BERGER
FOR LASTING BEAUTY AND PROTECTION

BERGER PAINTS JAMAICA LIMITED

OUR People OUR Planet OUR Progress

Annual Report 2023

Scan me to see our colours on your project with our
BERGER Colour Visualiser

ansa mcal
Together, we are Family

BERGER

OUR MISSION

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

BERGER

OUR People OUR Planet OUR Progress

Annual Report 2023

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COMPANY PROFILE

Berger Paints Jamaica Limited (BPJL) manufactures and distributes decorative, industrial and wood coatings as well as distribute automotive coatings and supply paint-related materials to support our dynamic range of offers. In 1953, Berger Paints started operating in Jamaica and has since provided 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 consistent professional delivery of value-added service to the market. 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 this information as input for periodically reviewing and revising the 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 the 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.

CHAIRMAN'S AND GENERAL MANAGER'S REPORT

ADAM N. SABGA
CHAIRMAN

"We are confident about the future, and will continue to retool the business and implement at scale and pace the strategies required to deliver significantly stronger performance in 2024 and beyond."

2023 saw Berger Paints Jamaica Limited (BPJL) returning to encouraging levels of growth with Revenue and Gross profit delivery above prior year.

As a heritage company, we continued to invest and upgrade our facilities and machinery to deliver on our quality and productivity levels, along with expanding our Colour Shop network. Deployment of IT infrastrucuture to shield and bolster our cybersecurity protection. These strategic investments along with minimum wage upward adjustments for some tiers of contractors, saw a material erosion of the top line gains.

Though the full year performance was somewhat sluggish, we were buoyed by the fact that the last quarter of 2023 rebounded with a 357% increase in profit before tax. We expect a spur in economic growth in 2024 as we optimize our key business strategies that through our collective efforts will drive success and create lasting value for BPJL.

2023 REVIEW

Revenues improved in 2023 by $64M from $3.3B to J$3.4B, a 2% improvement vs 2022.

Despite continued supply chain challenges and disruptions as well as foreign exchange shifts throughout the year, through diligent management, Cost of Goods Sold declined by 1% or $19M as we continued to rein in product related costs across the business and optimised operations. This effort enabled us to deliver an improved Gross Profit margin in 2023 versus PY.

With various plant expansion projects, BPJL was impacted by volume throughput reductions during the periods of the retooling, the impact of this was a 4% reduction in volumes versus PY. With these projects completed, the volumetric improvements will certainly be delivered moving forward.

Our total expenses grew to $1.6B. This was driven by foreign exchange losses, increases in our security and information systems, advertising and promotional costs, filling of critical vacancies, as well as other administrative costs. Despite the financial year closing at a loss before taxes of $256M, The Board and Management trust that our present decisions to reinvest will bear fruit into 2024 and beyond.

OUTLOOK

Despite the challenges of the past few years, BPJL has evolved into a more resilient Company. We will continue to evolve and focus on building a sustainable business, investing in the right resources to drive accelerated growth and push BPJL's performance trajectory.

We are confident about the future, and will continue to retool the business and implement at scale and pace the strategies required to deliver significantly stronger performance in 2024 and beyond. We will continue to invest in infrastructure, people, and technology to capitalize on growth opportunities and deliver on our value proposition in the market.

The Board of Directors continues to deliver on its responsibilities of providing strategic direction to navigate this competitive and every changing market space in which we operate. We are committed to creating unmatched value for our customers and remain steadfast in balancing growth and profitability for all stakeholders.

In conclusion, on behalf of the Board of Directors and Management of Berger Paints Jamaica Limited, a heartfelt thank you to our loyal customers, dedicated staff, suppliers, and all other stakeholders for your ongoing and continued support.

To our fellow board members, we thank you for your continued trust, unending effort, and partnership. Our future remains as bright as our ethos in delivering lasting beauty and protection across our markets.

Mr. Adam N. Sabga
Chairman

Mr. Dwaine Williams
General Manager

CORPORATE ENGAGEMENT

Berger's Sales Associate participating at the Tourism and Manufacturing Linkages Forum.

Media personalities sharing in the moment at Berger's booth at the JMEA Expo.

Miss World 1993 Lisa Hanna interacting with the Berger team at the JMEA Expo.

Berger's launch ceremony of the opening of the Colour Shop Express at Joongs Home Centre in Portmore.

A Berger staff member engaging a customer on the different types of paints using the Berger Painter's Guide.

One of Berger's Christmas Promotion weekly winner's accepts his cheque.

Berger Paints Labour Day partnership with Digicel painting up Higholborn Street Basic School in Kingston.

We invested in co-branding and built and launched our 2nd Colour Shop Express.

Berger's Paint Visualiser provides opportunities for our consumers to select their favourite Berger paint colours and apply them digitally to their actual rooms.

Berger's on shelf reset and display.

Launch of our number one rated paint Benchmarking campaign.

We invested in opening our 1st Colour Shop Express.

Berger's outdoor visibility drive.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 72nd Annual General Meeting of Berger Paints Jamaica Limited will be held at the Courtyard by Marriott Hotel, 1 Park Close, Kingston 5, on Wednesday, May 8, 2024, at 10:00 a.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, 2023 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 the Mrs. Jacqueline Sharp and The Hon. Michael Fennell, 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 Mrs. Jacqueline Sharp be and is hereby re-elected as a Director of the Company.

b) Be it **RESOLVED** THAT retiring Director The Hon. Michael Fennell be and is hereby re-elected as a Director of the Company.

BY ORDER OF THE BOARD

....

Ms. Chamika Cuffy
Company Secretary

Dated this 17th day of April 2024

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"). 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 interests and to enhance the financial performance of the company. This Code is influenced by applicable laws and regulations and internationally accepted Corporate Governance Best Practices and is available on our website at www.Bergercaribbean.com

BOARD OF DIRECTORS

The Company is led and managed by an effective Board comprising of directors with diverse backgrounds and experiences to enrich the dialogue, decision making and overall stewardship of Berger. Directors are elected by the shareholders to supervise the management of the organisation and affairs of the Company with the goal of enhancing long-term shareholder value. The Board is dedicated to upholding good corporate governance in order to deliver sustained growth. To assist in its function, the Board has established an Audit Committee.

