

BERGER

PAINTS JAMAICA LIMITED



Jamaica Blue
Morpho Butterfly

ANNUAL REPORT 2012

Environmentally Friendly



AN ISO 14001 CERTIFIED COMPANY
ENVIRONMENTAL MANAGEMENT SYSTEM



AN ISO 9001 CERTIFIED COMPANY
QUALITY MANAGEMENT SYSTEM

Our Mission Statement	2
Company Profile	3
Company Data	3
Chairman's Statement	4-5
Regional Managing Director's Statement	6-8
Management Discussion & Analysis	9-11
Corporate Governance	12
Directors' Report	13
Notice of Annual General Meeting	14
Six-Year Financial Statistical Review	15
Board of Directors	16
Management Team	17
Corporate Highlights	18-19
Disclosure of Shareholdings	20
Auditors' Report	21-22
Statement of Financial Position	23
Income Statement	24
Statement of Comprehensive Income	25
Statement of Changes in Equity	26
Statement of Cash Flows	27
Notes to the Financial Statements	28-62
Form of Proxy	63
Notes	65
Quality Policy Statement	66
Environment, Health & Safety Policy Statement	Inside Back



MISSION STATEMENT

BERGER PAINTS JAMAICA LIMITED

is committed to provide the best quality protective coatings and excellent customer service via superior technology and well-trained, highly motivated human resource - thereby creating an environment where we continue to be the preferred business partner, leader in the market-place, preferred employer, and outstanding corporate citizen, thus constantly satisfying the needs of all our stakeholders.

Berger Paints Jamaica Limited manufactures and distributes industrial and decorative paints and paint related material. It is a subsidiary of Berger International Ltd., itself a subsidiary of the Asian Paints Group, a conglomerate which ranks among the top ten decorative coatings companies in the world.

In November 2002 Asian Paints (India) Ltd., the largest paint manufacturer in India, acquired a controlling 51% stake in Berger International Limited, the parent company of Berger Jamaica. The US \$ 1 billion Asian Paints Group, with a presence in 17 countries, is spread across the Caribbean, the Middle East, South Asia, South East Asia and the South Pacific region. It has 23 paint manufacturing facilities worldwide which service customers in over 65 countries.

Asian Paints is the only paint company to be ranked amongst the '200 Best Under a Billion Dollar Companies' in the world for 2005 by The Forbes Global Magazine.

The most notable contribution to Berger's success has been the Company's on-going commitment to the development and manufacture of quality paint products utilizing state of the art technology, which are environmentally friendly and formulated to withstand harsh tropical conditions.

The company has a reputation for excellence built on an innovative product research and development programme and the professional delivery of value-added service benchmarked to international standards.



COMPANY DATA

Company Secretary
Huron Gordon

Auditors
Deloitte & Touche
7 West Avenue, Kingston 4

Bankers
Bank of Nova Scotia Jamaica Limited
Citibank N.A.

Attorneys-at-law
Myers, Fletcher & Gordon
21 East Street, Kingston

Registered Office
256 Spanish Town Road, Kingston 11

Registrar and Transfer Agent
Scotiabank Jamaica Trust
& Merchant Bank Limited
30 Duke Street, Kingston

Dear Shareholder,

2011 was another challenging year for the world economy which had to grapple with the Euro zone debt crisis, high commodity prices, slowing demand in emerging markets and growing investor uncertainty. The recession in the Euro zone was identified as a major contributor to the dramatic decline in China's trade balance which fell in February 2012 to its lowest monthly level in twenty-two years.

The devastating earthquake and tsunami in Japan and political turmoil in some of the oil producing countries in the Middle East and Libya, compounded the problems of a weakened global economy.

With this backdrop, the Jamaican economy's performance in 2011 was mixed. Following three years of negative real GDP growth, a 1.5% increase in GDP, single digit inflation of 7.9% (12 months to February 2012) and relative stability in the exchange rate is encouraging. However, failure to meet the agreed structural reform targets prevented the country from drawing down on funds under the twenty-seven month stand-by agreement with the International Monetary Fund (IMF). This coupled with the widening public sector deficit; a deteriorating debt to GDP ratio and an unemployment rate of 12.8% contributed to a worsening macro-economic environment. The country's declining competitive ranking and credit rating were other negative indicators.

During the last six months of the financial year, performance in the productive sector was further impacted by the uncertainty created by the sudden resignation of the Prime Minister in October 2011, the appointment of a successor and the subsequent change of administration after General Elections and Local Government Elections in December 2011 and March 2012, respectively.

In an increasingly competitive and challenging economic environment, Berger Jamaica continued to dominate the domestic paint market. However, sales volume declined by approximately 2% compared to the previous year due to the negative impact of the economic downturn on paint demand.

Despite the challenges in the domestic and export markets, the Company remains profitable and the Board of Directors has recommended a dividend of 13 cents per share.

During the year under review, the focus on improving service level, reducing material and overhead cost and capital employed continued. Significant savings were achieved in the area of sourcing by leveraging the size of the Group to secure the best possible prices. Gains were also realized through formulation engineering and initiatives undertaken to reduce major costs like electricity and material losses in manufacturing.



Mr. Jalaj Dani - Chairman

Innovation and offering customers quality products that meet their requirements at the required price points are essential to ensure that Berger continues to be the preferred brand. The Company, through its various customer centricity initiatives, understands the needs and changing requirements of its customers and develops products and services that meet these requirements.

Rust Pro, a fast drying enamel with enhanced rust inhibiting additives and Berger Veneer Plaster that gives a smooth finish to concrete surfaces are the two new products added to our product range during the year. Magicote Emulsion enjoyed good growth in the economy segment and the program of improving our core brands continued.

The Berger Colour Visualizer was rolled out in the local market. This is a colour selection tool available at all Colour World counters as well as on the Berger Caribbean website and enables customers to decide the most appropriate shade combination for their homes. We are the only company to offer this facility in the local market.

The Jamaica Exporters Association (JEA) presented Berger in December 2011 with the "Most Improved Exporter Award" for expanding exports by 70% in 2010-11. Our efforts to increase exports during the current year continued. However growth

in exports slowed down due to weak demand conditions in export markets.

Various quality and environment, health and safety initiatives have helped Berger Jamaica to constantly raise its quality and environment, health and safety standards. Our efforts in these areas have been endorsed once more in 2011 with the renewal of both the ISO 14001:2004 Environment Management certification and the ISO 9001:2008 certification.

The International Monetary Fund is predicting global growth of 3.5% in 2012. It anticipates a low growth rate for the Jamaican economy and has identified rising public debt, volatile commodity prices, a slow-down in global growth and natural disasters as possible threats. The challenge for Berger Jamaica will be to achieve sales growth and gain market share as well as improve operational efficiency in all areas to optimize costs and capital employed.

I would like to thank you for your continued support. I appreciate the hard work and commitment of all employees and would like to thank my fellow Directors on the Board for their invaluable guidance. I also thank Berger International Limited and Asian Paints Limited for the support provided in various areas of the Company's operations and all our customers and business associates for their continued support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jalaj Dani', with a horizontal line underneath.

Jalaj Dani
Chairman

Tough Economic Environment

Uncertainty dominated the local business sector in 2011/2012 as it sought to maintain viability in a stagnant economy. Despite sharp fiscal constraints reflected in the three Supplementary Budgets tabled in Parliament, the country failed to meet the conditionalities of the 27-month Standby Agreement signed with the International Monetary Fund (IMF) in 2010. The Jamaican economy recorded marginal growth in 2011 of 1.5%. This followed 13 consecutive quarters of decline.

Negative trends were reported in most of the major areas of performance. The revised budget presented in March showed fiscal and primary balances of -6.3% and 3%, respectively, of Gross Domestic Product (GDP). This was well below the budgeted targets of -4.6% and 5.2% of GDP.

At the end of the review period, the National Debt had escalated to more than J\$1.6 Trillion, or 131% of GDP; and the Net International Reserves (NIR) had declined by more than US\$400 Million to US\$1.7 Billion. The unemployment rate rose to 12.8% and the number of people living below the poverty line increased to approximately 20% - up from 9% in 2007 and 16% in 2009.

Commerce was influenced by the sudden resignation of Prime Minister, Bruce Golding, and the subsequent General Election in which his successor, Mr. Andrew Holness, was defeated and replaced by Mrs. Portia Simpson-Miller, whose administration also won the Local Government Elections in March 2012. The business sector and the wider economy continue to be adversely affected by the uncertainty surrounding the outcome of negotiations for a new IMF Agreement; as well as the high level of crime which the World Bank estimates is costing as much as 5% of GDP.

Performance Highlights

While Berger Jamaica was adversely affected by the downturn in the national economy, the Company held its own and withstood intensified competition in the local paint sector earning a Return on Capital Employed (ROCE) of 14% which compares favourably with the comparative current Government 6 month Treasury Bill rate of approximately 6.4%.

Berger Jamaica also grew its market share although sales volumes fell 2.1% below the previous year, due mainly to the negative economic environment and the resulting reduction in consumer demand.

Our operations were also impacted by rising input costs. Chief among these inputs being Material Costs which increased by 8%, a reflection of global market forces. However, despite an overall inflation rate of 7.3% Berger was able to contain opera-



Mr. Warren McDonald - Regional Managing Director/CEO

tional expense increases to 6%, the result of on-going initiatives to streamline our internal processes, enhance our efficiencies and improve productivity.

The economies of scale afforded through the bulk purchasing facility of our parent company, Asian Paints, assisted Berger Jamaica to save through the sourcing of competitively-priced production inputs while also accruing savings resulting from formulation enhancements.

The 22.6% reduction in trade debtors achieved during the year enabled trade working capital to be reduced by 3.3% compared to the previous year. This allowed Berger Jamaica to operate for the most part debt-free in 2011/2012.

During the past year, our programme to upgrade and convert production equipment contributed to a reduction of downtime and high maintenance cost, resulting in an 11.1% improvement in productivity. We expect even more gains in the year ahead.

Environmental Focus

As an ISO 14001-certified company, Berger Jamaica is committed to the effective management of the environment, as well as the safety of our staff, customers and the wider community. Our most recent initiatives include the commissioning of an

REGIONAL MANAGING DIRECTOR'S STATEMENT CONT'D



Faculty of Law building, University of the West Indies, Mona campus.

Effluent Treatment Plant which processes domestic and production waste in keeping with provisions laid down by the National Environment Protection Agency (NEPA). In addition, bunds have been constructed around our storage tanks to prevent seepage into the ground in case of spillage and appropriate cover has also been provided for the garbage skip to eliminate leakage during rain.

