries have indicated that the assets of the fund at that date are adequate to cover the value of the accrued benefits based upon services up to, and salaries at that date. The actuaries have also advised that a contribution of 5.7% of pensionable salaries, by the company, would be sufficient to fund the current plan. The company contributes at the rate of 8% of pensionable salaries.

14. INCOME TAX

	1995	1994
	\$'000	\$'000
(a) The total charge for the year comprises:		
Income tax at 33 1/3%	20,571	16,000
Deferred tax adjustment	111	(90)
	20,682	15,910

(b) The deferred income tax liability relates to capital allowances in excess of depreciation.

15. DEFERRED INCOME

	\$'000
This comprises	
Gains from sale of assets under sale and lease back agreements	3,642
Less: Amount transferred to profit and loss account	(336)
Amount to be transferred to profit and loss account over the lives of the leases	3,306

16. DIVIDENDS - GROSS

	1995	1994
	\$'000	\$'000
Proposed:		
Capital dividends	-	9,405
Ordinary dividends (45c per share)	25,380	11,545

25,380 20,950

17. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on the profit after taxation and the number of stock units in issue during the year.

18. CAPITAL COMMITMENTS

Capital commitments authorised but not yet contracted for amounted to \$9.9 million (1994 - \$4.7 million).

These capital commitments are mainly in respect of acquisition of equipment.