Regular meetings of the Board and Audit Committee are convened. Telephonic attendance and conference via audio-visual communication at Board meetings are allowed under the Company's Articles.

Matters which are specifically reserved for decision-making by the Board, include those involving

- Corporate strategy and budgets
- Material acquisitions and disposal of assets
- Corporate financial restructuring,
- Share issues
- Dividends
- Other returns to Shareholders.

Although the day-to-day functions of the business are delegated to management, it is the Board which 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, its outside advisors and Auditors. Directors are also briefed on the business and updated from time to time on relevant changes to statutes and regulatory requirements applicable to the Company's business.

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

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

The Board comprised three Non-Executive Directors and four Executive Directors. 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.

Board Attendance

	BOARD MEETINGS		AUDIT COMMITTEE	
DIRECTOR	NUMBER OF MEETINGS	ATTENDENCE	NUMBER OF MEETINGS	ATTENDENCE
Mr. Adam N. Sabga	4	4		
Hon. Michael Fennel	4	4	4	4
Mr. Andy Mahadeo	4	4	4	4
Mr. Craig La Croix	4	4		
Mr. Milton Samuda	4	4	4	4
Mrs. Jacqueline Sharp	4	3	4	3
Mr. Christian LLanos	2	2		
Mr. Ray A. Sumairsingh	2	2		

Board Resolutions & Minutes

The Company Secretary minutes the proceedings and resolutions of all Board and Committee meetings. Minutes are circulated for approval at the subsequent regular meeting of the Board of Directors.

Directors' Remuneration

The Board determines the level and structure of fees paid to non-executive directors. The Executive Director is not paid a fee in respect of his office as a director of the Company.

Communication with Shareholders

The Company has an open policy on communication with its stakeholders. The Chairman is responsible for ensuring that the Annual General Meeting (AGM) is conducted in an efficient manner as an active engagement of shareholders.

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 the Group Internal Audit function. The Company is audited annually, and the results are reported to the Audit Committee and the Board of Directors, respectively.

In accordance with generally accepted Corporate Governance standards the majority of Committee members should are independent, seventy-five percent (75%) of the Committee comprises Non-Executive, Independent Directors.

The members of the Audit Committee are The Hon. Michael Fennell OJ, Mr. Milton Samuda, Mr. Andy Mahadeo and Mrs. Jacqueline Sharp. The Committee is chaired by The Hon. Michael Fennell.

The General Manager and the Financial Controller/Company Secretary 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, 2023

OPERATING RESULTS $'000

$3,359,368
Revenue

($255,856)
Loss before taxation

($218,419)
Net Loss after tax

DIRCTORS

The Directors as at December 31, 2023 were as follows:

- Mr. Adam N. Sagba – Chairman
- Mr. Christian Llanos
- Mr. Andy Mahadeo
- Mr. Craig La Croix
- Hon. Michael Fennel. OJ
- Mr. Milton Samuda
- Mrs. Jacqueline Sharpe

Pursuant to Articles 96 & 97 the Directors to retire from Office are Mrs. Jacqueline Sharpe and The Hon. Michael Fennell being eligible, offer themselves for re-election.

AUDITORS

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

EMPLOYEES

Your Directors wish to thank the company's management and staff 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

....

Ms. Chamika Cuffy
Company Secretary
April 17, 2024

BOARD OF DIRECTORS

MR. ADAM N. SABGA
CHAIRMAN

Mr. 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.

MR. 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.

A past Managing Director of Berger Paints Jamaica Limited and Berger Caribbean, The Hon. Michael 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.

HON. MICHAEL FENNELL, OJ, CD
DIRECTOR

Mr. 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.

MR. CRAIG LA CROIX
DIRECTOR

Mr. Llanos joined the ANSA McAL Group in 2017 as the Managing Director of ACL and was promoted to the Sector Supply Chain Director in 2019, when the Construction Sector was formed. His portfolio was expanded to include the finance function in March 2022, and he has been operating in the role of Sector Head - Construction since October 1st, 2023.

Mr. Llanos has a BSc. in Accounting with Honors from UW and is a Fellow of the Association of Chartered Certified Accountants. He has 30 years of experience in Supply Chain Management, Finance, and Project Management and has been pivotal in ensuring the continued growth of the Sector.

MR. CHRISTIAN LLANOS
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.

MR. MILTON SAMUDA
LLB. (HONS.)
INDEPENDENT DIRECTOR

Mrs. Sharp, 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.

Mrs. Sharp 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.

MRS. JACQUELINE SHARP
INDEPENDENT DIRECTOR

MANAGEMENT TEAM

MR. DWAINE WILLIAMS
GENERAL MANAGER

MS. CHAMIKA CUFFY
CHIEF FINANCIAL OFFICER / COMPANY SECRETARY

MR. NEWTON ABRAHAMS
SALES MANAGER

MRS. PETA-GAYE LEVENE-THOMAS
SALES MANAGER

MR. ROSS ALBERT
OPERATIONS MANAGER

DISCLOSURE OF SHAREHOLDINGS

TOP TEN (10) LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING	% OF ISSUED CAPITAL
ANSA COATINGS INTERNATIONAL LIMITED	115,438,340	53.86
SAGICOR POOLED EQUITY FUND	22,284,944	10.40
IDEAL GROUP CORPORATION LIMITED	10,988,500	5.13
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	4,848,115	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	**171,006,719**	**80.10**

SHAREHOLDERS OF DIRECTORS AND THEIR CONNECTED PARTIES

DIRECTORS	SHAREHOLDING	CONNECTED PARTY(S)	SHAREHOLDING
MR. ADAM N. SABGA (CHAIRMAN)	NIL	NIL	NIL
HON. MICHAEL FENNELL	NIL	MRS. KATHLEEN PEGGY FENNELL	NIL
MR. ANDY MAHADEO	NIL	MRS. DENISE GAYAH-MAHADEO	NIL
MR. CRAIG LA CROIX	NIL	MRS. LISA LA CROIX	NIL
MR. MILTON SAMUDA	NIL	MRS. ELIZABETH SAMUDA	NIL
MRS. JACQUELINE SHARP	NIL	MR. JASON SHARP	NIL
MR. CHRISTIAN LLANOS	NIL	MRS. TIFFANY LLANOS	NIL
TOTAL	**0**		**0**