Consistent with our mantra of providing environmentally friendly products, we have embarked on an initiative of producing low Volatile Organic Compound (VOC) products that meets international requirements. This we have achieved with a select few of our water-based products, as we continually seek to incorporate raw material inputs which have the least impact on our environment. Whilst no regulatory requirement exists locally, our commitment to this process is unwavering.

I am pleased to report that the ISO 14001:2004 Environmental Management System and the ISO 9001:2008 Quality Management System which were first awarded to our company in 2006 and 1998 respectively were renewed once again in 2011/2012.

Quality – Our Hallmark

Berger Jamaica continues to outclass the competition with innovative, cutting-edge finishes and painting solutions, under-

girded by our ongoing product research and development programme. In our effort to enrich the customer experience and extend our presence in the marketplace two new specialist products were added to our very wide range of finishes last year. These are Berger Rust Pro, a semi-industrial, fast-drying primer and enamel with enhanced rust inhibiting additives; and Berger Veneer Plaster, specifically formulated for fine wall concrete finishes.

Volumes of our affordable range of products - Berger Magicote Emulsion - grew significantly year on year, as we introduced six new

shades for this product. The on-going process of enhancing and improving our flagship lines to ensure that they remain the finishes of choice in their respective sectors continues.

We are constantly seeking to enhance the customer experience at our Berger Colour World by the introduction of Berger Colour Visualizer. This allows customers to view countless combinations of colours and make accurate selections from our Colour World system in an interactive virtual world. This colour tool assists customers, in exploring endless possibilities of colour combinations from images on our system or, use their own digital images to create a unique look and feel.

Achievements Recognized

During the period under review, Berger Jamaica were the winners of the Jamaica Exporters' Association (JEA) Awards "Most Improved Exporter" and the "Champion Manufacturer (Category 1)".

During this period, Berger Jamaica also copied the Jamaica Manufacturers' Association (JMA) Award "Champion Exporter (Sales Exporter)".

Berger Jamaica was also nominated, as one of two companies, by the Jamaica Chamber of Commerce (JCC), for their 2010 Environmental Award.

The commitment of our employees to service excellence is one of the main factors be-



REGIONAL MANAGING DIRECTOR'S STATEMENT CONT'D



The Montego Bay Convention Centre, Rose Hall, Montego Bay, St. James

hind the sustained quality image enjoyed by our company. We continue to invest in specialized training to improve the competence of our employees, some 60% of whom have served for more than ten years; and we intend to build on this base. The renewal, during the past year, of our international certification - ISO 9001:2008 which recognizes quality management systems, is testimony to the high standards to which all team members of Berger Jamaica adhere.

Committed Corporate Citizen

Our company continues to support national development at the highest level through outreach initiatives in education, sports and culture – all designed to promote an appreciation for consistent, quality achievement.

Since 1993, 21 outstanding educators have received the local teaching profession's highest award - the Roll of Honour - sponsored by Berger Jamaica. We have promoted the improvement of standards in the building sector through a scholarship for the Masters in Architecture programme at the University of Technology, UTECH; and for the last 12 years, inner-city children at the Riverton Meadows Early Childhood Education Centre have benefitted from a Nutritional Support Programme co-sponsored by our company.

Over the past 24 years, Berger Jamaica has helped to hone the skills of talented sportswomen through sponsorship of the Ja-

maica Netball Association's prestigious Super League, from which members of our country's world-ranked national team are selected. Our company also holds pride of place as the longest standing sponsor for both of the Jamaica Cultural Development Commission's annual National Festival of the Arts Competition and the JAAA annual Gibson Relays.

The Way Forward

We expect many new challenges in the year ahead, in the face of projections for moderate growth internationally, and austerity measures locally, as our nation seeks to address its

economic difficulties. However, the stability of Jamaica's democracy, and national institutions provides a platform for sound business development and the creation of national wealth.

In this context, the success of Berger Jamaica will depend on our ability to be proactive and adjust our strategies in order to stay ahead of the competition and also offset the anticipated negative economic trend. This we intend to do as now, more than ever before, we will have to draw on our individual and collective strengths, improve our productivity levels and strengthen our commitment to innovation and quality which have made the Berger brand a market leader.

I thank all our stakeholders for their contribution to our company's growth; and I am confident that, together, we can successfully tackle the challenges in 2012 and beyond.

A handwritten signature in black ink, appearing to read 'Warren McDonald'.

Warren McDonald
Regional Managing Director - Caribbean & CEO

MANAGEMENT DISCUSSION & ANALYSIS

The Management of Berger Paints Jamaica Limited (“Berger” or the “Company”) is responsible for the integrity and objectivity of the information contained in the management discussion and analysis (MD&A). The financial information disclosed in the MD&A is consistent with the financial statements presented, which has been approved by the both the Audit Committee and Board of Directors.

The MD&A is presented to enable readers to assess the operational results and financial condition of Berger for the year ended March 31, 2012 and to compare the current financial year and prior financial years.

Corporate Overview

Berger Jamaica is a leading paint manufacture and distribution company in Jamaica, operating for over 59 years.

During this financial year, the company responded successfully to the many challenges dominating the local economy through its tradition of excellence, an uncompromising stance to providing products and service of the highest quality and various cost management initiatives.

As at March 31, 2012, we had J\$816 million in assets, and recorded net profits of J\$33.3 million for the year ended March 31, 2012. Berger Paints Jamaica Limited trades under the symbol “BRG” on the Jamaica Stock Exchange.

Strategic Direction and Outlook

The Jamaican economic outlook appears challenging. Given the issues surrounding the IMF agreement and the implications for hard currency inflows from multilaterals, the risks to the local currency have risen due to the increased uncertainty.

Low interest rates and improvements in the demand for imports could put pressure on the currency during the coming fiscal year. Depreciation, however, is likely to be modest given the central bank’s expected interventions to mitigate demand and supply imbalances.

The lower interest rate environment could also help to stimulate borrowing activity and boost domestic production. However, pending public sector rationalisation, taxation and pension reforms pose a downside risk to consumer spending.

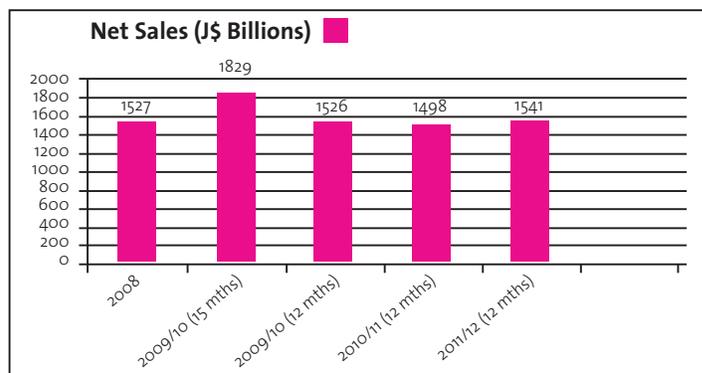
Berger Jamaica’s continued focus will be to dominate the local industry with innovative, cutting edge finishes and painting solutions to meet the needs of the market, at home and abroad, as well as the changing tastes of our discerning customers.

Growth of our sales through the wide distribution of our Colour World Tinting Systems across the island, ongoing product research and development programme, and extensive staff training to reinforce product quality, make products more environmentally friendly, and enhance productivity, are elements of the corporate strategy to equip our organisation to operate effectively in the global scenario.

To minimise the effect of the increase in input costs, Berger Jamaica, with the assistance and support of its ultimate parent company, Asian Paints, will continue its programme of global sourcing of raw materials on a group basis. We will therefore be able to accrue savings because of the volumes which Asian Paints Group represents, and the position of strength from which the group negotiates.

Financial Performance Overview.

We reported Net profit of J\$33.317 million for the financial year ended March 31, 2012, being adversely impacted by a \$15.555 million post retirement benefits IAS 19 adjustment and redundancies of \$17.485M. This was 51% below the net profit of \$67.806 million for the comparative period ended March 31, 2011. The Earnings per share were \$0.16 compared to \$0.32 for the corresponding period ended March 31, 2011.



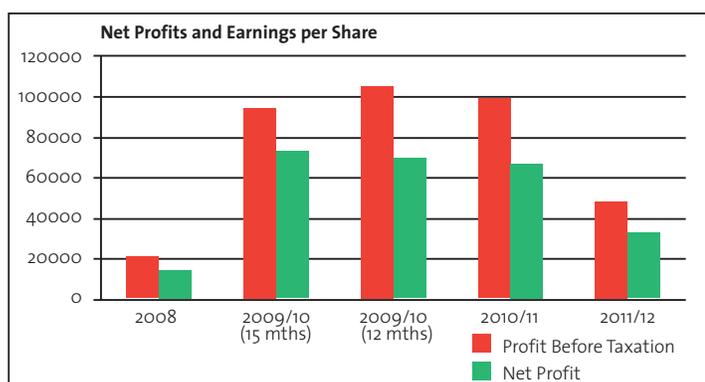
Net sales for the financial year ended March 31, 2012 stood at \$1.541 billion compared to \$1.498 billion, a 2.8% increase.

Despite inflation rate of 7.3%, operating expenses was held to 6% year over year, totalling \$1.493 billion for the financial year ended March 31, 2012 compared to \$1.408 billion for the prior period.

Increase in operating expenses resulted mainly from increased material costs which grew by some 8% due to global market forces of supply and demand and staff redundancies.



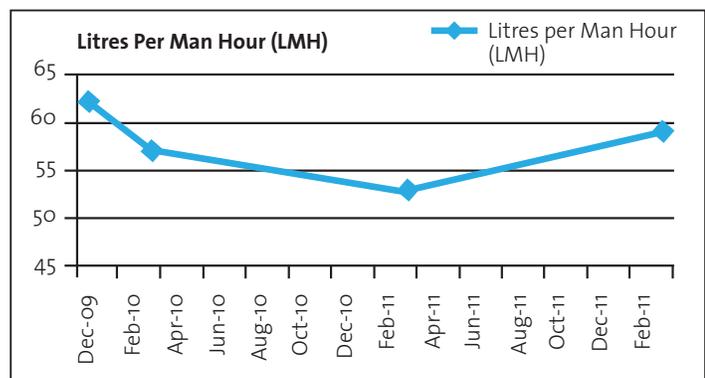
Continued cost containment measures, such as process improvements, have been implemented by management to achieve systematic cost reduction, as such, management monitors expenses on a monthly basis to achieve this objective.



