BERGER PAINTS JAMAICA LIMITED

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED
MARCH 31, 2010

BERGER PAINTS JAMAICA LIMITED

FIFTEEN MONTHS ENDED MARCH 31, 2010

CONTENTS

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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 40, which comprise the balance sheet as at March 31, 2010, the income statement, statement of comprehensive income, statements of changes in equity and cash flows for the fifteen months period 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 and the requirements of the Companies Act, 2004 of Jamaica. 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.

Deloitte.

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 March 31, 2010, and of its financial performance and cash flows for the fifteen months period then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act, 2004 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.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica
May 3, 2010

BERGER PAINTS JAMAICA LIMITED

BALANCE SHEET AS AT MARCH 31, 2010

	Notes	March 31 2010 $'000	December 31 2008 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	148,348	179,469
Long-term receivables	6	159	1,849
Post employment benefits	7	130,864	111,420
Total non-current assets		279,371	292,738
Current assets			
Inventories	8	209,952	337,012
Due from fellow subsidiaries	9	2,074	6,039
Income tax recoverable	21(c)	-	4,877
Trade and other receivables	10	220,699	313,075
Cash and bank balances	11(a)	95,077	26,591
Total current assets		527,802	687,594
Total assets		807,173	980,332
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	12	141,793	141,793
Revaluation reserves	13	42,266	42,066
Revenue reserve			
Income statement		273,977	220,239
Total shareholders' equity		458,036	404,098
Non-current liabilities			
Post employment benefits	7	87,309	71,487
Deferred tax liabilities	14	17,944	23,627
Total non-current liabilities		105,253	95,114
Current liabilities			
Due to immediate parent company	9	8,230	25,086
Dividends payable		12,021	10,898
Provisions	15	18,894	25,316
Trade and other payables	16	187,174	373,029
Income tax payable	21(c)	17,565	-
Bank overdraft	11(b)	-	46,791
Total current liabilities		243,884	481,120
Total equity and liabilities		807,173	980,332

The Notes on Pages 7 to 40 form an integral part of the Financial Statements.

The financial statements on Pages 2 to 40 were approved and authorized for issue by the Board of Directors on May 3, 2010 and are signed on its behalf by:

Warren McDonald
Director

Michael Fennell
Director

BERGER PAINTS JAMAICA LIMITED

INCOME STATEMENT

FIFTEEN MONTHS ENDED MARCH 31, 2010

	Notes	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Sales (net of discounts and rebates)	18	1,829,255	1,527,014
Operating profit	19	100,540	29,106
Investment revenues	20	728	292
Finance costs	20	(5,852)	(7,919)
PROFIT BEFORE TAXATION	20	95,416	21,479
Taxation	21	(21,317)	(5,919)
NET PROFIT FOR THE PERIOD		74,099	15,560
Earnings per stock unit	22	35¢	7¢

The Notes on Pages 7 to 40 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FIFTEEN MONTHS ENDED MARCH 31, 2010

	Notes	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
NET PROFIT FOR THE PERIOD		74,099	15,560
OTHER COMPREHENSIVE INCOME			
Deferred tax adjustment on revaluation of property, plant and equipment	14	200	200
Other comprehensive income for period (Net of tax)		200	200
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		74,299	15,760

The Notes on Pages 7 to 40 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY

FIFTEEN MONTHS ENDED MARCH 31, 2010

	Notes	Share Capital $'000	Revaluation Reserves $'000	Revenue Reserve - Income Statement $'000	Total $'000
Balance at January 1, 2008		141,793	41,866	249,687	433,346
Net profit for the year		-	-	15,560	15,560
Other comprehensive income for the year	14	-	200	-	200
Total comprehensive income for the year		-	200	15,560	15,760
Dividends paid	17	-	-	(45,008)	(45,008)
Balance at December 31, 2008		141,793	42,066	220,239	404,098
Net profit for the fifteen months period		-	-	74,099	74,099
Other comprehensive income for the fifteen months period	14	-	200	-	200
Total comprehensive income for the period		-	200	74,099	74,299
Dividends paid	17	-	-	(20,361)	(20,361)
Balance at March 31, 2010		141,793	42,266	273,977	458,036

The Notes on Pages 7 to 40 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CASH FLOWS

FIFTEEN MONTHS ENDED MARCH 31, 2010

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	74,099	15,560
Adjustments for:		
Depreciation	38,968	27,626
Profit on sale of property, plant and equipment	(2,263)	(4,130)
Unrealised foreign exchange (gains) losses net	(2,785)	4,102
Post retirement benefit charge	12,013	14,875
Income tax expense	21,317	5,919
Interest income	(728)	(292)
Interest expense	5,852	7,919
Provision charge	12,751	4,996
Impairment loss recognized on trade receivables	15,463	23,045
Impairment loss recognized on other receivables	660	714
Reversal of impairment loss on trade receivables	(4,860)	(3,870)
Reversal of impairment for other receivables	-	(522)
Write-off of trade receivables	(12,194)	-
Operating cash flows before movements in working capital:	158,293	95,942
Decrease in trade and other receivables	91,410	16,914
Decrease (Increase) in inventories	127,060	(39,080)
Decrease (Increase) in due from fellow subsidiary companies	3,965	(3,646)
Provisions utilized	(19,173)	(3,096)
Increase in trade and other payables	(185,543)	17,859
(Decrease) Increase in due to immediate parent company	(16,856)	9,071
Post employment benefits contributions	(15,635)	(12,143)
Cash generated from operations	143,521	81,821
Income tax paid	(4,358)	(27,148)
Interest paid	(5,852)	(7,919)
Net cash provided by operating activities	133,311	46,754
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	728	292
Long-term receivables	3,587	(1,148)
Acquisition of property, plant and equipment	(10,907)	(49,020)
Proceeds on sale of property, plant and equipment	5,323	4,131
Net cash used in investing activities	(1,269)	(45,745)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(19,238)	(43,448)
Net cash used in financing activities	(19,238)	(43,448)
NET DECREASE IN CASH AND CASH EQUIVALENTS	112,804	(42,439)
OPENING CASH AND CASH EQUIVALENTS	(20,200)	21,184
Effect of foreign exchange rate changes	2,473	1,055
CLOSING CASH AND CASH EQUIVALENTS	95,077	(20,200)
Comprising:		
Cash and bank balances	95,077	26,591
Bank overdraft	-	(46,791)
	95,077	(20,200)

The Notes on Pages 7 to 40 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

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, which is listed on the Jamaica Stock Exchange, is a 51% subsidiary of Lewis Berger (Overseas Holdings) Limited, which is incorporated in the United Kingdom. The ultimate holding company is Asian Paints (India) Limited, which is incorporated in India. The registered office of the company is 256 Spanish Town Road, Kingston 11.

