

**BERGER PAINTS JAMAICA LIMITED**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2013**

**BERGER PAINTS JAMAICA LIMITED**

**YEAR ENDED MARCH 31, 2013**

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## **INDEPENDENT AUDITORS' REPORT**

**To the members of**

**BERGER PAINTS JAMAICA LIMITED**

### **Report on the financial statements**

We have audited the accompanying financial statements of Berger Paints Jamaica Limited (the company), set out on pages 2 to 44, which comprise the statement of financial position as at March 31, 2013, 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, 2013, 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 24, 2013

## BERGER PAINTS JAMAICA LIMITED

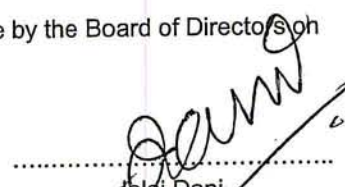
## STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	Notes	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	126,993	130,762
Post employment benefits	6	119,874	121,670
Deferred tax assets	7	4,800	221
<b>Total non-current assets</b>		<u>251,667</u>	<u>252,653</u>
<b>Current assets</b>			
Inventories	8	265,319	249,235
Due from fellow subsidiaries	9	-	1,808
Trade and other receivables	10	216,507	219,132
Investment security	11	30,270	-
Cash and bank balances	12	130,521	93,509
<b>Total current assets</b>		<u>642,617</u>	<u>563,684</u>
<b>Total assets</b>		<u>894,284</u>	<u>816,337</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Share capital	13	141,793	141,793
Revaluation reserves	14	44,545	42,666
Revenue reserve		294,092	287,871
Income statement		480,430	472,330
<b>Total shareholders' equity</b>		<u>480,430</u>	<u>472,330</u>
<b>Non-current liabilities</b>			
Post employment benefits	6	135,330	124,505
<b>Total non-current liabilities</b>		<u>135,330</u>	<u>124,505</u>
<b>Current liabilities</b>			
Due to immediate parent company	9	9,513	8,845
Due to fellow subsidiaries	9	1,429	-
Dividends payable		13,719	13,154
Provisions	15	14,859	12,873
Trade and other payables	16	235,431	175,793
Income tax payable	21(c)	3,573	8,837
<b>Total current liabilities</b>		<u>278,524</u>	<u>219,502</u>
<b>Total equity and liabilities</b>		<u>894,284</u>	<u>816,337</u>

The Notes on Pages 7 to 44 form an integral part of the Financial Statements.

The financial statements on Pages 2 to 44 were approved and authorised for issue by the Board of Directors on April 24, 2013 and are signed on its behalf by:

  
 .....  
 Warren McDonald  
 Director

  
 .....  
 Jalaj Dani  
 Director

## BERGER PAINTS JAMAICA LIMITED

## INCOME STATEMENT

YEAR ENDED MARCH 31, 2013

	<u>Notes</u>	<u>2013</u> \$'000	<u>2012</u> \$'000
Sales (net of discounts and rebates)	18	<u>1,608,216</u>	<u>1,540,689</u>
<b>PROFIT BEFORE FINANCE COSTS AND TAXATION</b>	19	47,118	50,976
Finance costs	19(b)	( 27)	( 1,574)
<b>PROFIT BEFORE TAXATION</b>	19	47,091	49,402
Taxation	21	( 13,008)	( 16,085)
<b>NET PROFIT FOR THE YEAR</b>		<u>34,083</u>	<u>33,317</u>
<b>Earnings per stock unit</b>	22	<u>16¢</u>	<u>16¢</u>

The Notes on Pages 7 to 44 form an integral part of the Financial Statements.



**BERGER PAINTS JAMAICA LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED MARCH 31, 2013**

	<u>Note</u>	<u>2013</u> \$'000	<u>2012</u> \$'000
<b>NET PROFIT FOR THE YEAR</b>		<u>34,083</u>	<u>33,317</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Deferred tax adjustment on revaluation of property, plant and equipment	7	<u>1,879</u>	<u>200</u>
Other comprehensive income for year		<u>1,879</u>	<u>200</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>35,962</u>	<u>33,517</u>

The Notes on Pages 7 to 44 form an integral part of the Financial Statements.

**BERGER PAINTS JAMAICA LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED MARCH 31, 2013**

	Notes	Share Capital \$'000	Revaluation Reserves \$'000	Revenue Reserve - Income Statement \$'000	Total \$'000
Balance at April 1, 2011		141,793	42,466	280,273	464,532
Net profit for the year		-	-	33,317	33,317
Other comprehensive Income for the year	7	-	200	-	200
<i>Total comprehensive Income for the year</i>		-	200	33,317	33,517
Dividends paid	17	-	-	( 25,719)	( 25,719)
Balance at March 31, 2012		141,793	42,666	287,871	472,330
Net profit for the year		-	-	34,083	34,083
Other comprehensive Income for the year	7	-	1,879	-	1,879
<i>Total comprehensive Income for the year</i>		-	1,879	34,083	35,962
Dividends paid	17	-	-	( 27,862)	( 27,862)
Balance at March 31, 2013		141,793	44,545	294,092	480,430

The Notes on Pages 7 to 44 form an integral part of the Financial Statements.



