

BERGER PAINTS JAMAICA LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

**BERGER PAINTS JAMAICA LIMITED
YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the members of Berger Paints Jamaica Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Berger Paints Jamaica Limited (the "company"), which comprise the statement of financial position as at December 31, 2020, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters, (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for post employment benefit plans</p> <p>The company's post-retirement benefit provisions relate to a defined benefit pension scheme amounting to an asset of \$175.09 million and a retiree medical post-retirement benefit scheme amounting to a liability of \$138.27 million.</p> <p>These provisions require a significant level of judgement and technical expertise in their determination. The key assumptions used include the discount rate, inflation rate, mortality and future salary increases which involve judgement. Changes to the assumptions could have a significant impact to the post employment benefits recognized.</p> <p>Management uses external actuaries to assist in determining these key assumptions and in valuing the assets and liabilities within the schemes.</p>	<p>As part of our audit, we have assessed whether the key actuarial assumptions adopted by management are reasonable and consistently applied. The discount and inflation rates were agreed to those issued by the Institute of Chartered Accountants of Jamaica. In addition, we tested the valuation of relevant scheme assets. We also performed substantive audit procedures on the underlying participants' data that was provided to the actuary.</p> <p>We placed reliance on the actuary's report and therefore assessed the actuary's qualifications (i.e. professional certification, membership in an appropriate professional body), experience and reputation in the field. We also assessed the actuary's objectivity and evaluated the work performed (including reviewing the assumptions and inputs used in the report) in accordance with ISA 620 Using the Work of an Expert.</p> <p>We also assessed the adequacy of disclosures in the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters, (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses As described in Note 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty under section <i>Allowance for expected credit losses</i> (ECL), the company applies a simplified approach in calculating ECLs amounting to \$56.14 million. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Based on IFRS 9 - "Financial Instruments", the company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The process of developing an expectation of credit losses requires management to use judgement which could inherently be subjective.	In auditing the allowance for expected credit losses, we performed the following: <ul style="list-style-type: none">- We evaluated the techniques and methodologies used by the company to estimate the ECLs and assessed their compliance with the requirements of IFRS 9.- We assessed the reasonableness of the methodologies and assumptions applied, by validating the completeness of the inputs used to derive the loss rates used in determining the ECLs for trade receivables.- We also assessed the adequacy of disclosures in the financial statements.

Other information included in the Annual Report

Other information consists of the information included in the company's annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The company's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.



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INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Other information included in the Annual Report (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on additional requirements of the Jamaican Companies Act

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, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Kayann Sudlow.

Ernst & Young

Ernst & Young
Kingston, Jamaica

March 1, 2021

BERGER PAINTS JAMAICA LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	286,813	251,168
Post employment benefits	6	175,095	149,523
Right-of-use assets	7	63,866	29,804
Deferred tax assets	8	7,575	8,562
Total non-current assets		<u>533,349</u>	<u>439,057</u>
Current assets			
Inventories	9	445,714	638,700
Due from fellow subsidiaries	10	22,222	42,923
Trade and other receivables	11	575,007	568,432
Income tax recoverable		38,705	47,414
Cash and bank balances	12	210,804	584,698
Total current assets		<u>1,292,452</u>	<u>1,882,167</u>
Total assets		<u>1,825,801</u>	<u>2,321,224</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	141,793	141,793
Revaluation reserves	14	45,745	45,595
Revenue reserve		962,182	921,441
Total shareholders' equity		<u>1,149,720</u>	<u>1,108,829</u>
Non-current liabilities			
Post employment benefits	6	138,271	146,229
Lease liabilities	7	53,771	21,536
Total non-current liabilities		<u>192,042</u>	<u>167,765</u>
Current liabilities			
Due to immediate parent company	10	147,754	46,728
Due to fellow subsidiaries	10	102,318	654,800
Dividends payable		13,775	13,809
Provisions	15	11,692	17,460
Lease liabilities	7	11,065	8,705
Trade and other payables	16	197,435	303,128
Total current liabilities		<u>484,039</u>	<u>1,044,630</u>
Total equity and liabilities		<u>1,825,801</u>	<u>2,321,224</u>

The accompanying notes form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on March 1, 2021 and are signed on its behalf by:

.....
Adam Sabga
Chairman

.....
Michael Fennell
Director

BERGER PAINTS JAMAICA LIMITED**STATEMENT OF INCOME**
YEAR ENDED DECEMBER 31, 2020

	Notes	2020 \$'000	2019 \$'000
Revenue from contracts with customers	18	2,371,281	2,525,347
Raw materials and consumable used		(1,091,421)	(1,366,689)
Changes in inventories of finished goods and work in progress (net)		(127,036)	99,992
Manufacturing expenses		(55,747)	(108,298)
Depreciation	5,7	(65,711)	(48,943)
Employee benefits expense	20	(511,614)	(558,383)
Other operating expenses		(527,993)	(515,604)
Other income		20,034	13,975
PROFIT BEFORE TAXATION	19	11,793	41,397
Taxation	21	(148)	(12,095)
NET PROFIT FOR THE YEAR		<u>11,645</u>	<u>29,302</u>
Earnings per stock unit	22	<u>\$0.05</u>	<u>\$0.14</u>

The accompanying notes form an integral part of the financial statements.

BERGER PAINTS JAMAICA LIMITED**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2020**

	Notes	2020 \$'000	2019 \$'000
NET PROFIT FOR THE YEAR		<u>11,645</u>	<u>29,302</u>
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods:			
Deferred tax adjustment in respect of revaluation of property, plant and equipment	14	<u>150</u>	<u>150</u>
Remeasurement of employment benefit plans	6	<u>38,794</u>	<u>6,388</u>
Deferred tax	8	<u>(9,698)</u>	<u>(1,597)</u>
		<u>29,096</u>	<u>4,791</u>
Other comprehensive income for the year net of tax		<u>29,246</u>	<u>4,941</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>40,891</u>	<u>34,243</u>

The accompanying notes form an integral part of the financial statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019

	Notes	Share Capital \$'000	Revaluation Reserves \$'000	Revenue Reserve \$'000	Total \$'000
Balance at January 1, 2019		141,793	45,445	953,145	1,140,383
Net profit for the year		-	-	29,302	29,302
Other comprehensive income for the year		-	150	4,791	4,941
Total comprehensive income for the year		-	150	34,093	34,243
Dividends	17	-	-	(65,797)	(65,797)
Balance at December 31, 2019		141,793	45,595	921,441	1,108,829
Net loss for the year		-	-	11,645	11,645
Other comprehensive income for the year		-	150	29,096	29,246
Total comprehensive income for the year		-	150	40,741	40,891
Balance at December 31, 2020		141,793	45,745	962,182	1,149,720