In order to coincide with the reporting date of the ultimate holding company, the accounting year was changed from December 31, to March 31. Accordingly, these financial statements cover the period, fifteen months from January 1, 2009 to March 31, 2010.

These financial statements are expressed in Jamaican dollars.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Disclosures affecting amounts reported in the current period (and/or prior periods)

The following revised Standards have been adopted in the current period and have affected the presentation in these financial statements.

Standards affecting presentation and disclosure

IAS 1 (as revised in 2007) Presentation of Financial Statements	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. These changes include the presentation of a Statement of Comprehensive Income (See Page 4).
IFRS 8 Operating Segments	The Standard's core principle is that an entity whose debt or equity instruments are publicly traded should disclose information about its reportable segments, to enable users of its financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates. See Note 18, Sales (Net of Discounts and Rebates) for additional disclosures arising from the adoption of this Standard.

Standards and Interpretations affecting the reported results or financial position

There were no Standards or Interpretations that were adopted during the year that affected the company's reported results or financial position.

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

	Effective for annual periods beginning on or after
Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*	January 1, 2009
Amendment to IFRS 7: Enhancing Disclosures about Fair Value and Liquidity risk (Note 2(a))	January 1, 2009

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FIFTEEN MONTHS ENDED MARCH 31, 2010

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Standards and Interpretations adopted with no effect on financial statements (Cont'd)

	Effective for annual periods beginning on or after
IAS 23 (as revised in 2007) *Borrowing Costs* (Note 2(b))	January 1, 2009
Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	January 1, 2009
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	(i)
Improvements to IFRS (2008)	(ii)
IFRIC 13 Customer Loyalty Programmes	July 1, 2008
IFRIC 15 Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 18 Transfers of Assets from Customers	(iii)
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2009

(i) effective for annual period ending on or after June 30, 2009.
(ii) the majority of these amendments are effective from January 1, 2009.
(iii) effective transfers received on or after July 1, 2009.

(a) The amendments expand the disclosures required in respect of fair value measurements recognised in the balance sheet. For the purpose of these expanded disclosures, a three-level hierarchy has been introduced for financial instruments recognised at fair value in the financial statements. The company does not hold financial instruments that are subsequently measured at fair value, as such the adoption of this amendment has no effect on the amounts reported.

(b) The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements as no such borrowings occurred during the year.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Standards and interpretations in issue not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not effective for the financial period being reported on:

		Effective for annual periods beginning on or after
New Standard		
IFRS 9	Financial Instruments - Classification and Measurement	January 1, 2013
Revised Standards		
IAS 1, 7, 17, 36, 39,) IFRS 5 and 8 (Revised))	Amendments arising from April 2009 Annual Improvements to IFRS	January 1, 2010
IAS 24 (Revised)	Related Party Disclosures – Revised definition of related parties	January 1, 2011
IAS 27, 28 and 31 (Revised)	Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: - Amendment relating to classification of rights issue	February 1, 2010
IAS 38 (Revised)	Intangible assets – Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IAS 39 (Revised)	Eligible Hedged Items	July 1, 2009
IAS 39 (Revised)	Financial Instruments – Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments	June 30, 2009
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards – Amendment relating to oil and gas assets and determining whether an arrangement contains a lease	January 1, 2010
IFRS 2 (Revised)	Share-based Payment:	
	- Amendment relating to group cash-settled share-based payment transactions	January 1, 2010
	- Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 and April 2009 Annual Improvements to IFRS	January 1, 2010
New and Revised Interpretations		
IFRIC 9 (Revised)	Reassessment of Embedded Derivatives – Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IFRIC 16 (Revised)	Hedges of a Net Investment in a Foreign Operation – Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IFRIC 17	Distribution of Non Cash Assets to Owners	July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Standards and interpretations in issue not yet effective (Cont'd)

New and Revised Standards and Interpretations in issue not yet effective that are relevant
The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the company:

- Amendments specifically to *IAS 1, 7, 17, 36 and 39*, resulting from the April 2009 Annual Improvements to IFRS are not expected to have any significant impact on the company's financial statements on adoption at their respective effective dates.

- *IAS 24 (Revised 2009) Related Party Disclosures* – Amendment to IAS 24 allows for a partial exemption from the disclosures requirements for transactions between a government –controlled reporting entity and that government or entities controlled by that government. The revision also resulted in an amendment to the definition of related party. On adoption at its effective date, the revised standard is not expected to have any impact on the company's financial statements.

- *IFRS 9 – Financial Instruments: Classification and Measurement* – IFRS 9 introduces new requirements for classifying and measuring financial assets. On adoption at its effective date, the standard is not expected to have a significant impact on the company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the relevant requirements of the Companies Act, 2004 of Jamaica.

Basis of preparation

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

Property, plant and equipment

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. No depreciation is provided on freehold land.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost including professional fees, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets other than land and properties under construction, over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Long-term receivables

These recoverable consumption taxes are shown at nominal values.

Employee benefits

Pension obligations
The company operates a defined benefit pension plan. The plan is funded by contributions from employees and employer. The employees contribute at the rate of 5% of pensionable salaries (with the option of contributing an additional 5%). The company's rate of contribution is determined by independent actuaries. The contributions are recognized as an expense when employees have rendered service entitling them to the contributions.

