

INDEPENDENT AUDITORS' REPORT

To the members of

BERGER PAINTS JAMAICA LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Berger Paints Jamaica Limited (the company), set out on pages 2 to 35, which comprise the balance sheet as at December 31, 2007, the profit and loss account, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on the financial statements (Cont'd)

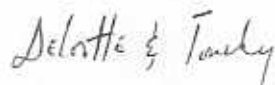
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act of Jamaica

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.



Chartered Accountants
Kingston, Jamaica

February 19, 2008

BERGER PAINTS JAMAICA LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2007

	Notes	2007 \$'000	2006 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	158,076	131,376
Long-term receivables	6	1,109	1,162
Post employment benefits	7	<u>105,131</u>	<u>99,211</u>
Total non-current assets		264,316	231,749
Current assets			
Inventories	8	297,932	241,733
Due from fellow subsidiaries	9	2,393	-
Trade and other receivables	10	352,189	272,878
Cash and bank balances	11	<u>21,184</u>	<u>73,279</u>
Total current assets		673,698	587,890
Total assets		938,014	819,639
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	12	141,793	141,793
Revaluation reserves	13	41,866	41,666
Revenue reserve			
Profit and loss account		<u>249,687</u>	<u>240,902</u>
Total shareholders' equity		433,346	424,361
Non-current liabilities			
Post employment benefits	7	62,466	54,097
Deferred tax liabilities	14	<u>27,108</u>	<u>24,577</u>
Total non-current liabilities		89,574	78,674
Current liabilities			
Due to immediate parent company	9	16,015	41,981
Due to fellow subsidiaries	9	-	6,282
Dividends payable		9,338	9,250
Provisions	15	23,416	15,052
Trade and other payables	16	353,254	241,990
Income tax payable	21	<u>13,071</u>	<u>2,049</u>
Total current liabilities		415,094	316,604
Total equity and liabilities		938,014	819,639

The Notes on Pages 6 to 35 form an integral part of the Financial Statements.

The financial statements on Pages 2 to 35 were approved and authorized for issue by the Board of Directors on February 19, 2008 and are signed on its behalf by:



Warren McDonald
Director



Michael Fennell
Director

BERGER PAINTS JAMAICA LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED DECEMBER 31, 2007

	<u>Notes</u>	<u>2007</u> \$'000	<u>2006</u> \$'000
Sales (net of discounts and rebates)	18	<u>1,454,602</u>	<u>1,286,955</u>
Operating profit	19	78,855	53,131
Investment revenues	20	949	469
Finance costs	20	(3,210)	(525)
PROFIT BEFORE TAXATION	20	76,594	53,075
Taxation	21	(29,231)	(14,588)
NET PROFIT		<u>47,363</u>	<u>38,487</u>
Earnings per stock unit	22	<u>22¢</u>	<u>18¢</u>

The Notes on Pages 6 to 35 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2007

	Notes	Share Capital \$'000	Revaluation Reserves \$'000	Revenue Reserve - Profit and Loss Account \$'000	Total \$'000
Balance at January 1, 2006		141,793	41,466	245,279	428,538
Deferred tax adjustment	14	-	200	-	200
<i>Net gain recognized directly in equity</i>		-	200	-	200
Net profit for the year		-	-	38,487	38,487
<i>Total recognised income</i>		-	200	38,487	38,687
Interim dividends	17	-	-	(21,432)	(21,432)
Dividends approved at Annual General Meeting	17	-	-	(21,432)	(21,432)
Balance at December 31, 2006		141,793	41,666	240,902	424,361
Deferred tax adjustment	14	-	200	-	200
<i>Net gain recognized directly in equity</i>		-	200	-	200
Net profit for the year		-	-	47,363	47,363
<i>Total recognised income</i>		-	200	47,363	47,563
Dividends approved at Annual General Meeting	17	-	-	(38,578)	(38,578)
Balance at December 31, 2007		141,793	41,866	249,687	433,346

The Notes on Pages 6 to 35 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2007

	2007 \$'000	2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit	47,363	38,487
Adjustments for:		
Depreciation	21,939	16,510
Profit on sale of property, plant and equipment	(2,112)	(500)
Property, plant and equipment adjustment	-	74
Unrealised foreign exchange (gains) losses	(649)	606
Post retirement benefit charge (credit)	13,219	(5,314)
Income tax expense	29,231	14,588
Interest income	(949)	(469)
Interest expense	3,210	525
Provision charge	11,586	3,798
Impairment loss recognized on trade receivables	16,967	30,242
Impairment loss recognized on other receivables	2,978	380
Reversal of impairment loss on trade receivables	(8,194)	(9,488)
Operating cash flows before movements in working capital:	134,589	89,439
Increase in trade and other receivables	(90,894)	(32,576)
(Increase) Decrease in inventories	(56,199)	30,821
(Increase) Decrease in due from fellow subsidiary companies	(8,675)	2,396
Provisions utilised	(3,222)	(876)
Increase in trade and other payables	111,197	68,224
(Decrease) Increase in due to immediate parent company	(25,966)	14,171
Post employment benefits contributions	(10,770)	(9,147)
Cash generated from operations	50,060	162,452
Income tax paid	(15,478)	(18,353)
Interest paid	(3,210)	(525)
Net cash provided by operating activities	<u>31,372</u>	<u>143,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	949	469
Long-term receivables	(115)	(1,581)
Acquisition of property, plant and equipment	(49,151)	(31,651)
Proceeds on sale of property, plant and equipment	2,624	500
Net cash used in investing activities	<u>(45,693)</u>	<u>(32,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(38,490)	(63,155)
Net cash used in financing activities	<u>(38,490)</u>	<u>(63,155)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(52,811)	48,156
OPENING CASH AND CASH EQUIVALENTS	73,279	24,691
Effect of foreign exchange rate changes	716	432
CLOSING CASH AND CASH EQUIVALENTS	<u>21,184</u>	<u>73,279</u>

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