**BERGER PAINTS JAMAICA LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2013**

	<u>2013</u> \$'000	<u>2012</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year	34,083	33,317
Adjustments for:		
Depreciation	18,215	22,290
Unrealised foreign exchange gains (net)	( 1,221)	( 316)
Post retirement benefit charge	27,971	30,017
Income tax expense	13,008	16,085
Interest income	( 270)	( 855)
Interest expense	27	1,574
Provision charge	17,509	3,684
Impairment loss recognised on trade receivables	15,476	8,281
Impairment loss recognised on other receivables	-	546
Reversal of impairment loss on trade receivables	( 8,163)	( 3,621)
Operating cash flows before movements in working capital:	116,635	111,002
(Increase) Decrease in trade and other receivables	( 4,688)	53,354
Increase in inventories	( 16,084)	( 31,256)
Increase in due to fellow subsidiary companies	3,237	3,103
Provisions utilised	( 15,523)	( 5,285)
Increase (Decrease) in trade and other payables	59,638	( 44,756)
Increase (Decrease) in due to immediate parent company	668	( 741)
Post employment benefits contributions	( 15,350)	( 14,462)
Cash generated from operations	128,533	70,959
Income tax paid	( 20,972)	( 49,402)
Interest paid	( 27)	( 1,574)
Net cash provided by operating activities	<u>107,534</u>	<u>19,983</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	270	855
Acquisition of property, plant and equipment	( 14,446)	( 21,672)
Investment security (net)	( 30,270)	-
Net cash used in investing activities	<u>( 44,446)</u>	<u>( 20,817)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	( 27,297)	( 28,395)
Net cash used in financing activities	<u>( 27,297)</u>	<u>( 28,395)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	35,791	( 29,229)
<b>OPENING CASH AND CASH EQUIVALENTS</b>	93,509	122,422
Effect of foreign exchange rate changes	1,221	316
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>130,521</u>	<u>93,509</u>

The Notes on Pages 7 to 44 form an integral part of the Financial Statements.

**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

**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 applied 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 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.

		<u>Effective for annual periods beginning on or after</u>
<u>Amendments to Standards</u>		
IAS 12	Income Taxes – limited scope amendment (recovery of underlying assets)	January 1, 2012
IAS 27 and IFRS 3	Amendments arising from May 2010 Annual Improvements to IFRS	July 1, 2011
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
IFRS 7	Financial Instruments: Disclosures	
	- Amendments enhancing disclosures about transfers of financial assets	July 1, 2011

**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

**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:

		<u>Effective for annual periods beginning on or after</u>
<u>New and Revised Standards</u>		
IAS 1, 16, 32, 34 and IFRS 1	Amendment arising from 2009 - 2011 Annual Improvements to IFRS	January 1, 2013
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
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 - Amendment for Government loan with a below-market rate of interest when transitioning to IFRS	July 1, 2013
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting financial assets and financial liabilities - Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2013 January 1, 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9	Financial Instruments: Classification and Measurement of financial assets	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>New and Revised Interpretations</u>		
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine	January 1, 2013



**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

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

New and Revised Standards and Interpretations in issue not yet effective that are relevant

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

- Annual Improvements to IFRS 2009 – 2011 Cycle issued in May 2012

The Annual Improvements to IFRS 2009 – 2011 Cycle include a number of amendments to various IFRS. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRS include:

- amendments to IAS 16 *Property, Plant and Equipment*; and
- amendments to IAS 32 *Financial Instruments: Presentation*

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Directors anticipate that the amendments to IAS 16 will have no effect on the company's financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Directors anticipate that the amendments to IAS 32 will have no effect on the company's financial statements.

- IAS 1 *Presentation of Financial Statements*

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 19 *Employee Benefits*

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on the plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions. The directors and management anticipate that the amendments to IAS 19 will be adopted in the company's financial statements for the annual period beginning April 1, 2013 and that the application of the amendments to IAS 19 will have an impact on amounts reported in respect of the company's defined benefit pension plan.



**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

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

New and Revised Standards and Interpretations in issue not yet effective that are relevant (Cont'd)

• *IAS 19 Employee Benefits (Cont'd)*

Based on management's preliminary assessment, when the company applies the amendments to IAS19 for the first time for the year ending March 31, 2014, the net profit as previously reported for the year ended March 31, 2013 would be increased by \$7.039 million and other comprehensive income for that year would be reduced by \$10.515 million (April 1, 2012: increase in retained earnings of \$8.926 million) with corresponding adjustments being recognised in retirement benefit obligation and deferred tax.

• *Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required. The directors do not anticipate that the amendments will have a significant effect on the company's financial statements.

