

BERGER PAINTS JAMAICA LIMITED.

DIRECTOR'S REPORT

MANAGING DIRECTOR'S STATEMENT

The year 1995 was the most successful in the history of Berger Paints Jamaica Limited, with the company attaining record profits and sales volumes, and making further gains in its share of the overall paint market.

In a year characterized by high interest rates, tight liquidity, inflation of 25.5%, currency that devalued by 19.7%, and increased closures in the manufacturing sector, Berger's product sales reached an all-time high. A turnover of J\$551 million was recorded, representing growth of 29.2% over the 1994 performance. Sales volume was 5% above the 1994 level, and was the highest achieved in the history of the company.

Berger was among the 28% of manufacturing Companies quoted on the Jamaica Stock Exchange to record increased profits during 1995. Our Profit Before Tax surpassed the 1994 level by 32% to reach J\$66.4 million, and the Profit After Tax reflected a similar differential, standing at J\$45.8 million. This improved profitability has reflected in improved dividend to our shareholders.

Our achievement during the past year can be attributed, in part, to the more efficient management of the company's resources, as shown by Trading Working Capital as a percentage of net sales improving by 2% in 1995, moving from 28% to 26%. We also achieved a reduction in interest charges from J\$6.6 million in 1994 to J\$4.3 million in 1995.

At the same time, our implementation of long-term strategies to equip Berger for the changing business environment and improve the company's presence in the competitive marketplace also ensured our success. These strategies included the strengthening of our management team, the increased effort of all our employees working together as a team, the broadening of our product range, the introduction of a Productivity Incentive Programme, a greater focus on our export and VR initiatives and aggressive advertising and marketing programmes.

ENHANCING PRODUCTIVITY & COMPETITIVENESS

Production Volumes of 1.166 million gallons in 1995 were the second highest in our history, surpassed only in 1989 when there was massive reconstruction following Hurricane Gilbert the previous year.

In October, following months of collaboration between management, employees and trade union representatives, a Productivity Incentive Programme was introduced. Designed to meet our objective of increased productivity, reduced unit costs and improved competitiveness, the programme has been successful to date, inspiring record production and sales in its first two months. It also rewards good housekeeping and safety.

THE TOTAL PAINT COMPANY

In keeping with the thrust to become a "total paint company" offering a wide range of quality finishes, Berger concluded a marketing agreement with Herberts, the renowned German auto-finishes manufacturer, in the second half of the year.

Product distribution began in October; and based on initial market response, prospects are promising. During the year, our Vehicle Refinishes Division was also upgraded and skilled technical personnel were employed to seize existing opportunities and help spearhead our initiatives in this potentially lucrative sector.

In the first quarter of the year, the Nature's Whites line of environmentally-friendly decorative paints was successfully launched as its own brand.

BUILDING A SERVICE TEAM

During the year, the company strengthened its team of managers in its continued effort to become more customer focussed and meet the challenges in the new business environment. One of the innovations resulting from the restructuring

exercise was the creation of the post of Product Development Manager, with responsibility for the Vehicle Refinishes portfolio, as well as our environmental and quality initiatives and certification under the ISO 9000 Standardization Programme.

We recognize that the calibre of our staff and the quality service which they provide are critical success factors for the future. Accordingly, Berger Jamaica has designated 1996 as The Year For Customer Training; and every staff member will be involved in courses designed to expose them to global business trends, enhance their service delivery and increase awareness of their individual role in the organization.

SYNERGIES FOR THE FUTURE

As the year closed, new opportunities for development emerged with our inclusion under the umbrella of Berger International, in Singapore. This association offers many advantages for Berger Jamaica Limited and during 1996, we look forward to collaborating with our sister companies worldwide, exploring the synergies and benefitting from combined strengths.

Another challenging year is ahead for the Jamaican economy, with negative growth being predicted in the manufacturing sector for the fourth consecutive year.

At Berger paints, however, we are gearing for another excellent performance. In order to achieve this objective, we will have to work even harder to improve our productivity, efficiency and competitiveness. And, the commitment of all players - management, staff, and the entire dealer network, is essential for our success. Like our ultimate parent company, UB International, we remain dedicated to the mission of quality products, quality service, growth and profitability.

WARREN McDONALD
Managing Director

DIRECTORS' REPORT

The Directors are pleased to present their report and audited statement of accounts for the year ended 31st December 1995.

1. Financial Results

	1995
	\$'000
Profit Before Tax	66,448
Taxation	20,682
Profit After Tax	45,766
Extra-Ordinary Item	-
Balance January 1	59,670
	105,436
Transfer from Capital Reserve	-
	105,436
Proposed Dividend	25,380
Balance, December 31	80,056
Earnings Per Share	81 cents

2. Dividends

Your Directors approved payment of a final dividend of 45 cents per share for members of the Register on 7th July, 1996.

3. Directors:

In accordance with Article 89 of the Articles of Association: Messrs Pokar Chandiram and Warren McDonald retire by rotation and being eligible, offer themselves for re-election.

4. Auditors

The auditors, Messrs. Deloitte & Touche, have signified their willingness to continue in office. Their re-appointment will be proposed at the Annual General Meeting.

5. Employees

The Directors wish to thank the management and staff of the company for their hard work during the year under review.

BY ORDER OF THE BOARD

Michael W. Wint
Secretary