BERGER PAINTS JAMAICA LIMITED

INSPIRING BETTER CHOICES

Annual Performance
and Sustainability Report
2022

GROUP OF COMPANIES

BERGER

FOR LASTING BEAUTY AND PROTECTION

MISSION STATEMENT

Berger Paints Jamaica Limited is committed to providing the best quality coatings and excellent customer service via superior technology and well-trained, highly motivated human resources thereby creating an environment where we continue to be the preferred business partner, leader in the marketplace, preferred employer, and outstanding corporate citizen, constantly satisfying the needs of all our stakeholders.


BERGER
royale
LUXURY INTERIOR EMULSION
LIFETIME WARRANTY
SATIN
BERGER
ansa mcal
GROUP OF COMPANIES
Together, we are
Family
Penta
Paint the possibilities
ISO 9001: 2015
CERTIFIED
QUALITY MANAGEMENT SYSTEM
ISO 14001: 2015
CERTIFIED
ENVIRONMENTAL MANAGEMENT SYSTEM

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CORPORATE INFORMATION


GER

COMPANY PROFILE

Berger Paints Jamaica Limited (BPJL) manufactures and distributes decorative, industrial and wood coatings, paint-related material and is a distributor of automotive coatings. In 1953, Berger Paints started operating in Jamaica and since then has been providing innovative, cutting-edge paint products and services. Berger Paints Jamaica Limited remains the largest paint-manufacturing entity in the English-speaking Caribbean, with 95% of the Company's products manufactured locally.

BPJL is a subsidiary of Ansa Coatings International Limited, whose ultimate parent company is ANSA McAL Limited. ANSA McAL is the largest regional conglomerate, comprising over 70 companies in over eight territories in the following sectors: Automotive, Beverage, Construction, Distribution, Financial Services, Manufacturing, Media, Retail and Services. With over 135 years of history, ANSA McAL is an iconic Corporate Group employing a workforce of close to 6,000 people.

Berger's unwavering pursuit of excellence in manufacturing high-quality paint products while utilising international best practices and standards has sustained the company's leadership in the industry over the years. Berger Paints has remained true to its ethos of putting the consumer at the heart of what it does, primarily by formulating environmentally friendly products that are best suited to handle the harsh tropical conditions of the Caribbean.

The name Berger has become synonymous with quality and excellence, the foundation of which has been built on innovative product research and development programmes and the professional delivery of value-added service to the market consistently. Berger is, in addition, an organisation with a social conscience that is demonstrated in its support of a myriad of programmes and initiatives benefiting the society at large, particularly the most vulnerable.

COMPANY DATA

COMPANY SECRETARY
Chamika Cuffy

AUDITORS
Ernst & Young Chartered Accountants
8 Olivier Road,
Kingston 8

BANKERS
Bank of Nova Scotia Jamaica Limited
National Commercial Bank Limited

ATTORNEYS-AT-LAW
Myers, Fletcher & Gordon
21 East Street,
Kingston

REGISTERED OFFICE
256 Spanish Town Road,
Kingston 11

REGISTRAR AND TRANSFER AGENT
Jamaica Central Securities Depository
40 Harbour Street,
Kingston

QUALITY POLICY STATEMENT

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

ENVIRONMENTAL HEALTH AND SAFETY POLICIES

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

70TH ANNIVERSARY

BERGER

Celebrating **70 Years** Of Lasting Beauty And Protection

BERGER
303
100% ACRYLIC EMULSION PAINT
BERGER
everglow
100% ACRYLIC EMULSION PAINT
BERGER
404
ENAMEL PAINT
ERGER
therproof
PREMIUM EXTERIOR
EMULSION
LIFETIME
WARRANTY
BERGER
GLOSS
royale
WATER-BASED LUXURY
GLOSS ENAMEL
LIFETIME
WARRANTY

CHAIRMAN'S
REPORT

ADAM N. SABGA
CHAIRMAN

> "Our focus on strategic improvements and investment to drive revenue growth and improving operational efficiencies is geared towards ensuring a strong performance in 2023."

UP 6%
GROSS REVENUE

UP 17%
COST OF GOODS SOLD

UP 4.5%
OPERATING EXPENSES

Berger Paints Jamaica Limited (BPJL) completed a challenging 2022 with mixed results. In terms of revenue, the company surpassed the prior year's performance across all sales channels. However, the cost of goods remained a challenge and as the company managed its operating expenses as prudently as possible, BPJL achieved marginal results.

Despite the financial performance, the Management Team remained focused on key long-term strategies and maintenance of our ISO Quality and Environmental management systems. The Board of Directors and the Management team remain committed to the safety and health of our staff, customers, and stakeholders in creating a more sustainable, innovative, and profitable future.

2022 REVIEW

A price adjustment was made In April 2022 to offset some of the impact of raw material price increases. This adjustment assisted BPJL in delivering a revenue performance of $3,296M or a 6% increase as compared to $3,108M for the same period in 2021.

Persistent supply chain and logistic challenges remained one of the major risks to the business. As a result, raw material prices continued to undermine gross profit margins. However, BPJL made the decision not to make any further price adjustments as a means of providing some relief to our consumers already facing economic challenges.

Cost of Goods Sold (COGS) was also impacted by the macro-economic environment with volatility in the foreign exchange market. Our COGS is heavily influenced by exchange rates as BPJL is dependent on high-quality raw material inputs that are imported from international suppliers. Despite supply chain challenges, we ensured the use of only the best raw materials, as per our strict ISO 9001:2015 standards, to ensure that there was no compromise to the highest quality products to our loyal consumers. COGS in 2022 totaled $1,933M, an increase of $286M above the $1,647M recorded in 2021. Operating expenses for 2022 totaled $1,401M, an increase $60M above the $1,341M for 2021.

We also faced production challenges both internally and externally that resulted in a reduction in volume output by 8.5% over 2021. This negatively affected absorption of costs for labour and overheads and resulted in increases in manufacturing expenses. In addition, adjustments to Fixed Assets due to a review of equipment useful life resulted in increased expenses.

As a result of these challenges faced and the decisions to make the necessary adjustments for provisions and assets review, BPJL recorded marginal Profit Before Tax (PBT) of $0.036M for 2022 compared with $160M recorded in 2021.

CHAIRMAN'S REPORT (continued)

2023 OPPORTUNITIES

Our focus on strategic improvements and investment to drive revenue growth and improving operational efficiencies is geared towards ensuring a strong performance in 2023. The Management Team continues to take the lessons learnt from challenges experienced in prior years to develop strategies going forward.

BPJL continues to leverage the support provided across our parent company's Construction Sector with sister companies in Trinidad, Barbados and Grenada. This allows collaboration on common challenges and provides support in technical areas in operations, technology and finance. The standardization of our processes and continuous rationalization of our product offerings allows for continuous improvement in efficiencies to become best in class.

The Board of Directors has outlined strategies and the Management team continues to implement initiatives to maximize the opportunities to achieve our business objectives. The strategic intent is to build on the foundation that has been laid where focus was on the overall look of the brand. In 2023, our growth strategies are centered around operational capacity and improvements in efficiencies and brand awareness, consumer engagement and improved distribution.

Management of resources, costs, and reduction of waste in our processes to drive operational excellence remains a key focus area for management with tight controls in place. Balanced scorecards are well established to provide monitoring of these deliverables with Key Performance Indicators identified and cascaded down throughout the organization. Fueled by the performance of 2022, the team is committed to pursuing operational efficiencies that will deliver an improved performance in 2023.

2023 will see major retooling of equipment that will provide improved efficiencies. In addition, a growth strategy for 2023 will see an improved route to market, additional distribution points at strategic locations island wide. Both initiatives will be well supported by the implementation of a Customer Relationship Management platform to be rolled out in May of 2023. These growth initiatives and the commitment of our team are expected to deliver stronger results and an overall business and transformational performance in 2023.

On behalf of the Management and staff of Berger Paints Jamaica Limited, we thank you for your continued support and wish for all our stakeholders a successful and satisfying 2023.

Adam N. Sabga
Chairman


X148
Pigeon Crest
X147
Mineral Blue
7430
Dream Scapes
9206
Deep Pool
BOLDLY
BERGER
YOUR PASSION. YOUR COLOUR.
BERGER
everglow
EMULSION PAINT
bergerpaintscaribbean | berger caribbean | bergerpaintscaribbean.com
ansa mcal
GROUP OF COMPANIES

GENERAL MANAGER'S REPORT

SHASHI MAHASE
GENERAL MANAGER

> "BPJL remains debt free with strong cash balances. Management of assets and liabilities continue to be strategic to mitigate risks and manage working capital."

Berger Paints Jamaica Limited (BPJL) is one of the four (4) coating companies (Berger Paints – Barbados, Ansa Coatings – Trinidad and Sissons Paints – Grenada) across the region belonging to the Construction Sector. The Construction Sector is one of ten sectors in the Ansa McAl Group of Companies and, along with our sister companies, provides support to BPJL in areas of operations, technology, and finance. Together, with the strategies guided by BPJL's Board of Directors, we work towards ensuring strategic direction for Sales & Marketing, Operations, Supply Chain and Human Resources.

2022 REVIEW

BPJL recorded a strong sales performance in 2022 with revenues of $3,296 million compared to $3,108 million for the prior year ended December 31, 2021, a 6% increase. Revenue across each of the key sales channels improved over prior year. However, except for the Projects Channel, volumes were down over prior year. The Projects Channel capitalized on the relative buoyancy in construction projects during 2022. Supply chain and logistic challenges negatively impacted Cost of Goods Sold (COGS). The effects of the Russia and Ukraine war further compounded supply chain issues. In April 2022, we rolled out a price adjustment to partially offset these increased costs. However, despite the ongoing macroeconomic challenges, Management decided against rolling out any further price adjustments as we did not see it prudent to have consumers incur higher prices due to rising inflation and lower disposable income.

Cost of Goods Sold (COGS) in 2022 was $1,933M, an increase of $286M or 17% above the $1,647M recorded in 2021. Operating expenses for 2022 was $1,401M, an increase $60M or 4.5% above the $1,341M for 2021. In addition, operational challenges resulted in reduction in production output by 8.5% over 2021. This resulted in lower absorption costs and an increase in expenses.