	2008	2009/10 (15 mths)	2009/10 (12 mths)	2010/11	2011/12
Profit Before Taxation	21,479	95,416	106,024	101,091	49,402
Net Profit	15,560	74,099	70,683	67,807	33,317
Net Profit unit	\$0.07	\$0.35	\$0.33	\$0.32	\$0.16

Earnings per share for Berger Paints Jamaica Limited were 16 cents at end of financial year March 31, 2012. This was 50% below the comparative prior period. Our book value per share as at March 31, 2012 was \$2.20, an increase of 1.3% compared to \$2.17 at March 31, 2011.

Productivity Ratio



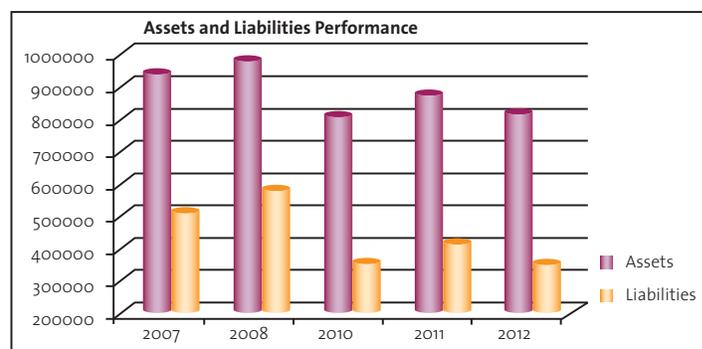
Our productivity ratio, litres per man hour (lmh), improvement of 11% at March 2012 over March 2011 emanated from the re-deployment of our human resources, upgrading of equipment and sourcing savings.

BERGERS'S FINANCIAL CONDITION

Assets and Liabilities Performance

Total assets decreased by \$58 million or 6.6% moving from \$874.8 million for the financial year ended March 31, 2011 to \$816.3 million as at March 31 2012.

Our liabilities at year end March 31, 2012 stood at \$344 million, a decrease of \$66 million or 16% below March 31, 2011.



Risk Management Framework

The company's principal business activities – manufacture and sale of paints & paint related products, are by their nature, highly competitive and subject to various risks, including foreign exchange risks, credit risks, interest rate risk and liquidity risk.

The primary goal of the company's risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with group policies and objectives and that there is an appropriate balance between risk and reward in order to maximise shareholder returns.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. To assist in its function the Board has established an Audit Committee.

Overview of Risks

Credit Risks

Credit risk is defined as the potential for loss to the company arising from failure of a customer to honour their contractual obligations to the company. In managing the risk we have established a credit quality review process involving regular analysis of the ability of customers and potential customers to meet payment obligations. Our primary objective is to be

methodical in our assessment so that we can better understand, select and manage our exposure.

Foreign Exchange Risk

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

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

Liquidity Risk

Liquidity 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 funds through an adequate amount of committed facilities. Due to the nature of the underlying business, management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

The Board of Directors and management of Berger Paints Jamaica Limited (“Berger” or the “Company”) are committed to maintaining a high standard of corporate governance so as to ensure greater transparency, protection of shareholder interests and to enhance the financial performance of the company.

Board of Directors

The company is led and managed by an effective Board that has overall responsibility for corporate governance, strategic direction, overseeing investments, operations and internal controls, financial reporting, compliance and approving nominations to the Board of Directors.

To assist in its function the Board has established an Audit Committee.

Regular meetings of the Board and Audit Committee are convened. Telephonic attendance and conference via audio-visual communication at Board meetings is allowed under the Company’s Articles. Details of the frequency of Board and Audit Committee meetings held between April 1, 2011 and March 31, 2012, as well as the attendance of each Board member at these meetings are disclosed below:

	BOARD		AUDIT	
	No of Meetings	Attendance	No of Meetings	Attendance
Jalaj Dani	4	1	N/A	N/A
Warren McDonald	4	4	4*	4*
Michael Fennell	4	2	4	2
Milton Samuda	4	4	4	4
Pokar Chandiram	4	2	4	2
Gokul Manjeshwar	4	1	N/A	N/A
Newton Abrahams+	4	3	N/A	N/A

* Mr. Warren McDonald is not a member of the Audit Committee but attends upon invitation of the Committee
 + Mr. Newton Abrahams is alternate director to Mr. Gokul Manjeshwar

Matters which are specifically reserved for decision making by the Board include those involving corporate plans and budgets, material acquisitions and disposal of assets, corporate financial restructuring, share issues, dividends and other returns to shareholders.

The company does not have a formal training programme for the directors. However, to assist Directors in discharging their duties, they are briefed on the business and are also updated from time to time on relevant changes to statutes and regulatory requirements applicable to the company’s business.

In presenting the annual financial statements and quarterly financial statements to shareholders, it is the aim of the Board to provide shareholders with detailed analysis, explanations and assessment of the Company’s financial position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Company’s performance, position and prospects on a quarterly basis.

Board Balance and Independence

Each of the Non-Executive Directors brings considerable business and/or professional experience, independent challenge and rigour to the deliberations of the Board. The Board considers a director to have met the criteria for independence if he or she;

- does not represent a substantial shareholding;
- is not a close relative of a significant shareholder;
- does not have an employment relationship with the company.

As at March 31, 2012, the Board comprised three Non-Executive Directors and three Executive Directors. The names of the Directors including details of their qualifications and experience, are set out on page 16 of this report.

In accordance with the company’s Articles, one third of its directors retire by rotation every year.

The Company Secretary attends all Board meetings and is responsible for ensuring that established procedures are followed and all relevant statutes and regulations which are applicable to the company are complied with. All Directors have separate and independent access to the Company Secretary.

Audit Committee

The Committee assists the Board in fulfilling its responsibilities relating to:

- The integrity of the financial statements and any formal announcements relating to the company’s performance.
- Overseeing relationship between the company and its external auditors.
- The review of the effectiveness and adequacy of the company’s internal and financial controls.
- The review of the external audit plans and subsequent findings.
- The review of the effectiveness of the services provided by the external auditors and other related matters.

The work of the Audit Committee is supported by two Internal Audit Departments, as the company is audited annually by the Internal Audit Departments of Berger International (the immediate Holding company) and Asian Paints Limited (Ultimate Holding Company), the results of which are reported to the Board of Directors and the Audit Committee respectively.

In accordance with generally accepted corporate governance standards and the requirements of the Jamaica Stock Exchange Listing Agreement that the majority of committee members should be independent, the Committee comprises only Non-Executive, Independent Directors.

The members of the Audit Committee are the Honourable Michael Fennell OJ, Mr. Milton Samuda and Mr. Pokar Chandiram. The committee is chaired by Mr. Fennell.

The Regional Managing Director and the Financial Controller/Company Secretary are invited to Committee meetings at the discretion of the Committee.

The Directors are pleased to present their report and audited statements of accounts for the year ended 31st March, 2012.

			March 31
1. Financial Results			2012
			\$'000
	Unappropriated Profits at April 1, 2011		280,273
	Dividends paid		<u>(25,719)</u>
			254,554
	Profit Before Taxation	49,402	
	Taxation	<u>(16,085)</u>	
	Profit After Taxation		<u>33,317</u>
	Unappropriated Profits at March 31, 2012		287,871
			=====
	Earnings per Stock Unit		16 Cents
2. Directors:	In Accordance with Article 97 of the Articles of Incorporation; Mr. Gokul Manjeshwar retire by rotation, and being eligible, offer himself for re-election.		
3. Auditors	The Auditors, Deloitte & Touche, have signified their willingness to continue in office. Their re-appointment will be proposed at the Annual General Meeting.		
4. Employees	Your Directors wish to thank the management and staff of the company for their performance during the year under review.		
5. Customers	Your Directors wish to thank our valued customers, for their support and contribution to the company's performance during the year under review, and look forward to their continued support of the Berger brand of quality.		

BY ORDER OF THE BOARD



Huron Gordon
Secretary

NOTICE IS HEREBY GIVEN that the sixtieth Annual General Meeting of Berger Paints Jamaica Limited will be held at the Knutsford Court Hotel, 16 Chelsea Avenue or 11 Ruthven, Kingston 10, on Monday, June 18, 2012 at 2:30 p.m. for the following purposes:

1. To receive, consider and, if thought fit, approve and adopt the report of the Directors and Audited Accounts for the year ended 31st March, 2012, and the report of the Auditors on the Accounts.
2. To re-elect the retiring Director(s) and to fix the remuneration of the Director(s).

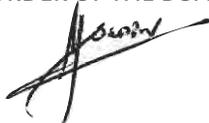
The Director retiring by rotation pursuant to Article 97 of the Company's Articles of Incorporation is Mr. Gokul Manjeshwar, being eligible, offer himself for re-election.

The recommendations of the Directors, as to the election of Directors, are contained in the Report of the Directors.

To consider and, if thought fit, pass the following resolution:

- (a) BE IT RESOLVED THAT retiring Director Mr. Gokul Manjeshwar be and is hereby re-elected as a Director of the Company.
3. To re-appoint the Auditors Deloitte and Touche, and authorise the Directors to fix their remuneration for the ensuing year.
4. To consider and, if thought fit, declare a final dividend.

BY ORDER OF THE BOARD



Huron Gordon
Secretary

Dated this 27th day of April, 2012

REGISTERED OFFICE
256 Spanish Town Road
Kingston 11

NOTES:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A suitable form of proxy is enclosed. It must be lodged at the Company's registered office at least forty-eight hours before the time appointed for holding the meeting. The proxy form shall bear stamp duty of \$100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the persons executing the proxy.
2. Pursuant to Article 74, a Corporate shareholder (member) may by resolution of its Directors' appoint a person (not a proxy) to attend and vote at the meeting.

FINANCIAL STATISTICAL REVIEW

	2012	2011	15 months to March 31, 2010	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
TABLE 1: INCOME STATEMENT SUMMARY						
Sales (Net of discounts and rebates)	1,540,689	1,498,241	1,829,255	1,527,014	1,454,602	1,286,955
Operating Profit	50,121	100,189	100,540	29,106	78,855	53,131
Investment revenues	855	943	728	292	949	469
Finance Costs	(1,574)	(41)	(5,852)	(7,919)	(3,210)	(525)
Profit before taxation	49,402	101,091	95,416	21,479	76,594	53,075

TABLE 2: KEY RATIOS AND PER COMMON SHARE DATA

PROFITABILITY RATIOS						
Return on average shareholders' equity	7%	15%	17%	4%	11%	9%
Return on average total assets	4%	8%	8%	2%	5%	5%
Profit margin	2%	5%	4%	1%	3%	3%
Effective tax rate	33%	33%	22%	28%	38%	27%
PER COMMON SHARE DATA						
Earnings per share	\$0.16	\$0.32	\$0.35	\$0.07	\$0.22	\$0.18
Book Value per share	\$2.20	\$2.17	\$2.14	\$1.89	\$2.02	\$1.98

He has been Chairman of Berger International since 2005 and manages the international operations of Asian Paints Limited - spanning across twenty countries. He sits on the Boards of several international subsidiaries of Asian Paints Limited and other Indian companies. He is a member of the Management Council of the International Business Unit of Asian Paints, the ultimate parent company of Berger Paints Jamaica Ltd. He has been Chairman of the Board since 2002.