• *IFRS 9 Financial Instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of change 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. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss as presented in profit or loss.

The directors and management anticipate that IFRS 9 will be adopted in the company's financial statements for the annual period beginning April 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, the directors have 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.



**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

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

- *IFRS 13 Fair value Measurement*

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.

**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.



**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

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

**Impairment of tangible assets**

At the end of each reporting period, the company reviews the carrying amounts of its tangible 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). When 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. When 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.

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 external 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 external 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.



**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

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

**Employee benefits (Cont'd)**

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.

**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 24. 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 financial assets at 'fair value through profit or loss (FVTPL)' and '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.

**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

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

**Financial instruments (Cont'd)**

**Financial assets (Cont'd)**

**(a) Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset and liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is based on realisable prices derived by valuation techniques that are quoted by the financial institution at the end of the reporting period.

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

**Financial instruments (Cont'd)**

**Financial assets (Cont'd)**

(c) *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. Recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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, 2013**

**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, due to fellow subsidiaries, dividends payable and trade and other payables.



**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

**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 before taxation as reported in the income statement because of items 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, 2013**

**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, 2013**

**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 leases 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, 2013**

**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 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 benefits

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 \$119.87 million (2012: \$121.67 million) in respect of the defined benefit pension plan and a liability of approximately \$135.33 million (2012: \$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. External 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, 2013**

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

a) Post employment benefits (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 \$150.09 million (2012: \$130.78 million) and \$107.90 million (2012: \$95.42 million) 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 \$1.3 million increase/decrease in the current and deferred tax provisions.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land \$'000	Freehold Buildings \$'000	Plant and Machinery \$'000	Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Capital Works-in- Progress \$'000	Totals \$'000
<b>At cost</b>							
April 1, 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	27,000	69,022	148,286	63,769	36,979	9,483	354,539
Additions	-	73	10,028	3,839	-	506	14,446
Transfer from capital work-in-progress	-	-	9,989	-	-	( 9,989)	-
Reclassification	-	469	1,096	( 1,565)	-	-	-
March 31, 2013	<u>27,000</u>	<u>69,564</u>	<u>169,399</u>	<u>66,043</u>	<u>36,979</u>	-	<u>368,985</u>
<b>Accumulated depreciation</b>							
April 1, 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	-	22,749	116,412	52,388	32,228	-	223,777
Depreciation charge	-	3,095	10,096	3,422	1,602	-	18,215
March 31, 2013	-	<u>25,844</u>	<u>126,508</u>	<u>55,810</u>	<u>33,830</u>	-	<u>241,992</u>
<b>Carrying amounts</b>							
March 31, 2013	<u>27,000</u>	<u>43,720</u>	<u>42,891</u>	<u>10,233</u>	<u>3,149</u>	-	<u>126,993</u>
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>



**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

**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 5.5% (2012: 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 1¼% 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, 2013 by Ravi Rambarran of Rambarran & Associates Limited (Consulting Actuaries), Fellow of the Institute of Actuaries. The obligations were measured using the projected unit credit method.

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

	<u>2013</u>	<u>2012</u>
	%	%
Gross discount rate	10.00	10.00
Expected return on plan assets	7.00	6.50
Expected rate of salary increases	5.50	6.00
Future pension increases	2.75	2.50
Medical claims growth	8.50	8.00

**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2013**

**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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Present value of obligation	(638,391)	(590,570)	(126,576)	(111,117)
Fair value of plan assets	<u>758,265</u>	<u>724,396</u>	-	-
	119,874	133,826	(126,576)	(111,117)
Assets not recognised due to limitation resulting from uncertainty of obtaining economic benefits	( 77,820)	( 80,871)	-	-
Unrecognised actuarial loss (gain)	<u>77,820</u>	<u>68,715</u>	( 8,754)	( 13,388)
Net asset (liability) in statement of financial position	<u>119,874</u>	<u>121,670</u>	<u>(135,330)</u>	<u>(124,505)</u>

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current service cost	14,143	12,098	4,260	5,803
Interest cost	52,075	38,186	10,907	14,208
Expected return on plan assets	(50,221)	(46,943)	-	-
Change in unrecognised asset	( 3,051)	5,669	-	-
Recognised actuarial loss	-	-	( 142)	996
Total included in employee benefits Expense	<u>12,946</u>	<u>9,010</u>	<u>15,025</u>	<u>21,007</u>
Actual return on plan assets	<u>41,585</u>	<u>61,683</u>	-	-

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Opening balance	121,670	120,402	(124,505)	(107,682)
Amount charged to income	( 12,946)	( 9,010)	( 15,025)	( 21,007)
Contributions by employer	<u>11,150</u>	<u>10,278</u>	<u>4,200</u>	<u>4,184</u>
Closing balance	<u>119,874</u>	<u>121,670</u>	<u>(135,330)</u>	<u>(124,505)</u>