Due to purchases of key raw materials to mitigate against the uncertainty of supply and avoid stock outs in the previous year, there were increases in inventory provision expenses. During normal operations in 2023, we expect consumption of these materials to allow for write backs. The procurement of quality raw materials, despite the additional cost, demonstrates our commitment to quality and best practices and is evident in our recertification in our ISO Quality Management Systems (QMS) 9001:2015 and Environmental Management Systems (EMS) 14001:2015.

Volatility in the foreign exchange market versus USD counterpart continued throughout 2022. Despite the decline in exchange rates at the end of December 2022, inflation trended high for the majority of 2022 with an average of 10.3%. This meant regular increases in supply and logistic costs that significantly impacted costs of goods.

Based on the factors outlined, for the 2022 period, the Company recorded marginal Profit Before Tax (PBT) of $0.036 million compared to 2021's PBT of $160 million.

Despite the performance of 2022, the Management Team is committed to the long-term strategies and our investment in the future of the organization. BPJL remains debt free with strong cash balances. Management of assets and liabilities continue to be strategic to mitigate risks and manage working capital. The Company looks forward to building on the performance of 2022.

GENERAL MANAGERS
REPORT (continued)

CORPORATE SOCIAL RESPONSIBILITY

The Management Team of Berger Paints Jamaica Limited continued to partner with our surrounding communities in which we operate. We continued to provide support to social and non-commercial activities and entities in Jamaica.

Among the projects we supported in 2022 were:

- Donation of the products to support foster homes and charity organizations.
- Donations to schools across Jamaica to assist them in their renovation and beautification exercises and drive environmentally safe practices.
- Riverton Meadows Early Childhood feeding program in partnership with Grace Kennedy.
- Donated drums to schools for water storage.

2023 BUSINESS OUTLOOK

Given the long-term strategies and the growth initiatives developed, BPJL looks forward to a successful 2023. One of our key advantages has been our ability to leverage the support of our fellow subsidiaries. This support provides key insights to allow for appreciation of the business drivers and quicker decision-making to maximize opportunities for improvement.

The approach to investments in long-term strategies will continue in 2023 and include upgrades to plant equipment that will increase our output, lower our manufacturing cost, and improve the operational efficiencies within the company.

REVENUE PLANS

Key growth strategies focused on re-tooling of operations with major investments in new equipment and route to market for improved market distribution are scheduled for 2023. This will enable us to engage our customers and consumers in a more effective way. To support this strategic initiative, BPJL would introduce a Customer Relationship Management (CRM) platform to complement our customer experience (CX) activities.

The Hardware Dealers would have benefitted from the rollout of new equipment in the trade supported by new colour systems and display units. The Hardware Channel improved over the prior year's performance by approximately 2% and would continue to see focus as this is our main means of engaging our loyal consumers.

The Projects Channel continued to grow and finished above 2021's performance by 32%. This channel would have benefitted from a resurgence of the Tourism Industry as we see arrivals to the island increase. The relative buoyancy in Construction activity has allowed us to grow this channel year-on-year. Focus in this channel continues via strategic partnerships with key stakeholders and increased offerings in Textured coatings, Industrial and Specialty products.

The Automotive Channel saw growth as well, with an increase over 2021 of 8%. Our distribution of PPG brands, Nexa 2K and Shopline, continue to gain market share with the Roberlo brand providing support in the economy line of offerings. We are working towards developing partnerships with key Automotive Dealerships and creation of the first eco-friendly service centre with the use of an environmentally friendly alternative from PPG, Aquabase.

The Retail Channel is one of our key growth strategies for 2023, as we have now established two independent Colour Shops. The focus of these shops will continue to be providing our consumers with an opportunity to explore all brands within our house of brands. Consultations on products, correct application, colour advice and technical support empower our users with sound knowledge of the brands offered and supports our Dealer network regardless of location.

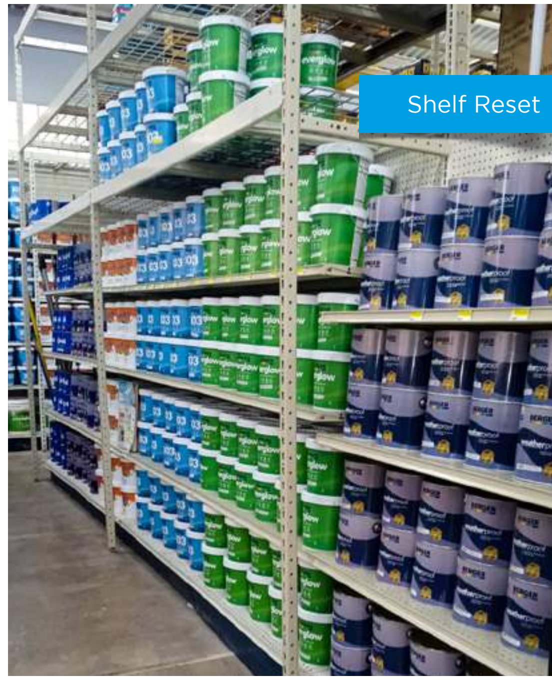
We have demonstrated our commitment to providing the highest quality of coating products in Jamaica. Based on our growth strategies outlined for 2023 and beyond, we are committed to providing our consumers with viable options for their coating needs and services that beautify their lives and living spaces.

On behalf of the Board of Directors and Management of Berger Paints Jamaica Limited, we express our heart-filled gratitude to our team members. We continue to hold the well-being of our employees, customers, and the wider community dear to us. I would also like to take this opportunity to wish our customers and shareholders continued good health, and to express my gratitude for your continued support and confidence in us.

Shashi Mahase
General Manager

CORPORATE ENGAGEMENT

The focus for this year was centred on improving the Brand's look and feel in Trade to achieve what we have deemed our "Look of Success" or "LOS" for short. This entails a uniformed, modern and clean layout of our products on shelves and overall prime placement in stores. In addition, we rolled out our recently designed Colour Library in stores to better showcase our wide range of colours/shades to our customers and consumers.



Shelf Reset

Colour Library Display

Promoter Display Training

The Colour Shop Store in Drax Hall, St. Ann

We also invested in opening our second retail store "The Colour Shop" in Drax Hall, St. Ann to directly serve our customers offering them a professional level paint consultancy experience and to foster greater consumer engagement.

10% Whites and Brights Sale

Rapid True Value Ocho Rios Grand Opening

CORPORATE ENGAGEMENT (continued)

Christmas Promotion Grand Prize Winner

TCS Christmas Sale

Christmas Promotion Weekly Prize Winner

BPJL continued its support of Community Building and Social upliftment in 2022 by making numerous donations to Clubs, Schools and Social Relief entities throughout the year. One such donation was in support of the Rotaract Club of St. Andrew, where we donated forty-seven gallons of Berger paints to the Longwood Basic School (Vere, Clarendon). The paints assisted in the renovation of the school, which has been in operation for approximately 50 years.

Dionne King from Berger's Marketing Department (L) receives a Certificate of Appreciation from Colin Thomas, Community Service Director, Rotaract Club of St. Andrew (R) at Berger Paints' Head Office on April 6, 2022.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventieth Annual General Meeting of Berger Paints Jamaica Limited will be held at the Courtyard by Marriott Hotel, 1 Park Close, Kingston 5, and online on Thursday, July 06, 2022 at 2:00 p.m. for the following purposes:

1. To receive, consider and, if thought fit, approve and adopt the report of the Directors and Audited Accounts for the year ended 31st December 2022, and the report of the Auditors on the Accounts.
2. To re-appoint the Auditors Ernst & Young and authorize the Directors to fix their remuneration for the ensuing year.
3. To re-elect the retiring Director(s) and to fix the remuneration of the Directors.
   Pursuant to Articles 96 & 97 the Directors to retire from Office are Mr. Craig La Croix, Mr. Milton Samuda and Mr. Andy Mahadeo, and being eligible, offer themselves for re-election.

To consider and if thought fit pass the following resolutions:

a) Be it RESOLVED THAT retiring Director Mr. Craig La Croix be and is hereby re-elected as a Director of the Company.

b) Be it RESOLVED THAT retiring Director and Mr. Milton Samuda be and is hereby re-elected as a Director of the Company.

c) Be it RESOLVED THAT retiring Director and Mr. Andy Mahadeo be and is hereby re-elected as a Director of the Company.

BY ORDER OF THE BOARD

Chamika Cuffy
Company Secretary

Dated this 28th day of April 2023

REGISTERED OFFICE
256 Spanish Town Road, Kingston 11

NOTES:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A suitable form of proxy is enclosed. It must be lodged at the Company's registered office at least forty-eight hours before the time appointed for holding the meeting. The proxy form shall bear stamp duty of $100 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the persons executing the proxy.

2. Pursuant to Article 76, a Corporate shareholder (member) may by resolution of its Directors appoint a person (not a proxy) to attend and vote at the meeting.

CORPORATE GOVERNANCE

Corporate governance remains a key area of focus for Berger Paints Jamaica Limited ("Berger" or the "Company"). Accordingly, one of the primary responsibilities of the Board of Directors and Management is to ensure Berger has a robust and effective Corporate Governance framework to ensure greater transparency, protection of shareholder interest and to enhance the Company's financial performance. This Code is influenced by applicable laws and regulations and internationally accepted Corporate Governance Best Practices and is available on our website at **www.bergerpaintscaribbean.com**.

BOARD OF DIRECTORS

The Company is led and managed by an effective Board responsible for the overall stewardship of Berger. Directors are elected by the shareholders to supervise the management of the business and affairs of the company with the goal of enhancing long term shareholder value.

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

Regular meetings of the Board and Audit Committee are convened. Telephonic attendance and conference via audio-visual communications at Board meetings are allowed under the Company's Articles. Details of the frequency of Board and Audit Committee meetings held during the year, as well as the attendance of each Board member at these meetings, are disclosed below.