SHAREHOLDERS OF SENIOR MANAGEMENT AND THEIR CONNECTED PARTIES

DIRECTORS	SHAREHOLDING	CONNECTED PARTY(S)	SHAREHOLDING
MR. NEWTON ABRAHAMS	NIL	MRS. SHARMAINE ABRAHAMS	NIL
MR. DWAINE WILLIAMS	NIL	MRS. SEMONE WILLIAMS	NIL
MS. CHAMIKA CUFFY	NIL	NIL	NIL
MRS. PETA GAYE LEVENE-THOMAS	NIL	MR. DAMALI THOMAS	NIL
MR. ROSS ALBERT	NIL	NIL	NIL
TOTAL	**0**		**0**

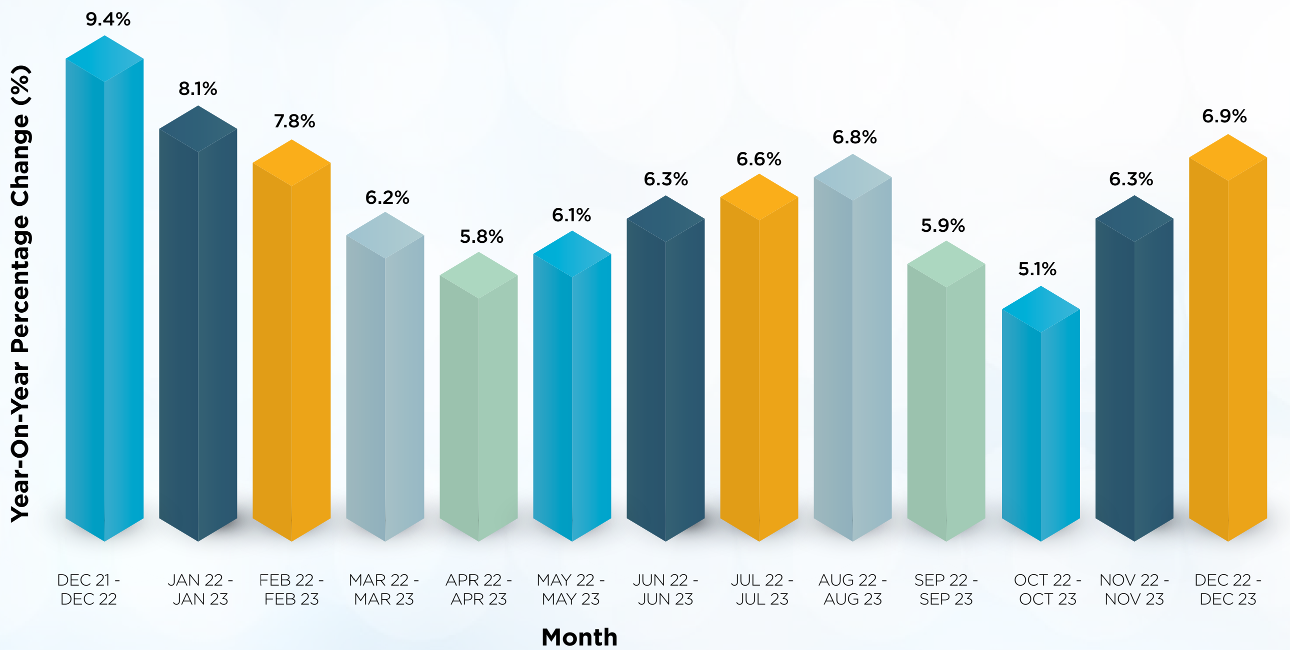
MANAGEMENT DISCUSSION AND ANALYSIS

MACRO-ECONOMIC ENVIRONMENT

According to the Statistical Institute of Jamaica (STATIN), the inflation rate over the 12-month period ending December 2023 was 6.9%, while the index for the manufacturing industry over the same period was 3%. All the core categories saw increases in consumer price index measurements, with the coatings-related area of household equipment and maintenance seeing a 10.5% increase over the 12-months ending December 2023.

The foreign exchange rate at the end of December 2023 was J$155.9 to one US dollar compared to a rate of J$153.7 in December 2022. Inflation is expected to decelerate, (barring any new shocks), with the Bank of Jamaica's inflation target range being 5.5% to 6.5% for 2024. The forecast assumes that inflation expectations will fall further as import prices decline and domestic monetary policy actions continue to restrain prices.

Inflation Rate



REVENUE GROWTH

Berger Paints recorded a positive revenue growth of 2% in 2023, landing at J$3.4B compared to a 2022 revenue of J$3.3B.

- **The Projects Channel** continues to see positive growth; volumes sold surpassed that of prior year by 16.8%. Increased activity in the tourism sector, and by extension the hotel industry, and relative buoyancy in the construction sector continue to support this channel's performance.

- **The Hardware Channel** declined versus prior year, impacted by fill rates brought on by raw material supply delays and plant expansion projects throughout the year.

- **The Retail Channel** improved revenue performance by 22.5% over prior year. This was flanked with the launch of an additional Colour Shop in Fairview, Montego Bay, in 2023, along with tactical marketing campaigns and promotional offers during 2023 to boost sales.

- **The Automotive Channel** continue to face supply chain issues with our international partners, impacting the availability of product supplies. Notwithstanding that, revenue generated in this channel grew by 5.7% over the prior year.

COST OF GOODS SOLD (COGS)

The Cost of Goods Sold in 2023 decreased versus 2022, driven by improved plant efficiencies and the stabilization of raw material inputs. We continue to focus on reducing product-related expenses and streamlining operations for increased plant optimization.

OPERATING EXPENSES

Operating expenses grew in 2023 as we continue to lay the foundation for future success through the filling of key vacancies, increased promotional and selling activities, and improved communication and IT systems as we continue to upskill the business processes and other administrative processes.

NON-CASH EXPENSES

Inventory depletion plans garnered improvements over that of 2022 with the realization of the obsolesce work off plans that were developed. In addition, we are persistently collaborating with our business partners to tackle outstanding debts, acknowledging the challenges they are encountering.

Depreciation costs in 2023 were 16% higher versus 2022. This increased cost is tied to the investments made to improve delivery of products and operational efficiency, including the additional Colour Shop at Fairview.