**BERGER PAINTS JAMAICA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. POST EMPLOYMENT BENEFITS (Cont'd)**

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Opening defined benefit obligation	590,570	398,696	111,117	137,357
Service cost	14,143	12,098	4,260	5,803
Interest cost	52,075	38,186	10,907	14,208
Members' contributions	13,376	11,098	-	-
Benefits paid	( 54,072)	( 24,371)	( 4,200)	( 4,184)
Value of purchased annuities	29,635	118,844	-	-
Actuarial (gain) loss	( 7,336)	36,019	4,492	( 42,067)
Closing defined benefit obligation	<u>638,391</u>	<u>590,570</u>	<u>126,576</u>	<u>111,117</u>

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Opening fair value of plan assets	724,396	553,741	-	-
Members' contributions	13,376	11,098	-	-
Employer's contributions	11,150	10,278	-	-
Expected return on plan assets	50,221	46,943	-	-
Benefits paid	( 54,072)	( 24,371)	-	-
Value of purchased annuities	29,635	118,844	-	-
Actuarial (loss) gain	( 16,441)	7,863	-	-
Closing fair value of plan assets	<u>758,265</u>	<u>724,396</u>	<u>-</u>	<u>-</u>

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**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:

	<u>Defined Benefit Pension Plan</u>	
	<u>2013</u>	<u>2012</u>
	Fair Value of <u>Plan Asset</u> \$'000	Fair Value of <u>Plan Asset</u> \$'000
Equity fund	182,234	157,031
Fixed income fund	163,382	247,625
Mortgage and real estate fund	157,098	24,159
Foreign exchange fund	113,111	102,674
Money market fund	12,568	24,159
Value of purchased annuities	127,860	118,844
Consumer price indexed securities	-	48,317
Other assets	<u>2,012</u>	<u>1,587</u>
Closing fair value of plan assets	<u>758,265</u>	<u>724,396</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:

	<u>Defined Benefit Pension Plan</u>				
	March 31, <u>2013</u>	March 31, <u>2012</u>	December 31, <u>2010</u>	December 31, <u>2009</u>	December 31, <u>2008</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(638,391)	(590,570)	(398,696)	(381,134)	(315,953)
Fair value of plan assets	<u>758,265</u>	<u>724,396</u>	<u>553,741</u>	<u>511,998</u>	<u>427,373</u>
Fund surplus	119,874	133,826	155,045	130,864	111,420
Experience adjustments on plan liabilities	( 7,336)	36,019	( 24,472)	12,237	( 43,537)
Experience adjustments on plan assets	16,441	( 7,863)	5,453	( 12,742)	56,874

	<u>Retiree Medical Plan</u>				
	March 31, <u>2013</u>	March 31, <u>2012</u>	December 31, <u>2010</u>	December 31, <u>2009</u>	December 31, <u>2008</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(126,576)	(111,117)	(137,357)	(136,593)	( 77,462)
Fair value of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund deficit	(126,576)	(111,117)	(137,357)	(136,593)	( 77,462)
Experience adjustments on plan liabilities	4,492	( 42,067)	( 17,630)	43,309	81

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**6. POST EMPLOYMENT BENEFITS (Cont'd)**

(g) (Cont'd)

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

	2013		2012	
	Inflation @ 9.5% \$'000	Inflation @ 7.5% \$'000	Inflation @ 9.0% \$'000	Inflation @ 7.0% \$'000
Revised service cost	5,405	3,388	7,497	4,536
Revised interest cost	12,873	9,337	17,266	12,189
Revised accumulated benefit obligation	150,088	107,895	130,778	95,418

(h) Other

The company expects to make a contribution of \$11.855 million (2012: \$13.048 million) to the defined benefit pension plan and \$4.28 million (2012: \$4.035 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% (2012: 10.4%) of the company's issued shares.

**7. 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>2013</u> \$'000	<u>2012</u> \$'000
Deferred tax assets	40,587	49,531
Deferred tax liabilities	<u>(35,787)</u>	<u>(49,310)</u>
	<u>4,800</u>	<u>221</u>

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

	<u>2013</u> \$'000	<u>2012</u> \$'000
Opening balance	221	6,229
Credit to income for the period (Note 21(a))	2,700	6,250
Credit to other comprehensive income for the period (Notes 14, 21(b))	<u>1,879</u>	<u>200</u>
Closing balance	<u>4,800</u>	<u>221</u>

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**7. DEFERRED TAX ASSETS (LIABILITIES) (Cont'd)**

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 assets**

	Unrealised Foreign Exchange <u>Losses</u> \$'000	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, 2011	-	4,825	35,894	1,747	42,466
Credit (Charge) to income for the year	-	( 534)	<u>5,608</u>	<u>1,991</u>	<u>7,065</u>
Balance, March 31, 2012	-	4,291	41,502	3,738	49,531
(Charge) Credit to income for the year	<u>605</u>	( 576)	( 7,670)	(1,303)	( 8,944)
Balance, March 31, 2013	<u>605</u>	<u>3,715</u>	<u>33,832</u>	<u>2,435</u>	<u>40,587</u>