The cost of providing benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out each balance sheet date. Actuarial gains and losses that exceed 10% of the greater of the present value of the company's obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognized past service costs, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits (Cont'd)

Termination obligations

Termination benefits are payable whenever an employee's employment is terminated involuntarily before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the balance sheet date are discounted to present value.

Other post-retirement obligations

The company provides health benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that used for the defined benefit pension plan.

Inventories

These are stated at the lower of cost and net realisable value. The cost of finished goods comprises direct materials and labour plus an appropriate proportion of fixed and variable overhead expenses that have been incurred in bringing inventory to its present location and condition. The cost of work-in-progress comprises direct materials and an appropriate proportion of labour and overhead expenses (fixed and variable) in bringing the inventory to its present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs necessary to make the sale.

Revaluation reserve

This represents revaluation surplus on property, plant and equipment net of annual deferred tax charges.

Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax
Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted by the balance sheet date, which rates are expected to apply in the period when the liability is settled or the asset is realised. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly to equity), in which case the tax is also recognized outside profit or loss.

Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets of the company include any asset that is:

(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right:

  (i) to receive cash or another financial asset from another entity; or
  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the company.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial liabilities of the company include any liability that is a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the company.

Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire; or the company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognizes a collateralized borrowing for the proceeds received. Financial liabilities are derecognized when and only when, the company's contractual obligations are discharged, cancelled or they expired.

Financial liabilities incurred and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

The fair values of financial instruments are discussed in Note 24. Listed below are the company's financial assets and liabilities and the specific accounting policies relating to each:

Financial assets

Financial assets are recognized and derecognized on trade date where the purchase or sale of the instrument is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

The company's financial assets are classified as 'loans and receivables' with the classification being based on the nature and purpose of the financial asset and is determined at the time of initial recognition.

(a) *Loans and receivables*

These have fixed or determinable payments and are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

<u>Effective interest method</u>
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial assets, or where appropriate, a shorter period.

The company's portfolio of loans and receivables comprises amounts due from fellow subsidiaries (See Related Party below), trade and other receivables and cash and bank deposits.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets (Cont'd)

(a) *Loans and receivables (Cont'd)*

(i) Trade and other receivables

These receivables are measured at initial recognition at their fair values. Interest is not charged on the outstanding balances as they are settled within a short period during which recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired (that is, the outstanding amounts will not be paid in accordance with the original contract terms).

(ii) *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, net of bank overdraft, and other highly liquid bank deposits held with financial institutions, with an original maturity of three months or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

(b) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that have occurred after initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate (See Effective interest method below).

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously provided for reduce the amount of the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. Recoveries of amounts previously written off are credited to income.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs (where applicable). They are subsequently re-measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short-term liabilities when the recognition of interest would be immaterial.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The company's financial liabilities comprise amounts due to immediate parent company, dividends payable and trade and other payables.

(a) *Related party*

A party is considered to be related if:

(i) directly or indirectly, through one or more intermediaries, one party is able to exercise control or significant influence over the other party;
(ii) both parties are subject to common control or significant influence from the same source;
(iii) the party is a member of key management personnel of the company or its parent, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the company, including directors, officers and close members of the families of these individuals; or
(iv) the party is a post-employment benefit plan for the benefit of the employees of the company.

Intergroup transactions are recorded at pre-determined group rates and are settled quarterly. Interest is not charged on these balances as they are settled in a short period.

(b) *Dividends payable*

These are recognized as a liability in the period in which they are approved by the shareholders in the annual general meeting.

(c) *Trade and other payables*

Trade payables are initially measured at their fair values. No interest is accrued on outstanding balances as these are usually settled within a short period during which any interest charged would be immaterial.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and other similar allowances.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Sale of goods
Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the company operates (its functional currency).

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognized in profit or loss for the period in which they arise.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as a lessee
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Borrowing costs

Borrowing costs are recognised in the net profit or loss in the period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Management believes there are no judgements made that had a significant effect on the amounts recognized in the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

<u>Post employment benefit</u>
As disclosed in Note 7, the company operates a defined benefit pension plan and provides post retirement medical benefits. The amounts shown in the balance sheet of an asset of approximately $130.86 million in respect of the defined benefit plan and a liability of approximately $87.3 million in respect of post retirement medical liabilities are subject to estimates in respect of periodic costs which costs would be dependent on future returns on assets, future discount rates, rates of salary increases and the inflation rate in respect of the pension plan, and rates of increases in medical costs for the post retirement medical plan. Actuaries are contracted by the company in this regard.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The company estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle the pension and post-retirement benefit obligation.

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rates on government bonds that have maturities approximating the related pension liabilities were considered.

The expected increase in medical costs was determined by comparing the historical relationship of actual medical cost increases with the local rate of inflation. Current market conditions also impact the assumptions outlined above.

In respect of the post retirement medical benefits, a ±1% increase/decrease in the medical inflation assumption would result in a revised accumulated obligation before actuarial adjustment of approximately $163.6M and $115.4M respectively. Note 7(g) details some history of experience adjustments in these post employment benefit plans.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Freehold Buildings	Plant and Machinery	Furniture, Fixtures & Equipment	Motor Vehicles	Capital Works-in-Progress	Totals
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost							
January 1, 2008	27,000	55,524	105,664	45,659	48,509	3,690	286,046
Additions	-	898	29,397	13,265	5,287	173	49,020
Disposals	-	-	-	(6)	(8,162)	-	(8,168)
Transfers	-	3,630	-	-	-	(3,630)	-
December 31, 2008	27,000	60,052	135,061	58,918	45,634	233	326,898
Additions	-	210	9,307	1,390	-	-	10,907
Disposals	-	-	(2,526)	-	(6,736)	-	(9,262)
March 31, 2010	27,000	60,262	141,842	60,308	38,898	233	328,543
Accumulated depreciation							
January 1, 2008	-	12,986	59,354	27,777	27,853	-	127,970
Depreciation charge	-	1,770	12,467	6,474	6,915	-	27,626
On disposals	-	-	-	(6)	(8,161)	-	(8,167)
December 31, 2008	-	14,756	71,821	34,245	26,607	-	147,429
Depreciation charge	-	2,538	19,793	8,438	8,199	-	38,968
On disposals	-	-	(1,636)	-	(4,566)	-	(6,202)
March 31, 2010	-	17,294	89,978	42,683	30,240	-	180,195
Carrying amounts							
March 31, 2010	27,000	42,968	51,864	17,625	8,658	233	148,348
December 31, 2008	27,000	45,296	63,240	24,673	19,027	233	179,469

