



FOCUSED
ON THE FUTURE
ANNUAL REPORT 2019

MISSION Statement

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





Table of Contents

| | |
|---------------------------------------|-----|
| Company Profile | 01 |
| Company Data | 01 |
| Quality Policy Statement | 02 |
| Environment, Health and Safety Policy | 02 |
| Chairman’s Message | 03 |
| General Manager’s Message | 07 |
| Corporate Social Responsibility | 11 |
| Advisory on Annual General Meeting | 25 |
| Corporate Governance | 26 |
| Directors’ Report | 28 |
| Board of Directors’ Profiles | 29 |
| Management Team | 33 |
| Management Discussion and Analysis | 35 |
| Disclosure of Shareholdings | 41 |
| Board Attendance | 43 |
| Audited Financial Results | 45 |
| Proxy Form | 116 |



Company Profile

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

BPJL is a subsidiary of Ansa Coatings International Limited whose ultimate parent company is ANSA McAL Limited. ANSA McAL is the largest regional conglomerate, comprising of 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 population of close to 6,000 people.

Berger's unwavering pursuit of excellence in the manufacturing of high quality paint products, 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 products that are environmentally friendly and best suited to handle the harsh tropical conditions of the Caribbean.

The name Berger has become synonymous with quality and excellence, the foundation of which has been built on innovative product research and development programmes and the professional delivery of value-added service to the market on a consistent basis. Berger is 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

Huron Gordon

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

PwC Corporate Services (Jamaica)
Limited
Scotiabank Centre,
Cnr. Duke and Port Royal Streets,
Kingston

Quality Policy Statement

- We shall provide products and services that meet stated standards on time, every time.
- We shall continually improve our processes to understand changing customer needs and preferences and use the same as input for periodically reviewing and revising performance standards of our products and services.
- We accept zero defect 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 in all business processes and shall track such improvement through measurable indicators.

Environment, Health and Safety Policy

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

REPORT OF THE EXECUTIVE

Chairman

Mr. Adam Sabga
Chairman



The Financial Year 2019 was a particularly challenging one for Berger Paints Jamaica Ltd (**BPJL**). However, as with the onset of most challenges, our Company looks forward with enthusiasm to the new opportunities emerging, and the rolling out of exciting plans for 2020.

Even while facing the unforeseen challenges faced in meeting some of its usual goals over the last year, the Company has made great strides in its strategic efforts by re-tooling and re-inventing the way we do business, through re-structuring and innovation.

At Berger Paints Jamaica Ltd., we have taken a deliberate long-term view, maintaining focus on all our stakeholders: customers, employees, distributors, government, and the communities in which we serve, while planning for a more sustainable, innovative, and profitable future.

2019 REVIEW

BPJL, like many others in the Jamaican Manufacturing Sector, faced significant challenges to its operations in 2019. These included increased volatility in the local Foreign Exchange Market, resulting in an average 3.8 per cent devaluation of the Jamaican dollar against the US dollar, reaching a low of \$142.23 by November 2019. Additionally the extensive infrastructural works pertaining to the National road system, whilst welcomed and applauded, had created significant disruptions to our ability to serve our customers, and our customer's ability to in turn serve theirs, this coupled with the inclement weather experienced in the last Quarter of the year, also presented disruptions to project schedules.

It is instructive to note, however, that despite these challenges, **BPJL** recorded revenues of \$2.53 Billion for the period under review (\$2.71 Billion PY). Revenue was fueled by aggressive partnership programs with our customer base.

Despite the challenges experienced in 2019, **BPJL** remains profitable and enjoys strong Liquidity and generation of Cash in Surplus of normal trading obligations. After-Tax Profit for the 2019 Financial Year suffered a significant decline to \$29.3 Million, compared to the \$173.6 Million for the corresponding prior year, however strategies and major plans are in place to aggressively rebuild the Company's profit performance.

2020 OPPORTUNITIES

BPJL has used the challenges experienced over the past year to improve our operations and re-evaluate our route to market. Sales practices, processes, and to some extent, the Company's Organizational Structure, have all been reviewed to position the company for growth and to better prepare for unforeseen external factors that may arise.

In September last year, **BPJL** implemented a new Enterprise Resource Planning System, which provides a fully integrated manufacturing and financial platform and will deliver details and analytics and drive and improve business into the future. Despite the initial learning curve and institutional challenges, I am pleased to report that the system has settled and is being fully utilized and presenting the business with the required data and analytics to support our strategic initiatives.

In mid-2019 **BPJL** added the **Roberlo** range, a popular European line out of Spain to our automotive portfolio. Roberlo coupled with the PPG range, which is manufactured under license will further deepen BPJL's reach into the automotive segment.

OUTLOOK FOR 2020

With the planned strategic foundations now in place, and revenue initiatives and cost efficiencies aggressively being pursued, we are confident that Berger Paints Jamaica Ltd is poised for positive transformational performance in 2020 and future years.