The accompanying notes form an integral part of the financial statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	Notes	2020 \$'000	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		11,645	29,302
Adjustments for:			
Depreciation on property, plant and equipment	5	52,961	39,582
Depreciation on right of use assets	7	12,750	9,361
Interest expense on lease liabilities	7	3,728	1,083
Unrealised foreign exchange gains (net)		(33,924)	(9,650)
Post retirement benefit charge	6(e)	19,462	19,052
Income tax expense	21	148	12,095
Provision charge	15	3,475	19,765
Expected credit loss recognised on trade receivables	11	5,866	30,045
Expected credit loss recognised on other receivables	11	-	799
Reversal of expected credit loss on trade receivables	11	(30,880)	(32,465)
Gain on sale of property, plant and equipment		(801)	(548)
Operating cash flows before movements in working capital:		44,430	118,421
Decrease in trade and other receivables		18,439	69,786
Decrease/(increase) in inventories		192,986	(166,704)
(Decrease)/increase in due to/from fellow subsidiaries (net)		(531,781)	352,768
Provisions utilised	15	(9,243)	(18,135)
(Decrease)/Increase in trade and other payables		(105,693)	28,237
Increase/(Decrease) in due to immediate parent company		101,026	(28,466)
Post employment benefits contributions	6(e)	(14,198)	(12,977)
Cash generated from operations		(304,034)	342,930
Interest paid		(3,728)	(1,083)
Income tax paid		-	(1,285)
Net cash (used in)/provided by operating activities		(307,762)	340,562
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(88,606)	(47,050)
Proceeds on sale of property, plant and equipment		801	548
Net cash used in investing activities		(87,805)	(46,502)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(34)	(63,883)
Lease liabilities payments	7	(12,217)	(8,924)
Net cash used in financing activities		(12,251)	(72,807)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(407,818)	221,253
OPENING CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes		33,924	9,650
CLOSING CASH AND CASH EQUIVALENTS			
Right of use assets acquired under finance leases	7	210,804	584,698

Supplemental non-cash activities disclosure:

Right of use assets acquired under finance leases	7	46,812	25,868
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The accompanying notes form an integral part of the financial statements.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

1. IDENTIFICATION

The main activity of the company, which is incorporated and domiciled 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 54.12% subsidiary of Ansa Coatings International Limited. The ultimate holding company is Ansa McAL Limited, which is incorporated in Trinidad. The registered office of the company is 256 Spanish Town Road, Kingston 11.

These financial statements are expressed in Jamaican dollars.

The Board of Directors has the power to amend these financial statements after issue, if required.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 *Standards and interpretations affecting amounts reported and or disclosed in the current period (and/or prior period)*

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

2.2 *Standards and interpretations and amendments to existing standards adopted with no effect on the financial statements*

The following additional 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>Amendments to Standards</u>		<u>Effective for annual periods beginning on or after</u>
IAS 1 and IAS 8	Definition of Material – Amendments to IAS 1 and IAS 8	January 1, 2020
IFRS 3	Definition of a Business – Amendments to IFRS 3	January 1, 2020
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020
	The Conceptual Framework for Financial Reporting	January 1, 2020

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS
(CONTINUED)**

2.3 *Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company*

<u>New and Revised Standards</u>		<u>Effective for annual periods beginning on or after</u>
IAS 1	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2023
IFRS 3	Reference to the Conceptual Framework – Amendments to IFRS 3	January 1, 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 1, 2021
IFRS 16	Covid-19-Related Rent Concessions – Amendment to IFRS 16	June 1, 2020
IFRS 17	Insurance Contracts	January 1, 2023
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use– Amendments to IAS 16	January 1, 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 1, 2022
IFRS 9 and IAS 41	Amendments arising from 2018-2020 Annual Improvements to IFRS	January 1, 2022
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Effective date deferred indefinitely

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 is relevant to the operations of the company and are likely to impact amounts reported in the company's financial statements:

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 *Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company (continued)*

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The directors and management have not yet assessed the impact of the application of this amendment on the company's financial statements.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The directors and management have not yet assessed the impact of the application of this amendment on the company's financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The directors and management have not yet assessed the impact of the application of this amendment on the company's financial statements.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the relevant requirements of the Jamaican Companies Act.

3.2 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.

In accordance with the requirements of IAS 1 'Presentation of Financial Statements', the company has performed a going concern assessment as of the reporting date. While the COVID-19 pandemic has heightened the inherent uncertainty in the going concern assessment, the company has concluded that there are no material uncertainties that may cast significant doubt on its ability to continue to operate as a going concern. The financial statements have therefore been prepared on the going concern basis.

The principal accounting policies are set out below.

3.3 Current versus non-current classification

The company presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Transactions with jointly controlled entities

Common control business combinations are scoped out of IFRS 3, ‘Business Combinations’. Where such transactions arise, management’s policy is to apply either the requirements of IFRS 3 or the “pooling of interests” method (“POI method”), the latter being an approach outside of the IFRS. The determination of which method is applied depends on:

- a) Whether the common control business combination is deemed to have substance to the company. Substance exists where:
 - There is a business purpose to the transaction;
 - Outside parties, such as non-controlling interests are involved;
 - The transaction was conducted at fair value; and
 - The acquired company had business activities prior to the acquisition.

If the transaction is deemed to have no substance, then only the POI method can be applied.

- b) The size and significance of the acquisition to the company.
- c) The company’s reporting requirements.

The key differences between the POI method and the acquisition method under IFRS 3 are:

- The POI method does not permit fair valuation of assets or liabilities acquired. Instead assets and liabilities are recognised at their carrying values.
- No new goodwill is generated under the POI method. Instead, any difference between the consideration paid and the carrying value of net assets acquired is recognised in equity.

The carrying values recognised are typically those within the consolidated financial statements of the ultimate parent company, ANSA McAL Limited, however there are situations where the carrying values recognised will be those within the stand-alone financial statements of the acquired entity. In determining which carrying values should be used, management considers:

- The timing of the transaction in comparison to when the acquired company was established within the company;
- The identity and nature of the users of the company’s financial statements; and
- Whether consistent accounting policies are used by the acquired company.

The company has a policy of combining the results of the acquired company from the acquisition date and not restating periods prior to the date of the combination. Further, equity balances are retained to allow for recycling of profits and equity that can occur as a result of future events.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 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.

Repairs and maintenance costs are recognised in profit or loss as incurred.

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.