BOARD ATTENDANCE

BOARD			AUDIT COMMITTEE	
DIRECTORS	NO. OF MEETINGS	ATTENDANCE	NO. OF MEETINGS	ATTENDANCE
ADAM SABGA	4	4	4	
MICHAEL FENNELL	4	4	4	4
ANDY MAHADEO	4	2	4	1
CRAIG LA CROIX	4	4	4	
MILTON SAMUDA	4	4	4	4
JACQUELINE SHARP	4	4	4	4
RAY A. SUMAIRSINGH	4	4	4	

Matters reserved explicitly for decision-making by the Board include corporate plans and budgets, material acquisitions and disposal of assets, corporate financial restructuring, share issues, dividends, and other returns to Shareholders.

Although the business's day-to-day functions are delegated to management, the Board remains ultimately accountable to its Shareholders to ensure that the business is managed in compliance with applicable laws and is consistent with safe and sound business practices.

The Company does not have a formal training programme for the Directors. However, in discharging that obligation, Directors may rely on the expertise of the Company's senior management, outside advisors, and Auditors. Directors are also briefed on the business and updated from time to time on relevant changes in statutes and regulatory requirements applicable to the Company's business.

In preparing the annual financial statements and quarterly financial statements for Shareholders, the Board aims to provide Shareholders with detailed analysis, explanations and assessment of the Company's financial position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis.

All independent Directors have access to all levels of senior executives in the Company and are encouraged to speak to other employees to seek additional information, if required.

BOARD BALANCE AND INDEPENDENCE

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

- does not represent a substantial shareholding
- is not a close relative of a significant Shareholder
- does not have an employment relationship with the Company

As at December 31, 2022, the Board comprised three Non-Executive Directors and four Executive Directors. The names of the Directors, including details of their qualifications and experience, are set out on pages 26 through 28 of this report. In accordance with the Company's Articles, one-third of its Directors retire by rotation every year.

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

DIRECTORS' REMUNERATION

The Board determines the level and structure of fees paid to non-executive directors. The Executive

Directors are not paid a fee in respect to their office as directors of the company.

AUDIT COMMITTEE

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

- The integrity of the financial statements and any formal announcements relating to the Company's performance
- Overseeing the relationship between the Company and its external Auditors
- The review of the effectiveness and adequacy of the Company's internal and financial controls
- The review of the external audit plans and subsequent findings
- The review of the effectiveness of the services provided by the external Auditors and other related matters
- Litigation reviews
- The review of compliance reports

The work of the Audit Committee is supported by two Audit Departments, as the Company is audited annually by the Internal Audit Departments of ANSA McAL Group and externally by Ernst & Young, the result of which are reported to the Audit Committee and the Board of Directors, respectively.

In accordance with generally accepted Corporate Governance standards and the requirements of the Jamaica Stock Exchange Listing Agreement that the majority of Committee members should be independent, three quarters of the Committee comprise Non-Executive, independent Directors. The members of the Audit Committee are the Honourable Michael Fennell OJ, Mr. Milton Samuda, Mr. Andy Mahadeo, and Mrs. Jacqueline Sharp. The Committee is chaired by Mr. Fennell.

The General Manager and the Chief Financial Officer are invited to Committee meetings at the discretion of the Committee.

BOARD OF DIRECTORS' REPORT

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2022

OPERATING RESULTS

$3,296M
REVENUE FROM CONTRACTS WITH CUSTOMERS

$36K
PROFIT BEFORE TAXATION

$702K
NET PROFIT AFTER TAX

DIRECTORS

The Directors as at December 31, 2022 were as follows:

- Mr. Adam Sagba – Chairman
- Mr. Craig La Croix
- Mrs. Jacqueline Sharp
- Mr. Ray Sumairsingh
- Hon. Michael Fennel. OJ
- Mr. Andy Mahadeo
- Mr. Milton Samuda

Pursuant to Articles 96 & 97 the Directors to retire from Office are Mr. Craig La Croix, Mr. Milton Samuda and Mr. Andy Mahadeo, and being eligible, offer themselves for re-election.

AUDITORS

The Auditors, Ernst & Young, have signified their willingness to continue in office. Their re-appointment will be proposed at the Annual General Meeting.

EMPLOYEES

Your Directors wish to thank the management and staff of the Company for their performance during the year under review.

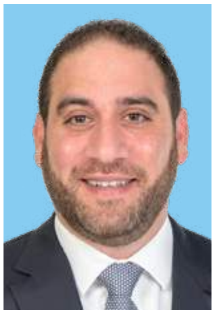
CUSTOMERS

Your Directors wish to thank our valued customers for their support and contribution to the company's performance during the year under review, and look forward to their continued support of the Berger brand of quality.

BY ORDER OF THE BOARD

Chamika Cuffy
Company Secretary
April 28, 2023

BOARD OF DIRECTORS' PROFILES



ADAM SABGA
CHAIRMAN

Adam N. Sabga assumed the role of Sector Head for the Construction Sector of ANSA McAL Limited in March, 2018. He previously held the position of Managing Director of Standard Distributors Ltd, Standard Distribution & Sales (Barbados) Ltd and Bell Industries Ltd since 2013.

He joined the ANSA McAL Group in 2007 as a Project Engineer at Alstons Building Enterprises Ltd (ABEL), and last served in the position of General Manager of ABEL Building Solutions prior to his move to Standard.

Mr. Sabga holds a B.Eng in Civil Engineering from the University of the West Indies, and an Executive MBA from the Arthur Lok Jack Graduate School of Business.

He is also a past Director of the Trinidad and Tobago Contractors Association and currently holds several directorships within the ANSA McAL Group.

RAY A. SUMAIRSINGH
DIRECTOR

Mr. Sumairsingh became a Chartered Banker (ACIB) in 1975, after completing studies in London, UK. In 1982, he achieved his MBA in Finance, while working in New York, USA. His early career covered banking in Trinidad and Tobago, London and Wall Street, NYC. His career continued in Life, Pensions, Property and Casualty Insurance for the next fifteen years. In his role as a Senior Executive in Insurance, he also served as a Director of the Association of Trinidad and Tobago Insurance Companies (ATTIC) for over twenty years, as well as President for four separate terms. He also served on the Board of the Insurance Association of the Caribbean (IAC) for several years, including two years as President.

In 2000, he joined the ANSA McAL Group and holds several directorships in the ANSA McAL Group, including the Parent Board since 2001. Mr. Sumairsingh has been a Director of the Trinidad and Tobago Stock Exchange for the past eight years and is currently serving his second term as Chairman.

BOARD OF DIRECTORS (continued)

ANDY MAHADEO
DIRECTOR

Mr. Mahadeo is a Mechanical Engineer by profession and a member of both the Association of Professional Engineers and the Board of Engineering of Trinidad and Tobago. He started his professional career in the Energy sector, working for both local and international oil service companies before joining the ANSA McAL Group in 1994.

During his time with ANSA McAL, Andy successfully progressed through the ranks of Maintenance Engineer to Operations Manager and on to Managing Director of ANSA McAL Chemicals Ltd. In 2016 he became Manufacturing Sector Head for the Ansa McAL Group of Companies.

Throughout his career, he has consistently demonstrated the creativity, energy, passion and focus on people basics that are the hallmarks of the Group's core values.

CRAIG LA CROIX
DIRECTOR

Craig La Croix was named the Operations Director for the Construction Sector of ANSA McAL Limited effective September 2, 2019. He joined Abel Building Solutions (a division of ANSA McAL Enterprises Limited) in 2005 and in 2015 was promoted to the position of Managing Director of ABS. Mr. La Croix is a Mechanical Engineer with approximately 25 years' of experience in the engineering field. He received a BSc with Honours in 1994 at the University of the West Indies, Trinidad and Tobago.

Mr. La Croix is a Director on the Boards of ANSA McAL Enterprises Limited (AMEL) and Tobago Marketing Company Ltd (TOMCO) and a past Director of the Trinidad & Tobago Manufacturers Association (TTMA) and Trinidad & Tobago Contractors Association (TTCA).

He continues to represent TTCA on the National Building Code Committee and the Trinidad & Tobago Bureau of Standards Clay Block Committee.

HON. MICHAEL FENNELL, OJ, CD
DIRECTOR

A past Managing Director of Berger Paints Jamaica Limited and Berger Caribbean, Mr. Fennell is a retired management consultant who serves on a number of Boards in both the Public and Private Sectors.

A respected national, regional and international sports administrator, he is a Past President and now an Honorary Life President of the Commonwealth Games Federation as well as the immediate Past President of the Jamaica Olympic Association. He has been a Board member since 1983.

MILTON SAMUDA LLB. (HONS.)
INDEPENDENT DIRECTOR

An attorney-at-law and the Managing Partner at Samuda & Johnson, Mr. Samuda serves on several other Boards in both the Public and Private Sectors. He is the Chairman of the Institute of Law & Economics, Chairman of Sabina Park Holdings Limited, Chairman of Wolmer's Trust, Immediate Past Chairman of Jamaica Promotions (JAMPRO) and a Past President of the Jamaica Chamber of Commerce. He has been a Board member since 2004.

JACQUELINE SHARP
INDEPENDENT DIRECTOR

Jackie, a seasoned financial services professional, is currently Director for her family-owned manufacturing, export and retail business, Coffee Traders Limited. Prior to this, she had over 26 years of experience in the Financial Services industry, 20 of which she spent with Scotia Group Jamaica Limited. She led different divisions throughout her career, including Treasury, Finance, Administration, Insurance, Risk Management and Compliance. Her final position at Scotia was as Chief Executive Officer, where she oversaw the profitable growth of its operations in Jamaica, with oversight of four other countries in the Caribbean.

Jackie holds a Bachelor of Science (BSc.) degree with honours in Accounting from the University of the West Indies, is a Chartered Financial Analyst Charter Holder and has successfully completed the Certified Public Accountant (CPA) examination. She has also completed Executive Education programmes at Richard Ivey Business School in Canada and Duke University, USA.