Jalaj Dani
 Chairman
 B.Sc. (Chemical Eng.), M.Sc. (Chemical Eng.)

He has been Managing Director of K. Chandiram Limited since 1979, and is a Director of several Boards in Jamaica, including Berger Paints Jamaica Limited since 1994. He was awarded the Prime Minister's Medal for community work in 1993.



Pokaj Chandiram
 Director
 B.Sc. (Business Administration), CD, JP

Mr. Manjeshwar has been with Asian Paints Limited for twenty-five years and is presently the Financial Controller. He has wide experience in finance, accounting, taxation, internal audit and cost control. He is a member of the Management Council of the International Business Unit of Asian Paints. He has been a Board member since 2004.

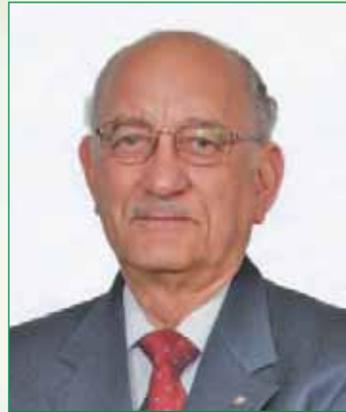


Gokul Manjeshwar
 Director
 M. Com. (Commerce), M.M.S. (Management Studies)



Warren McDonald
 Director/CEO
 F.C.A., B.Sc. (Hons.) Economics, JP

Mr. McDonald has been with Berger Paints Jamaica Limited for thirty one years and has been the company's CEO/Managing Director since 1994. In 2006, he was appointed Regional Managing Director supervising Berger subsidiaries in Trinidad and Barbados. He worked as Senior Auditor with PriceWaterHouseCoopers and with the ICD Group as Management Accountant. He is Vice President of the Jamaica Chamber of Commerce and serves on several Boards, including the Bank of Nova Scotia Ja. Ltd. and is Chairman of the Portmore Community College. He is a member of the Management Council of the International Business Unit of Asian Paints Ltd.



Hon. Michael Fennell
 Director
 OJ

Mr. Fennell, Management Consultant, serves on many boards across Jamaica and is himself a past Managing Director of Berger Paints Jamaica Limited. He is currently the President of the Commonwealth Games Federation as well as the Jamaica Olympic Association. He has been a Board member since 1983.



Milton Samuda
 Director
 LLB. (Hons.)

Mr. Samuda is an Attorney-At-Law and a partner at Samuda & Johnson. He serves on several Boards and is the Chairman of Television Jamaica Limited, President of the Jamaica Chamber of Commerce and a Commissioner on the Anti-Dumping and Subsidiaries Commission. He has been a Board member since 2004.

(Seated left to right)

Warren McDonald - Regional Managing Director/CEO

Gladys Miller - Regional Technical Manager

(Standing left to right)

Arnold Bloomfield - Operations & Personnel Manager

Trevor Lloyd - Marketing Manager

Newton Abrahams - Sales Manager

Huron Gordon - Financial Controller/Company Secretary





JTA & Berger Salutes Top Teacher

Mrs. Ena E. Barclay was presented with the coveted Jamaica Teachers' Association Roll of Honour Award at the Wyndham Hotel on November 8, 2011. BPJL has sponsored this award for the last eighteen years. Mrs. Barclay has made stellar contributions in the education field for over 30 years. Mrs. Barclay... Berger salutes you!

Sharing in the shining moment with Mrs. Barclay (2nd right) are (left to right): Mr. Warren McDonald, Regional Managing Director – Berger Caribbean /CEO, Dr. the Hon. Barbara Gloudon (Communications Consultant) – Guest Speaker at the event, Mr. Paul Adams – President, JTA and the Hon. Steadman Fuller – Custos Rotolorum of Kingston, who represented the Patron of the event, the Governor General of Jamaica, Sir Patrick Allen.



Berger Super Netball League

Jamalco regained their title as Berger Super Netball League champion after their seven year straight winning streak was broken last season.

Mr. Warren McDonald, Regional Managing Director – Berger Caribbean/CEO (6th left) is seen above presenting the coveted Berger trophy to the Captain of the team, Miss Marsha Murphy at the National Arena on June 4, 2011.

Sharing in the moment are: Mr. Newton Abrahams, Sales Manager, Berger Paints Jamaica Limited (right), Miss Dionne King, BPJL's Marketing Assistant (3rd left) and Mr. Winston Nevers, Team's Head Coach (left) and Mr. Wayne Shaw, Assistant Coach (2nd left).

Berger wins 2 Exporters Awards!

On June 29, 2011, Berger Paints Jamaica Limited captured the awards for Most Improved Exporter and Champion Manufacturer (category 1) at the Jamaica Exporters Association's Annual Awards Banquet held at the Wyndham Hotel, Kingston.



Ms. Cherine Forbes, Client Services Executive - ZIM (left) presents Most Improved Exporter Award to Mr. Warren McDonald, Regional Managing Director – Berger Caribbean /CEO (right).



Mr. Newton Abrahams, Sales Manager - BPJL (right) accepts the Champion Manufacturer (category 1) Award from Mr. Hernal Hamilton, Honourary Treasurer – JEA (left).



Berger brings Christmas Cheer!

On December 15, 2011, members of the Berger family, complete with its own Santa Claus, Mr. Michael Blackwood (Centre) brought Christmas cheer to the over 220 students of Riverton Meadows and Callaloo Mews Early Childhood Centres. The students received treats and spent some one and one time with members of the Berger family.

Sharing in the fun are Mr. Warren McDonald, Regional Managing Director – Berger Caribbean /CEO (Back row, left), Miss Dionne King, Marketing Assistant (3rd row, left), Mr. Trevor Lloyd, Marketing Manager (3rd row, right) and Mr. Junior Rowe, stalwart principal of the school (back, 2nd left).

Gibson Relays

Miss Dionne King, BPJL's Marketing Assistant, celebrates with the victors of the 4 x 100 metres Prep School Girls under 12 race, Hydel Preparatory School at the Gibson Relays at the National Stadium. Berger is the longest serving sponsor of the Gibson Relays.



Festival Again

The Endeavourers dance troupe from St. Thomas, are presented with the Best Class 6 Popular Dance Trophy by Miss Dionne King, BPJL's Marketing Assistant at the Jamaica Development Commission's (JCDC) dance finals held at the Little Theatre on June 18, 2012 .

Berger has sponsored the Festival of Dance for over 48 years making it the JCDC's longest serving sponsor.



BERGER PAINTS JAMAICA LIMITED

LIST OF SHAREHOLDERS

AS AT 31 MAR 2012

10 LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING	% OF ISSUED CAPITAL
LEWIS BERGER (OVERSEAS)	109,332,222	51.01
SAGICOR PIF EQUITY FUND	22,284,944	10.40
IDEAL GROUP CORPORATION LIMITED	10,988,500	5.13
NATIONAL INSURANCE FUND	4,642,791	2.17
IDEAL BETTING CO. LTD	4,624,152	2.16
KEY INSURANCE CO. LTD.	3,799,999	1.77
MF&G TRUST & FINANCE LTD A/C #528	2,943,098	1.37
MAYBERRY CO. A/C 120008	2,615,252	1.22
FIRST JAM./H.E.A.R.T/NTA PENSION SCHEME	2,433,500	1.14
GUARDIAN LIFE LIMITED/PENSION FUND	1,899,999	0.89
INV NOM LTD A/C LAS. HENRIQUES ET AL S/F	1,899,999	0.89
TOTAL	167,464,456	78.15

DIRECTORS' SHAREHOLDINGS

AS AT 31 MAR 2012

DIRECTORS	# OF SHARES	CONNECTED PARTY	# OF SHARES
JALAJ DANI	Nil		
WARREN McDONALD	704,911		
POKERDAS CHANDIRAM CHATANI	45,000		
MICHAEL FENNELL	9,213		
MILTON SAMUDA	3,001	MILTON SAMUDA/ ELIZABETH SAMUDA	9,006
GOKUL MANJESHWAR	Nil		
NEWTON ABRAHAMS*	Nil		
TOTAL	762,125		9,006

SENIOR MANAGEMENT SHAREHOLDING

AS AT 31 MAR 2012

SENIOR MANAGEMENT	# OF SHARES
NEWTON ABRAHAMS*	Nil
WARREN McDONALD	704,911
ARNOLD BLOOMFIELD	Nil
GLADYS MILLER	18,240
HURON GORDON	2,352
TREVOR LLOYD	Nil
TOTAL	725,503

* ALTERNATE DIRECTOR FOR GOKUL MANJESHWAR

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 23 to 62, which comprise the statement of financial position as at March 31, 2012, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2004 of Jamaica and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditor's 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 auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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)

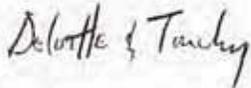
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2012, and of its financial performance and cash flows for the year 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.



Chartered Accountants

Kingston, Jamaica
April 25, 2012

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2012

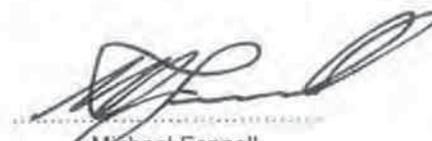
	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	130,762	131,380
Post employment benefits	6	121,670	120,402
Deferred tax assets	13	<u>221</u>	<u>-</u>
Total non-current assets		<u>252,653</u>	<u>251,782</u>
Current assets			
Inventories	7	249,235	217,979
Due from fellow subsidiaries	8	1,808	4,911
Trade and other receivables	9	219,132	277,692
Cash and bank balances	10	<u>93,509</u>	<u>122,422</u>
Total current assets		<u>563,684</u>	<u>623,004</u>
Total assets		<u>816,337</u>	<u>874,786</u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	11	141,793	141,793
Revaluation reserves	12	42,666	42,466
Revenue reserve			
Income statement		<u>287,871</u>	<u>280,273</u>
Total shareholders' equity		<u>472,330</u>	<u>464,532</u>
Non-current liabilities			
Post employment benefits	6	124,505	107,682
Deferred tax liabilities	13	<u>-</u>	<u>6,229</u>
Total non-current liabilities		<u>124,505</u>	<u>113,911</u>
Current liabilities			
Due to immediate parent company	8	8,845	9,586
Dividends payable		13,154	15,830
Provisions	14	12,873	14,474
Trade and other payables	15	175,793	220,549
Income tax payable	20(c)	<u>8,837</u>	<u>35,904</u>
Total current liabilities		<u>219,502</u>	<u>296,343</u>
Total equity and liabilities		<u>816,337</u>	<u>874,786</u>

The Notes on Pages 28 to 62 form an integral part of the Financial Statements.