Throughout 2023, we closely monitored Realized/Unrealized Gains and Losses. Despite our efforts, challenges with FX volatility and availability hindered our ability to reduce these costs. Consequently, in 2023, we experienced net losses of J$26.3M, versus a loss of J$11.9M in 2022.

PROFIT BEFORE TAX (PBT)

2023 recorded a loss of J$256M compared to a favourable J$36K in 2022. Strategic initiatives being undertaken to enhance future performance.

STRATEGIC DIRECTION AND OUTLOOK

Management is dedicated to pursuing strategies and investments to ensure the sustainability of the business.

- Focus on fulfilment levels via the improved use of technology to drive speed and accuracy.
- Capacity Improvements to impact our ability to win in the high-volume space categories
- Expanded visibility and portfolio availability of our range while providing an improved shopping experience.
- Portfolio management with focus on the key product types in the right value segments to effectively satisfy the target customers with products at the best price/quality ratio.

We express our gratitude to our stakeholders for their ongoing support, in choosing us as their preferred brand.

OUR Financial Highlights

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, 2023, the statements of (loss) income, comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising material 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, 2023, 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 $154.30 million and a retiree medical post-retirement benefit scheme amounting to a liability of $110.23 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.

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
Chartered Accountants
Kingston, Jamaica
February 29, 2024

BERGER PAINTS JAMAICA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	491,201	349,730
Post-employment benefits	6	154,300	81,108
Right-of-use assets	7	48,656	85,787
Deferred tax assets	8	38,002	5,322
Total non-current assets		732,159	521,947
Current assets			
Inventories	9	695,597	858,990
Due from fellow subsidiaries	10	6,382	8,974
Trade and other receivables	11	735,272	760,861
Income tax recoverable		67,298	67,298
Cash and bank balances	12	157,644	258,933
Total current assets		1,662,193	1,955,056
Total assets		2,394,352	2,477,003
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	141,793	141,793
Revaluation reserves	14	45,595	45,445
Revenue reserve		861,505	1,037,992
Total shareholders' equity		1,048,893	1,225,230
Non-current liabilities			
Post-employment benefits	6	110,227	94,534
Deferred tax liabilities	8	-	-
Lease liabilities	7	28,938	66,312
Total non-current liabilities		139,165	160,846
Current liabilities			
Due to immediate parent company	10	350,581	335,004
Due to fellow subsidiaries	10	507,765	466,012
Dividends payable		6,874	6,874
Provisions	15	8,380	7,536
Lease liabilities	7	24,438	19,448
Trade and other payables	16	308,256	256,053
Total current liabilities		1,206,294	1,090,927
Total equity and liabilities		2,394,352	2,477,003

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 February 29, 2024 and are signed on its behalf by:

.... Chairman
Adam Sabga

.... Director
Michael Fennell

	Notes	2023 $'000	2022 $'000
Revenue from contracts with customers	18	3,359,368	3,295,791
Raw materials and consumable used		(1,846,390)	(1,929,144)
Changes in inventories of finished goods and work in progress (net)		(56,102)	(3,845)
Manufacturing expenses		(71,901)	(54,776)
Depreciation	5,7	(105,113)	(90,578)
Employee benefits expense	20	(592,329)	(527,063)
Other operating expenses	19 (i)	(975,095)	(728,833)
Other income		31,706	38,484
(LOSS) PROFIT BEFORE TAXATION	19	(255,856)	36
Taxation credit	21	37,437	666
NET (LOSS) PROFIT FOR THE YEAR		(218,419)	702
Earnings per stock unit	22	($1.02)	$0.00

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

STATEMENT OF COMPREHENSIVE (LOSS) INCOME

YEAR ENDED DECEMBER 31, 2023

	Notes	2023 $'000	2022 $'000
NET (LOSS) PROFIT FOR THE YEAR		(218,419)	702
OTHER COMPREHENSIVE INCOME (LOSS)			
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	150	(450)
Remeasurement of employment benefit plans	6	55,909	(97,864)
Deferred tax	8	(13,977)	24,463
		41,932	(73,401)
Other comprehensive income (loss) for the year net of tax		42,082	(73,851)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(176,337)	(73,149)

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

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2023

	Share Capital $'000 (Note 13)	Revaluation Reserves $'000 (Note 14)	Revenue Reserve $'000	Total $'000
Balance at January 1, 2022	141,793	45,895	1,110,691	1,298,379
Net profit for the year	-	-	702	702
Other comprehensive income for the year	-	(450)	(73,401)	(73,851)
Total comprehensive income for the year	-	(450)	(72,699)	(73,149)
Balance at December 31, 2022	141,793	45,445	1,037,992	1,225,230
Net loss for the year	-	-	(218,419)	(218,419)
Other comprehensive income for the year	-	150	41,932	42,082
Total comprehensive loss for the year	-	150	(176,487)	(176,337)
Balance at December 31, 2023	141,793	45,595	861,505	1,048,893

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

	Notes	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) profit for the year		(218,419)	702
Adjustments for:			
Depreciation on property, plant and equipment	5	78,635	76,058
Depreciation on right of use assets	7	26,478	14,520
Interest expense on lease liabilities	7	5,911	1,984
Unrealised foreign exchange losses (gains) (net)		3,644	(2,970)
Post retirement benefit charge	6(e)	12,404	9,106
Income tax credit	21	(37,437)	(666)
Provision charge	15	1,277	1,633
Expected credit loss recognised on trade receivables	11	19,869	9,832
Expected credit loss recognised on other receivables	11	26,158	19,875
Reversal of expected credit loss on trade receivables	11	(21,325)	(8,817)
Write off of dividends payable		-	(6,719)
Gain on sale of property, plant and equipment		(240)	(1,435)
Operating cash flows before movements in working capital:		(103,045)	113,103
Decrease/(Increase) in trade and other receivables		887	(185,873)
Decrease/(Increase) in inventories		163,393	(118,717)
Increase in due to/from fellow subsidiaries (net)		44,345	177,330
Provisions utilised	15	(433)	(7,561)
Increase in trade and other payables		52,203	9,665
Increase in due to immediate parent company		15,577	91,089
Post-employment benefits contributions	6(e)	(13,994)	(13,972)
Cash generated from operations		158,933	65,064
Interest paid		(5,911)	(1,984)
Tax paid		(9,070)	(48,536)
Net cash provided by operating activities		143,952	14,544
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(221,506)	(21,880)
Proceeds on sale of property, plant and equipment		1,640	1,435
Net cash used in investing activities		(219,866)	(20,445)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities principal payments	7	(21,731)	(13,810)
Net cash used in financing activities		(21,731)	(13,810)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(97,645)	(19,711)
OPENING CASH AND CASH EQUIVALENTS		258,933	275,674
Effect of foreign exchange rate changes		(3,644)	2,970
CLOSING CASH AND CASH EQUIVALENTS	12	157,644	258,933
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.