3.7 Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessor

Leases in which the company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

Company as a lessee (continued)

Right-of-use assets

The company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- | | |
|---------------------|-------------|
| • Land and building | 2 to 5 yrs. |
|---------------------|-------------|

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies at 3.8 "Impairment of non-financial assets".

Lease liabilities

At the commencement date of the lease, the company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event of condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low-value assets

The company applies the short term lease recognition exemption to its short term leases (that is, those leases that have a lease term of 2 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial 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 company 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.

3.9 Employee benefits

3.9.1 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. The employees may make additional unmatched voluntary contributions up to the maximum permissible by the Income Tax Act. The employer contributes such funds as are necessary to meet the balance of the liabilities as determined by actuarial valuations subject to a maximum rate so that the total contributions (employee and employer) sum to 20% of pensionable salaries. The company's rate of contribution of 5.5% is determined by the Board of Directors upon recommendation of external actuaries.

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.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits (continued)

3.9.1 Pension obligations (continued)

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the company recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The company recognises the following changes in the net defined benefit obligation under employee benefit costs in the statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

3.9.2 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.

3.9.3 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.

3.10 Inventories

These are stated at the lower of cost and net realisable value. The cost of finished goods and cost of work-in-progress 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. Cost is arrived at based on the standard cost method (which approximates to the weighted average cost). Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments

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

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. Transaction 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 (except for financial assets and financial liabilities at fair value through profit or loss where such costs 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:

3.11.1 *Financial assets*

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.1 *Financial assets (continued)*

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the company. The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets at amortised cost includes trade and other receivables including contract assets, due from related parties and cash and bank balances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.1 *Financial assets (continued)*

Derecognition (continued)

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.2 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, due to related parties and dividend payable.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(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.

Intercompany transactions are recorded at pre-determined company rates and are settled within 30 days. Interest is not charged on these balances as they are settled in a short period.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.2 *Financial liabilities (continued)*

Initial recognition and measurement (continued)

(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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of income.

3.12 Taxation

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

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the statement of income 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.

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.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Taxation (continued)

Deferred tax (continued)

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.

The company offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

Sales tax

Expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.
- when receivables and payables are stated with the amount of tax included.

The net amount of sales tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

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 deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3.13 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.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

Sales of products to third parties

Revenue from the sale of products to third parties is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for sales, the company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Certain customers are provided with a right of return and discount incentives based on volumes subject to the maintenance of their customer account on a current basis. The rights of return and discounts give rise to variable consideration.

• Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (continued)

Sales of products to third parties (continued)

(i) *Variable consideration (continued)*

• Discount incentives

The company provides discount incentives under a partnership incentive plan (PIP) whereby discounts are applied at the point of invoicing to certain customers based on the achievement of volume targets and/or maintenance of their account on a current basis. The company uses historical performance to estimate the discount incentive tier the customer is likely to fall in subject to the attainment of the two criteria previously mentioned. The model is assessed on a quarterly basis.

(ii) *Significant financing component*

Where the company receives short-term advances from their customers, using the practical expedient in IFRS 15, the company does not adjust the promised amount of consideration for the effects of a significant financing component if they expect, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Where the company receives long-term advances from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the company and their customers at contract inception, to take into consideration the significant financing component.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 3.11 Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (continued)

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the company ultimately expects it will have to return to the customer. The company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Cost to obtain a contract

The company pays sales commission to its employees for each contract that they obtain. The company has elected to apply the optional practical expedient for costs to obtain a contract which allows the company to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the company otherwise would have used is one year or less.

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.

3.15 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).

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Foreign currencies (continued)

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. The gain or loss arising on translation of a non-monetary item measured in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items whose fair values gain is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively). Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

All other exchange differences are recognised in profit or loss for the period in which they arise.

3.16 Research and development expenditure

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

3.17 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.

3.18 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.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

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

a) Revenue from contracts with customers

Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of goods include a right of return and discount incentives that give rise to variable consideration. In estimating the variable consideration, the company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of various goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the company considers whether the amount of variable consideration is constrained. The company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

b) Determining the lease term of contracts with renewal and termination options – company as a lessee

The company determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The company has lease contracts that include extensions and termination options. The company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The company included the renewal period as part of the lease term for leases of property. The company typically exercises its option to renew for these leases. The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 are an asset of approximately \$175.09 million (2019: \$149.52 million) in respect of the defined benefit pension plan and a liability of approximately \$138.27 million (2019: \$146.23 million) in respect of post retirement medical liabilities. The post employment benefits are subject to estimates in respect of periodic costs, which costs are 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 medical benefit obligation.

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

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

Note 6(i) details some sensitivity analyses in respect of 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. 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 +/- 10% in the final tax outcome of these estimates would have the effect of approximately \$0.01 million (2019: \$1.21 million) increase/decrease in the current and deferred tax provisions.

c) Revenue from contracts with customers – Returns and incentive discounts

Estimating variable consideration for returns and incentive discounts

The company estimates variable considerations to be included in the transaction price for the sale of goods with rights of return.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

c) Revenue from contracts with customers – Returns and incentive discounts (continued)

The company developed a model for forecasting sales returns. The model used the historical return data of each product to derive expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the company.

The company's expected incentive discount/volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold among other factors. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical discount incentive/rebates entitlement and accumulated purchases to date among other factors.

The company applied a model for estimating expected incentive discounts for contracts with more than one volume threshold. The model uses the historical purchasing patterns and discounts entitlement of customers to determine the expected discount percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and discount entitlements of customers will impact the expected discounts percentages estimated by the company.

The company updates its assessment of expected returns and discounts periodically and the refund liabilities are adjusted accordingly. Estimates of expected returns and discounts are sensitive to changes in circumstances and the company's past experience regarding returns and discount entitlements may not be representative of customers' actual returns and discount entitlements in the future. As at December 31, 2020, the amount recognised as refund liabilities for the expected returns and discounts/volume rebates was \$4.29 million (2019: \$4.29 million).

d) Allowance for expected credit losses

The company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various ageing buckets and the related loss patterns. The provision matrix is initially based on the company's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation and foreign exchange rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the company's trade receivables is disclosed in Note 11.

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(CONTINUED)**

Key sources of estimation uncertainty (continued)

d) Allowance for expected credit losses (continued)

At year end trade receivables totaled \$474.07 million (2019: \$588.42 million) for which an allowance for expected credit losses of \$56.14 million (2019: \$81.16 million) (Note 11) was recognised.