MANAGEMENT
TEAM

SHASHI MAHASE
GENERAL MANAGER

CHAMIKA CUFFY
CHIEF FINANCIAL OFFICER / COMPANY SECRETARY

PETA-GAYE LEVENE-THOMAS
REGIONAL SALES MANAGER – AUTOMOTIVE AND PENTA

NEWTON ABRAHAMS
SALES MANAGER

ARLANDO DUNKLEY
OPERATIONS MANAGER

DISCLOSURE OF SHAREHOLDINGS

TOP TEN (10) LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING	% OF ISSUED CAPITAL
ANSA COATINGS INTERNATIONAL LIMITED	116,023,364	54.13
SAGICOR POOLED EQUITY FUND	22,284,944	10.40
IDEAL GROUP CORPORATION LIMITED	10,988,500	5.13
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	4,939,011	2.30
IDEAL BETTING COMPANY LIMITED	4,624,152	2.16
IDEAL GLOBAL INVESTMENTS LIMITED	4,020,000	1.88
GUARDIAN LIFE LTD - GUARDIAN EQUITY FUND	2,750,000	1.28
FIRST JAM./H.E.A.R.T/NTA PENSION SCHEME	2,433,500	1.14
GUARDIAN LIFE LIMITED/PENSION FUND	1,899,999	0.89
SAGICOR SELECT FUND LIMITED - ('CLASS C' SHARES) MANUFACTURING & DISTRIBUTION	1,719,169	0.80
TOTAL	**171,682,639**	**80.10**

SHAREHOLDINGS OF DIRECTORS AND THEIR CONNECTED PARTIES

DIRECTORS	SHAREHOLDING	CONNECTED PARTY(S)	SHAREHOLDING
ADAM SABGA (CHAIRMAN)	NIL		
MICHAEL FENNELL	NIL	KATHLEEN PEGGY FENNELL	NIL
ANDY MAHADEO	NIL	DENISE GAYAH-MAHADEO	NIL
CRAIG LA CROIX	NIL	LISA LA CROIX	NIL
MILTON SAMUDA	NIL	ELIZABETH SAMUDA	NIL
JACQUELINE SHARP	NIL	JASON SHARP	NIL
RAY A. SUMAIRSINGH	NIL	CHARMAINE SUMAIRSINGH	NIL
TOTAL	**0**		**0**

SHAREHOLDINGS OF SENIOR MANAGEMENT AND THEIR CONNECTED PARTIES

SENIOR MANAGEMENT	SHAREHOLDING	CONNECTED PARTY(S)	SHAREHOLDING
NEWTON ABRAHAMS	NIL	SHARMAINE ABRAHAMS	
SHASHI MAHASE	NIL	RENEE BOUCAUD MAHASE	NIL
ARLANDO DUNKLEY**	NIL	JADECIA DUNKLEY	NIL
JACQUELINE EDWARDS-LOCKE**	NIL		NIL
CHAMIKA CUFFY**	NIL		NIL
PETA GAYE LEVENE-THOMAS	NIL	DAMALI THOMAS	NIL
TOTAL	**0**		**0**

NOTES:

Resignation: Effective 4 November 2022, **Robert Polack** resigned as Sales Manager.

Appointments: Effective 24 October 2022, **Jacqueline Edwards-Locke** was appointed as Retail Channel Manager.
Effective 12 December 2022, **Arlando Dunkley** was appointed Operations Manager.
Effective 30 September 2022, **Chamika Cuffy** was appointed Corporate Secretary.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ECONOMIC ENVIRONMENT

This International Monetary Fund (IMF) reported that the Jamaican economy recovered during 2022 with growth of approximately 4%. The Statistical Institute of Jamaica stated that the local economy grew by 3.8% in the fourth quarter of 2022 when compared to the same period in 2021. This result was driven by growth in the Services and Good Producing Industries of 3.6% and 4.7%, respectively. When compared to the growth in the third quarter, Q3 was 2.1% higher when compared to the second quarter when the economy grew by 4.8%. Pushed by global factors and the impact of the war in Russia/Ukraine on commodity prices, inflation accelerated and fluctuated at high levels, reaching an average of 10.3% in 2022. In December 2022, point to point inflation had dropped to 9.4% and the decline is expected to continue to decline during 2023.

There was growth recorded over prior period across all services industries with the Hotels & Restaurant industry showing the strongest growth by 35.3%. This rapid recovery has allowed the Hotel industry to exceed pre-covid statistics. Despite high inflation across the globe, data from the Montego Bay International Airport indicates international arrivals exceeding 2021 numbers by over 98%. Goods producing industries, Agriculture, Forestry and Fishing' sectors indicated increases of 17.0%, followed by the manufacturing sector which grew by 9.5%.

The foreign exchange rate at the end of December 2022 was J$153.69 to one US dollar. This compared to a rate of J$154.15 at the start of the year. At the end of December 2022, the YTD appreciation was 1.96%, relative to a depreciation of 8.72% for the similar period in 2021. With the continued challenges around supply chain and logistics, Berger Paints Jamaica Limited (BPJL) would feel the adverse impact of this in our Cost of Goods Sold (COGS) as we source over 90% of raw materials from international suppliers. Figure 1 below illustrates the Forex trend over the last two years.

Figure 1 below illustrates the Forex trend over the last two years.

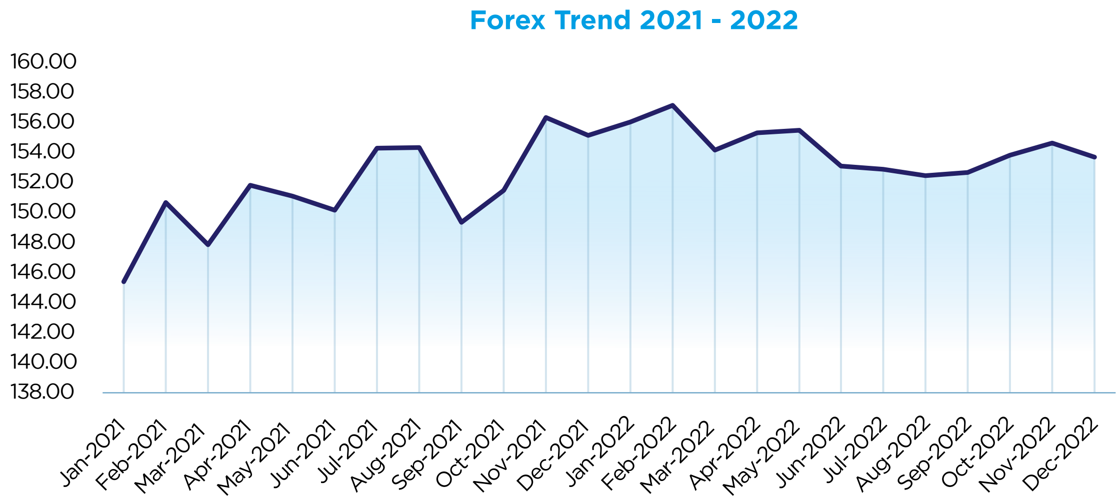


Figure 1 - FX Rates 2021 – 2022

REVENUE GROWTH

Berger Paints Jamaica Limited (BPJL) recorded a strong revenue performance across all main sales channels in 2022. Revenue achieved in 2022 was JA$3,296M compared to 2021 revenue of JA$3,108M. This 6% or JA$187.7M increase in revenue was mainly driven by a price adjustment, taken in April 2022, to offset the rising cost of raw materials and supply and logistics cost. However, volumes sold in 2022 were down versus 2021. This was influenced by the macro-economic factors outlined above, whereby disposable income has impacted consumer pull, especially the Hardware Channel.

Revenue generated for the Hardware Channel in 2022 increased over 2021 by 2%. With volumes being down, the price adjustment taken in April 2022 created some gains, however consumer disposable income impacted by rising inflation ultimately affected the volumes sold.

Our Retail Channel also improved revenue performance over 2021 by 2%. BPJL launched its second Colour Shop in Drax Hall, St. Ann on December 09th 2022. This store will serve the needs of our Contractors, Project Managers and Developers in the north and provide support in terms of expert advice on technical issues, application needs and colour advice.

The Projects Channel had a strong performance and surpassed prior year volumes as well as increase in revenue by 32% over 2021. Construction activity remains relatively buoyant and our supply of

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

industrial, specialty and texture products continue to grow year on year to support the overall channel's performance.

The Automotive Channel felt the effects of supply chain issues as supply from our international partners for automotive products was negatively impacted. Despite this, the Automotive Channel improved revenue performance by 8% over the previous year. However, the management team recognizes the opportunities in this sector and has put measures in place to ensure improved availability in 2023.

COST OF GOODS SOLD (COGS)

Increases in raw materials and process inputs resulted in an increase of JA$286M in COGS for 2022 over 2021 and was mainly driven by persistent supply chain and logistic challenges. As a result, raw material prices continued to reduce gross profit margins. Although volumes sold were lower than the previous year, the compounded effect of raw material price increases and supply chain and logistics cost resulted in cost of goods at standard to be significantly higher than prior year.

Contributing to this increased cost, were challenges with production output during 2022 impacted absorption. Volumes produced in 2022 were 8.5% less than 2021, resulting in 2022 absorption being JA$51M less as compared to 2021. Production and purchasing variances amounted to JA$60M more in cost in 2022 vs. 2021.

The costs components outlined above resulted in COGS of JA$1,933M in 2022 compared to JA$1,647M for the same period in 2021.

OPERATING EXPENSES

Operating Expenses 2022 were JA$1,401M versus 2021 JA$1,341M, an increase of JA$60M or 4.5%. We continue to prudently exercise cost management to offset shortfalls in gross profits. This is demonstrated in the ratio of Operating Expenses to Revenue in 2022 was 42.5% versus 43.1% in 2021.

Reductions in employee benefits expenses of JA$23M and Manufacturing Expenses of JA$3M contributed to offsetting against the increases in other operating expenses of JA$69M.

NON-CASH EXPENSES

Provisions for Bad Debts and Inventory both took hits in 2022 compared to the prior year period, 2021 that saw strong performances in recovering Bad Debts and writebacks to Inventory. Notwithstanding that, we continue to work with our business partners to address outstanding debts, recognizing the challenges being faced. BPJL's focus continues to be one of control and avoidance of accounts receivable going into provision. Inventory Depletion plans are developed on a monthly basis to work off obsolescence stock and this is expected to be realized in 2023.

Realized/Unrealized Gains and Losses were closely monitored throughout 2022. However, with the challenges with FX volatility and availability during the year, we were challenged in reducing this cost. In 2022, we have incurred net losses in Realized/Unrealized movement of JA$18M versus net losses of JA$2M in 2021.

