Berger Paints Jamaica Limited 1999

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31,1999

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 materials.

The company is a 5 1 % subsidiary of Lewis Berger (Overseas Holdings) Limited, which is incorporated in the United Kingdom. The ultimate holding company is Ariza Limited, which is incorporated in the British Virgin Islands.

These financial statements are expressed in Jamaican dollars.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention, principles and standards

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 and these financial statements comply in all material respects with the requirements of applicable statements of standard accounting practice issued by the Institute of Chartered Accountants of Jamaica.

(b) Investments

(i) 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 (Note 6(a)).

(ii) Other investments

These are stated at cost less any provision required for the permanent diminution in the value of the investment.

(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 cost (first-in, first-out) and net realisable value.

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

(e) Fixed assets and depreciation

Assets leased by the company from third parties are capitalised at fair value and the lease obligation net of unexpired interest is shown as a long-term liability (Note 10). Lease instalments are allocated between interest and principal when paid.

Depreciation is calculated on the straight-line basis on cost or revalued amounts over the estimated useful lives of depreciable assets. Annual depreciation 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) 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.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known.

3 FOREIGN CURRENCY BALANCES

The following foreign currency balances are included in these financial statements:

		1999	1998
		000	000
Cash and bank	US$	8	117
Accounts payable	US$	1,674	1,469
	DM	56	-

4 FIXED ASSETS

	Freehold Land	Freehold Buildin	Plant and Machine	Furniture, Fixtures & Equipment	Motor Vehicles Owned	Motor Vehicles Leased	Totals
At cost or valuation							
January 1	27,000	48,591	31,540	11,274	9,273	7,921	135,599
Additions	-	-	1,323	1,273	6,412	-	9,008
Disposals	-	-	-	(132)	(1,506)	-	(1,638)
Other	-	-	-	-	4,943	(4,943)	-
December 3	27,000	48,591	32,863	12,415	19,122	2,978	142,969
Classified as follows:							
At cost	-	-	32,863	12,415	19,122	2,978	67,378
At valuation	27,000	48,591	-	-	-	-	75,591
	27,000	48,591	32,863	12,415	19,122	2,978	142,969
Depreciation							
January 1	-	3,258	12,672	5,115	8,319	3,578	32,942
Charge for year	-	972	3,504	1,564	2,727	745	9,512
On disposals	-	-	-	(132)	(1,381)	-	(1,513)
Other	-	-	-	-	3,147	(3,147)	-
December 31,	-	4,230	16,176	6,547	12,812	1,176	40,941
Net book value							
December 31, 1999	27,000	44,361	16,687	5,868	6,310	1,802	102,028
December 31, 1998	27,000	45,333	18,868	6,159	954	4,343	102,657

Freehold land and buildings were independently valued in July 1995 by Allison Pitter and Co., Chartered Surveyors, on an open market existing use basis, Subsequent additions are included at cost. Unrealised surpluses on valuation are credited to capital reserve.

5. LONG-TERM RECEIVABLES

		1999	1998
		$'000	$'000
General Consumption Tax (GCT)	(See (a) below)	1,138	712
National Housing Trust	(See (b) below)	91	91

Other	(See (c) below)	3,532	-
		4,761	803
Less current maturities included in Note 8		2,130	566
		2,631	237

(a) GCT paid on purchases of fixed assets is recoverable in twenty-four monthly instalments from the date of purchase.

(b) These represent contributions recoverable in the years 2001 - 2004.

(c) The balance is due from a trade debtor and is secured by a mortgage charge over certain real estate. It is receivable by monthly instalments of $200,000 inclusive of interest at a rate of 21% per annum.

6 INVESTMENT

(a) Investment in subsidiary

Assets and liabilities of the unconsolidated subsidiary company (Note 2 (b)) at December 31, 1988 were:

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

(b) Other investments

	1999	1998
	$'000	$'000

Unquoted	10	10

7. INVENTORIES

	1999 $'000	1998 $'000
Finished goods	58,738	61,288
Work-in-progress	3,899	8,232
Raw materials and supplies	90,109	65,188
Goods-in-transit	47,991	14,414
	200,737	**149,122**

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	1999 $'000	1998 $'000
Trade receivables	140,219	136,286
Less provision for doubtful debts	23,289	18,462
	116,930	117,824
Other receivables and prepayments	5,353	5,424
Current portion of long-term receivables (Note 5)	2,130	566
	124,413	**123,814**

9. CAPITAL RESERVE

These represent unrealised revaluation surpluses on land and buildings.