The financial statements on Pages 23 to 62 were approved and authorised for issue by the Board of Directors on April 25, 2012 and are signed on its behalf by:



Warren McDonald
Director



Michael Fennell
Director

BERGER PAINTS JAMAICA LIMITED

INCOME STATEMENT

YEAR ENDED MARCH 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Sales (net of discounts and rebates)	17	<u>1,540,689</u>	<u>1,498,241</u>
PROFIT BEFORE FINANCE COSTS AND TAXATION	18	50,976	101,132
Finance costs	18(b)	(<u>1,574</u>)	(<u>41</u>)
PROFIT BEFORE TAXATION	18	49,402	101,091
Taxation	20	(<u>16,085</u>)	(<u>33,285</u>)
NET PROFIT FOR THE YEAR		<u>33,317</u>	<u>67,806</u>
Earnings per stock unit	21	<u>16¢</u>	<u>32¢</u>

The Notes on Pages 28 to 62 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2012

	<u>Note</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
NET PROFIT FOR THE YEAR		<u>33,317</u>	<u>67,806</u>
OTHER COMPREHENSIVE INCOME			
Deferred tax adjustment on revaluation of property, plant and equipment	13	<u>200</u>	<u>200</u>
Other comprehensive income for year		<u>200</u>	<u>200</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>33,517</u>	<u>68,006</u>

The Notes on Pages 28 to 62 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2012

	<u>Notes</u>	<u>Share Capital \$'000</u>	<u>Revaluation Reserves \$'000</u>	<u>Revenue Reserve - Income Statement \$'000</u>	<u>Total \$'000</u>
Balance at April 1, 2010		141,793	42,266	273,977	458,036
Net profit for the year		-	-	67,806	67,806
Other comprehensive income for the year	13	-	200	-	200
<i>Total comprehensive income for the year</i>		-	200	67,806	68,006
Dividends paid	16	-	-	(61,510)	(61,510)
Balance at March 31, 2011		141,793	42,466	280,273	464,532
Net profit for the year		-	-	33,317	33,317
Other comprehensive income for the year	13	-	200	-	200
<i>Total comprehensive income for the year</i>		-	200	33,317	33,517
Dividends paid	16	-	-	(25,719)	(25,719)
Balance at March 31, 2012		141,793	42,666	287,871	472,330

The Notes on Pages 28 to 62 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2012

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	33,317	67,806
Adjustments for:		
Depreciation	22,290	27,526
Profit on sale of property, plant and equipment	-	(3,225)
Unrealised foreign exchange gains (net)	(316)	(866)
Post retirement benefit charge	30,017	43,984
Income tax expense	16,085	33,285
Interest income	(855)	(943)
Interest expense	1,574	41
Provision charge	3,684	3,877
Impairment loss recognised on trade receivables	8,281	15,422
Impairment loss recognised on other receivables	546	1,039
Reversal of impairment loss on trade receivables	<u>(3,621)</u>	<u>(2,628)</u>
Operating cash flows before movements in working capital:	111,002	185,318
Decrease (Increase) in trade and other receivables	53,354	(72,112)
Increase in inventories	(31,256)	(8,027)
Decrease (Increase) in due from fellow subsidiary companies	3,103	(2,837)
Provisions utilised	(5,285)	(8,297)
(Decrease) Increase in trade and other payables	(44,756)	33,194
(Decrease) Increase in due to immediate parent company	(741)	1,356
Post employment benefits contributions	<u>(14,462)</u>	<u>(13,149)</u>
Cash generated from operations	70,959	115,446
Income tax paid	(49,402)	(26,461)
Interest paid	<u>(1,574)</u>	<u>(41)</u>
Net cash provided by operating activities	<u>19,983</u>	<u>88,944</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	855	943
Long-term receivables	-	1,445
Acquisition of property, plant and equipment	(21,672)	(13,148)
Proceeds on sale of property, plant and equipment	<u>-</u>	<u>5,815</u>
Net cash used in investing activities	<u>(20,817)</u>	<u>(4,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	<u>(28,395)</u>	<u>(57,701)</u>
Net cash used in financing activities	<u>(28,395)</u>	<u>(57,701)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(29,229)	26,298
OPENING CASH AND CASH EQUIVALENTS	122,422	95,077
Effect of foreign exchange rate changes	<u>316</u>	<u>1,047</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>93,509</u>	<u>122,422</u>

The Notes on Pages 28 to 62 form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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.

These financial statements are expressed in Jamaican dollars.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Disclosures affecting presentation and disclosures in the current period (and/or prior periods)

There were no Standards and Interpretations that were applied in the year that affected the presentation and disclosures in these financial statements.

Standards and Interpretations affecting the reported financial performance and/or financial position

There were no Standards and Interpretations that were applicable in the year that affected reported financial performance and/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 <u>beginning on or after</u>
<u>Amendments to Standards</u>		
IAS 1, 34, IFRS 1 and 7	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
IAS 24	Related party disclosures – revised definition of related parties	January 1, 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards	
	- Limited exemption from comparative IFRS 7 disclosures for first-time adopters	July 1, 2010
<u>New and Revised Interpretations</u>		
IFRIC 13	Customer loyalty programme	
	- Amendment arising from May 2010 Annual Improvements to IFRS	January 1, 2011
IFRIC 14: IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction: November 2009 amendment with respect to voluntary prepaid contributions	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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

Standards and interpretations in issue not yet effective

At the date of authorisation 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 <u>beginning on or after</u>
<u>New Standards</u>		
IFRS 9	Financial Instruments	
	- Classification and Measurement of financial assets	January 1, 2015
	- Accounting for financial liabilities and derecognition	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosures of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
<u>Amendments to Standards</u>		
IAS 1	Presentation of Financial Statements	
	- Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 12	Income Taxes – limited scope amendment (recovery of underlying assets)	January 1, 2012
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 27 and IFRS 3	Amendments arising from May 2010 Annual Improvements to IFRS	July 1, 2011
IAS 27	Consolidated and Separate Financial Statements	
	- Reissued as IAS 27 Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates	
	- Reissued as IAS 28 Investments in Associates and Joint Ventures	January 1, 2013
IAS 32	Financial Instruments:	
	- Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IFRS 1	First-time Adoption of International Financial Reporting Standards	
	- Replacement of fixed dates for certain exceptions with the date of transition to IFRS	July 1, 2011
	- Additional exemption for entities ceasing to suffer from severe hyperinflation	July 1, 2011

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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

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

		Effective for annual periods <u>beginning on or after</u>
<u>Amendments to Standards</u> (Cont'd)		
IFRS 7	Financial Instruments: Disclosures	
	- Amendments enhancing disclosures about offsetting financial assets and financial liabilities	January 1, 2013
	- Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
	- Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015 (or otherwise when IFRS 9 is first applied)
<u>New and Revised Interpretations</u>		
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine	January 1, 2013

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:

- The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

- IAS 12 (Revised) Income Taxes requires an entity to measure deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment provides a practical solution to recovery through use or through sale when the asset is measured using the fair value model, by introducing a presumption that the recovery of the carrying value amount will normally be through sale. On adoption at its effective date, the standard is not expected to have any impact on the company's financial statements.
- The amendments to IAS 19 Employee Benefits (as amended in 2011) require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements. It also introduces enhanced disclosures about defined benefit plans as well as modifies the accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits as well as clarifies miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

Management has not yet assessed the impact of this amended standard on the company's financial statements on adoption at its effective date.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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 (Cont'd)

- *Amendment to IFRS 7 – Enhanced Derecognition Disclosure Requirements* – The IASB introduced enhanced disclosure requirements to IFRS 7 as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Disclosures are not required for comparative periods before the date of initial application of the amendments. The application of the amendment will result in enhanced disclosures in the financial statements to the extent applicable.
- *Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosure to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. On adoption at its effective date, the standard is not expected to have a significant impact on the company's financial statements.
- *IFRS 9 Financial Instruments* – The Standard introduces new requirements for the classification and measurement of financial assets and liabilities and for derecognition. IFRS 9 requires all recognised financial assets that are within scope IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. A debt instrument (e.g. loan receivable) that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding generally must be measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL). The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

Management anticipates that IFRS 9 will be adopted in the company's financial statements for the annual period beginning January 1, 2015 and that the application of IFRS 9 may impact the amounts reported in respect of the company's financial assets and liabilities. However, management has not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

- IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope. Management has not yet assessed the impact of this IFRS on the financial statements on adoption at its effective date.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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 statement of financial position at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Freehold land is not depreciated.

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

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any 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.

Impairment of tangible and intangible assets

At the end of each reporting period, 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.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets (Cont'd)

When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the company's defined benefit obligation and the fair value of plan assets as at the end of the prior year 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 statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised 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.

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 recognises 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 end of the reporting period 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 as disclosed above.

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 of completion and costs necessary to make the sale.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities or are recognised immediately in profit or loss, as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 23. Listed below are the company's financial assets and liabilities and the specific accounting policies relating to each:

Financial assets

Financial assets are recognised and derecognised 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 regulation or convention in the market place.

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 are non-derivative financial assets with 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 recognised by applying the effective interest rate, except for short-term receivables 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 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 to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

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 balances.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

(b) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 loss recognised 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered 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 recognised in profit or loss. Recoveries of amounts previously written off are credited to income.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it 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 recognises its retained interest in the asset 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 recognises a collateralised borrowing for the proceeds received.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Derecognition of financial assets (Cont'd)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the company are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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.

Financial liabilities

These are classified as "other 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.

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 (including all fees and points paid or received that form an integral part of the effective interest rate transaction costs and other premiums and discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

(a) *Related party*

A party is related to the company if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the company (this includes parent, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the company; or
 - has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party 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 recognised as a liability in the period in which they are approved by the shareholders at the annual general meeting.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 profit as reported in the income statement because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Provisions

Provisions are recognised 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 (where the effect of the time value of money is material).