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)*

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. Management has considered the amendments and their impact to these financial statements is not considered material.

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. Management has assessed the impact of these amendments to be immaterial to these financial statements.

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*

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.

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

IFRS 17 Insurance Contracts (effective January 1, 2023)
In May 2017, the IASB issued IFRS 17 Insurance Contracts ("IFRS 17"), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The company does not have insurance contracts, therefore the amendments did not have any impact on these financial statements.

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)*

Amendments to IAS 12 International Tax Reform- Pillar Two Model Rules
The amendments to IAS 12 have been introduced in response to the OECD's BEPs Pillar Two Rules and includes:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two Model rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

The amendments had no impact on the company's 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 IAS 1 Presentation of Financial Statements - Amendments to IAS 1 – Classification of liabilities as Current or Non-current - effective January 1, 2024
- 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 - effective 1 January 2024
- Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements – effective 1 January 2024
- Lack of exchangeability – Amendments to IAS 21 – effective 1 January 2025

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 these amendments on the company's financial statements.

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 (continued)

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.

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. MATERIAL 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 material accounting policies are set out below.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The company classifies all other liabilities as non-current.

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

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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Fair value measurement (continued)

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.

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.

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

3.5 **Transactions with jointly controlled entities (continued)**

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.

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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

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.

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.

3. MATERIAL 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.

3. MATERIAL 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.

3. MATERIAL 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.

3. MATERIAL 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.

3. MATERIAL 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.

3. MATERIAL 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.

3. MATERIAL 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 (loss) 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.

3. MATERIAL 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers

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

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

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

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

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

3. **MATERIAL 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. The company had no PIPs in 2023 or 2022.

(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.

3. MATERIAL 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 thousands of Jamaican dollars, the currency of the primary economic environment in which the company operates (its functional currency).

3. MATERIAL 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.

3.19 Reclassifications

Certain prior year balances have been reclassified to concur with current year's presentation. Work in progress costs of $48.13 million were reclassified from other receivables to property, plant and equipment for the prior year.

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

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.

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) <u>Post-employment benefits</u>

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 $154.30 million (2022: $81.11 million) in respect of the defined benefit pension plan and a liability of approximately $110.23 million (2022: $94.53 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.

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

Key sources of estimation uncertainty (continued)

a) Post-employment benefits (continued)

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 (2022: $ nil million) increase/decrease in the current and deferred tax provisions.

c) 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.

At year end, trade receivables totaled $757.69 million (2022: $693.57 million) for which an allowance for expected credit losses of $50.53 million (2022: $51.99 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.

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

Key sources of estimation uncertainty (continued)

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).

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings & Leasehold Improvements $'000	Plant and Machinery $'000	Furniture Fixtures & Equipment $'000	Motor Vehicles $'000	Capital W.I.P. $'000	Totals $'000
At cost							
January 1, 2022	27,000	137,158	503,891	158,108	49,837	29,405	905,399
Additions	-	-	-	7,375	5,108	28,122	40,605
Transfers from work in progress	-	-	2,665	6,732	-	(9,397)	-
Disposals	-	-	-	-	(8,175)	-	(8,175)
December 31, 2022	27,000	137,158	506,556	172,215	46,770	48,130	937,829
Additions	-	28,612	42,442	29,478	-	120,973	221,506
Transfers from work in progress	-	10,578	3,108	34,445	-	(48,130)	-
Disposals	-	(1,207)	(96,280)	(40,316)	(9,386)	-	(147,189)
December 31, 2023	27,000	175,141	455,826	195,822	37,384	120,973	1,012,146
Accumulated depreciation							
January 1, 2022	-	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
Depreciation charge		16,152	37,504	20,938	4,041	-	78,635
Disposals		(1,227)	(96,261)	(40,105)	(8,196)	-	(145,789)
December 31, 2023	-	91,449	271,797	127,102	30,597	-	520,945
Carrying amounts							
December 31, 2023	27,000	83,692	184,029	68,720	6,787	120,973	491,201
December 31, 2022	27,000	71,212	179,110	60,390	12,018	48,130	349,730

5. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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.

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% (2022: 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.

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

Valuation
The most recent actuarial valuations for IFRS purposes of the two plans were carried out as at December 31, 2023, 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, 2021, revealed that the plan was adequately funded at that date. The triennial valuation is due in 2024..

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

Financial Assumptions

	2023 %	2022 %
Gross discount rate	11.50	11.50
Expected rate of salary increases	8.50	5.00
Future pension increases	2.50	2.50
Medical inflation	5.50	5.50
Inflation	8.50	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 – 30	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.

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:

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Present value of obligation	(923,393)	(755,127)	(986,695)	(994,440)	(1,004,652)
Fair value of plan assets	1,327,827	1,389,033	1,525,938	1,493,379	1,663,555
Unrecognised asset due to ceiling	(250,134)	(552,798)	(327,115)	(323,844)	(509,380)
Net asset in the statement of financial position	154,300	81,108	212,128	175,095	149,523

(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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Present value of obligation	(923,393)	(755,127)	(110,227)	(94,534)
Fair value of plan assets	1,327,827	1,389,033	-	-
Unrecognised asset due to ceiling	(250,134)	(552,798)	-	-
Net asset (liability) in the statement of financial position	154,300	81,108	(110,227)	(94,534)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current service cost	7,957	12,192	2,408	3,120
Net interest cost:				
Interest cost on defined benefit obligation	86,197	84,107	10,763	11,945
Interest income on plan assets	(94,921)	(102,258)	-	-
Total (income) expense included in employee benefits expense	(767)	(5,959)	13,171	15,065