10. LONG-TERM LIABILITIES

	1999 $'000	1998 $'000
Loan (See (a) below)	2,261	-
Lease financing obligations (See (b) below)	1,665	4,274
	3,926	4,274
Less current portion included in accounts payable (Note 12)	2,747	2,609
	1,179	**1,665**

(a) The loan from the Bank of Nova Scotia Jamaica Limited is unsecured. Interest is charged at a rate of 8.5% per annum, however, in the event of default the interest rate per annum would be the bank's base rate plus 5%. At the time the loan was granted the bank's base rate was 28.5% per annum. The loan is repayable in twenty-four monthly instalments of $125,000 commencing May 1999 and ending April 2001.

(b) Future minimum payments under these lease obligations as at December 31, are as follows:

	1999 $'000	1998 $'000
1999	-	3,700
2000	1,527	1,527
2001	585	585
	2,112	5,812
Less future finance charges	447	1,538
	1,665	**4,274**

11 DIVIDENDS - GROSS

	1999 $'000	1998 $'000
Proposed:		
Ordinary dividends of 220 (1998: 180) per stock unit	**31,433**	**25,719**

12 ACCOUNTS PAYABLE AND ACCRUALS

	1999 $'000	1998 $'000
Trade payables	36,344	38,755
Other payables and accruals	39,696	32,388
Current portion of long-term liabiliti	2,747	2,609
	78,787	**73,752**

Statement VI.7

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31,1999

13. PROFIT FROM OPERATIONS

Profit from operations is stated after taking into account the following:

	1999 $'000	1998 $'000
Cost of sales	455,397	392,419
Distribution costs	89,202	80,680
Administrative expenses	95,389	80,443
Other operating expenses	10,077	10,028
	194,668	171,151
Other operating income	10,911	5,764

14. PROFIT BEFORE TAXATION

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

	1999 $'000	1998 $'000
Directors' emoluments		
Fees	48	48
Management	6,064	5,295
Audit fees	1,100	1,300
Depreciation		
Buildings	972	972
Plant and machinery	3,504	3,217
Other assets	5,036	4,771
Interest - finance leases	867	2,760
- overdraft	821	2,314

15. TRANSACTIONS WITH GROUP COMPANIES

Significant transactions were:

	1999 $'000	1998 $'000
Sales	6,250	2,106
Purchases	94,475	86,463
Technical fees payable	9,434	9,040

16. TAXATION

(a) The total charge for the year comprises:

	1999 $'000	1998 $'000
Income tax at 33 1/3%	29,650	20,615
Less tax credit on issue of	-	4,465
	29,650	16,150
Deferred tax adjustment	(3,609)	3,557
	26,041	19,707
Adjustment for under (over) provision in previous years	1,124	(5,276)
	27,165	**14,431**

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

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. PENSION PLAN

The company operates a pension plan. The plan is funded by contributions from employees and employer. The employees and the company contribute at the rates of 5% and 5.7% respectively of pensionable salaries. The plan is valued triennially by independent actuaries. Retirement and other benefits are determined on a prescribed benefits basis.

The plan was last actuarially valued at December 31, 1997. The actuaries indicated that the assets of the fund at that date were adequate to cover the value of the accrued benefits based upon services up to, and salaries, at that date.

19. CAPITAL COMMITMENTS

Capital expenditure authorised but not contracted for at December 31, 1999 amounted to $22.2 million. This expenditure is mainly in respect of the acquisition of equipment.

20 OTHER DISCLOSURES - EMPLOYEES

	1999	1998
(a) Average number of persons employed by the company during the year:		
Production	57	59
Distribution	40	40
Administration	29	29
	126	128

(b) Staff costs incurred during the year in respect of these employees were:		
	$'000	$'000
Salaries and wages	111,304	96,085
Other benefits	27,404	24,010

Statutory contributions	9,282	8,107
Pension contributions	3,860	4,301
	151,850	**132,503**