The following useful lives are used in the calculation of depreciation:

Freehold buildings	50 years
Plant and machinery	6 years to 12½ years
Other fixed assets	4 years to 8 years

Freehold land and buildings were revalued in 1995 and the revaluation surplus of $49.579 million was credited to revaluation reserves. The revalued amounts of $27 million for land and $47.529 million for buildings have been designated the deemed cost of these assets, as permitted under the provisions of IFRS 1.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

6. LONG-TERM RECEIVABLES

	March 31, 2010	December 31, 2008
	$'000	$'000
General Consumption Tax (GCT) (See below)	1,445	5,032
Less current maturities included in Note 10	1,286	3,183
	159	1,849

GCT paid on purchases of certain items of property, plant and equipment is recoverable in twenty-four monthly instalments from the date of purchase.

7. POST EMPLOYMENT BENEFITS

The company operates a defined benefit pension plan and provides post retirement medical benefits to its pensioners.

Defined benefit pension plan

This plan is funded by contributions from the employees and the company. The company contributes to the plan at rates determined periodically by actuaries (currently 5.7% of pensionable salaries) and the employees contribute at a rate of 5% of pensionable salaries (with the option of contributing an additional 5%). Pension benefits are determined on a prescribed benefits basis and are payable at a rate of 1⅔% of the employee's average earnings over the three years prior to retirement times the employee's number of years membership in the plan.

Retiree Medical Plan

The company bears the full cost of health care of employees after retirement.

Valuation

The most recent actuarial valuations of the two plans were carried out as at March 31, 2010 by Ravi Rambarran of Rambarran & Associates Limited (Consulting Actuaries), Fellow of the Institute of Actuaries. The present value of the defined benefit obligation and the related current service costs and past service cost, were measured using the projected unit credit method.

(a) The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2010	2008
	%	%
Gross discount rate	11.50	16.0
Expected return on plan's assets	9.00	14.5
Expected rate of salary increases	8.00	12.5
Future pension increases	2.25	6.0
Medical claims growth	11.00	13.5

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

7. POST EMPLOYMENT BENEFITS (Cont'd)

(b) Amounts included in the balance sheet arising from the company's obligation in respect of these plans are as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	March 31, 2010	December 31, 2008	March 31, 2010	December 31, 2008
	$'000	$'000	$'000	$'000
Present value of obligation	(381,134)	(315,953)	(136,593)	(77,462)
Fair value of plan assets	511,998	427,373	-	-
	130,864	111,420	(136,593)	(77,462)
Assets not recognized due to limitation resulting from uncertainty of obtaining economic benefits	(60,071)	(61,567)	-	-
Unrecognized actuarial loss	60,071	61,567	49,284	5,975
Net asset (liability) in balance sheet	130,864	111,420	(87,309)	(71,487)

(c) Amounts recognized in the income statement in respect of the plans are as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	15 months ended March 31, 2010	12 months ended December 31, 2008	15 months ended March 31, 2010	12 months ended December 31, 2008
	$'000	$'000	$'000	$'000
Current service cost	13,460	11,774	4,286	3,088
Interest costs	57,535	37,098	15,492	8,887
Expected return on plan assets	(78,255)	(59,309)	-	-
Change in unrecognized asset	(1,496)	12,909	-	-
Recognised actuarial loss	991	428	-	-
Total included in employee benefits (Income) Expense	(7,765)	2,900	19,778	11,975
Actual return on plan assets	97,609	7,658	-	-

(d) Movements in the net asset (liability) were as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	15 months ended March 31, 2010	12 months ended December 31, 2008	15 months ended March 31, 2010	12 months ended December 31, 2008
	$'000	$'000	$'000	$'000
Opening balance	111,420	105,131	(71,487)	(62,466)
Amount credited (charged) to income	7,765	(2,900)	(19,778)	(11,975)
Contributions by employer	11,679	9,189	3,956	2,954
Closing balance	130,864	111,420	(87,309)	(71,487)

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

7. POST EMPLOYMENT BENEFITS (Cont'd)

(e) Changes in the present value of the defined benefit obligation were as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Opening defined benefit obligation	315,953	317,287	77,462	68,360
Service cost	13,460	11,774	4,286	3,088
Interest cost	57,535	37,098	15,492	8,887
Members' contributions	12,379	10,082	-	-
Benefits paid	(30,430)	(16,751)	(3,956)	(2,954)
Actuarial loss (gain)	12,237	(43,537)	43,309	81
Closing defined benefit obligation	381,134	315,953	136,593	77,462

(f) Changes in the fair value of plan assets are as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Opening fair value of plan assets	427,373	422,418	-	-
Members' contributions	12,379	10,082	-	-
Employer's contributions	11,679	9,189	-	-
Expected return on plan assets	78,255	59,309	-	-
Benefits paid	(30,430)	(16,751)	-	-
Actuarial gain (loss)	12,742	(56,874)	-	-
Closing fair value of plan assets	511,998	427,373	-	-

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

7. POST EMPLOYMENT BENEFITS (Cont'd)

(g) The major categories of plan assets and the expected rate of return at the balance sheet date for each category are as follows:

	Defined Benefit Pension Plan				Retiree Medical Plan	
	March 31, 2010		December 31, 2008		March 31, 2010	December 31, 2008
	Fair Value of Plan Asset	Expected Return	Fair Value of Plan Asset	Expected Return		
	$'000	%	$'000	%	$'000	$'000
Equity fund	125,097		104,118		-	-
Fixed income fund	183,044		158,124		-	-
Mortgage and real estate fund	125,280		118,361		-	-
Foreign currency fund	70,553		42,253		-	-
Money market fund	6,480		2,904			
Other assets	1,544		1,613		-	-
Closing fair value of plan assets/ weighted average expected return	511,998	9.0	427,373	14.5	-	-

The overall expected rate of return is a weighted average of the expected return of the various categories of plan assets held. The directors' assessment of the expected return is based on historical trends and analysts' predictions of the market for the assets in the next twelve months.