Depreciation costs came in 23% or JA$17M more than the prior year. Various Capex was approved for improvement in operations, delivery of products, inclusive of opening of our second Colour Shop in Drax Hall and building repairs.

PROFIT BEFORE TAX (PBT)

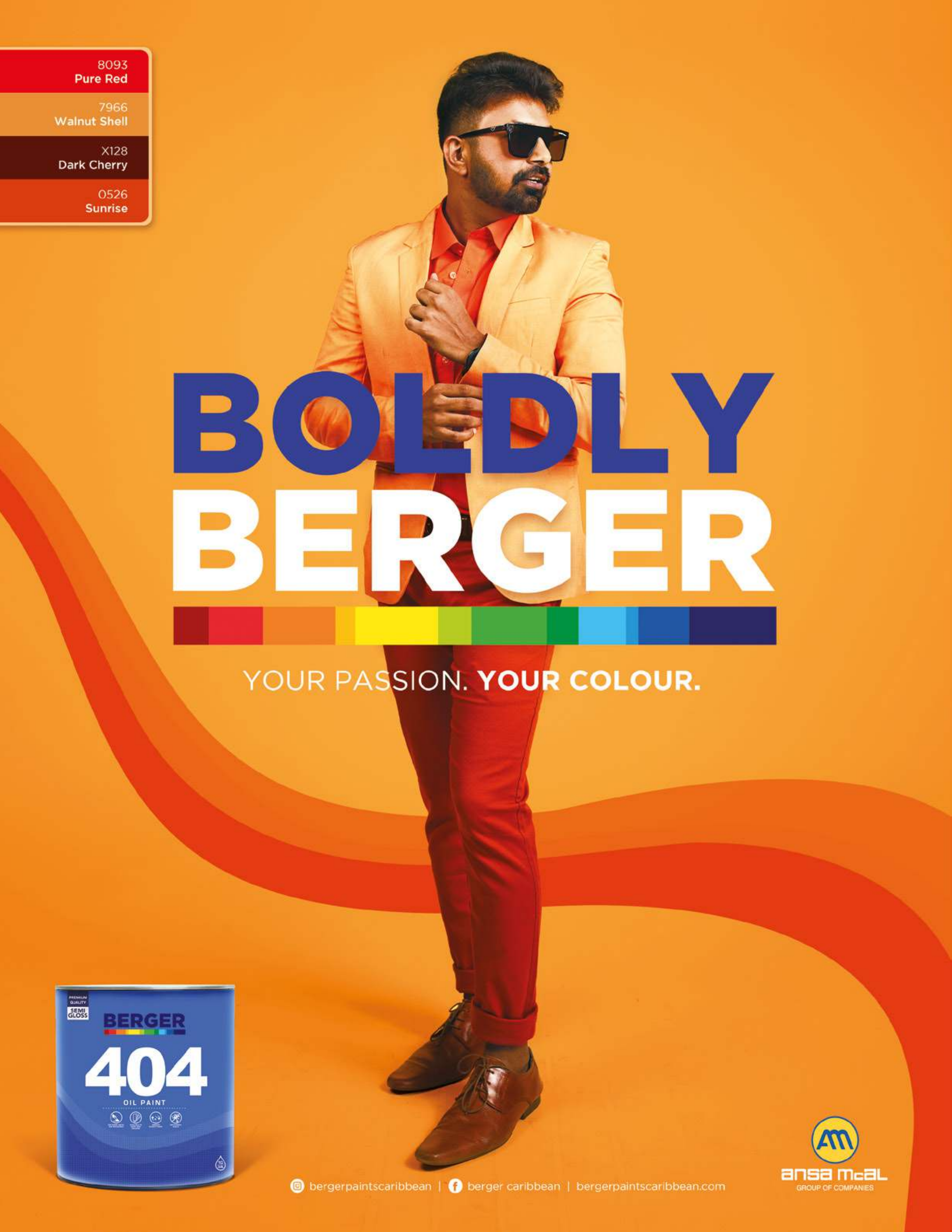
Based on the factors outlined, BPJL recorded marginal Profit Before Taxes of JA$36K for 2022 compared to JA$160M in 2021. Key areas of opportunities are in upgrading of plant equipment to improve production efficiencies, increasing fulfilment levels, cost management and service to customers. The growth initiatives that have been developed for 2023 will address these areas. The Management Team is committed to these long-term strategies and look forward to improved results in 2023.

STRATEGIC DIRECTION AND OUTLOOK

The outlook on the economy looks positive as point-to-point inflation for 2023 is expected to fall within the central bank's 4% to 6% target range. The Jamaican Hotel and Tourist Association statistics has indicated that year to date April 2023, passenger arrivals to Jamaica are 48% above the same period in 2022. This auger well for the hotel and service industry as well as the Jamaican economy and we are prepared to support by providing quality products for their refurbishing and maintenance needs.

Our Board of Directors has outlined strategies to build on the foundation that has been laid. In 2023, our growth strategies are focused on operational capacity and improvement in efficiencies, improved route to market and increasing consumer engagement.

The Company is committed to these long-term strategies and investments to drive the sustainability of the business. Management of resources and associated expenses, reduction of waste throughout our processes and tight control of working capital to ensure healthy cash balances. The company looks forward to building on the results of 2022 to deliver an improved performance in 2023.


8093
Pure Red
7966
Walnut Shell
X128
Dark Cherry
0526
Sunrise
BOLDLY
BERGER
YOUR PASSION. YOUR COLOUR.
SEMI GLOSS
BERGER
404
OIL PAINT
bergerpaintscaribbean | berger caribbean | bergerpaintscaribbean.com
ansa mcal
GROUP OF COMPANIES

FORM OF PROXY

FOR THE **71st ANNUAL GENERAL MEETING OF BERGER PAINTS JAMAICA LIMITED**

I/We ____ of

____ (address)

being a member/member of the above-named company, hereby appoint:

____ (name of proxy)

of ____ (address)

or failing him/her, ______________________________ (name of alternate proxy)

of ____ (address)

as my/our proxy to vote for me/us on my/our behalf at the 71st Annual General Meeting of the Company to be held at 2.00 p.m. on Thursday, July 06, 2023, and at any adjournment thereof. Please indicate by inserting a tick in the appropriate square how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote or abstain from voting, at his/her discretion.

No	Resolution Details	Vote for or Against (tick appropriate box)	
1	Resolution No. 1 "That the **Directors' Report, the Auditor's Report and the Statements of Account** of the Company for the year ended 31st December 2022 be approved.	FOR	AGAINST
2	Resolution No. 2 "That **Ernst & Young, Chartered Accountants** be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."	FOR	AGAINST
3a	Resolution 3a "That retiring **Director Mr. Craig La Croix** be and is hereby re-elected a Director of the Company".	FOR	AGAINST
3b	Resolution 3b: "That retiring **Director Mr. Milton Samuda** be and is hereby re-elected a Director of the Company".	FOR	AGAINST
3c	Resolution 3b: "That retiring **Director Mr. Andy Mahadeo** be and is hereby re-elected a Director of the Company".	FOR	AGAINST

FORM OF PROXY (continued)

Signed this __________ day of ____ 2023

Signature: ______________________________ Signature: ______________________________

Notes:

1. If the appointer is a Corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorised.

2. A Member entitled to attend and vote at this meeting may appoint a Proxy to attend and vote in his/her stead. A Proxy need not be a Member of the Company. A Proxy Form is enclosed for your convenience. Completed Proxy Forms must be lodged at the Company's Registered Office, 256 Spanish Town Road, Kingston 11 no later than forty-eight hours before the time appointed for holding the meeting. The Proxy Form shall bear the stamp duty of $100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

AUDITED FINANCIAL RESULTS

BERGER PAINTS JAMAICA LIMITED YEAR ENDED DECEMBER 31, 2022

FINANCIAL STATEMENTS

Ernst & Young Chartered Accountants
8 Olivier Road, Kingston 8
Jamaica W.I.
Tel: 876 925 2501
Fax: 876 755 0413
http://www.ey.com

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, 2022, the statements of income, comprehensive (loss) 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, 2022, 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, informing 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
Accounting for post-employment benefit plans	
The company's post-retirement benefit provisions relate to a defined benefit pension scheme amounting to an asset of $81.11 million and a retiree medical post-retirement benefit scheme amounting to a liability of $94.53 million. 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. Management uses external actuaries to assist in determining these key assumptions and in valuing the assets and liabilities within the schemes.	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. 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. We also assessed the adequacy of disclosures in the financial statements.

Building a better working world

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

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.

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

Kingston, Jamaica
March 1, 2023

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Non-current assets			
Property, plant, and equipment	5	301,600	355,778
Post-employment benefits	6	81,108	212,128
Right-of-use assets	7	85,787	50,587
Deferred tax assets	8	5,322	-
Total non-current assets		473,817	618,493
Current assets			
Inventories	9	858,990	740,273
Due from fellow subsidiaries	10	8,974	2,243
Trade and other receivables	11	808,991	644,008
Income tax recoverable		67,298	18,762
Cash and bank balances	12	258,933	275,674
Total current assets		2,003,186	1,680,960
Total assets		2,477,003	2,299,453
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	141,793	141,793
Revaluation reserves	14	45,445	45,895
Revenue reserve		1,037,992	1,110,691
Total shareholders' equity		1,225,230	1,298,379
Non-current liabilities			
Post-employment benefits	6	94,534	132,556
Deferred tax liabilities	8	-	19,357
Lease liabilities	7	66,312	35,944
Total non-current liabilities		160,846	187,857
Current liabilities			
Due to immediate parent company	10	335,004	243,915
Due to fellow subsidiaries	10	466,012	281,951
Dividends payable		6,874	13,593
Provisions	15	7,536	13,464
Lease liabilities	7	19,448	13,906
Trade and other payables	16	256,053	246,388
Total current liabilities		1,090,927	813,217
Total equity and liabilities		2,477,003	2,299,453

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, 2023, and are signed on its behalf by:

.... Chairman
Adam Sabga

.... Director
Michael Fennell

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2022

	Notes	2022 $'000	2021 $'000
Revenue from contracts with customers	18	3,295,791	3,108,089
Raw materials and consumable used		(1,929,144)	(1,878,366)
Changes in inventories of finished goods and work in progress (net)		(3,845)	231,786
Manufacturing expenses		(54,776)	(57,504)
Depreciation	5,7	(90,578)	(73,668)
Employee benefits expense	20	(527,063)	(549,884)
Other operating expenses		(728,833)	(659,502)
Other income		38,484	38,742
PROFIT BEFORE TAXATION	19	36	159,693
Taxation credit (charge)	21	666	(36,353)
NET PROFIT FOR THE YEAR		702	123,340
Earnings per stock unit	22	$0.00	$0.58

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

STATEMENT OF COMPREHENSIVE (LOSS) INCOME
YEAR ENDED DECEMBER 31, 2022

	Notes	2022 $'000	2021 $'000
NET PROFIT FOR THE YEAR		702	123,340
OTHER COMPREHENSIVE (LOSS) 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	14,8	(450)	150
Remeasurement of employment benefit plans	6	(97,864)	42,820
Deferred tax	8	24,463	(10,705)
		(73,401)	32,115
Other comprehensive (loss) income for the year net of tax		(73,851)	32,265
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX		(73,149)	155,605

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

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2022

	Notes	Share Capital $'000	Revaluation Reserves $'000	Revenue Reserve $'000	Total $'000
Balance at January 1, 2021		141,793	45,745	962,182	1,149,720
Net profit for the year		-	-	123,340	123,340
Transfers and other movements		-	-	(6,946)	(6,946)
Other comprehensive income for the year		-	150	32,115	32,265
Total comprehensive income for the year		-	150	148,509	148,659
Balance at December 31, 2021		141,793	45,895	1,110,691	1,298,379
Net profit for the year		-	-	702	702
Other comprehensive loss for the year		-	(450)	(73,401)	(73,851)
Total comprehensive loss for the year		-	(450)	(72,699)	(73,149)
Balance at December 31, 2022		141,793	45,445	1,037,992	1,225,230

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

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	Notes	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		702	123,340
Adjustments for:			
Depreciation on property, plant and equipment	5	76,058	60,389
Depreciation on right of use assets	7	14,520	13,279
Interest expense on lease liabilities	7	1,984	3,386
Unrealised foreign exchange losses (gains) (net)		(2,970)	6,200
Post retirement benefit charge	6(e)	9,106	14,867
Income tax (credit) expense	21	(666)	36,353
Provision charge	15	1,633	2,480
Expected credit loss recognised on trade receivables	11	9,832	1,381
Expected credit loss recognised on other receivables	11	19,875	832
Reversal of expected credit loss on trade receivables	11	(8,817)	(6,549)
Reversal of expected credit loss on other receivables	11	-	(1,265)
Effect of change in inventory provision policy	9	-	(6,946)
Write off of dividends payable		(6,719)	
Gain on sale of property, plant and equipment		(1,435)	-
Operating cash flows before movements in working capital:		113,103	247,747
(Increase)/Decrease in trade and other receivables		(185,873)	(63,400)
Increase in inventories		(118,717)	(294,559)
Increase/(Decrease) in due to/from fellow subsidiaries (net)		177,330	199,612
Provisions utilised	15	(7,561)	(708)
Increase/(Decrease) in trade and other payables		9,665	48,953
Increase in due to immediate parent company		91,089	96,161
Post-employment benefits contributions	6(e)	(13,972)	(14,795)
Cash generated from/(used in) operations		65,064	219,011
Interest paid		(1,984)	(3,386)
Tax paid		(48,536)	(33)
Net cash provided by operating activities		14,544	215,592
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(21,880)	(129,354)
Proceeds on sale of property, plant and equipment		1,435	-
Net cash used in investing activities		(20,445)	(129,354)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(182)
Lease liabilities payments	7	(13,810)	(14,986)
Net cash used in financing activities		(13,810)	(15,168)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(19,711)	71,070
OPENING CASH AND CASH EQUIVALENTS		275,674	210,804
Effect of foreign exchange rate changes		2,970	(6,200)
CLOSING CASH AND CASH EQUIVALENTS	12	258,933	275,674
Supplemental non-cash activities disclosure:			
Right of use assets acquired under finance leases	7	49,720	-

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

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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.

Amendment to IFRS 16 Leases - Covid-19 Related Rent Concessions beyond June 30, 2021 (effective April 1, 2021)

On May 28, 2020, the International Accounting Standards Board ('IASB') amended IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification to rent concessions arising as a direct consequence of the Covid-19 pandemic.

In March 2021, the IASB amended the conditions of the practical expedient. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

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.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

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

Amendment to IFRS 16 Leases - Covid-19 Related Rent Concessions beyond June 30, 2021 (effective April 1, 2021) ***(continued)***

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022.
- There is no substantive change to other terms and conditions of the lease.

Lessees will apply the practical expedient retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The amendments are effective for annual reporting periods beginning on or after April 1, 2021, however earlier application is permitted. These amendments had no impact on the financial statements of the company.

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. These amendments had no impact on the company's financial statements.

Reference to Conceptual Framework- Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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

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

Reference to Conceptual Framework- Amendments to IFRS 3 (continued)
The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the conceptual Framework in use. These amendments are effective for annual periods beginning on or after January 1, 2022. These amendments did not have an impact on the financial statements.

Annual Improvements 2018 - 2020 Cycle (issued in May 2020)
These improvements include:
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter- effective January 1, 2022
- IFRS 9 Financial instruments – Fees in the 10 “per cent” test for derecognition of financial liabilities - effective January 1, 2022
- IAS 41 Agriculture -Taxation in fair value measurements– effective January 1, 2022

These improvements did not have an impact on the financial statements

2.3 *Standards, interpretations and amendments to existing standards that are not yet effective and have not yet been early adopted by the company*
- Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework – effective January 1, 2022
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before intended use - effective January 1, 2022
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Costs of fulfilling a contract – effective January 1, 2022
- IFRS 17 Insurance Contracts – Effective January 1, 2023
- Amendments to IAS 1 Presentation of Financial Statements - Amendments to IAS 1 – Classification of liabilities as Current or Non-current - effective January 1, 2024
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and errors – Definition of accounting estimates - effective January 1, 2023
- Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of accounting policies - effective January 1, 2023
- Amendments to IAS 12 Income Taxes – Deferred tax related to assets and liabilities arising from a single transaction - effective January 1, 2023
- Amendment to IFRS 10 and IAS 28 : Sale or Contributions of Assets between an Investor and its Associated or Joint Venture – deferred indefinitely
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 (continued)*

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 but 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 future financial statements:

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, 2024, 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 8: Accounting Policies, Changes in Accounting Estimates, and errors: Definition of accounting estimates
In February 2021, the Board issued amendments to IAS 8, which introduces a new definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. 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, 2022

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 (continued)*

Amendments to IAS 1 and IFRS Practice statement 2: Disclosure of accounting policies
In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. 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 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement whether such deductions are attributable for tax purposes to the liability recognised in the financial statements or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and should 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.

Lease Liability in a Sale and Leaseback- Amendments to IFRS 16
The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 (continued)*

Lease Liability in a Sale and Leaseback- Amendments to IFRS 16 (continued)
A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed. Management has not yet assessed the impact of these amendments on the financial statements.

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. 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.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.3 **Current versus non-current classification (continued)**

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.

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, 2022

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, 2022

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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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, 2022

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, 2022

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, 2022

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. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (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, 2022

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, 2022

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, 2022

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, lease liabilities, 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, 2022

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, 2022

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.

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.

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.

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, 2022

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.

<u>Sales of products to third parties</u>
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.

- <u>Rights of return</u>
  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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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 $81.11 million (2021: $212.13 million) in respect of the defined benefit pension plan and a liability of approximately $94.53 million (2021: $132.56 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 $nil million (2021: $3.64 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, 2022

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)

Estimating variable consideration for 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, 2022, the amount recognised as refund liabilities for the expected returns was maintained at $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, 2022

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 $693.57 million (2021: $583.35 million) for which an allowance for expected credit losses of $51.99 million (2021: $50.97 million) (Note 11) was recognised.

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, its 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, 2022

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings & Leasehold Improvements $'000	Plant and Machinery $'000	Furniture Fixtures & Equipment $'000	Motor Vehicles $'000	Totals $'000
At cost						
January 1, 2021	27,000	129,147	402,929	142,022	45,542	746,640
Additions	-	8,011	100,962	16,086	4,295	129,354
December 31, 2021	27,000	137,158	503,891	158,108	49,837	875,994
Additions	-	-	2,665	14,107	5,108	21,880
Disposals	-	-	-	-	(8,175)	(8,175)
December 31, 2022	27,000	137,158	506,556	172,215	46,770	889,699
Accumulated depreciation						
January 1, 2021	-	59,161	257,827	107,253	35,586	459,827
Depreciation charge	-	8,397	27,233	21,558	3,201	60,389
December 31, 2021	-	67,558	285,060	128,811	38,787	520,216
Depreciation charge	-	8,966	45,494	17,458	4,140	76,058
Disposals	-	-	-	-	(8,175)	(8,175)
December 31, 2022	-	76,524	330,554	146,269	34,752	588,099
Carrying amounts						
December 31, 2022	27,000	60,634	176,002	25,946	12,018	301,600
December 31, 2021	27,000	69,600	218,831	29,297	11,050	355,778

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, 2022

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% (2021: 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 1⅔% 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, 2021, 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. The triennial valuation was still pending at the date of issuance of these financial statements.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

Financial Assumptions

	2022 %	2021 %
Gross discount rate	11.50	9.00
Expected rate of salary increases	5.00	4.50
Future pension increases	2.50	2.00
Medical inflation	5.50	5.50
Inflation	5.00	5.00
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	4.43 – 14.53	2.29 – 8.63

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, 2022

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:

	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000
Present value of obligation	(755,127)	(986,695)	(994,440)	(1,004,652)	(1,069,906)
Fair value of plan assets	1,389,033	1,525,938	1,493,379	1,663,555	1,487,691
Unrecognised asset due to ceiling	(552,798)	(327,115)	(323,844)	(509,380)	(281,222)
Net asset in the statement of financial position	81,108	212,128	175,095	149,523	136,563