In response to the COVID-19 pandemic, the company assessed the need to adjust the loss rates to incorporate forward-looking information, taking into account the expected recovery rate of receivables and various applicable macroeconomic factors. Based on the analysis performed as at December 31, 2020, no material overlay adjustments specifically related to the COVID-19 pandemic was considered necessary.

e) Provision for obsolescence of inventory

Estimates of provision for obsolescence of inventory are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. Estimates of provision for obsolescence also take into consideration the purpose for which the inventory is held.

f) Leases - estimating the incremental borrowing rate

If the company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as stand-alone credit rating).

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold						Totals \$'000	
	Buildings &		Furniture		Motor Vehicles \$'000	Motor Vehicles \$'000		
	Freehold Land \$'000	Leasehold Improvements \$'000	Plant and Machinery \$'000	Fixtures & Equipment \$'000				
At cost								
January 1, 2019	27,000	105,325	345,493	106,881	39,918	624,617		
Additions	-	4,065	93	36,666	6,226	47,050		
Disposals	-	-	-	-	(1,534)	(1,534)		
December 31, 2019	27,000	109,390	345,586	143,547	44,610	670,133		
Additions	-	19,757	57,738	5,913	5,198	88,606		
Disposals	-	-	(395)	(7,438)	(4,266)	(12,099)		
December 31, 2020	27,000	129,147	402,929	142,022	45,542	746,640		
Accumulated depreciation								
January 1, 2019	-	50,978	206,408	87,894	35,637	380,917		
Depreciation charge	-	3,575	23,005	9,859	3,143	39,582		
Disposals	-	-	-	-	(1,534)	(1,534)		
December 31, 2019	-	54,553	229,413	97,753	37,246	418,965		
Depreciation charge	-	4,608	28,809	16,938	2,606	52,961		
Disposals	-	-	(395)	(7,438)	(4,266)	(12,099)		
December 31, 2020	-	59,161	257,827	107,253	35,586	459,827		
Carrying amounts								
December 31, 2020	27,000	69,986	145,102	34,769	9,956	286,813		
December 31, 2019	27,000	54,837	116,173	45,794	7,364	251,168		

- 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. The plans are exposed to interest rate risk, inflation and changes in life expectancy for pensioners. Note 6(h) details the plan's exposure in respect of various financial assets.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

6. POST EMPLOYMENT BENEFITS (CONTINUED)

Plan information

Regulatory framework	The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the Financial Services Commission (Regulator), the working party of actuaries and auditors agreed on a minimum employer contributions rate of 0.25% of payroll per annum where plan rules do not specify a minimum.
Responsibilities	The trustees ensure benefits are funded, benefits are paid, and assets are invested to maximize return subject to acceptable investment risks while considering the liability profile. The board of trustees (including sponsor, employee and pensioner representatives) have contracted a pension services provider to administer the plan's activities. The plan is registered with the Financial Services Commission.
Asset-Liability Matching	Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds.

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 by the Board of Directors upon recommendation of external actuaries (currently 5.5% (2019: 5.5%) of pensionable salaries) and the employees contribute at a rate of 5% of pensionable salaries (with the option of contributing an additional amount subject to a maximum rate so that the total contributions (employee and employer) sum to 20% of pensionable salaries). Pension benefits are determined on a prescribed benefits basis and are payable at a rate of 1% of the employee's average earnings over the three years prior to retirement multiplied by 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 for IFRS purposes of the two plans were carried out as at December 31, 2020 by Apex Consulting Limited (Consulting Actuaries), Fellow of the Institute of Actuaries. The obligations were measured using the projected unit credit method. The last actuarial valuation to determine the adequacy of funding done as at December 31, 2018 revealed that the plan was adequately funded at that date.

BERGER PAINTS JAMAICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

Financial Assumptions

	2020 %	2019 %
Gross discount rate	9.00	7.50
Expected rate of salary increases	4.50	3.50
Future pension increases	2.00	1.25
Medical inflation	5.50	5.00
Inflation	5.00	4.00
Minimum funding rate	0.25	0.25
Administration fees (percentage of pay)	1.00	1.00

Demographic Assumptions

- (i) Mortality

American 1994 Company Annuitant Mortality (GAM94) table with 5-year mortality improvement.

Death rates per 1,000 are set out below:

Age	Males	Females
20 – 40	0.35 – 0.66	0.22 – 0.29
30 – 40	0.66 – 0.85	0.29 – 0.48
40 – 50	0.85 – 1.58	0.48 – 0.97
50 – 60	1.58 – 4.43	0.97 – 2.29
60 - 70	<u>4.43 – 14.53</u>	<u>2.29 – 8.63</u>

- (ii) Retirement - males who joined the plan before January 1, 2002 will retire at age 65 and all other members will retire at age 60.
- (iii) Terminations - no assumption was made for exit prior to retirement.
- (iv) Martial statistics – 80% of members are assumed to be married at their date of retirement.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

Defined benefit pension plan amounts for the current and previous four years were as follows:

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Present value of obligation	(994,440)	(1,004,652)	(1,069,906)	(1,080,051)	(871,233)
Fair value of plan assets	1,493,379	1,663,555	1,487,691	1,386,267	1,061,681
Unrecognised asset due to ceiling	(323,844)	(509,380)	(281,222)	(143,606)	(62,315)
Net asset in the statement of financial position	<u>175,095</u>	<u>149,523</u>	<u>136,563</u>	<u>162,610</u>	<u>128,133</u>

- (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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
	(994,440)	(1,004,652)	(138,271)	(146,229)
Present value of obligation	1,493,379	1,663,555	-	-
Fair value of plan assets	(323,844)	(509,380)	-	-
Net asset (liability) in the statement of financial position	<u>175,095</u>	<u>149,523</u>	<u>(138,271)</u>	<u>(146,229)</u>

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current service cost	14,485	15,275	3,450	3,101
Net interest cost:				
Interest cost on defined benefit obligation	76,000	75,000	11,007	9,392
Interest income on plan assets	(85,480)	(83,716)	-	-
Total included in employee benefits expense	<u>5,005</u>	<u>6,559</u>	<u>14,457</u>	<u>12,493</u>

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(d) Amounts recognised in other comprehensive income in respect of the plans are as follows:

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Remeasurements				
Change in financial assumptions	(75,000)	(52,749)	(18,754)	387
Experience adjustments	238,318	(186,984)	2,178	4,800
Change in effect of the asset ceiling	(185,536)	228,158	-	-
	(22,218)	(11,575)	(16,576)	5,187

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Opening balance	149,523	136,563	(146,229)	(133,582)
Amount charged to income	(5,005)	(6,559)	(14,457)	(12,493)
Remeasurement recognised in OCI	22,218	11,575	16,576	(5,187)
Contributions by employer	8,359	7,944	5,839	5,033
Closing balance	175,095	149,523	138,271	(146,229)