The history of experience adjustments is as follows:

	Defined Benefit Pension Plan				
	March 31, 2010	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(381,134)	(315,953)	(317,287)	(260,699)	(228,286)
Fair value of plan assets	511,998	427,373	422,418	380,831	325,427
Fund surplus	130,864	111,420	105,131	120,132	97,141
Experience adjustments on plan liabilities	(12,237)	43,537	(38,277)	1,595	(31,805)
Experience adjustments on plan assets	12,742	(56,874)	(679)	9,094	9,392

	Retiree Medical Plan				
	March 31, 2010	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(136,593)	(77,462)	(68,360)	(64,630)	(47,578)
Fair value of assets	-	-	-	-	-
Fund deficit	(136,593)	(77,462)	(68,360)	(64,630)	(47,578)
Experience adjustments on plan liabilities	(43,309)	(81)	4,413	(11,029)	8,623

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

7. POST EMPLOYMENT BENEFITS (Cont'd)

(g) (Cont'd)

Impact of 1% Increase/Decrease in the Medical Inflation Assumption

	March 31, 2010		December 31, 2008	
	Inflation @ 12.0% $'000	Inflation @10.0% $'000	Inflation @ 14.5% $'000	Inflation @12.5% $'000
Revised service cost	5,469	3,388	3,869	2,488
Revised interest cost	18,052	13,429	10,354	7,702
Revised accumulated benefit obligation	163,641	115,389	80,614	60,769

The company expects to make a contribution of $20.005 million (2008: $9.702 million) to the defined benefit plans during the next financial year.

Included in the holdings of plan assets is an investment in the Sagicor Pooled Pension Investment Funds which holds 10.4% (2008:10.4%) of the company's issued shares.

8. INVENTORIES

	March 31, 2010 $'000	December 31, 2008 $'000
Finished goods	101,009	106,259
Work-in-progress	8,425	4,660
Raw materials and supplies	99,158	160,024
Goods-in-transit	1,360	66,069
	209,952	337,012

Inventories stated above are net of provision for obsolescence amounting to approximately $42.12 million (2008: $20.99 million).

The cost of inventories recognized as an expense during the period, was $864.80 million (2008: $775.87 million). The cost of inventories recognized as an expense includes $29.46 million (2008: $2.14 million) in respect of write-downs of inventory to net realizable value, and has been reduced by $8.34 million (2008: $10.21 million) in respect of the reversals of such write-down. Previous write-downs have been reversed as a result of the re-working of certain products into the production process.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

9. BALANCES/TRANSACTIONS WITH RELATED PARTIES

Details of transactions with the parent company and other related parties are disclosed below:

Trading transactions

The company carried out transactions in the ordinary course of business during the period with its affiliates as follows:

	Sales of Goods and Raw Materials		Purchases of Goods		Technical Service Fees		Amounts Owed by (to) Related Parties	
	15 months ended March 31, 2010	12 months ended December 31, 2008	15 months ended March 31, 2010	12 months ended December 31, 2008	15 months ended March 31, 2010	12 months ended December 31, 2008	15 months ended March 31, 2010	12 months ended December 31, 2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Immediate parent								
Lewis Berger (Overseas Holdings) Ltd.	-	-	-	-	49,804	45,791	(8,230)	(25,086)
Fellow subsidiaries								
Berger Trinidad	5,203	8,707	11,014	3,876	-	-	(5,944)	1,631
Berger Barbados	7,594	10,917	5,659	2,159	-	-	7,950	5,019
Asian Paints International Limited	-	-	-	-	-	-	68	(611)
	12,797	19,624	16,673	6,035	-	-	2,074	6,039
Board of Directors (included in trade receivables)		190		-		-	83	30

Sale of goods to related parties were made at the predetermined group rates. Purchases are made at market prices discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized during the year for irrecoverable debts in respect of the amounts owed by related parties.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

9. BALANCES/TRANSACTIONS WITH RELATED PARTIES (Cont'd)

Loans to related parties

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Key management personnel	321	300

These comprise short-term loans. No interest is charged on these amounts.

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Short-term benefits	36,622	43,043
Post-employment benefits	1,179	1,990
	37,801	45,033

The remuneration of directors and key executives is determined by the directors of the parent company having regard to the performance of individuals and prevailing macro-economic factors.

10. TRADE AND OTHER RECEIVABLES

	March 31, 2010 $'000	December 31, 2008 $'000
Trade receivables (net of provisions for rebates to customers of $18.812 million (2008: $24.2 million))	256,382	342,617
Less allowance for doubtful debts	62,722	64,313
	193,660	278,304
Other receivables and prepayments (net of an allowance for doubtful debts of $3.83 million (2008: $3.170 million)	25,753	31,588
Current portion of long-term receivables (Note 6)	1,286	3,183
	220,699	313,075

The average credit period on sale of goods is 30 days. The company has provided fully for all receivables over one year because historical experience is such that receivables that are past due beyond this period are generally not recoverable. Trade receivables between 30 days and 1 year are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

10. TRADE AND OTHER RECEIVABLES (Cont'd)

Before accepting any new customer, the company uses a credit bureau to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. Approximately 98% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit bureau assessment as well as the internal assessment system used by the company. Of the trade receivables balance at the end of the year, $47.15 million (2008: $66.51 million) (amount within the approved credit limit) is due from the company's largest customer (See also Note 24(d)). There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the company's trade receivable balance are debtors with a carrying amount of $121.43 million (2008: $111.73 million) which is past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality of the debtors and the amounts are still considered recoverable. The company does not hold any collateral over these balances. The average age of these receivables is 75 days (2008: 66 days).