(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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Present value of obligation	(755,127)	(986,695)	(94,534)	(132,556)
Fair value of plan assets	1,389,033	1,525,938	-	-
Unrecognised asset due to ceiling	(552,798)	(327,115)	-	-
Net asset (liability) in the statement of financial position	81,108	212,128	(94,534)	(132,556)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current service cost	12,192	14,099	3,120	2,598
Net interest cost:				
Interest cost on defined benefit obligation	84,107	87,122	11,945	12,402
Interest income on plan assets	(102,258)	(101,354)	-	-
Total included in employee benefits expense	(5,959)	(133)	15,065	15,000

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Remeasurements				
Change in financial assumptions		-		-
Experience adjustments	49,567	(31,525)	(17,418)	(14,566)
Remeasurement adjustments	(130,211)	-	(29,757)	-
Change in effect of the asset ceiling	225,683	3,271	-	-
	145,039	(28,254)	(47,175)	(14,566)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	212,128	175,095	(132,556)	(138,271)
Amount credit (charged) to income	5,959	133	(15,065)	(15,000)
Remeasurement recognised in OCI	(145,039)	28,254	47,175	14,566
Contributions by employer	8,060	8,646	5,912	6,149
Closing balance	81,108	212,128	(94,534)	(132,556)

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Opening defined benefit obligation	986,695	994,440	132,556	138,271
Service cost	12,192	14,099	3,120	2,598
Interest cost	84,107	87,122	11,945	12,402
Members' contributions	12,248	14,371	-	-
Benefits paid	(141,014)	(109,776)	(5,912)	(6,149)
Remeasurement:				
Changes in financial assumptions		-		-
Changes in experience adjustments	(199,101)	(13,561)	(47,175)	(14,566)
Closing defined benefit obligation	755,127	986,695	94,534	132,556

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

	Defined Benefit Pension Plan	
	2022	2021
	$'000	$'000
Opening fair value of plan assets	1,525,938	1,493,379
Members' contributions	12,248	14,371
Employer's contributions	8,060	8,646
Interest income on plan assets	102,258	101,354
Benefits paid	(141,014)	(109,776)
Remeasurement:		
Experience adjustments	(118,457)	17,964
Closing fair value of plan assets	1,389,033	1,525,938
Movement in asset ceiling asset		
Effect of asset ceiling at beginning	327,115	(323,844)
Remeasurement effects	225,683	(3,271)
Effect of ceiling at the end of period	552,798	(327,115)

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

6. **POST EMPLOYMENT BENEFITS (CONTINUED)**

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

	Defined Benefit Pension Plan	
	2022 Fair Value of Plan Asset $'000	2021 Fair Value of Plan Asset $'000
Equity fund	333,368	402,755
CPI indexed fund	41,671	67,126
International equity	41,671	67,126
Fixed income fund	125,013	111,876
Mortgage and real estate fund	222,245	302,067
Foreign currency fund	166,684	156,627
Money market fund	13,890	11,188
Value of purchased annuities	444,491	407,173
Closing fair value of plan assets	1,389,033	1,525,938

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 - 2022	(9,501)	11,349
(Decrease) Increase in defined benefit obligation - 2021	(15,701)	19,272

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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
2022		
Increase (Decrease) in defined benefit obligation		
- Medical	10,247	(8,588)
Increase (Decrease) in defined benefit obligation		
- Pension	56,475	(43,049)
2021		
Increase (Decrease) in defined benefit obligation		
- Medical	18,410	(14,947)
Increase (Decrease) in defined benefit obligation		
- Pension	109,184	(88,191)

3. Future pension increase

	1% decrease in Future Pension Assumption $'000	1% increase in Future Pension Assumption $'000
2022		
(Decrease) Increase in defined benefit obligation		
- Pension	(38,558)	45,326
2021		
(Decrease) Increase in defined benefit obligation		
- Pension	(66,206)	77,046

4. Salary assumption

	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000
2022		
(Decrease) Increase in defined benefit obligation		
- Pension	(5,757)	9,277
2021		
(Decrease) Increase in defined benefit obligation		
- Pension	(23,264)	27,309

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(i) Sensitivity analyses (continued)

5. Life expectancy

	1 year Decrease $'000	1 year Increase $'000
2022		
(Decrease) Increase in defined benefit obligation - Medical	(2,304)	2,276
(Decrease) Increase in defined benefit obligation - Pension	(10,520)	10,254
2021		
(Decrease) Increase in defined benefit obligation - Medical	(3,790)	3,783
(Decrease) Increase in defined benefit obligation - Pension	(16,587)	16,244

(j) Other

(i) Expected employer contributions for the next year

	$'000
Pension	4,029
Medical	6,708
	10,737

(ii) Expected expense for the next year

	Medical $'000	Pension $'000	Total $'000
Service cost	2,408	4,029	6,437
Financing cost (net)	11,148	(7,302)	3,846
	13,556	(3,273)	10,283

(iii) Maturity profile of defined benefit obligation

	Weighted average duration of liability 2022	Weighted average duration of liability 2021
Pension	8	12
Medical	11	13

(iv) Included in the holdings of plan assets is an investment in the Sagicor Pooled Pension Investment Funds which holds 10.4% (2021: 10.4%) of the company's issued shares.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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:

	2022 $'000	2021 $'000
As at January 1	50,587	63,866
Additions	49,720	-
Depreciation	(14,520)	(13,279)
As at December 31	85,787	50,587

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

	2022 $'000	2021 $'000
As at January 1	49,850	64,836
Additions	49,720	-
Accretion of interest	1,984	3,386
Payments	(15,794)	(18,372)
As at December 31	85,760	49,850
Classified as:		
Current	19,448	13,906
Non-current	66,312	35,944
	85,760	49,850

The following are the amounts recognised in profit or loss:

	2022 $'000	2021 $'000
Depreciation expense of right of use asset	14,520	13,279
Interest expense on lease liabilities	1,984	3,386
Total amount recognised in profit or loss	16,504	16,665

Operating lease payments relating to short term leases and leases of low value assets recognized as expense for the year amounted to $0.25 million (2021: $0.60 million).

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. LEASES (CONTINUED)

Company as a lessor

The company has entered into an operating lease on it freehold land with a related party. The lease has a term of three years. Rental income recognised by the company during the year is $0.54 million (2021: $0.35 million).

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

	2022 $'000	2021 $'000
Within one year	540	263
After one year but not more than three year	675	-
	1,215	263

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:

	2022 $'000	2021 $'000
Deferred tax assets	34,633	46,428
Deferred tax liabilities	(29,311)	(65,785)
	5,322	(19,357)

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

	2022 $'000	2021 $'000
Opening balance	(19,357)	7,575
Credit (charge) to income for the period (Note 21(a))	666	(16,377)
Credit(charge) to other comprehensive income for the period (Note 21(b))	24,013	(10,555)
Closing balance	5,322	(19,357)

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, 2022

8. DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

Deferred tax assets

	Accrued Vacation	Post Employment Benefits Obligation	Accrued incentive and other	Tax losses	Unrealised Foreign exchange losses	Lease liabilities in excess of right of use assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance, January 1, 2021	2,922	34,570	11,222	-	8,483	242	57,439
Credit/(Charge) to income for the year	444	2,213	(2,288)	-	(7,496)	(242)	(7,369)
Charge to other comprehensive income for the year	-	(3,642)	-	-	-	-	(3,642)
Balance, December 31, 2021	3,366	33,141	8,934	-	987	-	46,428
Credit/(Charge) to income for the year	(1,666)	2,288	(4,740)	5,106	(987)	-	1
Charge to other comprehensive income for the year	-	(11,796)	-	-	-	-	(11,796)
Balance, December 31, 2022	1,700	23,633	4,194	5,106	-	-	34,633

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

8. DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

Deferred tax liabilities

	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	Unrealised foreign exchange gains $'000	Right of use assets in excess lease liabilities $'000	Total $'000
Balance, January 1, 2021	3,834	43,776	2,017	237	-	-	49,864
Charge to income for the year		2,195	5,951	678	-	184	9,008
Credit to other comprehensive income for the year	(150)	7,063	-	-	-	-	6,913
Balance, December 31, 2021	3,684	53,034	7,968	915	-	184	65,785
(Credit)/Charge to income for the year	-	3,502	(4,126)	(610)	746	(177)	(665)
Charge/(Credit) to other comprehensive income for the year	450	(36,259)	-	-	-	-	(35,809)
Balance, December 31, 2022	4,134	20,277	3,842	305	746	7	29,311

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. INVENTORIES

	2022 $'000	2021 $'000
Finished goods	384,750	416,170
Work-in-progress	38,922	11,347
Raw materials and supplies	337,410	288,372
Goods-in-transit	97,908	24,384
	858,990	740,273

Inventories stated above are net of provision for obsolescence amounting to approximately $93.67 million (2021: $50.36 million).

The cost of inventories recognised as an expense during the period, was $1,933 million (2021: $1,646.58 million).

Movement in provision for obsolescence

	2022 $'000	2021 $'000
Opening balance	50,363	58,484
Effect of change in policy (a)	-	6,946
Charged to income	65,801	4,490
Reversal of write down (b)	(22,490)	(19,557)
Closing balance	93,674	50,363

(a) During the year of 2021, the company changed its accounting policy to record provision for obsolescence. This resulted in the recognition of additional provision of $6.95 million which was debited to retained earnings.

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

Charges in respect of inventory obsolescence of $65.80 million (2021: $4.49 million) are recorded in raw materials and consumable used.