**Deferred tax liabilities**

	Unrealised Foreign Exchange <u>Gains</u> \$'000	Revaluation of <u>Properties</u> \$'000	Post- Employment Benefits <u>Asset</u> \$'000	Excess Value Over Tax Allowances on Motor <u>Vehicles</u> \$'000	<u>Total</u> \$'000
Balance, April 1, 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	-	( 200)	-	-	( 200)
Balance, March 31, 2012	261	6,913	40,557	1,579	49,310
Credit to income for the year	( 261)	-	(10,588)	( 795)	(11,644)
Credit to other comprehensive income for the year	-	(1,879)	-	-	( 1,879)
Balance, March 31, 2013	<u>-</u>	<u>5,034</u>	<u>29,969</u>	<u>784</u>	<u>35,787</u>



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**8. INVENTORIES**

	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Finished goods	120,201	123,866
Work-in-progress	11,712	6,121
Raw materials and supplies	102,109	113,070
Goods-in-transit	<u>31,297</u>	<u>6,178</u>
	<u>265,319</u>	<u>249,235</u>

Inventories stated above are net of provision for obsolescence amounting to approximately \$21.10 million (2012: \$30.98 million).

The cost of inventories recognised as an expense during the period, was \$784.13 million (2012: \$744.97 million).

Movement in provision for obsolescence

	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Opening balance	30,976	35,928
Charged to income	8,713	11,075
Reversal of write down (Note 8(a))	<u>(18,593)</u>	<u>(16,027)</u>
Closing balance	<u>21,096</u>	<u>30,976</u>

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

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9. BALANCES/TRANSACTIONS WITH RELATED PARTIES

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

*Trading transactions and balances*

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<i>Immediate parent</i>								
Lewis Berger (Overseas Holdings) Ltd.	—	—	—	—	46,654	44,508	(9,513)	(8,845)
<i>Fellow subsidiaries</i>								
Berger Trinidad	759	-	1,524	2,966	-	-	1,367	502
Berger Barbados	2,362	865	-	334	-	-	2,191	1,914
<i>Asian Paints</i>								
International Limited	-	-	-	-	-	-	(2,640)	(326)
Berger Singapore	-	-	359	444	-	-	(184)	-
Berger International Limited	-	-	-	-	-	-	(460)	(282)
Berger Paints Emirates	-	-	-	-	-	-	(1,703)	-
	<u>3,121</u>	<u>865</u>	<u>1,883</u>	<u>3,744</u>	<u>-</u>	<u>-</u>	<u>(1,429)</u>	<u>1,808</u>
<i>Directors</i>	<u>155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106</u>	<u>-</u>

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.



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

*Loans to related parties*

	<u>2013</u> \$'000	<u>2012</u> \$'000
Key management personnel	225	344

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>2013</u> \$'000	<u>2012</u> \$'000
Short-term benefits	51,879	49,392
Post-employment benefits	<u>2,582</u>	<u>2,148</u>
	<u>54,461</u>	<u>51,540</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.

**10. TRADE AND OTHER RECEIVABLES**

	<u>2013</u> \$'000	<u>2012</u> \$'000
Trade receivables (net of provisions for outstanding rebates to customers of \$1.8 million (2012: \$2.764 million))	238,175	239,108
Less allowance for doubtful debts	<u>44,834</u>	<u>43,584</u>
	193,341	195,524
Other receivables and prepayments (net of an allowance for doubtful debts of \$1.605 million (2012: \$1.605 million))	<u>23,166</u>	<u>23,608</u>
	<u>216,507</u>	<u>219,132</u>

The average credit period on sale of goods is 30 - 60 days. The company has provided fully for all receivables over one year because historical experience is 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.

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**10. TRADE AND OTHER RECEIVABLES (Cont'd)**

Before accepting any new customer, the company uses a credit bureau to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Approximately 98% (2012: 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, \$86.740 million (2012: \$60.004 million) (amount within the approved credit limit) is due from three (2012: two) of the company's customers (See also Note 24(d)). There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the company's trade receivable balance are debtors with a carrying amount of \$135.26 million (2012: \$119.31 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 71 days (2012: 69 days).

Ageing of past due but not impaired

	<u>2013</u> \$'000	<u>2012</u> \$'000
30 – 90 days	85,871	84,468
91 – 180 days	41,556	25,242
181 – 270 days	5,724	8,863
271 – 360 days	<u>2,108</u>	<u>741</u>
	<u>135,259</u>	<u>119,314</u>

Movement in allowance for doubtful debts

	<u>Trade Receivables</u>		<u>Other Receivables</u>	
	<u>2013</u> \$'000	<u>2012</u> \$'000	<u>2013</u> \$'000	<u>2012</u> \$'000
Opening balance	43,584	46,809	1,605	1,059
Impairment losses recognised on receivables	15,476	8,281	-	546
Amounts written-off as uncollectible	( 6,063)	( 7,885)	-	-
Amounts recovered during the year	( 8,163)	( 3,621)	-	-
Closing balance	<u>44,834</u>	<u>43,584</u>	<u>1,605</u>	<u>1,605</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>2013</u> \$'000	<u>2012</u> \$'000
≥ 365 days	<u>44,834</u>	<u>43,584</u>

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**11. INVESTMENT SECURITY**

This represents holdings in Scotia Premium Money Market Fund. At March 31, 2013, the eligible units held totaled 302,701.1 at a value of \$100 per unit. The investment objective of the Fund is to provide unit holders with quarterly income, liquidity and preservation of capital.