Ageing of past due but not impaired

	March 31, 2010	December 31, 2008
	$'000	$'000
30 – 90 days	90,600	85,683
91 – 180 days	16,460	13,416
181 – 270 days	11,689	11,073
271 – 360 days	2,678	1,558
	121,427	111,730

Movement in allowance for doubtful debts

	Trade receivables		Other receivables	
	15 months March 31, 2010	12 months December 31, 2008	15 months March 31, 2010	12 months December 31, 2008
	$'000	$'000	$'000	$'000
Opening balance	64,313	45,138	3,170	3,358
Impairment losses recognized on receivables	15,463	23,045	660	714
Amounts written-off as uncollectible	(12,194)	-	-	(380)
Amounts recovered during the year	(4,860)	(3,870)	-	(522)
Closing balance	62,722	64,313	3,830	3,170

In determining the recoverability of a receivable, the company considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The directors believe that, at balance sheet date, there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	March 31, 2010	December 31, 2008
	$'000	$'000
181 – 360 days	1,395	-
≥ 365 days	61,327	64,313
	62,722	64,313

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

11. CASH RESOURCES

(a) Cash and bank balances

These include interest bearing accounts totalling $52,558,937 (2008: $26,658,758) including foreign currency deposits amounting to $32,287,841 (2008: $26,589,088), the Jamaican dollar equivalent of US$362,446 (2008: $185,719) and £343 (2008: £525). Interest on foreign currency deposits are at rates of 0.8% and 1.6% per annum (2008: 1.75% and 2.4%) and local currency deposits are at a rate of 6.85% (2008: 3.25%) per annum.

(b) Bank overdraft

	March 31, 2010 $'000	December 31, 2008 $'000
Secured at amortised cost (Note 11(b)(i))	-	46,791

(i) The company has a credit facility (overdraft) with a commercial bank to a limit of $99.75 million (2008: $100 million) at a rate of 21.375% (2008: 20.625%) per annum. This facility is unsecured.

As at March 31, 2010, the overdraft facility was not being utilized.

12. SHARE CAPITAL

	March 31, 2010 No. of shares	December 31, 2008 No. of shares	March 31, 2010 $'000	December 31, 2008 $'000
Authorised: No par value ordinary shares	214,322,393	214,322,393		
Issued and fully paid:	214,322,393	214,322,393	141,793	141,793
Stated capital			141,793	141,793

There were no movements in share capital during the period.

The company has one class of ordinary shares which carry one vote per share and no right to fixed income.

13. REVALUATION RESERVES

	Properties Revaluation Reserve $'000
Balance at January 1, 2008	41,866
Adjustments to deferred tax liability in respect of revalued buildings (Notes 14, 21(b))	200
Balance at December 31, 2008	42,066
Adjustments to deferred tax liability in respect of revalued buildings (Notes 14, 21(b))	200
Balance at March 31, 2010	42,266

The properties revaluation reserve arose on the revaluation of land and buildings. Where revalued land and buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realized, is transferred directly to revenue reserve.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

14. DEFERRED TAX LIABILITIES (ASSETS)

Certain deferred tax assets and liabilities have been offset in accordance with the company's accounting policy. The following is the analysis of the deferred tax balances for balance sheet purposes.

	March 31, 2010 $'000	December 31, 2008 $'000
Deferred tax liabilities	53,917	50,983
Deferred tax assets	(35,973)	(27,356)
	17,944	23,627

The movement during the period in the company's deferred tax position was as follows:

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Opening balance	23,627	27,108
Credit to income for the period (Note 21(a))	(5,483)	(3,281)
Credit to other comprehensive income for the period (Notes 13, 21(b))	(200)	(200)
Closing balance	17,944	23,627

The following are the major deferred tax liabilities and assets recognised by the company and the movements thereon, during the current and prior periods:

Deferred tax liabilities

	Unrealised Foreign Exchange Gains $'000	Revaluation of Properties $'000	Post-Employment Benefits Asset $'000	Excess Value Over Tax Allowances on Motor Vehicles $'000	Total $'000
Balance, January 1, 2008	-	7,713	35,044	6,871	49,628
Charge (credit) to income for the year	-	-	2,096	(541)	1,555
Credit to other comprehensive income for the year	-	(200)	-	-	(200)
Balance, December 31, 2008		7,513	37,140	6,330	50,983
Charge (credit) to income for the period	104	-	6,482	(3,452)	3,134
Credit to other comprehensive income for the period	-	(200)	-	-	(200)
Balance, March 31, 2010	104	7,313	43,622	2,878	53,917

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

14. DEFERRED TAX LIABILITIES (ASSETS) (Cont'd)

Deferred tax assets

	Accrued Vacation $'000	Post Employment Benefits Obligation $'000	Depreciation Charges in Excess of Capital Allowances $'000	Unrealised Foreign Exchange Losses $'000	Total $'000
Balance, January 1, 2008	-	20,822	1,677	21	22,520
Credit to income for the year	-	3,007	131	1,698	4,836
Balance, December 31, 2008	-	23,829	1,808	1,719	27,356
Credit (Charge) to income for the period	6,298	5,274	(1,236)	(1,719)	8,617
Balance, March 31, 2010	6,298	29,103	572	-	35,973

15. PROVISIONS

	Employee Benefits	
	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Opening balance	25,316	23,416
Utilised during the period	(19,173)	(3,096)
Charged to income for period	12,751	4,996
Closing balance	18,894	25,316

The provision for employees' benefits represents annual leave entitlements accrued.

16. TRADE AND OTHER PAYABLES

	March 31, 2010 $'000	December 31, 2008 $'000
Trade payables	96,208	265,805
Other payables and accruals	90,966	107,224
	187,174	373,029

The credit period on purchases of goods from the company's major suppliers range from 30 - 60 days. The company has financial risk management procedures in place to ensure that all payables are paid within the credit timeframe.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

17. DIVIDENDS

In respect of the current period:

i) an interim dividend of 95¢ per share totalling $20.361 million was paid to shareholders on the company's register of member at the close of business on February 12, 2010.

ii) The directors propose a final dividend of $0.187¢ per share totalling $40.078 million is to be paid on July 26, 2010, to shareholders on the company's register of members at the close of business July 9, 2010.