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

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Remeasurements				
Change in financial assumptions				
Experience adjustments	185,649	49,567	(3,039)	(17,418)
Remeasurement adjustments	51,890	(130,211)	12,255	(29,757)
Change in effect of the asset ceiling	(302,664)	225,683	-	-
	(65,125)	145,039	9,216	(47,175)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening balance	81,108	212,128	(94,534)	(132,556)
Amount credit (charged) to income	767	5,959	(13,171)	(15,065)
Remeasurement recognised in OCI	65,125	(145,039)	(9,216)	47,175
Contributions by employer	7,300	8,060	6,694	5,912
Closing balance	154,300	81,108	(110,227)	(94,534)

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening defined benefit obligation	755,127	986,695	94,534	132,556
Service cost	7,957	12,192	2,408	3,120
Interest cost	86,197	84,107	10,763	11,945
Members' contributions	10,400	12,248		-
Benefits paid	(35,577)	(141,014)	(6,694)	(5,912)
Remeasurement:				
Changes in experience adjustments	99,289	(199,101)	9,216	(47,175)
Closing defined benefit obligation	923,393	755,127	110,227	94,534

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

	Defined Benefit Pension Plan	
	2023 $'000	2022 $'000
Opening fair value of plan assets	1,389,033	1,525,938
Members' contributions	10,400	12,248
Employer's contributions	7,300	8,060
Interest income on plan assets	94,921	102,258
Benefits paid	(35,577)	(141,014)
Remeasurement:		
Experience adjustments	(138,250)	(118,457)
Closing fair value of plan assets	1,327,827	1,389,033
Movement in asset ceiling asset		
Effect of asset ceiling at beginning	552,798	327,115
Remeasurement effects	(302,664)	225,683
Effect of ceiling at the end of period	250,134	552,798

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

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

	Defined Benefit Pension Plan	
	2023 Fair Value of Plan Asset $'000	**2022 Fair Value of Plan Asset $'000**
Equity fund	272,206	333,368
CPI indexed fund	39,835	41,671
International equity fund	79,670	41,671
Fixed income fund	92,948	125,013
Mortgage and real estate fund	272,206	222,245
Foreign currency fund	53,113	166,684
Money market fund	79,670	13,890
Value of purchased annuities	438,179	444,491
Closing fair value of plan assets	1,327,827	1,389,033

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 - 2023	(10,587)	12,570
(Decrease) Increase in defined benefit obligation - 2022	(9,501)	11,349

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
2023		
Increase (Decrease) in defined benefit obligation		
- Medical	11,709	(9,836)
Increase (Decrease) in defined benefit obligation		
- Pension	78,672	(69,853)
2022		
Increase (Decrease) in defined benefit obligation		
- Medical	10,247	(8,588)
Increase (Decrease) in defined benefit obligation		
- Pension	56,475	(43,049)

3. Future pension increase

	1% decrease in Future Pension Assumption $'000	1% increase in Future Pension Assumption $'000
2023		
(Decrease) Increase in defined benefit obligation		
- Pension	(123,618)	(39,734)
2022		
(Decrease) Increase in defined benefit obligation		
- Pension	(38,558)	45,326

4. Salary assumption

	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000
2023		
(Decrease) Increase in defined benefit obligation		
- Pension	(18,822)	21,189
2022		
(Decrease) Increase in defined benefit obligation		
- Pension	(5,757)	9,277

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

(i) Sensitivity analyses (continued)

5. Life expectancy

	1 year Decrease $'000	1 year Increase $'000
2023		
(Decrease) Increase in defined benefit obligation - Medical	(2,714)	2,681
(Decrease) Increase in defined benefit obligation - Pension	(95,580)	(74,807)
2022		
(Decrease) Increase in defined benefit obligation - Medical	(2,304)	2,276
(Decrease) Increase in defined benefit obligation - Pension	(10,520)	10,254

(j) Other

(i) Expected employer contributions for the next year

	$'000
Pension	8,284
Medical	7,866
	16,150

(ii) Maturity profile of defined benefit obligation

	Weighted average duration of liability 2023	Weighted average duration of liability 2022
Pension	10	8
Medical	11	11

(iii) Included in the holdings of plan assets is an investment in the Sagicor Pooled Pension Investment Funds which holds 10.40% (2022: 10.40%) of the company's issued shares.

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:

	2023 $'000	2022 $'000
As at January 1	85,787	50,587
Additions	-	49,720
Modification	(10,653)	-
Depreciation	(26,478)	(14,520)
As at December 31	48,656	85,787

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

	2023 $'000	2022 $'000
As at January 1	85,760	49,850
Additions	-	49,720
Accretion of interest	5,911	1,984
Modification	(10,653)	-
Payments	(27,642)	(15,794)
As at December 31	53,376	85,760
Classified as:		
Current	24,438	19,448
Non-current	28,938	66,312
	53,376	85,760

The following are the amounts recognised in profit or loss:

	2023 $'000	2022 $'000
Depreciation expense of right of use asset	26,478	14,520
Interest expense on lease liabilities	5,911	1,984
Total amount recognised in profit or loss	32,389	16,504

Operating lease payments relating to short term leases and leases of low value assets recognized as expense for the year amounted to $0.29 million (2022: $0.25 million).

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 (2022: $0.54 million).

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

	2023 $'000	2022 $'000
Within one year	540	540
After one year but not more than three year	135	675
	675	1,215

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:

	2023 $'000	2022 $'000
Deferred tax assets	85,461	34,633
Deferred tax liabilities	(47,459)	(29,311)
	38,002	5,322

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

	2023 $'000	2022 $'000
Opening balance	5,322	(19,357)
Credit (charge) to income for the period (Note 21(a))	46,507	666
Credit(charge) to other comprehensive income for the period (Note 21(b))	(13,827)	24,013
Closing balance	38,002	5,322

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

8. **DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)**

Deferred tax assets

	Accrued vacation $'000	Post employment benefits obligation $'000	Accrued incentive and other $'000	Tax losses $'000	Unrealised foreign exchange losses $'000	Lease liabilities in excess of right of use assets $'000	Total $'000
Balance, January 1, 2022	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
Credit/(Charge) to income for the year	-	1,619	-	46,905	-	-	48,524
Charge to other comprehensive income for the year	-	2,304	-	-	-	-	2,304
Balance, December 31, 2023	1,700	27,556	4,194	52,011	-	-	85,461

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, 2022	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
Charge to income for the year	-	2,017	-	-	-	-	2,017
Charge/(Credit) to other comprehensive income for the year	(150)	16,281	-	-	-	-	16,131
Balance, December 31, 2023	3,984	38,575	3,842	305	746	7	47,459

9. INVENTORIES

	2023 $'000	2022 $'000
Finished goods	321,973	384,750
Work-in-progress	40,386	38,922
Raw materials and other supplies	292,776	337,410
Goods-in-transit	40,462	97,908
	695,597	858,990

Inventories stated above are net of provision for obsolescence amounting to approximately $126.30 million (2022: $93.67 million).