**12. CASH AND BANK BALANCES**

	<u>2013</u> \$'000	<u>2012</u> \$'000
Cash on hand	330	446
Foreign currency bank deposits (Note 12(a))	3,624	16,344
Jamaican dollar bank deposits (Note 12(b))	<u>126,567</u>	<u>76,719</u>
	<u>130,521</u>	<u>93,509</u>

(a) These include:

- (i) Interest bearing accounts totalling \$2.329 million (2012: \$15.130 million), representing the Jamaican dollar equivalent of US\$23,554 (2012: US\$173,810) and £151 (2012: £151). Interest on foreign currency deposits are at rates of 0.1% and 0.35% per annum (2012: 0.2% and 0.75%).
  - (ii) Non-interest bearing accounts totalling \$1.295 million (2012: \$1.214 million), representing the Jamaican dollar equivalent of Belize \$26,700 (2012: \$26,700).
- (b) (i) This includes an interest bearing account totalling \$0.009 million (2012: \$0.009 million) at an interest rate of 0.25% (2012: 0.75%) per annum.
- (ii) The company has a credit facility (overdraft) with a commercial bank to a limit of \$99.75 million (2012: \$99.75 million) at a rate of 17.25% (2012: 17.25%) per annum. The company has utilised the facility during the year, however there were no overdraft balances as at March 31, 2013 and March 31, 2012.

(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.

**13. SHARE CAPITAL**

	<u>2013</u> No. of shares	<u>2012</u> No. of shares	<u>2013</u> \$'000	<u>2012</u> \$'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.



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**14. REVALUATION RESERVES**

	<u>Properties</u> <u>Revaluation Reserve</u>	
	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Balance at beginning of year	42,666	42,466
Adjustments to deferred tax liability in respect of revalued buildings (Notes 7, 21(b))	<u>1,879</u>	<u>200</u>
Balance at end of year	<u>44,545</u>	<u>42,666</u>

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.

**15. PROVISIONS**

	<u>Employee Benefits</u>	
	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Opening balance	12,873	14,474
Utilised during the year	(15,523)	( 5,285)
Charged to income for year	<u>17,509</u>	<u>3,684</u>
Closing balance	<u>14,859</u>	<u>12,873</u>

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

**16. TRADE AND OTHER PAYABLES**

	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Trade payables	148,885	75,015
Other payables and accruals	<u>86,546</u>	<u>100,778</u>
	<u>235,431</u>	<u>175,793</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.

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**17. DIVIDENDS**

During the current year:

- (i) a final dividend 13¢ per share totalling \$27.862 million for year ended March 31, 2012 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 June 22, 2012.
- (ii) The directors propose a dividend of 13¢ per share totalling \$27.862 million for the year ended March 31, 2013 to be paid on July 9, 2013 to shareholders on the company's register of members at the close of business June 21, 2013.

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

During the 2011/2012:

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.

**18. SALES (NET OF DISCOUNTS AND REBATES)**

The following are entity-wide disclosures:

(a) Products

	<u>2013</u> \$'000	<u>2012</u> \$'000
Decorative/architectural products	1,590,448	1,523,353
Industrial products	<u>17,768</u>	<u>17,336</u>
	<u>1,608,216</u>	<u>1,540,689</u>

(b) Geographical areas

	<u>2013</u> \$'000	<u>2012</u> \$'000
Domestic sales	1,544,418	1,499,662
Export sales	<u>63,798</u>	<u>41,027</u>
	<u>1,608,216</u>	<u>1,540,689</u>

(c) Major customers

Of the sales for the period, 12% (2012: 13%) was attributable to the company's largest customer. There were no other customers who represented 10% or more of the company's revenue.

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**19. PROFIT BEFORE TAXATION**

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

	<u>2013</u> \$'000	<u>2012</u> \$'000
<u>Expenses</u>		
Raw materials and consumables used	782,202	760,813
Changes in inventories of finished goods and work-in-progress (net)	1,926	( 15,826)
Manufacturing expenses	89,085	83,709
Depreciation	18,215	22,290
Employee benefits expense	408,672	414,459
Other operating expenses	<u>262,774</u>	<u>227,540</u>
<b>Total</b>	<u>1,562,874</u>	<u>1,492,985</u>
<u>Other income</u>		
Investment revenues	270	855
Miscellaneous	<u>1,506</u>	<u>2,417</u>
<b>Total</b>	<u>1,776</u>	<u>3,272</u>

Other operating expenses include charges in respect of inventory obsolescence of \$8.71 million (2012: \$11.08 million).