In respect of 2008, a final dividend 21¢ per share totalling $45.008 million was approved at the company's Annual General Meeting and paid to shareholders on the company's register of members at the close of business on May 30, 2008.

The dividends are subject to approval by the shareholders at the Annual General Meeting.

18. SALES (NET OF DISCOUNTS AND REBATES)

The following are entity-wide disclosures:

a) Products

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Decorative/architectural products	1,748,048	1,449,125
Industrial products	26,472	11,819
Vehicle refinish	54,735	66,070
	1,829,255	1,527,014

b) Geographical areas

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Domestic sales	1,773,758	1,489,798
Export sales	55,797	37,216
	1,829,555	1,527,014

c) Major customers

Of the sales for the period, 14% (2008: 14%) was attributable to the company's largest customer. There were no other customers who represented 10% or more of the company's revenue.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

19. OPERATING PROFIT

Operating profit is stated after taking into account the following:

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Operating expenses		
Raw materials and consumables used	893,577	788,189
Changes in inventories of finished goods and work-in-progress (net)	1,485	(14,458)
Manufacturing expenses	80,446	61,006
Depreciation	38,968	27,626
Employee benefits expense	404,916	347,871
Other operating expenses	314,330	293,124
Total	1,733,722	1,503,358
Other operating income		
Profit on sale of property, plant and equipment	2,263	4,130
Miscellaneous	2,744	1,320
Total	5,007	5,450

Other operating expenses include charges in respect of inventory obsolescence of $29.46 million (2008: $2.14 million).

20. PROFIT BEFORE TAXATION

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

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
(a) Revenue (expenses) on financial assets at amortised cost		
Revenue:		
Interest – bank deposits	728	292
Expenses:		
Interest – overdraft	5,852	7,919
Allowance for doubtful debt on sale of goods net of recoveries of $4,860,000 (2008: $3,870,000)	10,603	19,175
Allowance for doubtful debt on other receivables	660	192
(b) Net loss on financial assets at amortised costs		
Net foreign exchange loss	19,625	13,824
(c) Other expenses		
Directors' emoluments		
Fees	1,250	1,000
Management	14,582	11,969
Audit fees	3,650	3,450

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

21. TAXATION

(a) Recognised in profit and loss

(i) The total charge for the period comprises:

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Current tax	26,800	9,200
Deferred tax adjustment (Note 14)	(5,483)	(3,281)
	21,317	5,919

(ii) The charge for the period is reconciled to the profit as per the profit and loss account as follows:

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Profit before tax	95,416	21,479
Tax at the domestic income tax rate of 33⅓%	31,805	7,160
Tax effect of expenses that are not deductible in determining taxable profit	62	69
Tax effect of expenses that are deductible for tax purposes only	(10,781)	(1,392)
Other	231	82
Tax expense for the year	21,317	5,919

The tax rate used for the reconciliations above is the company tax rate of 33⅓% payable by corporate entities in Jamaica on taxable profits under tax laws.

(b) Recognised directly in equity

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Revaluation of properties (Note 13)	200	200

(c) Current taxes and liabilities

	March 31, 2010 $'000	December 31, 2008 $'000
Current tax assets		
Withholding tax recoverable	(188)	(72)
Current tax liabilities		
Income tax payable (recoverable)	17,753	(4,805)
Tax payable (recoverable)	17,565	(4,877)

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

22. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on the profit after taxation of $74.099 million (2008: $15.560 million) and the number of stock units in issue during the period of 214,322,393 units.

23. COMMITMENTS

(a) Capital commitment

Capital expenditure authorised but not contracted for at March 31, 2010 amounted to approximately $10.210 million (2008: $12.892 million). These expenditures are mainly in respect of the acquisition of equipment and building alteration.

(b) Operating lease arrangements

Operating lease payments represent rentals payable by the company for certain of its office locations. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three to five years.

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Minimum lease payments under operating leases recognized as an expense in the period	9,988	6,885

At the balance sheet date, the company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	15 months ended March 31, 2010 $'000	12 months ended December 31, 2008 $'000
Within one year	4,805	6,248
In the second to fifth years inclusive	8,355	1,257
	13,160	7,505

24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date:

	March 31, 2010 $'000	December 31, 2008 $'000
Financial Assets		
Loans and receivables (including cash and bank balances) – at amortised cost		
- Due from fellow subsidiaries	2,074	6,039
- Trade and other receivables (excluding prepayments and long-term receivables)	214,087	309,690
- Cash and bank balances	95,077	26,591
	311,238	342,320
Financial Liabilities (at amortised cost)		
- Due to immediate parent company	8,230	25,086
- Dividends payable	12,021	10,898
- Trade and other payables (excluding accruals)	164,619	361,203
- Bank overdraft	-	46,791
	184,870	443,978

Financial risk management policies and objectives

By its nature, the company's activities involve the use of financial instruments.

The company has exposure to the following risks from its use of its financial instruments: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Financial risk management objectives

The company's activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the company's financial performance.

The company has documented financial risk management policies which are directed by its parent company. These policies set out the company's overall business strategies and its risk management philosophy. The financial risk management programme seeks to minimize potential adverse effects of financial performance of the company. The Board of Directors, directed by the parent company, provides written principles for overall financial risk management and written policies covering specific areas, such as market risk, credit risk and liquidity risk. Periodic reviews are undertaken to ensure that the group's policy guidelines are complied with.

There has been no change during the year to the company's exposure to these financial risks or the manner in which it manages and measures the risk.

The company does not hold or issue derivative financial instruments.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

24 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Except in respect of foreign currencies, as disclosed in Note 24 (b) below and interest rates, as disclosed in Note 24(c) below, the company has no exposure to market risk.