The cost of inventories recognised as an expense during the period was $1,902 million (2022: $1,933 million).

<u>Movement in provision for obsolescence</u>

	2023 $'000	2022 $'000
Opening balance	93,674	50,363
Charged to income	72,486	65,801
Reversals (a)	(39,860)	(22,490)
Closing balance	126,300	93,674

(a) Amounts have been reversed as a result of reworks of material in the production process or sales.

Charges in respect of inventory obsolescence of $72.48 million (2022: $65.80 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		*(1)* Technical Service Fees, Management and Intergroup Charges		Amounts Owed by (to) Related Parties	
	2023	2022	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Immediate parent								
Ansa Coatings International Ltd.	-	-		-	136,431	104,730	(350,581)	(335,004)
Fellow subsidiaries								
Ansa US	-	-	1,723,303	1,488,357	-	-	(410,137)	(399,107)
ABEL Building Solutions	-	-	-	-	96,994	93,081	(48,109)	(34,125)
Ansa Coatings Limited	11,655	10,317	212,053	82,523	20,962	10,504	(31,476)	(12,839)
Ansa Polymer	-	-	87,154	62,060	-	-	(10,688)	(19,435)
Berger Barbados	506	252	23,098	6,596	-	-	(3,895)	(506)
Ansa Mcal Limited	-	-	-	-	34,864	-	(2,865)	99
Sissons Paints	-	-	-	-	-	-	(595)	275
Ansa Mcal Chemicals (Ja)	-	203	-	-	-	-	3,187	5,237
ABEL Building Solutions Guyana Inc.	2,768	-	-	-	-		3,195	-
Ansa Mcal Chemicals	-	-	-	-	-	-	-	3,363
	14,929	10,772	2,045,608	1,639,536	152,820	103,585	(501,383)	(457,038)
Reflected in statement of financial position:								
Due from fellow subsidiaries							6,382	8,974
Due to fellow subsidiaries							(507,765)	(466,012)
							(501,383)	(457,038)

(1) Ansa Coatings International Ltd - Technical Service Fees
ABEL Building Solutions - Intergroup Charges
Ansa Coatings Limited - Intergroup Charges
Ansa Mcal Limited - Management Fees

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:

	2023 $'000	**2022 $'000**
Short-term benefits	67,809	75,799
Post-employment benefits	2,029	2,387
	69,838	78,186

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**

	2023 $'000	**2022 $'000**
Trade receivables	757,688	693,569
Less allowance for expected credit losses	(50,533)	(51,989)
	707,155	641,580
Other receivables and prepayments (net of an allowance for expected credit losses of $49.09 million (2022: $22.93 million)	28,117	119,281
	735,272	760,861

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 (2022: 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 (2022: 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.

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, $109.12 million (2022: $117.25 million) (amount within the approved credit limit) is due from one (2022: one) of the company's customer (See also Note 24(d)). There were no other customers who represented more than 10% 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.

<u>Movement in allowance for expected credit losses</u>

	Trade Receivables		Other Receivables	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening balance	51,989	50,974	22,935	15,098
Expected credit losses recognized	19,869	9,832	26,158	7,837
Amounts recovered during the year	(21,325)	(8,817)	-	-
Closing balance	50,533	51,989	49,093	22,935

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.

<u>Ageing of impaired trade receivables</u>

	2023 $'000	2022 $'000
0-30 days	-	-
31-90 days	-	-
91-180 days	6,716	9,143
Over 181 days	43,817	42,846
	50,533	51,989

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of impaired other receivables

	2023 $'000	2022 $'000
≥ 12 months	22,935	16,363

12. CASH AND BANK BALANCES

	2023 $'000	2022 $'000
Cash on hand	552	498
Foreign currency bank balances (Note 12(a))	180	7,587
Jamaican dollar bank balances (Note 12(b))	156,912	250,848
	157,644	258,933

(a) These include non-interest bearing accounts totaling $0.18 million (2022: $7.6 million) representing the Jamaican dollar equivalent of US$0.001 million (2022: US$0.05 million).

(b) The company has a credit facility (overdraft) with a commercial bank with a limit of $90 million (2022: $90 million) at a rate of 16.25% (2022: 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

	2023 No. of shares	2022 No. of shares	2023 $'000	2022 $'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.

14. REVALUATION RESERVES

	Properties Revaluation Reserve	
	2023	2022
	$'000	$'000
Balance at beginning of year	45,445	45,895
Adjustments to deferred tax liability in respect of revalued buildings (Note 21(b))	150	(450)
Balance at end of year	45,595	45,445

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	
	2023	2022
	$'000	$'000
Opening balance	7,536	13,464
Charged to income for year	1,277	1,633
Utilized during the year	(433)	(7,561)
Closing balance	8,380	7,536

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

16. TRADE AND OTHER PAYABLES

	2023	2022
	$'000	$'000
Trade payables	92,925	19,801
Other payables	159,451	183,477
Accruals	55,880	52,775
	308,256	256,053

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, 2023 (2022: No dividends declared).

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following are entity-wide disclosures:

(a) Products

	2023 $'000	2022 $'000
Decorative/architectural products	3,033,709	2,995,649
Industrial products	244,670	219,840
Automotive products	80,989	80,302
	3,359,368	3,295,791

(b) Geographical areas

	2023 $'000	2022 $'000
Domestic sales	3,334,628	3,283,089
Export sales	24,740	12,702
	3,359,368	3,295,791

(c) Major customers

Of the sales for the year, 10% (2022: 11%) 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

	2023 $'000	2022 $'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.