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

	<u>2013</u> \$'000	<u>2012</u> \$'000
(i) Revenue and expenses on financial assets at amortised cost		
Revenue:		
Interest – bank deposits	270	855
Expenses:		
Interest – overdraft	27	1,574
Allowance for doubtful debt on sale of goods net of recoveries of \$8,163,000 (2012: \$3,621,000)	7,313	4,660
Allowance for doubtful debt on other receivables	-	546
(ii) Net loss (gain) on financial assets and financial liabilities at amortised cost		
Net foreign exchange loss	15,732	557
(iii) Other expenses		
Directors' emoluments		
Fees	1,000	1,000
Management	19,998	19,430
Audit fees	4,400	4,160



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**20. STAFF COSTS**

Staff costs incurred during the period were:

	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Salaries and wages	298,436	286,698
Statutory contributions	27,185	25,497
Redundancy costs	-	17,485
Other staff benefits	<u>83,051</u>	<u>84,779</u>
	<u>408,672</u>	<u>414,459</u>

**21. TAXATION**

By Jamaica Gazette Supplement dated December 31, 2012, effective January 1, 2013, the corporate tax rate was reduced from 33½% to 25% for unregulated entities. Consequently, current and deferred tax have been calculated using the tax rate of 25% (2012: 33½%).

**(a) Recognised in profit and loss**

(i) The total charge for the period comprises:

	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Current tax	15,708	22,335
Deferred tax adjustment (Note 7)	<u>( 2,700)</u>	<u>( 6,250)</u>
	<u>13,008</u>	<u>16,085</u>

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

	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Profit before tax	<u>47,091</u>	<u>49,402</u>
Tax at the domestic income tax rate of 25% (2012: 33½%)	11,773	16,467
Tax effect of expenses that are not deductible in determining taxable profit	22	178
Tax effect of expenses that are deductible for tax purposes only	<u>1,213</u>	<u>( 560)</u>
Tax expense for the period	<u>13,008</u>	<u>16,085</u>

The tax rate used for the reconciliations above is the company tax rate of 25% (2012: 33½%) payable by corporate entities in Jamaica on taxable profits under tax laws.

**(b) Recognised directly in equity**

	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Revaluation of properties (Note 7)	<u>1,879</u>	<u>200</u>

**BERGER PAINTS JAMAICA LIMITED**  
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**21. TAXATION (Cont'd)**

(c) **Current tax assets and liabilities**

	<u>2013</u> \$'000	<u>2012</u> \$'000
<u>Current tax assets</u>		
Withholding tax recoverable	-	( 528)
<u>Current tax liabilities</u>		
Income tax payable	<u>3,573</u>	<u>9,365</u>
Tax payable	<u>3,573</u>	<u>8,837</u>

**22. EARNINGS PER STOCK UNIT**

The calculation of earnings per stock unit is based on the profit after taxation of \$34.083 million (2012: \$33.317 million) and the number of stock units in issue during the period of 214,322,393 units.

**23. COMMITMENTS**

(a) **Capital commitment**

Capital expenditure authorised but not contracted for at March 31, 2013 amounted to approximately \$0.796 million (2012: \$0.65 million). These expenditures are mainly in respect of building addition and the acquisition of computer related equipment (2012: 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>2013</u> \$'000	<u>2012</u> \$'000
Minimum lease payments under operating leases recognised as an expense in the period	<u>6,145</u>	<u>5,549</u>

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

	<u>2013</u> \$'000	<u>2012</u> \$'000
Within one year	5,477	4,322
In the second to fifth years inclusive	<u>9,834</u>	<u>4,525</u>
	<u>15,311</u>	<u>8,847</u>

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**24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT**

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

***Categories of financial instruments***

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

	<u>2013</u> \$'000	<u>2012</u> \$'000
<b>Financial Assets</b>		
Loans and receivables – at amortised cost		
- Due from fellow subsidiaries	-	1,808
- Trade and other receivables (excluding prepayments)	215,158	210,087
- Cash and bank balances	<u>130,521</u>	<u>93,509</u>
	<u>345,679</u>	<u>305,404</u>
Financial assets at fair value through profit or loss	<u>30,270</u>	<u>-</u>
	<u>375,949</u>	<u>305,404</u>
<b>Financial Liabilities (at amortised cost)</b>		
- Due to immediate parent company	9,513	8,845
- Due to fellow subsidiaries	1,429	-
- Dividends payable	13,719	13,154
- Trade and other payables (excluding accruals)	<u>216,920</u>	<u>154,909</u>
	<u>241,581</u>	<u>176,908</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.