(b) Foreign exchange risk

The company undertakes certain transactions denominated in currencies other than the Jamaican dollar resulting in exposures to exchange rate fluctuations.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management of foreign exchange risk
Management consistently reviews the company's exposure in this regard by constant monitoring of international foreign exchange markets and factors influencing currency movements including daily analysis of its demand for foreign currency to meet supplier payments and positioning its foreign currency bank account holdings accordingly.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities arising in the ordinary course of business at the reporting date are as follows:

	Liabilities		Assets		Net Liabilities (Assets)	
	March 31, 2010	December 31, 2008	March 31, 2010	December 31, 2008	March 31, 2010	December 31, 2008
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
US dollars	100,448	247,282	62,444	51,320	38,004	195,962
Pound (£)	8	300	46	60	(38)	240

Foreign currency sensitivity

The following table details the sensitivity to a 2% revaluation and 10% devaluation (2008: 10% revaluation and devaluation) in the Jamaican dollar against the relevant foreign currencies. The above sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the balance sheet date for the above change in foreign currency rates.

If the Jamaican dollar strengthens or weakens by 2% or 10% respectively (2008: 10%) against the relevant foreign currency, profit or loss will decrease or increase by:

US Dollar Impact

	Revaluation		Devaluation		Revaluation/ Devaluation	
	March 31, 2010		March 31, 2010		December 31, 2008	
	%	J$'000	%	J$'000	%	J$'000
Profit or loss	2	760	10	3,800	10	19,596

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NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(b) Foreign exchange risk (Cont'd)

Foreign currency sensitivity (Cont'd)

Pound (£) Impact

	Revaluation March 31, 2010		Devaluation March 31, 2010		Revaluation/ Devaluation December 31, 2008	
	%	J$'000	%	J$'000	%	J$'000
Profit or loss	2	1	10	3	10	24

This is mainly attributable to the exposure outstanding on bank balances, receivables and payables in the respective foreign currency at balance sheet date.

The company's sensitivity to foreign currency has decreased during the current year mainly due to the decline in US dollar denominated trade payables which was offset by increasing US$ denominated bank balances.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the balance sheet date exposure does not reflect the exposure during the period. US dollar denominated sales and liabilities are seasonal, fluctuating throughout the period.

(c) Interest rate risk management

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates as a result of cash flow or fair value interest rate risk. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow risk.

The company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section at Note 24 (e) below.

Management of interest rate risk
The company manages its interest rate risk by monitoring the movements in the market interest rates closely as well as using gap analysis.

Interest rate sensitivity
The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the company's profit for the period would decrease/increase by $0.263 million (2008: decrease/increase by $0.1 million). This is mainly attributable to the company's exposure to interest rate risk on its bank deposits and its bank overdraft facility.

The company's sensitivity to interest rates has increased during the current period mainly due to the increased bank deposit holdings.

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24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Financial assets that potentially subject the company to concentration of credit risk consist principally of cash, cash equivalents, trade and other receivables and amounts due from related parties. The maximum exposure to credit risk is the amount of approximately $311.2 million (2008: $342.3 million) disclosed under 'categories of financial instruments' above and the company holds no collateral in this regard. Generally, the company manages its credit risk by screening its customers, establishing credit limits and the rigorous follow-up of receivables.

Cash and bank deposits
The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings. The carrying amount of cash and bank balances (excluding cash on hand) totaling $94.648 million (2008: $26.815 million) at balance sheet date represents the company's maximum exposure to this class of financial assets.

Amounts due from fellow subsidiaries
The directors believe that the credit risks associated with this financial instrument are minimal. The carrying amount of the above balance totalling $2.074 million (2008: $6.039 million) at balance sheet date represents the company's maximum exposure to this class of financial assets.

Trade and other receivables
The company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management on an annual basis. Further, trade receivables consist of a large number of customers, spread across the retail and construction sectors and as such, the company does not have significant credit risk exposure to any single counterparty, except in respect of one retail entity whose outstanding balance (within the approved credit limit) amounts to approximately 18% (2008: 19%) of trade receivables (see Note 10). Ongoing credit evaluation is performed on the financial condition of trade receivables. The book value of receivables is stated after allowance for likely losses estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets in respect of trade receivables totalling $193.7 million (2008: $278.3 million) and other receivables totalling $25.8 million (2008: $31.6 million) at year end which is net of impairment of approximately $62.7 million and $3.8 million respectively (2008: 64.3 million and $3.2 million respectively), represents the company's maximum exposure to this class of financial asset.

(e) Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the nature of the underlying business, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

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NOTES TO THE FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2010

24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk management (Cont'd)

Liquidity and interest risk analyses in respect of non-derivative financial liabilities and non-derivative financial assets

Non-derivative financial liabilities

The following tables detail the company's remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective Interest Rate %	On Demand or Within 1 Year $'000	Total $'000
2010			
Non-interest bearing	-	184,870	184,870
Interest bearing	-	-	-
2008			
Non-interest bearing	-	397,187	397,187
Interest bearing	20.625	46,791	46,791

Non-derivative financial assets

The following table details the company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company anticipates that the cash flow will occur in a different period.

	Weighted Average Effective Interest Rate %	On Demand or Within 1 Year $'000	Total $'000
2010			
Non-interest bearing	-	258,679	258,679
Interest bearing	3.6	52,559	52,559
2008			
Non-interest bearing	-	315,661	315,661
Interest bearing	2.4	26,659	26,659

24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(f) Fair value of financial assets and financial liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for the financial assets and liabilities of the company, fair values in the financial statements have been presented using various estimation techniques based on market conditions existing at balance sheet date. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the company would realise in a current market exchange.

The following methods and assumptions have been used in determining the fair values of financial assets and financial liabilities:

- The amounts included in the financial statements for cash and bank balances, trade and other receivables and trade and other payables, due to immediate parent company and due from fellow subsidiaries reflect the approximate fair values because of the short-term maturity of these instruments.

Capital risk management policies and objectives

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance.

The Board monitors the return on capital (net income divided by shareholder's equity).

The company's Board of Directors reviews the capital structure on a semi-annual basis. As a part of this review, the Board of Directors considers the cost of capital and the associated risks. Additionally, based on recommendations of the Board of Directors, the company balances its overall capital structure through the payment of dividends.

The company's overall strategy as directed by its parent remains unchanged from year ended 2008.