19. **(LOSS) PROFIT BEFORE TAXATION**

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

	2023	**2022**
	$'000	**$'000**
Expenses:		
Directors' fees	5,928	5,928
Key management emoluments	-	25,442
Audit fees		
Current year	13,220	8,884
Prior year	4,496	-
Depreciation	78,635	76,058
Net foreign exchange loss	26,294	11,871

(i) Other operating expenses

Advertising, sales promotion and sponsorship	201,725	185,640
Provision for credit losses	25,350	45,631
Travel	39,652	26,212
Transportation costs	70,049	61,250
Technical service fees and intergroup charges	289,251	208,314
Repair and maintenance cost	15,658	8,161
Communication and IT expenses	73,493	49,325
Health safety and security	34,543	19,820
Professional fees	57,668	34,276
Rentals, leases and other administrative costs	140,302	67,131
Training	3,882	2,251
Insurance	13,205	11,790
Treasury cost	10,317	9,032
	975,095	728,833

20. EMPLOYEES BENEFITS EXPENSE

Staff costs incurred during the period were:

	2023 $'000	2022 $'000
Salaries, wages, and statutory contributions	500,033	465,953
Other staff benefits	92,296	61,110
	592,329	527,063

21. TAXATION

Current and deferred taxes have been calculated using the tax rate of 25% (2022: 25%).

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

(i) The total charge for the period comprises:

	2023 $'000	2022 $'000
Current tax	-	-
Deferred tax adjustment (Note 8)	(46,507)	(666)
Other	9,070	-
	(37,437)	(666)

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

	2023 $'000	2022 $'000
(Loss)/Profit before tax	(255,856)	36
Tax at the domestic income tax rate of 25%	(63,964)	9
Tax effect of expenses that are not deductible in determining taxable profit	16,187	828
Other	10,340	(1,503)
Tax expense for the year	(37,437)	(666)

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

	2023 $'000	2022 $'000
Revaluation of properties (Note 14)	150	(450)
Remeasurement of defined benefit plans	(13,977)	24,463
	(13,827)	24,013

22. EARNINGS PER STOCK UNIT

The calculation of basic and fully diluted earnings per stock unit of -$1.02 (2022: $0.00) is based on the loss after taxation of $218.42 million (2022: $0.70 million) and the number of stock units in issue during the period of 214,322,393 (2022: 214,322,393 units).

23. COMMITMENTS

There were no capital commitments as at December 31, 2023, nor at 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:

	2023 $'000	2022 $'000
Financial Assets (at amortised cost)		
- Due from fellow subsidiaries	6,382	8,974
- Trade and other receivables (excluding prepayments)	720,719	782,396
- Cash and bank balances	157,644	258,933
	884,745	1,050,303
Financial Liabilities (at amortised cost)		
- Due to immediate parent company	350,581	335,004
- Due to fellow subsidiaries	507,765	466,012
- Dividends payable	6,874	6,874
- Trade and other payables (excluding accruals)	231,515	219,940
- Lease liabilities	53,376	85,760
	1,150,111	1,113,590

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.

<u>Financial risk management objectives</u>

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.

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)	
	2023 J$'000	2022 J$'000	2023 J$'000	2022 J$'000	2023 J$'000	2022 J$'000
US dollars	872,306	806,867	10,949	19,915	861,357	786,952

Foreign currency sensitivity
The following table details the sensitivity to a 1% revaluation and 4% devaluation (2022: 1% revaluation and 4% 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% (2022: strengthens by 1% or weakens by 4%) against the relevant foreign currency, profit will (decrease) increase by:

	2023				2022			
	Revaluation		Devaluation		Revaluation		Devaluation	
	%	J$'000	%	J$'000	%	J$'000	%	J$'000
US dollars	+1	8,613	-4	(34,454)	+1	7,870	-4	(31,478)

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 25 basis points increase and a 25 basis points decrease (2022: a 50 basis points increase and a 25 basis points decrease) and for foreign currency denominated balances, a 25 basis points increase and a 25 basis points decrease (2022: 100 basis points increase and a 50 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, 2023, and December 31, 2022, the company had no significant exposure to interest rate risk.

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 $863.62 million (2022: $1,038.26 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.

<u>Cash and bank deposits</u>
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 $157.64 million (2022: $258.93 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

<u>Trade and other receivables</u>
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 (2022: one) retail entity whose outstanding balance at December 31, 2023 (within the approved credit limits) amounted to approximately 14% (2022: 17%) 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.

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 2023	**0-30 days Current**	**31- 90 days**	**91- 180 days**	**Over 181 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	0%	0%	100%	100%	
Estimated total gross carrying amount at default	356,603	350,552	6,716	43,817	757,688
Allowance for expected credit loss	-	-	6,716	43,817	50,533

	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%	0%	100%	100%	
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

The carrying amount of financial assets in respect of trade receivables totaling $757.69 million (2022: $693.57 million) and other receivables totaling $13.56 million (2022: $140.82 million) excluding prepayments at year end which is net of impairment of approximately $49.09 million (2022: $22.93 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 $6.38 million (2022: $8.97 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

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 (2022: $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 2023				
Non-interest bearing	Nil	1,096,735	-	1,096,735
Interest bearing – lease liabilities	9.00 – 9.70	28,073	32,445	60,518
		1,124,808	32,445	1,157,253
December 2022				
Non-interest bearing	Nil	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

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. Capital is defined as shareholders' equity.

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, 2023.

FORM OF PROXY

FOR THE **72nd 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 72nd Annual General Meeting of the Company to be held at 10:00 am. on Wednesday, May 8, 2024, 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, 2023 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 Mrs. Jacqueline Sharp be and is hereby re-elected a Director of the Company".	**FOR**	**AGAINST**
3b	**Resolution 3b**: "That retiring Director The Hon. Michael Fennell be and is hereby re-elected a Director of the Company".	**FOR**	**AGAINST**

FORM OF PROXY (continued)

Signed this __________ day of ____________________________________ 2024

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.

3. The Proxy Form will attract stamp duty of $100.00 which may be paid by affixing adhesive stamp(s) to be cancelled by the person executing the Proxy Form or stamp duty impressed by the Stamp Office.

BERGER

FOR LASTING BEAUTY AND PROTECTION