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Opening defined benefit obligation	1,004,652	1,069,906	146,229	133,582
Service cost	14,485	15,275	3,450	3,101
Interest cost	76,000	75,000	11,007	9,392
Members' contributions	13,566	12,227	-	-
Benefits paid	(50,809)	(41,329)	(5,839)	(5,033)
Remeasurement:				
Changes in financial assumptions	(75,000)	(52,749)	(18,754)	387
Changes in experience adjustments	11,546	(73,678)	2,178	4,800
Closing defined benefit obligation	<u>994,440</u>	<u>1,004,652</u>	<u>138,271</u>	<u>146,229</u>

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

	Defined Benefit Pension Plan	
	2020 \$'000	2019 \$'000
Opening fair value of plan assets	1,663,555	1,487,691
Members' contributions	13,566	12,227
Employer's contributions	8,359	7,944
Interest income on plan assets	85,480	83,716
Benefits paid	(50,809)	(41,329)
Remeasurement:		
Experience adjustments	(226,772)	113,306
Closing fair value of plan assets	<u>1,493,379</u>	<u>1,663,555</u>
Movement in asset ceiling asset		
Effect of asset ceiling at beginning	(509,380)	(281,222)
Remeasurement effects	185,536	(228,158)
Effect of ceiling at the end of period	<u>(323,844)</u>	<u>(509,380)</u>

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(h) The major categories of plan assets are as follows:

	Defined Benefit Pension Plan	
	2020	2019
	Fair Value of Plan Asset \$'000	Fair Value of Plan Asset \$'000
Equity fund	388,278	532,337
CPI indexed fund	59,735	49,907
International equity	59,735	49,907
Fixed income fund	149,337	149,720
Mortgage and real estate fund	253,874	299,440
Foreign currency fund	194,139	182,991
Money market fund	14,933	16,635
Value of purchased annuities	373,345	382,618
 Closing fair value of plan assets	 <u>1,493,379</u>	 <u>1,663,555</u>

Apart from purchased annuities, each asset is held in a segregated fund.

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

(i) Sensitivity analyses

1. Medical Inflation

	1% decrease in Medical inflation Assumption \$'000	1% increase in Medical inflation Assumption \$'000
(Decrease) Increase in defined benefit obligation - 2020	(16,378)	20,103
(Decrease) Increase in defined benefit obligation - 2019	(19,424)	24,288

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(i) Sensitivity analyses (continued)

2. Discount rate

	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000
2020		
Increase (Decrease) in defined benefit obligation - Medical	19,204	(15,591)
Increase (Decrease) in defined benefit obligation - Pension	110,041	(88,884)
2019		
Increase (Decrease) in defined benefit obligation - Medical	23,475	(18,694)
Increase (Decrease) in defined benefit obligation - Pension	117,684	(91,396)

3. Future pension increase

	1% decrease in Future Pension Assumption \$'000	1% increase in Future Pension Assumption \$'000
2020		
(D) Increase in defined benefit obligation - Pension	(66,725)	77,651
2019		
(D) Increase in defined benefit obligation - Pension	(83,664)	97,791

4. Salary assumption

	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000
2020		
(D) Increase in defined benefit obligation - Pension	(23,809)	27,523
2019		
(D) Increase in defined benefit obligation - Pension	(23,842)	29,733

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(i) Sensitivity analyses (continued)

5. Life expectancy

	1 year Decrease \$'000	1 year Increase \$'000
2020		
(Decrease) Increase in defined benefit obligation - Medical	(3,953)	3,946
(Decrease) Increase in defined benefit obligation - Pension	(16,718)	16,371
2019		
(Decrease) Increase in defined benefit obligation - Medical	(4,518)	4,526
(Decrease) Increase in defined benefit obligation - Pension	(17,517)	17,194

(j) Other

(i) Expected employer contributions for the next year

	\$'000
Pension	11,565
Medical	7,341
	<u>18,906</u>

(ii) Expected expense for the next year

	Medical \$'000	Pension \$'000	Total \$'000
Service cost	2,598	13,152	15,750
Financing cost (net)	<u>12,348</u>	<u>(14,330)</u>	<u>(1,982)</u>
	<u>14,946</u>	<u>(1,178)</u>	<u>13,768</u>

(iii) Maturity profile of defined benefit obligation

	Weighted average duration of liability 2020	Weighted average duration of liability 2019
Pension	12	13
Medical	14	16

(iv) Included in the holdings of plan assets is an investment in the Sagicor Pooled Pension Investment Funds which holds 10.4% (2019: 10.4%) of the company's issued shares.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

7. LEASES

Company as a lessee

Set out below are the carrying amount of right of use assets recognised and the movement during the year:

	2020 \$'000	2019 \$'000
As at January 1	29,804	13,297
Additions	46,812	25,868
Depreciation	<u>(12,750)</u>	<u>(9,361)</u>
As at December 31	<u>63,866</u>	<u>29,804</u>

Set out below are the carrying amount of lease liabilities and the movement during the period:

	2020 \$'000	2019 \$'000
As at January 1	30,241	13,297
Additions	46,812	25,868
Accretion of interest	3,728	1,083
Payments	<u>(15,945)</u>	<u>(10,007)</u>
As at December 31	<u>64,836</u>	<u>30,241</u>
Classified as:		
Current	11,065	8,705
Non-current	<u>53,771</u>	<u>21,536</u>
	<u>64,836</u>	<u>30,241</u>

The following are the amounts recognised in profit or loss:

	2020 \$'000	2019 \$'000
Depreciation expense of right of use asset	12,750	9,361
Interest expense on lease liabilities	<u>3,728</u>	<u>1,083</u>
Total amount recognised in profit or loss	<u>16,478</u>	<u>10,444</u>

Operating lease payments relating to short term leases and leases of low value assets recognized as expense for the year amounted to \$0.28 million (2019: \$0.93 million).

BERGER PAINTS JAMAICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

7. LEASES (CONTINUED)*Company as a lessor*

The company has entered into an operating lease on its freehold land with a related party. The lease has a term of five years. Rental income recognised by the company during the year is \$0.35 million (2019: nil).