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

*Financial risk management policies and objectives (Cont'd)*

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company's activities exposes it primarily to the financial risks of changes in foreign currencies, as disclosed in Note 24 (b) below, interest rates as disclosed in Note 24(c) below as well as equity price risks.

Money Market Pooled Fund price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to pooled fund price risk at the reporting date. If quoted prices has been 10% higher/lower, net profit for the year would increase/decrease by \$3.027 million (2012: \$Nil) as a result of the changes in fair values of this instrument. The increase in sensitivity is due mainly to the acquisition of pooled fund investments.

(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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
US dollars	145,879	77,377	56,492	42,647	89,387	34,730
Pound (£)	-	-	22	21	( 22)	( 21)
Belize dollars	-	-	1,294	1,214	( 1,294)	( 1,214)

Foreign currency sensitivity

The following table details the sensitivity to a 1% revaluation and 10% devaluation (2012: 1% 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.

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

***Financial risk management policies and objectives (Cont'd)***

(b) Foreign exchange risk (Cont'd)

Foreign currency sensitivity (Cont'd)

If the Jamaican dollar strengthens by 1% or weakens by 10% (2012: 1% respectively) against the relevant foreign currency, profit will increase (decrease) by:

Profit or loss increase (decrease)	March 31, 2013				March 31, 2012	
	Revaluation		Devaluation		Revaluation/Devaluation	
	%	J\$'000	%	J\$'000	%	J\$'000
US dollars	+1	893	-10	(8,939)	±1	347
Pound (£)	+1	( 1)	-10	2	±1	1
Belize dollars	+1	( 13)	-10	129	±1	12
		<u>879</u>		<u>(8,808)</u>		<u>360</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 increased during the current year mainly due to the increased holdings of bank deposits, trade receivables and payables 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 24 (e) below.

Management of interest rate risk

The company manages its interest rate risk by monitoring the movements in the market interest rates closely.

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 Jamaican dollar investments, a 400 basis points increase and a 100 basis point decrease and for foreign currency denominated balances, a 250 basis points increase and a 50 basis points decrease (2012: 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.



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**24. 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)

If interest rates had been 400 basis points higher and 100 basis points lower for Jamaican dollar balances and 250 basis points higher and 50 basis points lower for foreign currency denominated balances and all other variables were held constant, the company's profit for the period would increase by \$0.059 million and decrease by \$0.011 million respectively (2012: increase/decrease by \$0.076 million). This is mainly attributable to the company's exposure to interest rate risk on its bank deposits.

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 \$375.949 million (2012: \$305.404 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 \$130.191 million (2012: \$93.063 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

Investment security

The credit risk associated with this investment is limited because the counterparty is a major financial institution with high credit rating. The carrying amount of \$30.270 million at the reporting date represents the company's maximum exposure to this class of financial asset.

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 three (2012: two) retail entities whose outstanding balances (within the approved credit limits) amounts to approximately 36% (2012: 25%) of trade receivables (see Note 10). Ongoing credit evaluation is performed on the financial condition of trade receivables. The book value of receivables is stated after allowance for likely losses estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets in respect of trade receivables totalling \$193.34 million (2012: \$195.52 million) and other receivables totalling \$21.82 million (2012: \$14.57 million) at year end which is net of impairment of approximately \$44.83 million and \$1.61 million respectively (2012: \$43.58 million and \$1.61 million respectively), represents the company's maximum exposure to this class of financial asset.

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 \$3.558 million (2012: \$2.416 million) at the reporting date represents the company's maximum exposure to this class of financial assets.



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

*Financial risk management policies and objectives (Cont'd)*

(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 (2012: \$99.75 million).

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

Non-derivative financial liabilities

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

	Weighted Average Effective Interest Rate %	On Demand or Within 1 Year \$'000	Total \$'000
<u>2013</u>			
Non-interest bearing	-	241,581	241,581
<u>2012</u>			
Non-interest bearing	-	176,908	176,908

Non-derivative financial assets

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

	Weighted Average Effective Interest Rate %	On Demand or Within 1 Year \$'000	Total \$'000
<u>2013</u>			
Non-interest bearing	-	373,611	373,611
Interest bearing	0.3	2,346	2,346
<u>2012</u>			
Non-interest bearing	-	290,265	290,265
Interest bearing	0.7	15,365	15,365

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

***Financial risk management policies and objectives (Cont'd)***

(f) Fair value of financial assets and financial liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a 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 or to fellow subsidiaries reflect the approximate fair values because of the short-term maturity of these instruments.
- The fair value of the investment security is measured by reference to quoted market prices derived by valuation techniques.

(g) Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial assets at fair value in the Statement of Financial Position</b>				
Pooled funds	-	30,270	-	30,270
	<u>-</u>	<u>30,270</u>	<u>-</u>	<u>30,270</u>

There were no transfers between Level 1 and Level 2 during the period.

As at March 31, 2012, there were no financial instruments that were measured subsequent to initial recognition at fair value.

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

***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 2012.