

BERGER PAINTS JAMAICA LIMITED 1997

Managing Director's Statement

Berger Paints Jamaica Limited continued on its path of profitability in 1997, further consolidating its position as Jamaica's leading paint company

Despite negative growth in the overall economy and a further deterioration in the construction and manufacturing sectors, the Company turned in record Net Sales of J\$614.1 Million, the highest in its 45 year history. A highlight of the sales performance during the year under review was the significant growth in export business, which improved by 35% in 1997 over 1996.

Trading Profits of J\$81.7 Million in 1997 were commendable, although marginally less than the J\$82.9 Million posted in the previous year. A similar trend was reflected in Profits After Tax which stood at J\$44.0 million, compared to J\$47.6 Million in 1996.

Berger's achievements are notable in a difficult year, characterised by adverse economic conditions. The continued restriction in money supply, fuelled by tight liquidity and high interest rates, further decline in the construction sector, the closure of several manufacturing enterprises and the resulting lay-off of workers served to deepen the recession.

The local paint industry faced the threat of increased competition from imports, in the wake of reductions in the Common External Tariff, which has eroded the protection that the industry previously enjoyed.

The Company's positive performance may be attributed to good strategic corporate planning and financial controls and was evidenced by total expenses being successfully reduced by 2% in 1997, compared with the budget; and interest charges falling by 38% compared with 1996.

Aggressive marketing initiatives and increased productivity levels, especially in the second half of the year, were among the other strategies behind our success. External factors, including increased public expenditure associated with the general election in December, and the seasonal spending associated with the Christmas holidays, also contributed to Berger's growth in a sluggish market environment.

Deepening Market Involvement

Several initiatives were announced in 1997 to strengthen the Company's linkages with the construction sector and to extend the range of quality products which it offers.

These include the introduction of Evo-Stik, a leading international brand of adhesives, for which Berger Jamaica is the sole local agent. In the new financial year, the Company will be implementing programmes to further develop this segment of the market.

At year end, an agreement was concluded with Samuel Cabot Inc., U.S.A., to manufacture and distribute their world-renowned line of wood stains.

Toward Quality Certification

In keeping with Berger Jamaica's efforts to take its quality image to an even higher level, the company launched its quest for certification under the International Standards Organisation's 9002 mark for companies engaged in manufacturing, in June 1997. A six-member Steering Committee, led by Chief Chemist, Mrs. Gladys Miller, has been spearheading preparations for the establishment of a quality system, to ensure consistency in all areas of the Company's operation and ultimately, to achieve certification.

Employees at all levels of the Company have participated in special training

programmes to equip them to operate effectively in the new quality environment.

Berger Jamaica, as well as its sister companies in Trinidad and Barbados, are being assisted in their preparations by their associated company, Dutch Boy Inc. of the Philippines, which gained ISO certification in 1996.

Community Development

We are ever mindful of the social responsibility that accompanies our position as market leader. Accordingly, the Company continues to provide meaningful opportunities for the development of teachers and students through sponsorship of such programmes as the Jamaica Teachers' Association Roll of Honour Award and the Caribbean Maths Science Institute's summer workshop for teacher education.

During 1997, we launched a new initiative in our continued effort to promote quality education and academic excellence, with the presentation of the inaugural Berger Paints Architectural Scholarship. The award, tenable at the University of Technology's Caribbean School of Architecture will be made annually to a promising Jamaican student pursuing the Masters Degree in Architecture.

Berger Jamaica remains firmly committed to its other corporate support programmes. These include the Jamaica Chamber of Commerce's Junior Achievement Programme, for which the Company is an Advisor; the Dance Category in the National Festival Competition, as well as the premier Netball and Basketball Leagues, all of which are honing the skills of Jamaican youngsters and preparing them for their role in the nation's future development efforts.

Meeting New Challenges

As our Company prepares to take advantage of the new opportunities for growth, it is critical that we constantly improve our facilities and systems, to make them more cost-effective, enhance productivity and strengthen our competitive position.

As a first step toward this objective, we have acquired a state-of-the-art Basket Mill which will be brought into service in the new financial year, and which is expected to increase our capacity significantly. And, with the installation of new solvent recycling equipment in 1998, the Company can look forward to major savings, while, at the same time, reducing possible fire hazards and ensuring a safer working environment.

Berger's computer system will also be upgraded as part of the overall capital improvement programme, designed to keep our Company on the cutting edge, in step with the global community.

Our main objectives in the next financial year are to improve customer satisfaction levels by continuing to manufacture products of the highest quality; to continue the development of our products in order to improve their performance, to diversify our product offering; to improve productivity through employee education and training and the continuing modernization of our plant.

The Berger Group Worldwide has charted a course for innovation and strong growth through the delivery of quality products and services. The Management and Staff at Berger Jamaica are firmly committed to this mission in their continued quest for excellence.

Warren McDonald
Managing Director