Future minimum rentals receivable under non-cancellable operating lease as at 31 December are as follows:

	2020 \$'000	2019 \$'000
Within one year	350	-
After one year but not more than five years	<u>966</u>	<u>-</u>
	<u><u>1,316</u></u>	<u><u>-</u></u>

8. 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:

	2020 \$'000	2019 \$'000
Deferred tax assets	57,439	56,308
Deferred tax liabilities	<u>(49,864)</u>	<u>(47,746)</u>
	<u><u>7,575</u></u>	<u><u>8,562</u></u>

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

	2020 \$'000	2019 \$'000
Opening balance	8,562	5,473
Credit to income for the period (Note 21(a))	8,561	4,536
Charge to other comprehensive income for the period (Note 21(b))	<u>(9,548)</u>	<u>(1,447)</u>
Closing balance	<u><u>7,575</u></u>	<u><u>8,562</u></u>

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

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

8. DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

Deferred tax assets

	Excess value over tax allowances on motor vehicles \$'000	Depreciation charges in excess of capital allowances \$'000	Accrued vacation \$'000	Post employment benefits obligation \$'000	Accrued incentive and other \$'000	Unrealised Foreign exchange losses \$'000	Lease liabilities in excess of right of use assets \$'000	Total \$'000
Balance, January 1, 2019	211	342	3,957	33,395	14,617	-	-	52,522
Credit/(Charge) to income for the year	(211)	(342)	408	1,865	(3,628)	4,288	109	2,489
Charge to other comprehensive income for the year	-	-	-	1,297	-	-	-	1,297
Balance, December 31, 2019	-	-	4,365	36,557	10,989	4,288	109	56,308
Credit/(Charge) to income for the year	-	-	(1,443)	2,157	233	4,195	133	5,275
Credit to other comprehensive Income for the year	-	-	-	(4,144)	-	-	-	(4,144)
Balance, December 31, 2020	-	-	2,922	34,570	11,222	8,483	242	57,439

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

8. DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

Deferred tax liabilities

	Unrealised foreign exchange gains \$'000	Revaluation of properties \$'000	Post- employment benefits asset \$'000	Capital allowances in excess of depreciation charges \$'000	Capital allowances in excess of depreciation charges on motor vehicles \$'000	Total \$'000
Balance, January 1, 2019	8,776	4,134	34,139	-	-	47,049
Charge to income for the year	(8,776)	-	348	6,283	98	(2,047)
Credit to other comprehensive income for the year	-	(150)	2,894	-	-	2,744
Balance, December 31, 2019	-	3,984	37,381	6,283	98	47,746
(Credit)/Charge to income for the year	-	-	841	(4,266)	139	(3,286)
Charge/(Credit) to other comprehensive income for the year	-	(150)	5,554	-	-	5,404
Balance, December 31, 2020	-	3,834	43,776	2,017	237	49,864

BERGER PAINTS JAMAICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

9. INVENTORIES

	2020 \$'000	2019 \$'000
Finished goods	177,279	311,947
Work-in-progress	18,452	10,820
Raw materials and supplies	183,817	240,641
Goods-in-transit	<u>66,166</u>	<u>75,292</u>
	<u><u>445,714</u></u>	<u><u>638,700</u></u>

Inventories stated above are net of provision for obsolescence amounting to approximately \$58.48 million (2019: \$62.74 million).

The cost of inventories recognised as an expense during the period, was \$1,218.46 million (2019: \$1,266.70 million).

Movement in provision for obsolescence

	2020 \$'000	2019 \$'000
Opening balance	62,737	38,973
Charged to income	8,439	26,698
Reversal of write down (Note 9(a))	<u>(12,692)</u>	<u>(2,934)</u>
Closing balance	<u><u>58,484</u></u>	<u><u>62,737</u></u>

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

Charges in respect of inventory obsolescence of \$8.44 million (2019: \$26.70 million) are recorded in raw materials and consumable used.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

10. 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:

	Purchases of Goods,						Amounts Owed by (to) Related Parties	
	Sales of Goods and Raw Materials		Raw Materials and Equipment		Technical Service Fees		2020	2019
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	\$'000	\$'000
<i>Immediate parent</i>								
Ansa Coatings International Ltd.	-	-	-	-	81,962	72,392	(147,754)	(46,728)
<i>Fellow subsidiaries</i>								
Berger Trinidad	-	-	-	1,523	-	-	-	17,024
Berger Barbados	460	489	-	85	-	-	7,475	2,963
ABEL Building Solutions	-	-	-	-	-	-	(3,993)	(55)
Ansa Mcal (Barbados)	-	-	-	-	-	-	(49)	-
Ansa Coating (Ja) Ltd.	-	-	-	-	-	-	11,153	(110,257)
Ansa Mcal Trading Inc.	-	-	4,672,202	1,003,779	-	-	(27,485)	(462,812)
Ansa Coatings Limited	5,134	-	125,632	112,507	-	-	(9,219)	(23,402)
Ansa Mcal Limited	-	-	-	-	-	-	(61,572)	(58,274)
Ansa Polymer	-	-	-	-	-	-	2	2
Sissons Paints	-	-	-	-	-	-	-	27
Ansa Mcal Chemicals	-	-	-	-	-	-	3,470	22,861
Richmond Motors	-	-	-	-	-	-	-	46
Ansa Merchant Bank	-	-	-	-	-	-	119	-
Ansa Technologies Limited	-	-	-	-	-	-	3	-
	5,594	489	4,797,834	1,117,894	-	-	(80,096)	(611,877)
Reflected in statement of financial position:								
Due from fellow subsidiaries							22,222	42,923
Due to fellow subsidiaries							(102,318)	(654,800)
							(80,096)	(611,877)

BERGER PAINTS JAMAICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020****10. BALANCES/TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

Sale of goods to related parties were made at the predetermined company 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.

Compensation of key management personnel

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

	2020 \$'000	2019 \$'000
Short-term benefits	74,902	83,577
Post-employment benefits	<u>3,758</u>	<u>3,652</u>
	78,660	87,229

The remuneration of directors and key executives is determined by the directors of the parent company having considered the recommendation of the local Board and performance of individuals and prevailing macro-economic factors.

11. TRADE AND OTHER RECEIVABLES

	2020 \$'000	2019 \$'000
Trade receivables	474,074	588,421
Less allowance for expected credit losses	<u>(56,142)</u>	<u>(81,156)</u>
	417,932	507,265
Other receivables and prepayments (net of an allowance for expected credit losses of \$15.53 million (2019: \$15.53 million))	<u>157,075</u>	<u>61,167</u>
	575,007	568,432

The average credit period on sale of goods is 30 - 60 days. The company has provided fully for all receivables due for over 180 days (2019: 180 days) because historical experience has shown that receivables that are past due beyond this period are generally not recoverable. Trade receivables outstanding between 30 and 180 days (2019: 30 and 180 days) are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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. Of the trade receivables balance at the end of the reporting period, \$57.34 million (2019: nil) (amount within the approved credit limit) is due from one (2019: nil) of the company's customer (See also Note 24(d)). There were no other customers who represented more than 5% of the total balance of trade receivables.