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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

Sale of goods

Revenue from the sale of goods is recognised 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.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Interest revenue

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount of the income can be measured reliably.

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 on initial recognition.

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 the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on that 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 recognised 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 recognised 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 recognised 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 recognised as a liability. The aggregate benefit of incentives is recognised 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 recognised as an expense in the period in which it is incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

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 recognised 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 recognised 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

a) Post employment benefit

As disclosed in Note 6, the company operates a defined benefit pension plan and provides post retirement medical benefits. The amounts shown in the statement of financial position of an asset of approximately \$121.67 million in respect of the defined benefit plan and a liability of approximately \$124.51 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.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

a) Post employment benefit (Cont'd)

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 $\pm 1\%$ increase/decrease in the medical inflation assumption would result in a revised accumulated obligation before actuarial adjustment of approximately \$130.78M and \$95.42M respectively. Note 6(g) details some history of experience adjustments in these post employment benefit plans.

b) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. A change of $\pm 10\%$ in the final tax outcome of these estimates would have the effect of approximately \$2.234 million increase/decrease in the current tax provisions.

5. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold Land</u> \$'000	<u>Freehold Buildings</u> \$'000	<u>Plant and Machinery</u> \$'000	<u>Furniture, Fixtures & Equipment</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>Capital Works-in- Progress</u> \$'000	<u>Totals</u> \$'000
At cost							
April 1, 2010	27,000	60,262	141,842	60,308	38,898	233	328,543
Additions	-	7,029	3,138	1,081	1,900	-	13,148
Disposals	-	-	(145)	(869)	(7,810)	-	(8,824)
March 31, 2011	27,000	67,291	144,835	60,520	32,988	233	332,867
Additions	-	2,200	4,546	1,685	3,991	9,250	21,672
Reclassification	-	(469)	(1,095)	1,564	-	-	-
March 31, 2012	<u>27,000</u>	<u>69,022</u>	<u>148,286</u>	<u>63,769</u>	<u>36,979</u>	<u>9,483</u>	<u>354,539</u>
Accumulated depreciation							
April 1, 2010	-	17,294	89,978	42,683	30,240	-	180,195
Depreciation charge	-	2,439	15,183	5,367	4,537	-	27,526
On disposals	-	-	(145)	(807)	(5,282)	-	(6,234)
March 31, 2011	-	19,733	105,016	47,243	29,495	-	201,487
Depreciation charge	-	3,039	12,160	4,358	2,733	-	22,290
Reclassification	-	(23)	(764)	787	-	-	-
March 31, 2012	-	<u>22,749</u>	<u>116,412</u>	<u>52,388</u>	<u>32,228</u>	-	<u>223,777</u>
Carrying amounts							
March 31, 2012	<u>27,000</u>	<u>46,273</u>	<u>31,874</u>	<u>11,381</u>	<u>4,751</u>	<u>9,483</u>	<u>130,762</u>
March 31, 2011	<u>27,000</u>	<u>47,558</u>	<u>39,819</u>	<u>13,277</u>	<u>3,493</u>	<u>233</u>	<u>131,380</u>

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

a) 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

b) 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.

6. POST EMPLOYMENT BENEFITS

The company operates a defined benefit pension plan for qualifying employees 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 1⅓% 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, 2012 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:

	<u>2012</u>	<u>2011</u>
	%	%
Gross discount rate	10.0	10.50
Expected return on plan's assets	6.5	8.50
Expected rate of salary increases	6.0	6.50
Future pension increases	2.5	1.75
Medical claims growth	8.0	10.00

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

6. POST EMPLOYMENT BENEFITS (Cont'd)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Present value of obligation	(590,570)	(398,696)	(111,117)	(137,357)
Fair value of plan assets	<u>724,396</u>	<u>553,741</u>	<u>-</u>	<u>-</u>
	133,826	155,045	(111,117)	(137,357)
Assets not recognised due to limitation resulting from uncertainty of obtaining economic benefits	(80,871)	(75,202)	-	-
Unrecognised actuarial loss (gain)	<u>68,715</u>	<u>40,559</u>	<u>(13,388)</u>	<u>29,675</u>
Net asset (liability) in statement of financial position	<u>121,670</u>	<u>120,402</u>	<u>(124,505)</u>	<u>(107,682)</u>

(c) Amounts recognised in the profit or loss in respect of the plans are as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Current service cost	12,098	11,997	5,803	5,830
Interest cost	38,186	38,973	14,208	15,708
Expected return on plan assets	(46,943)	(46,127)	-	-
Change in unrecognised asset	5,669	15,131	-	-
Recognised actuarial loss	<u>-</u>	<u>493</u>	<u>996</u>	<u>1,979</u>
Total included in employee benefits Expense	<u>9,010</u>	<u>20,467</u>	<u>21,007</u>	<u>23,517</u>
Actual return on plan assets	<u>61,683</u>	<u>49,765</u>	<u>-</u>	<u>-</u>

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Opening balance	120,402	130,864	(107,682)	(87,309)
Amount charged to income	(9,010)	(20,467)	(21,007)	(23,517)
Contributions by employer	<u>10,278</u>	<u>10,005</u>	<u>4,184</u>	<u>3,144</u>
Closing balance	<u>121,670</u>	<u>120,402</u>	<u>(124,505)</u>	<u>(107,682)</u>

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

6. POST EMPLOYMENT BENEFITS (Cont'd)

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

	<u>Defined Benefit Pension Plan</u>		<u>Retiree Medical Plan</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Opening defined benefit obligation	398,696	381,134	137,357	136,593
Service cost	12,098	11,997	5,803	5,830
Interest cost	38,186	38,973	14,208	15,708
Members' contributions	11,098	11,499	-	-
Benefits paid	(24,371)	(20,435)	(4,184)	(3,144)
Value of purchased annuities	118,844	-	-	-
Actuarial loss (gain)	<u>36,019</u>	<u>(24,472)</u>	<u>(42,067)</u>	<u>(17,630)</u>
Closing defined benefit obligation	<u>590,570</u>	<u>398,696</u>	<u>111,117</u>	<u>137,357</u>

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

	<u>Defined Benefit Pension Plan</u>		<u>Retiree Medical Plan</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'000
Opening fair value of plan assets	553,741	511,998	-	-
Members' contributions	11,098	11,499	-	-
Employer's contributions	10,278	10,005	-	-
Expected return on plan assets	46,943	46,127	-	-
Benefits paid	(24,371)	(20,435)	-	-
Value of purchased annuities	118,844	-	-	-
Actuarial (loss) gain	<u>7,863</u>	<u>(5,453)</u>	<u>-</u>	<u>-</u>
Closing fair value of plan assets	<u>724,396</u>	<u>553,741</u>	<u>-</u>	<u>-</u>

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

6. POST EMPLOYMENT BENEFITS (Cont'd)

(g) The major categories of plan assets and the expected rate of return at the end of the reporting period for each category are as follows:

	Defined Benefit Pension Plan	
	2012	2011
	Fair Value of Plan Asset	Fair Value of Plan Asset
	\$'000	\$'000
Equity fund	157,031	153,572
Fixed income fund	247,625	202,532
Mortgage and real estate fund	24,159	109,285
Foreign exchange fund	102,674	80,860
Money market fund	24,159	5,741
Value of purchased annuities	118,844	-
Consumer price indexed securities	48,317	-
Other assets	<u>1,587</u>	<u>1,751</u>
Closing fair value of plan assets	<u>724,396</u>	<u>553,741</u>
Weighted average expected return	<u>6.5%</u>	<u>8.5%</u>

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 over the life of the related obligation.

There are no plan assets in respect of the Retiree Medical Plan.

The history of experience adjustments is as follows:

	Defined Benefit Pension Plan				
	March 31, 2012	March 31, 2011	December 31, 2009	December 31, 2008	December 31, 2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(590,570)	(398,696)	(381,134)	(315,953)	(317,287)
Fair value of plan assets	<u>724,396</u>	<u>553,741</u>	<u>511,998</u>	<u>427,373</u>	<u>422,418</u>
Fund surplus	133,826	155,045	130,864	111,420	105,131
Experience adjustments on plan liabilities	36,019	(24,472)	12,237	(43,537)	38,277
Experience adjustments on plan assets	(7,863)	5,453	(12,742)	56,874	679

	Retiree Medical Plan				
	March 31, 2012	March 31, 2011	December 31, 2009	December 31, 2008	December 31, 2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(111,117)	(137,357)	(136,593)	(77,462)	(68,360)
Fair value of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund deficit	(111,117)	(137,357)	(136,593)	(77,462)	(68,360)
Experience adjustments on plan liabilities	(42,067)	(17,630)	43,309	81	(4,413)

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

6. POST EMPLOYMENT BENEFITS (Cont'd)

(g) (Cont'd)

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

	<u>2012</u>		<u>2011</u>	
	<u>Inflation</u> <u>@ 9.0%</u> <u>\$'000</u>	<u>Inflation</u> <u>@ 7.0%</u> <u>\$'000</u>	<u>Inflation</u> <u>@ 11.0%</u> <u>\$'000</u>	<u>Inflation</u> <u>@9.0%</u> <u>\$'000</u>
Revised service cost	7,497	4,536	7,497	4,536
Revised interest cost	17,266	12,189	17,266	12,189
Revised accumulated benefit obligation	130,778	95,418	164,433	116,085

(h) Other

The company expects to make a contribution of \$13.048 million (2011: \$10.307 million) to the defined benefit plan and \$4.035 million (2011: \$3.669 million) to the retiree medical plan 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% (2011: 10.4%) of the company's issued shares.

7. INVENTORIES

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Finished goods	123,866	99,950
Work-in-progress	6,121	14,211
Raw materials and supplies	113,070	77,477
Goods-in-transit	<u>6,178</u>	<u>26,341</u>
	<u>249,235</u>	<u>217,979</u>

Inventories stated above are net of provision for obsolescence amounting to approximately \$30.98 million (2011: \$35.93 million).

The cost of inventories recognised as an expense during the period, was \$744.97 million (2011: \$687.97 million).