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:

	Sales of Goods and Raw Materials		Purchases of Goods, Raw Materials and Equipment		Technical Service Fees		Amounts Owed by (to) Related Parties	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Immediate parent								
Ansa Coatings International Ltd.	-	-	-	-	104,730	107,385	(335,004)	(243,915)
Fellow subsidiaries								
Berger Barbados	252	482	6,596	5,165	-	-	(506)	(1,380)
ABEL Building Solutions	-	-	-	-	-	-	(34,125)	(24,638)
Ansa Mcal (Barbados)	-	-	-	-	-	-	-	(53)
Ansa Coatings (Ja) Ltd.	-	-	-	-	-	-	-	(6,871)
Ansa Mcal Trading Inc.	-	-	-	-	-	-	-	-
Ansa Coatings Limited	10,317	3,853	82,523	65,448	-	-	(12,839)	-
Ansa Mcal Limited	-	-	-	-	-	-	99	440
Ansa Polymer	-	-	62,060	80,392	-	-	(19,435)	-
Sissons Paints	-	-	-	-	-	-	275	(321)
Ansa Mcal Chemicals	-	-	-	344	-	-	3,363	985
Ansa Mcal Chemicals (Ja)	203	54	-	-	-	-	5,237	813
Ansa Merchant Bank	-	-	-	-	-	-	-	5
Ansa Technologies Limited	-	-	-	-	-	-	-	-
Ansa US	-	-	1,488,357	1,214,028	-	-	(399,107)	(248,688)
	10,772	4,389	1,639,536	1,365,377	-	443	(457,038)	(279,708)
Reflected in statement of financial position:								
Due from fellow subsidiaries							8,974	2,243
Due to fellow subsidiaries							(466,012)	(281,951)
							(457,038)	(279,708)

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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, interest free and will be settled on demand. 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:

	2022 $'000	2021 $'000
Short-term benefits	75,799	74,061
Post-employment benefits	2,387	3,835
	78,186	77,896

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

	2022 $'000	2021 $'000
Trade receivables	693,569	583,352
Less allowance for expected credit losses	(51,989)	(50,974)
	641,580	532,378
Other receivables and prepayments (net of an allowance for expected credit losses of $22.93 million (2021: $15.10 million)	167,411	111,630
	808,991	644,008

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 (2021: 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 (2021: 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, 2022

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, $117.25 million (2021: $60.29 million) (amount within the approved credit limit) is due from one (2021: one) 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	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Opening balance	50,974	56,142	15,098	15,531
Expected credit losses recognized	9,832	1,381	7,837	832
Amounts recovered during the year	(8,817)	(6,549)	-	(1,265)
Closing balance	51,989	50,974	22,935	15,098

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

	2022 $'000	**2021 $'000**
0-30 days	-	-
31-90 days	-	-
91-180 days	9,143	4,687
Over 181 days	42,846	46,287
	51,989	56,142

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of impaired other receivables

	2022 $'000	2021 $'000
≥ 12 months	16,363	15,098

12. CASH AND BANK BALANCES

	2022 $'000	2021 $'000
Cash on hand	498	517
Foreign currency bank balances (Note 12(a))	7,587	50,763
Jamaican dollar bank balances (Note 12(b))	250,848	224,394
	258,933	275,674

(a) These include non-interest bearing accounts totaling $7.6 million (2021: $50.76 million) representing the Jamaican dollar equivalent of US$0.05 million (2021: US$0.33 million).

(b) The company has a credit facility (overdraft) with a commercial bank with a limit of $90 million (2021: $90 million) at a rate of 16.25% (2021: 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

	2022 No. of shares	2021 No. of shares	2022 $'000	2021 $'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			141,793	141,793

There were no movements in share capital during the period.

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

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

14. REVALUATION RESERVES

	Properties Revaluation Reserve	
	2022 $'000	2021 $'000
Balance at beginning of year	45,895	45,745
Adjustments to deferred tax liability in respect of revalued buildings (Note 21(b))	(450)	150
Balance at end of year	45,445	45,895

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	
	2022 $'000	2021 $'000
Opening balance	13,464	11,692
Charged to income for year	1,633	2,480
Utilized during the year	(7,561)	(708)
Closing balance	7,536	13,464

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

16. TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Trade payables	19,801	56,599
Other payables and accruals	236,252	189,789
	256,053	246,388

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, 2022 (2021: No dividends declared).

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following are entity-wide disclosures:

(a) Products

	2022 $'000	2021 $'000
Decorative/architectural products	2,995,649	2,867,844
Industrial products	219,840	169,732
Automotive products	80,302	70,513
	3,295,791	3,108,089

(b) Geographical areas

	2022 $'000	2021 $'000
Domestic sales	3,283,089	3,072,893
Export sales	12,702	35,196
	3,295,791	3,108,089

(c) Major customers

Of the sales for the year, 11% (2021: 12%) 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

	2022 $'000	2021 $'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, 2022

19. PROFIT BEFORE TAXATION

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

	2022 $'000	2021 $'000
(i) Expenses on financial assets at amortised cost		
Allowance for expected credit losses on sale of goods net of recoveries of $8.82 million (2021: $6.55 million)	1,015	(5,168)
Allowance for expected credit losses on other receivables including direct write off of $30.94 million (2021: recoveries $1.27 million)	37,515	(433)
(ii) Net loss on financial assets and financial liabilities at amortised cost		
Net foreign exchange loss	11,871	9,718
(iii) Other expenses		
Directors' emoluments		
Fees	5,928	5,864
Management	25,442	20,657
Audit fees	8,884	7,380

20. EMPLOYEES BENEFITS EXPENSE

Staff costs incurred during the period were:

	2022 $'000	2021 $'000
Salaries, wages, and statutory contributions	465,953	491,959
Other staff benefits	61,110	57,925
	527,063	549,884

21. TAXATION

Current and deferred taxes have been calculated using the tax rate of 25% (2021: 25%).

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

(i) The total charge for the period comprises:

	2022 $'000	2021 $'000
Current tax	-	23,091
Prior year (over) under provision	-	(3,115)
Deferred tax adjustment (Note 8)	(666)	16,377
	(666)	36,353

Current and deferred taxes have been calculated using the tax rate of 25% (2021: 25%).

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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:

	2022 $'000	2021 $'000
Profit before tax	36	159,693
Tax at the domestic income tax rate of 25%	9	39,923
Tax effect of expenses that are not deductible in determining taxable profit	828	9,671
Non assessable income	-	-
Employment tax credit	-	(9,307)
Prior year (over) under provision	-	(3,115)
Other	(1,503)	(819)
Tax expense for the year	(666)	36,353

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

	2022 $'000	2021 $'000
Revaluation of properties (Note 14)	(450)	150
Remeasurement of defined benefit plans	24,463	(10,705)
	24,013	(10,555)

22. **EARNINGS PER STOCK UNIT**

The calculation of basic and fully diluted earnings per stock unit of $0.00 (2021: $0.58) is based on the profit after taxation of $0.03 million (2021: $123.34 million) and the number of stock units in issue during the period of 214,322,393 (2021: 214,322,393 units).

23. **COMMITMENTS**

(a) Capital commitments

There were no capital commitments as at December 31, 2022, nor at December 31, 2021.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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:

	2022 $'000	2021 $'000
Financial Assets (at amortised cost)		
- Due from fellow subsidiaries	8,974	2,243
- Trade and other receivables (excluding prepayments)	782,396	616,438
- Cash and bank balances	258,933	275,674
	1,050,303	894,355
Financial Liabilities (at amortised cost)		
- Due to immediate parent company	335,004	243,915
- Due to fellow subsidiaries	466,012	281,951
- Dividends payable	6,874	13,593
- Trade and other payables (excluding accruals)	219,940	141,961
- Lease liabilities	85,760	49,850
	1,113,590	731,270

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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, 2022

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)**	
	2022 J$'000	**2021 J$'000**	**2022 J$'000**	**2021 J$'000**	**2022 J$'000**	**2021 J$'000**
US dollars	806,867	519,085	19,915	67,708	786,952	448,465
Belize dollars	-	-	-	6	-	(6)

Foreign currency sensitivity
The following table details the sensitivity to a 1% revaluation and 4% devaluation (2021: 2% revaluation and 8% 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 1% or weakens by 4% (2021: strengthens by 2% or weakens by 8%) against the relevant foreign currency, profit will (decrease) increase by:

	2022				**2021**			
	Revaluation		**Devaluation**		**Revaluation**		**Devaluation**	
	%	**J$'000**	**%**	**J$'000**	**%**	**J$'000**	**%**	**J$'000**
US dollars	+1	7,870	-4	(31,478)	+2	8,969	-8	(35,876)
Belize dollars	+1	-	-4	-	+2	-	-8	-
		7,870		(31,478)		8,969		(35,876)

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 are 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 50 basis points decrease (2021: a 300 basis points increase and a 50 basis points decrease) and for foreign currency denominated balances, a 100 basis points increase and a 50 basis points decrease (2021: 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, 2022, and December 31, 2021, the company had no significant exposure to interest rate risk.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 and cash equivalents, trade and other receivables and amounts due from related parties. The maximum exposure to credit risk is the amount of approximately $1,038.26 million (2021: $894.36 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) totaling $258.93 million (2021: $275.16 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 (2021: one) retail entity whose outstanding balance at December 31, 2022 (within the approved credit limits) amounted to approximately 17% (2021: 10%) of trade receivables (see Note 11). 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, 2022

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.

	Trade receivables				
		Days past due			
31 December 2022	**0-30 days Current**	**31- 90 days**	**91- 180 days**	**Over 181 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	0.00%	0.00%	100.00%	100.00%	
Estimated total gross carrying amount at default	348,317	293,263	9,143	42,846	693,569
Allowance for expected credit loss	-	-	9,143	42,846	51,989

	Trade receivables				
		Days past due			
31 December 2021	**0-30 days Current**	**31- 90 days**	**91- 180 days**	**Over 181 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	0.00%	0.00%	100.00%	100.00%	
Estimated total gross carrying amount at default	382,220	150,158	4,687	46,287	583,352
Allowance for expected credit loss	-	-	4,687	46,287	50,974

The carrying amount of financial assets in respect of trade receivables totaling $693.57 million (2021: $532.38 million) and other receivables totaling $140.82 million (2021: $84.06 million) excluding prepayments at year end which is net of impairment of approximately $22.93 million (2021: $15.10 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 $8.97 million (2021: $2.24 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, 2022

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 million (2021: $90 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
December 2022				
Non-interest bearing		1,027,830	-	1,027,830
Interest bearing – lease liabilities	4.83 - 5.65	23,712	75,620	99,332
		1,051,542	75,620	1,127,162
December 2021				
Non-interest bearing	Nil	681,420	-	681,420
Interest bearing – lease liabilities	4.83 - 5.65	14,156	58,064	72,220
		695,576	58,064	753,640

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, 2022.

Notes