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.

Movement in allowance for expected credit losses

	Trade Receivables		Other Receivables	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Opening balance	81,156	83,576	15,531	14,732
Expected credit losses recognised	5,866	30,045	-	799
Amounts recovered during the year	(30,880)	(32,465)	-	-
Closing balance	<u>56,142</u>	<u>81,156</u>	<u>15,531</u>	<u>15,531</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 expected credit losses.

Ageing of impaired trade receivables

	2020 \$'000	2019 \$'000
0-30 days	2,744	581
31-90 days	19,314	17,483
91-180 days	437	7,517
Over 181 days	33,627	55,575
	<u>56,142</u>	<u>81,156</u>

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of impaired other receivables

	2020 \$'000	2019 \$'000
≥ 12 months	<u>15,531</u>	<u>15,531</u>

12. CASH AND BANK BALANCES

	2020 \$'000	2019 \$'000
Cash on hand	531	501
Foreign currency bank balances (Note 12(a))	18,783	263,136
Jamaican dollar bank balances (Note 12(b))	<u>191,490</u>	<u>321,061</u>
	<u>210,804</u>	<u>584,698</u>

- (a) These include non-interest bearing accounts totalling \$1.79 million (2019: \$1.67 million), representing the Jamaican dollar equivalent of Belize \$26,700 (2019: \$26,700) and \$16.98 million (2019: \$261.47 million) representing the Jamaican dollar equivalent of US\$0.118 million (2019: US\$1.99 million).
- (b) The company has a credit facility (overdraft) with a commercial bank with a limit of 90 million (2019: \$90 million) at a rate of 16.25% (2019: 16.25%) per annum. The company did not utilize the facility in the current or prior period.
- (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

	2020 No. of shares	2019 No. of shares	2020 \$'000	2019 \$'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.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

14. REVALUATION RESERVES

	Properties Revaluation Reserve	
	2020 \$'000	2019 \$'000
Balance at beginning of year	45,595	45,445
Adjustments to deferred tax liability in respect of revalued buildings (Note 21(b))	150	150
Balance at end of year	45,745	45,595

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 realized, is transferred directly to revenue reserve.

15. PROVISIONS

	Employee Benefits	
	2020 \$'000	2019 \$'000
Opening balance	17,460	15,830
Charged to income for year	3,475	19,765
Utilized during the year	(9,243)	(18,135)
Closing balance	11,692	17,460

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

16. TRADE AND OTHER PAYABLES

	2020 \$'000	2019 \$'000
Trade payables	73,356	183,863
Other payables and accruals	124,079	119,265
	197,435	303,128

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.

17. DIVIDENDS

There were no dividends declared for the year ended December 31, 2019.

During the prior period, a final dividend of 30.7¢ per share totaling \$65.80 million for the year ended December 31, 2018 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 May 28, 2019.

BERGER PAINTS JAMAICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020****18. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The following are entity-wide disclosures:

(a) Products

	2020 \$'000	2019 \$'000
Decorative/architectural products	2,187,383	2,325,254
Industrial products	116,637	149,696
Automotive products	67,260	50,397
	<u>2,371,281</u>	<u>2,525,347</u>

(b) Geographical areas

	2020 \$'000	2019 \$'000
Domestic sales	2,307,356	2,449,400
Export sales	63,925	75,947
	<u>2,371,281</u>	<u>2,525,347</u>

(c) Major customers

Of the sales for the year, 11% (2019: 13%) was attributable to the company's largest customer. There were no other customers who represented 10% or more of the company's revenue.

(d) Right of return assets and liabilities

	2020 \$'000	2019 \$'000
Right of return asset (included in other receivables)	961	961
Refund liabilities (included in other payables)		
- Arising from rights of return	4,290	4,290

(e) Performance obligations

The performance obligation is satisfied upon delivery of manufactured products or of goods purchased for resale. The terms of payment are determined by prior approval and can be cash or credit for a period of 7 or 30 days and 60 days for export customers. Where there are returns due to damaged or faulty products or sales errors, customers are entitled to full refunds. Such returns usually occur within one month of delivery.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

19. PROFIT BEFORE TAXATION

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

	2020 \$'000	2019 \$'000
(i) Expenses on financial assets at amortised cost		
Allowance for expected credit losses on sale of goods net of recoveries of \$30.88 million (2019: \$32.46 million)	(25,014)	(110)
Allowance for expected credit losses on other receivables	-	799
(ii) Net loss on financial assets and financial liabilities at amortised cost		
Net foreign exchange loss	50,924	27,559
(iii) Other expenses		
Directors' emoluments		
Fees	4,611	3,579
Management	18,185	22,416
Audit fees	6,240	5,872

20. EMPLOYEES BENEFITS EXPENSE

Staff costs incurred during the period were:

	2020 \$'000	2019 \$'000
Salaries, wages and statutory contributions	446,275	486,055
Other staff benefits	<u>65,339</u>	<u>71,769</u>
	<u>511,614</u>	<u>557,824</u>

21. TAXATION

Current and deferred taxes have been calculated using the tax rate of 25% (2019: 25%).

(a) Recognised in profit and loss

(i) The total charge for the period comprises:

	2020 \$'000	2019 \$'000
Current tax	4,330	16,631
Prior year under provision	4,379	-
Deferred tax adjustment (Note 8)	<u>(8,561)</u>	<u>(4,536)</u>
	<u>148</u>	<u>12,095</u>

Current and deferred taxes have been calculated using the tax rate of 25% (2019: 25%).

BERGER PAINTS JAMAICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020****21. TAXATION (CONTINUED)****(a) Recognised in profit and loss (continued)**

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

	2020 \$'000	2019 \$'000
Profit before tax	<u>11,793</u>	<u>41,397</u>
Tax at the domestic income tax rate of 25%	2,948	10,349
Tax effect of expenses that are not deductible in determining taxable profit	30	2,140
Non assessable income	(200)	(137)
Employment tax credit	(1,855)	(7,128)
Prior year under provision	4,379	-
Other	<u>(5,154)</u>	<u>6,871</u>
Tax expense for the year	<u>148</u>	<u>12,095</u>

(b) Recognised directly in other comprehensive income in equity (Note 8)

	2020 \$'000	2019 \$'000
Revaluation of properties (Note 14)	150	150
Remeasurement of defined benefit plans	<u>(9,698)</u>	<u>(1,597)</u>
	<u>(9,548)</u>	<u>(1,447)</u>

22. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit of \$0.05 (2019: \$0.14) is based on the profit after taxation of \$11.65 million (2019: \$29.30 million) and the number of stock units in issue during the period of 214,322,393 (2019: 214,322,393 units).