Movement in provision for obsolescence

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Opening balance	35,928	42,120
Charged to income	11,075	15,291
Reversal of write down (Note 7(a))	<u>(16,027)</u>	<u>(21,483)</u>
Closing balance	<u>30,976</u>	<u>35,928</u>

(a) Previous write downs have been reversed as a result of reworks of material into the production process.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

8. 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 finished goods and raw materials		Technical Service Fees		Amounts Owed by (to) Related Parties	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Immediate parent</i>	-	-	-	-	44,508	44,710	(8,845)	(9,586)
Lewis Berger (Overseas Holdings) Ltd.	-	-	-	-	-	-	-	-
<i>Fellow subsidiaries</i>								
Berger Trinidad	-	-	2,966	5,940	-	-	502	(434)
Berger Barbados	865	1,221	334	-	-	-	1,914	4,849
Asian Paints International Limited	-	-	-	-	-	-	(608)	496
Berger Singapore (included in trade payables)	865	1,221	3,300	5,940	-	-	1,808	4,911
	-	-	444	515	-	-	-	134

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
YEAR ENDED MARCH 31, 2012

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

Loans to related parties

	<u>2012</u> \$'000	<u>2011</u> \$'000
Key management personnel	344	210

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 year was as follows:

	<u>2012</u> \$'000	<u>2011</u> \$'000
Short-term benefits	39,712	33,161
Post-employment benefits	<u>2,251</u>	<u>1,886</u>
	<u>41,963</u>	<u>35,047</u>

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.

9. TRADE AND OTHER RECEIVABLES

	<u>2012</u> \$'000	<u>2011</u> \$'000
Trade receivables (net of provisions for rebates to customers of \$2.764 million (2011: \$8.127 million))	239,108	299,548
Less allowance for doubtful debts	<u>43,584</u>	<u>46,809</u>
	195,524	252,739
Other receivables and prepayments (net of an allowance for doubtful debts of \$1.605 million (2011: \$1.06 million))	<u>23,608</u>	<u>24,953</u>
	<u>219,132</u>	<u>277,692</u>

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 outstanding 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 of the counterparty and an analysis of the counterparty's current financial position.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

9. 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 and scoring attributed to customers are reviewed annually. Approximately 98% (2011: 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 reporting period, \$60.004 million (2011: \$78.416 million) (amount within the approved credit limit) is due from two (2011: one) of the company's customers (See also Note 23(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 \$119.31 million (2011: \$148.04 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 or other credit enhancements over these balances nor does it have a legal right of offset against any amount owed by the company to the counterparty. The average age of these receivables is 69 days (2011: 73 days).

Ageing of past due but not impaired

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
30 – 90 days	84,468	104,765
91 – 180 days	25,242	31,610
181 – 270 days	8,863	10,089
271 – 360 days	<u>741</u>	<u>1,576</u>
	<u>119,314</u>	<u>148,040</u>

Movement in allowance for doubtful debts

	<u>Trade Receivables</u>		<u>Other Receivables</u>	
	<u>March 31, 2012</u>	<u>March 31, 2011</u>	<u>March 31, 2012</u>	<u>March 31, 2011</u>
	\$'000	\$'000	\$'000	\$'000
Opening balance	46,809	62,722	1,059	3,830
Impairment losses recognised				
on receivables	8,281	15,422	546	1,039
Amounts written-off as uncollectible	(7,885)	(28,707)	-	(3,810)
Amounts recovered during the year	<u>(3,621)</u>	<u>(2,628)</u>	<u>-</u>	<u>-</u>
Closing balance	<u>43,584</u>	<u>46,809</u>	<u>1,605</u>	<u>1,059</u>

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 end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The directors believe that, at the end of the reporting period, there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
≥ 365 days	<u>43,584</u>	<u>46,809</u>

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

10. CASH AND BANK BALANCES

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Cash on hand	446	313
Foreign currency bank deposits (Note 11(a))	16,344	19,298
Jamaican dollar bank deposits (Note 11(b))	<u>76,719</u>	<u>102,811</u>
	<u>93,509</u>	<u>122,422</u>

(a) These include:

- (i) Interest bearing accounts totalling \$15.130 million (2011: \$18.132 million), representing the Jamaican dollar equivalent of US\$173,810 (2011: US\$212,091) and £151 (2011: £151). Interest on foreign currency deposits are at rates of 0.2% and 0.75% per annum (2011: 0.2% and 1.2%).
 - (ii) Non-interest bearing accounts totalling \$1.214 million (2011: \$1.166 million), representing the Jamaican dollar equivalent of Belize \$26,700 (2011: \$27,259).
- (b) (i) This includes an interest bearing account totalling \$0.009 million (2011: \$45.751 million) at an interest rate of 0.75% (2011: 3.25%) per annum.
- (ii) The company has a credit facility (overdraft) with a commercial bank to a limit of \$99.75 million (2011: \$99.75 million) at a rate of 17.25% (2011: 18.25%) per annum. The company has utilised the facility during the year, however there were no overdraft balances as at March 31, 2012 and March 31, 2011.

(c) 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.

11. SHARE CAPITAL

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	No. of shares	No. of shares	\$'000	\$'000
Authorised: No par value ordinary shares at the beginning and end of the period	214,322,393	214,322,393		
Issued and fully paid at the beginning and end of the period:	214,322,393	214,322,393		
Stated capital			<u>141,793</u>	<u>141,793</u>

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.

12. REVALUATION RESERVES

	<u>Properties Revaluation Reserve</u>
	\$'000
Balance at April 1, 2010	42,266
Adjustments to deferred tax liability in respect of revalued buildings (Notes 13, 20(b))	<u>200</u>
Balance at March 31, 2011	42,466
Adjustments to deferred tax liability in respect of revalued buildings (Notes 13, 20(b))	<u>200</u>
Balance at March 31, 2012	<u>42,666</u>

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

12. REVALUATION RESERVES (Cont'd)

The properties revaluation reserve arose on the revaluation of land and buildings prior to conversion to IFRS, and is shown net of annual deferred tax charges. Where revalued land and buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to revenue reserve.

13. DEFERRED TAX (ASSETS) LIABILITIES

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:

	<u>2012</u> \$'000	<u>2011</u> \$'000
Deferred tax liabilities	49,310	48,695
Deferred tax assets	<u>(49,531)</u>	<u>(42,466)</u>
	<u>(221)</u>	<u>6,229</u>

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

	<u>2012</u> \$'000	<u>2011</u> \$'000
Opening balance	6,229	17,944
Credit to income for the period (Note 20(a))	(6,250)	(11,515)
Credit to other comprehensive income for the period (Notes 12, 20(b))	<u>(200)</u>	<u>(200)</u>
Closing balance	<u>(221)</u>	<u>6,229</u>

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

	<u>Unrealised Foreign Exchange Gains</u> \$'000	<u>Revaluation of Properties</u> \$'000	<u>Post- Employment Benefits Asset</u> \$'000	<u>Excess Value Over Tax Allowances on Motor Vehicles</u> \$'000	<u>Total</u> \$'000
Balance, April 1, 2010	104	7,313	43,622	2,878	53,917
Charge (Credit) to income for the year	185	-	(3,487)	(1,720)	(5,022)
Credit to other comprehensive income for the year	<u>-</u>	<u>(200)</u>	<u>-</u>	<u>-</u>	<u>(200)</u>
Balance, March 31, 2011	289	7,113	40,135	1,158	48,695
Charge (Credit) to income for the year	(28)	-	422	421	815
Credit to other comprehensive income for the year	<u>-</u>	<u>(200)</u>	<u>-</u>	<u>-</u>	<u>(200)</u>
Balance, March 31, 2012	<u>261</u>	<u>6,913</u>	<u>40,557</u>	<u>1,579</u>	<u>49,310</u>

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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

Deferred tax assets

	Accrued <u>Vacation</u> \$'000	Post Employment Benefits <u>Obligation</u> \$'000	Depreciation Charges in Excess of Capital <u>Allowances</u> \$'000	<u>Total</u> \$'000
Balance, April 1, 2010	6,298	29,103	572	35,973
Credit (Charge) to income for the year	<u>(1,473)</u>	<u>6,791</u>	<u>1,175</u>	<u>6,493</u>
Balance, March 31, 2011	4,825	35,894	1,747	42,466
Credit (Charge) to income for the year	<u>(534)</u>	<u>5,608</u>	<u>1,991</u>	<u>7,065</u>
Balance, March 31, 2012	<u>4,291</u>	<u>41,502</u>	<u>3,738</u>	<u>49,531</u>

14. PROVISIONS

	<u>Employee Benefits</u>	
	<u>2012</u> \$'000	<u>2011</u> \$'000
Opening balance	14,474	18,894
Utilised during the year	(5,285)	(8,297)
Charged to income for year	<u>3,684</u>	<u>3,877</u>
Closing balance	<u>12,873</u>	<u>14,474</u>

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

15. TRADE AND OTHER PAYABLES

	<u>2012</u> \$'000	<u>2011</u> \$'000
Trade payables	75,015	122,140
Other payables and accruals	<u>100,778</u>	<u>98,409</u>
	<u>175,793</u>	<u>220,549</u>

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
YEAR ENDED MARCH 31, 2012

16. DIVIDENDS

During the current year:

- (i) A final dividend of 12¢ per share totalling \$25.719 million for year ended March 31, 2011 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 July 8, 2011.
- (ii) The directors propose a final dividend of 13¢ per share totalling \$27.862 million for the year ended March 31, 2012 to be paid on July 10, 2012 to shareholders on the company's register of members at the close of business June 22, 2012.

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

During 2010/2011:

- (i) a final dividend 18.7¢ per share totalling \$40.078 million for period ended March 31, 2010 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 July 9, 2010.
- (ii) an interim dividend of 10¢ per share totalling \$21.432 million for year ended March 31, 2011 was paid to shareholders on the company's register of members at the close of business on March 4, 2011.

17. SALES (NET OF DISCOUNTS AND REBATES)

The following are entity-wide disclosures:

(a) Products

	<u>2012</u> \$'000	<u>2011</u> \$'000
Decorative/architectural products	1,523,353	1,465,777
Industrial products	17,336	18,253
Vehicle refinishing products	<u>-</u>	<u>14,211</u>
	<u>1,540,689</u>	<u>1,498,241</u>

(b) Geographical areas

	<u>2012</u> \$'000	<u>2011</u> \$'000
Domestic sales	1,499,662	1,449,193
Export sales	<u>41,027</u>	<u>49,048</u>
	<u>1,540,689</u>	<u>1,498,241</u>

(c) Major customers

Of the sales for the period, 13% (2011: 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
YEAR ENDED MARCH 31, 2012

18. PROFIT BEFORE TAXATION

(a) The profit before finance costs and taxation is arrived at after taking into account the following:

	<u>2012</u> \$'000	<u>2011</u> \$'000
<u>Expenses</u>		
Raw materials and consumables used	760,813	690,593
Changes in inventories of finished goods and work-in-progress (net)	(15,826)	(2,622)
Manufacturing expenses	83,709	76,796
Depreciation	22,290	27,526
Employee benefits expense	414,459	394,716
Other operating expenses	<u>227,540</u>	<u>220,930</u>
Total	<u>1,492,985</u>	<u>1,407,939</u>
<u>Other income</u>		
Profit on sale of property, plant and equipment	-	3,225
Investment revenues	855	943
Miscellaneous	<u>2,417</u>	<u>6,662</u>
Total	<u>3,272</u>	<u>10,830</u>

Other operating expenses include charges in respect of inventory obsolescence of \$ 11.08 million (2011: \$15.29 million).