23. COMMITMENTS**(a) Capital commitments**

There were no capital commitments as at December 31, 2020 nor at December 31, 2019.

BERGER PAINTS JAMAICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK 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:

	2020 \$'000	2019 \$'000
Financial Assets (at amortised cost)		
- Due from fellow subsidiaries	22,222	42,923
- Trade and other receivables (excluding prepayments)	545,890	560,895
- Cash and bank balances	<u>210,804</u>	<u>584,698</u>
	<u>778,916</u>	<u>1,188,516</u>
Financial Liabilities (at amortised cost)		
- Due to immediate parent company	147,754	46,728
- Due to fellow subsidiaries	102,318	595,159
- Dividends payable	13,775	13,809
- Trade and other payables (excluding accruals)	<u>102,944</u>	<u>203,162</u>
- Lease liabilities	<u>64,836</u>	<u>30,241</u>
	<u>431,627</u>	<u>889,099</u>

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT
(CONTINUED)**

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 company'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.

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 expose 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.

(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.

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT
(CONTINUED)**

Financial risk management policies and objectives (continued)

(b) Foreign exchange risk (continued)

Management of foreign exchange risk

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

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

	Liabilities		Assets		Net Liabilities (Assets)	
	2020 J\$'000	2019 J\$'000	2020 J\$'000	2019 J\$'000	2020 J\$'000	2019 J\$'000
US dollars	271,329	605,446	64,381	342,792	206,948	262,654
Belize dollars	-	-	1,799	1,666	(1,799)	(1,666)

Foreign currency sensitivity

The following table details the sensitivity to a 2% revaluation and 6% devaluation (2019: 4% revaluation and 6% 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.

If the Jamaican dollar strengthens by 2% or weakens by 6% (2019: strengthens by 4% or weakens by 6%) against the relevant foreign currency, profit will (decrease) increase by:

	2020				2019			
	Revaluation		Devaluation		Revaluation		Devaluation	
	%	J\$'000	%	J\$'000	%	J\$'000	%	J\$'000
US dollars	+2	4,139	-6	(12,417)	+4	10,506	-6	(15,759)
Belize dollars	+2	(36)	-6	108	+4	(67)	-6	100
		<u>4,103</u>		<u>12,309</u>		<u>10,439</u>		<u>(15,659)</u>

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT
(CONTINUED)**

Financial risk management policies and objectives (continued)

- (b) Foreign exchange risk (continued)

Foreign currency sensitivity (continued)

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

The company's sensitivity to foreign currency has decreased during the current period mainly due to the decreased trade receivables and bank deposits as well as decreased 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 as it 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 is 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 100 basis points increase and a 100 basis points decrease (2019: a 100 basis points increase and a 100 basis point decrease) and for foreign currency denominated balances, a 100 basis points increase and a 100 basis points decrease (2019: 100 basis points increase and a 100 basis points 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.

As at December 31, 2020 and December 31, 2019, the company had no significant exposure to interest rate risk.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2020

24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(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 \$778.40 million (2019: \$1,188.02 million) (excluding cash on hand) 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 \$210.2 million (2019: \$584.20 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

Trade and other receivables

The company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management on an annual basis. Further, trade receivables consist of a large number of customers, spread across the retail and construction sectors and as such, the company does not have significant credit risk exposure to any single counterparty, except in respect of one (2019: nil) retail entity whose outstanding balance at December 31, 2020 (within the approved credit limits) amounted to approximately 11% (2019: nil) of trade receivables (see Note 11). There were no customers with outstanding balances in excess of 5% of the total receivables at December 31, 2020. 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 180 days and are not subject to enforcement activity.

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT
(CONTINUED)**

Financial risk management policies and objectives (continued)

(d) Credit risk management (continued)

Trade and other receivables (continued)

Set out below is the information about the credit risk exposure on the company's trade receivables using a provision matrix.

31 December 2020	Trade receivables				
	Days past due				Total
	0-30 days	31- 90 days	91- 180 days	Over 181 days	
Current	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.92%	13.63%	100.00%	100.00%	
Estimated total gross carrying amount at default	298,274	141,716	437	33,647	474,074
Allowance for expected credit loss	2,744	19,314	437	33,647	56,142

31 December 2019	Trade receivables				
	Days past due				Total
	0-30 days	31- 90 days	91- 180 days	Over 181 days	
Current	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	0.21%	8.01%	23.68%	100.00%	
Estimated total gross carrying amount at default	282,844	218,268	31,734	55,575	588,421
Allowance for expected credit loss	581	17,483	7,517	55,575	81,156

The carrying amount of financial assets in respect of trade receivables totalling \$417.93 million (2019: \$507.26 million) and other receivables totalling \$127.96 million (2019: \$53.63 million) excluding prepayments at year end which is net of impairment of approximately \$15.53 million (2019: \$15.53 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. There is no significant increase in credit risk associated with related parties and therefore the probability of default is considered insignificant. The carrying amount of \$22.22 million (2019: \$42.92 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT
(CONTINUED)**

Financial risk management policies and objectives (continued)

(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 \$90.0 million (2019: \$90.0 million).

Liquidity and interest risk analyses in respect of 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 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	1 - 5 years \$'000	Total \$'000
<u>December 2020</u>				
Non-interest bearing		Nil	366,791	-
Interest bearing – lease liabilities	4.83 - 5.65	14,698	66,887	81,585
		381,489	66,887	448,376
<u>December 2019</u>				
Non-interest bearing		Nil	858,858	-
Interest bearing – lease liabilities	4.83 – 5.77	10,112	23,063	33,175
		868,970	23,063	892,033

BERGER PAINTS JAMAICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

**24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT
(CONTINUED)**

Financial risk management policies and objectives (continued)

(f) Fair value of financial assets and financial liabilities

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 carrying amount of lease liabilities (variable rate) is assumed to approximate their fair value.

Capital risk management policies and objectives

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

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

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

The company's overall strategy as directed by its parent remains unchanged from the year ended December 31, 2019.

25. CORONAVIRUS UPDATE

The duration and extent of the COVID-19 pandemic and related financial, social and public health impacts of the pandemic are uncertain. As such, the actual economic events and conditions in the future may be materially different from those estimated by the company at the reporting date. No matters have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the company. The company will continue to closely monitor the situation in order to plan its response, if necessary.