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

	<u>2012</u> \$'000	<u>2011</u> \$'000
Revenue and expenses on financial assets at amortised cost		
Revenue:		
Interest – bank deposits	855	943
Expenses:		
Interest – overdraft	1,574	41
Allowance for doubtful debt on sale of goods net of recoveries of \$3,621,000 (2011: \$2,628,000)	4,660	12,794
Allowance for doubtful debt on other receivables	546	1,039

(c) Net loss (gain) on financial assets at amortised cost

Net foreign exchange loss (gain)	557	(4,057)
----------------------------------	-----	----------

(d) Other expenses

Directors' emoluments		
Fees	1,000	1,000
Management	19,430	17,442
Audit fees	4,160	3,900

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

19. STAFF COSTS

Staff costs incurred during the period were:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Salaries and wages	286,698	273,178
Statutory contributions	25,497	24,681
Redundancy costs	17,485	-
Other staff benefits	<u>84,779</u>	<u>96,857</u>
	<u>414,459</u>	<u>394,716</u>

20. TAXATION

(a) Recognised in profit and loss

(i) The total charge for the period comprises:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Current tax	22,335	44,800
Deferred tax adjustment (Note 13)	<u>(6,250)</u>	<u>(11,515)</u>
	<u>16,085</u>	<u>33,285</u>

(ii) The charge for the period is reconciled to the profit as per the income statement as follows:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Profit before tax	<u>49,402</u>	<u>101,091</u>
Tax at the domestic income tax rate of 33 $\frac{1}{3}$ %	16,467	33,697
Tax effect of expenses that are not deductible in determining taxable profit	178	47
Tax effect of income not subject to taxation	-	(1,075)
Tax effect of expenses that are deductible for tax purposes only	<u>(560)</u>	636
Other	<u>-</u>	<u>(20)</u>
Tax expense for the period	<u>16,085</u>	<u>33,285</u>

The tax rate used for the reconciliations above is the company tax rate of 33 $\frac{1}{3}$ % payable by corporate entities in Jamaica on taxable profits under tax laws.

(b) Recognised directly in equity

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Revaluation of properties (Note 13)	<u>200</u>	<u>200</u>

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

20. TAXATION (Cont'd)

(c) Current taxes and liabilities

	<u>2012</u> \$'000	<u>2011</u> \$'000
<u>Current tax assets</u>		
Withholding tax recoverable	(528)	(422)
<u>Current tax liabilities</u>		
Income tax payable	<u>9,365</u>	<u>36,326</u>
Tax payable	<u>8,837</u>	<u>35,904</u>

21. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on the profit after taxation of \$33.317 million (2011: \$67.806 million) and the number of stock units in issue during the period of 214,322,393 units.

22. COMMITMENTS

(a) Capital commitment

Capital expenditure authorised but not contracted for at March 31, 2012 amounted to approximately \$0.65 million (2011: \$8.76 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.

	<u>2012</u> \$'000	<u>2011</u> \$'000
Minimum lease payments under operating leases recognised as an expense in the period	<u>5,549</u>	<u>5,690</u>

At the end of the reporting period, the company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	<u>2012</u> \$'000	<u>2011</u> \$'000
Within one year	4,322	4,615
In the second to fifth years inclusive	<u>4,525</u>	<u>12,552</u>
	<u>8,847</u>	<u>17,167</u>

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

23. 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.

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Financial Assets		
Loans and receivables – at amortised cost		
- Due from fellow subsidiaries	1,808	4,911
- Trade and other receivables (excluding prepayments)	210,087	268,668
- Cash and bank balances	<u>93,509</u>	<u>122,422</u>
	<u>305,404</u>	<u>396,001</u>
Financial Liabilities (at amortised cost)		
- Due to immediate parent company	8,845	9,586
- Dividends payable	13,154	15,830
- Trade and other payables (excluding accruals)	<u>154,909</u>	<u>193,369</u>
	<u>176,908</u>	<u>218,785</u>

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, interest rate risk and other 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 minimise 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 minimise potential adverse effects of financial performance of the company. The Board of Directors, directed by the parent company, provides written policies for overall financial risk management as well as 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
YEAR ENDED MARCH 31, 2012

23. 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 23 (b) below and interest rates, as disclosed in Note 23(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:

	<u>Liabilities</u>		<u>Assets</u>		<u>Net Liabilities (Assets)</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
US dollars	77,377	113,296	42,647	52,166	34,730	61,130
Pound (£)	-	-	21	21	(21)	(21)
Belize dollars	-	-	1,214	1,165	(1,214)	(1,165)

Foreign currency sensitivity

The following table details the sensitivity to a 1% revaluation and devaluation (2011: 5% 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 end of the reporting period for the above change in foreign currency rates.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

23. 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)

If the Jamaican dollar strengthens or weakens by 1% (2011: 5% respectively) against the relevant foreign currency, profit or loss will decrease or increase by:

Profit or loss impact	Revaluation/Devaluation		Revaluation/Devaluation	
	March 31, 2012		March 31, 2011	
	%	J\$'000	%	J\$'000
US dollars	±1	347	±5	3,057
Pound (£)	±1	1	±5	1
Belize dollars	±1	<u>12</u>	±5	<u>58</u>
		<u>360</u>		<u>3,116</u>

This is mainly attributable to the exposure outstanding on bank balances, receivables and payables in the respective foreign currency at the end of the reporting period.

The company's sensitivity to foreign currency has decreased during the current year mainly due to the decreased holdings of bank deposits and trade receivables denominated in foreign currencies.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as at the end of the reporting period 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 23 (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 end of the reporting period. In respect of foreign currency denominated balances, 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 \$0.076 million (2011: decrease/increase by \$0.319 million). This is mainly attributable to the company's exposure to interest rate risk on its bank deposits.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk management (Cont'd)

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

(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 \$305.404 million (2011: \$396.001 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) totalling \$93.063 million (2011: \$122.109 million) at the reporting 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 \$1.808 million (2011: \$4.911 million) at the reporting 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 two (2011: one) retail entities whose outstanding balances (within the approved credit limit) amounts to approximately 25% (2011: 26%) of trade receivables (see Note 9). 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 \$195.52 million (2011: \$252.74 million) and other receivables totalling \$23.61 million (2011: \$24.95 million) at year end which is net of impairment of approximately \$43.58 million and \$1.61 million respectively (2011: \$46.81 million and \$1.06 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. The company also maintains a credit overdraft facility with a commercial bank to a limit of \$99.75 million.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

23. 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 <u>Interest Rate</u> %	On Demand or Within <u>1 Year</u> \$'000	<u>Total</u> \$'000
<u>2012</u>			
Non-interest bearing	-	176,908	176,908
<u>2011</u>			
Non-interest bearing	-	218,785	218,785

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 <u>Interest Rate</u> %	On Demand or Within <u>1 Year</u> \$'000	<u>Total</u> \$'000
<u>2012</u>			
Non-interest bearing	-	290,265	290,265
Interest bearing	0.7	15,365	15,365
<u>2011</u>			
Non-interest bearing	-	332,118	332,118
Interest bearing	2.7	63,883	63,883

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

23. 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 recognised 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 the end of the reporting period. 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 carrying 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.

Fair value measurements recognised in the Statement of Financial Position

There were no financial instruments that were measured subsequent to initial recognition at fair value.

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 2011.

FORM OF PROXY

I/WE.....

of.....being a member/members

of the above named Company, hereby appoint.....

of.....

or failing him.....of.....

.....as my/our proxy to vote for me/us on

my/our behalf at the Annual General Meeting of the Company to be held on the

18th day of June 2012 and at any adjournment thereof.

Signed this.....day of.....2012

.....

PLACE
\$100.00
STAMP
HERE



BERGER PAINTS JAMAICA LIMITED QUALITY POLICY STATEMENT

- * We shall provide products and services that meet stated standards on time, every time.
- * We shall continually improve our processes to understand changing customer needs and preferences and use the same as input for periodically reviewing and revising performance standards of our products and services.
- * We accept Zero Defect as a quality absolute, and shall design and operate our quality system accordingly.
- * We shall organise our work practices to do a job right the first time, every time.
- * We are committed to continual improvement in quality in all business processes and shall track such improvement through measurable indicators.

Warren McDonald
Warren McDonald
Regional Managing Director – Caribbean

Revised
FEB 11-2011



BERGER PAINTS JAMAICA LIMITED ENVIRONMENT, HEALTH & SAFETY POLICY

- * We consider compliance to statutory EHS requirements as the minimum performance standard and are committed to go beyond and adopt stricter standards wherever appropriate.
- * We shall focus on pollution abatement, resource optimization and waste minimization. We believe that these measures will help in sustainable development.
- * We are committed to the reduction of generation of solid waste and its disposal in a safe and environment friendly manner.
- * We are committed to continual improvement in the area of EHS.
- * We shall give priority and attention to health and safety of employees.
- * We shall train all employees (including employees of service providers) to carry out work in our premises and at customer sites as per prescribed procedures designed to meet all EHS requirements of the Company
- * We shall encourage sharing of information and communication of our EHS management system with stake holders.
- * We shall educate customers and the public on safe use of our products.
- * When required under any law, for the time being in force, or to meet certification requirements, establishments shall prescribe additional policies and procedures as required, subject to the direction provided by this EHS Policy.

W. McDonald

Warren McDonald
Regional Managing Director – Caribbean



Connecting Your World with COLOUR

BERGER
Colour World
express yourself!

BERGER COLOUR WORLD Advanced Tinting System
Available at over 80 convenient Dealer Locations island wide.

BERGER COLOUR WORLD Advanced Tinting System
will capture every personality, every style. From cool, soft tones to bold, bright shades, if you can think it - we can match it with our COLOUR WORLD Advanced Tinting System.

Visit any of our conveniently located BERGER COLOUR WORLD Tinting Stations across the island...and start connecting your World with thousands of colours.