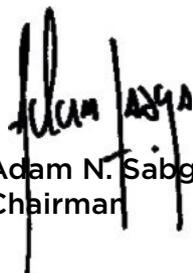
While fluctuations in the Jamaican dollar remain a concern, Jamaica's other major economic indicators have been trending in a positive direction: an upgrade in its credit ratings, achieving wage-to-gross domestic product (GDP) target of nine per cent, and debt-to-GDP ratio falling below 100 per cent."

Berger Paints Jamaica Ltd still controls majority market share and aims to increase this with the new initiatives outlined over the 2020 to 2022 Financial Years. Deeper relationship management and the ability to serve our customer base is at the front of our policy making. Research and development remains on our radar and we are pleased to advise that in the near future, **BPJL** will be adding new products to further bolster our coating products.

Our performance indicators for the Company first two months of 2020 were ahead of 2019, but with the global pandemic of Covid-19, it is projected that there will be an impact on the sales. We expect that by 2021, these strategic foundations laid and revenue initiatives implemented will pay dividends and result in a better alignment of our sector teams and overall business transformational performance in 2020 and future years.

While it is always important to acknowledge and recognize our hard working and dedicated employees, it is doubly important to do so when the environment is difficult. Change is never easy; however, I would like to applaud management for their commitment to getting quickly adapted to the new manner of business. I would like to thank and

recognize all of our **BPJL** family, for their efforts and applaud the headway made in such quick succession. Equally important, I would like to thank our customers and shareholders for the continued support and loyalty, and for making Berger Paints the market leader. On a personal note, I would also like to thank the Board of Directors for their support and counsel over this prior year and look forward to their continued contributions into 2020 and beyond.



Adam N. Sabga
Chairman

REPORT OF THE GENERAL

Manager

Mr. Shashi Mahase
General Manager



Berger Paints Jamaica Limited (BPJL) experienced a challenging 2019 financial year. Being the dynamic company that we are, we took on the challenges head on, always looking for creative ways to adapt and stay focused on the objectives. It is because of this commitment to delivering on strategic plans to our stakeholders, that the company continued to look for innovative ways to streamline its business processes and create synergies in its operations. While the company did achieve some measure of success in its short-term and long-term 2019 objectives, there were opportunities for improvement in other areas.

Having assessed 2019's performance, the Board of Directors has re-calibrated the resources needed from a strategic, technological and human resources standpoint to reinforce the confidence of our stakeholders: customers, employees, business partners, government agencies and the communities in which we operate while maintaining our position as the leader in the coatings industry of Jamaica.

CORPORATE STRUCTURE

BPJL falls within the Construction Sector of the Ansa Mcal Group of Companies. As one of the four (4) paint companies (Berger Paints – Barbados, Ansa Coatings – Trinidad and Sissons Paints – Grenada) within the sectors, we are ably supported by our subsidiary Board of Directors. The Construction Sector Office house Sector Directors who provide oversight to all coating companies and other subsidiaries within the sector and while providing strategic direction on Sales and Marketing, Operations, Supply Chain and Human Resources. This common oversight and collaborative approach will allow **BPJL** to create synergies and efficiencies in the years to come.

As we continuously assess our market needs, we will strive to maintain our position as market leaders and as per our ISO Quality Management System (9001:2015) and Environmental Management Systems (14001:2015), will implement best practices to improve our customer service all year round.

2019 REVIEW

2019 was a challenging year for **BPJL**. As stated, it is recognized that there are opportunities to do better and actions have been initiated to address these. However, we were faced with forces outside of our control. One of the main contributors to lower sales volumes was infrastructural road works that were undertaken in many areas. This adversely impacted our customers and consumers directly, as roadworks in key trading territories disrupted and, in some cases, prevented access to some businesses, inclusive of our Head Office. Further to this, the last quarter saw significant inclement weather that hindered the completion of projects. In many cases, these projects were closed prematurely or delayed significantly.

Another main contributor to 2019's performance was the increased volatility in the foreign exchange market. The Jamaican dollar devalued on average 3.8% when compared to the US dollar, reaching a low of \$142.23 JMD to one (1) USD in November 2019.

Considering these adverse factors, for the year ended December 31, 2019, BPJL recorded revenues of \$2,525 million, being 93% of comparative period in 2018 of \$2,714 million. Profit Before Tax (PBT) of \$41.3 million or 20% of the 2018 comparative period was achieved.

While the company navigated these challenges, BPJL continued with investments in the growth of its Automotive line, attained its Public Procurement Certification to aid in our Projects Channel bidding process, and undertook the implementation of an integrated Enterprise Resource Planning (ERP) software across the coating subsidiaries. This ERP software provides a common manufacturing and financial platform and will deliver details and analytics to improve the business in 2020 and beyond. BPJL also ensured that investments were made in its human resources by providing employees with the necessary training over five months, inclusive of sending individuals to Trinidad to effectively use this software.

Despite the 2019 performance, BPJL continued to focus on strategic alignment of its operations. The company remains profitable with strong liquidity and positive cash flows in surplus of trading obligations. As outlined below, the company remains focused and committed to taking the lessons learnt to rebuild the profitability in years to come.

CORPORATE AND SOCIAL RESPONSIBILITY- “SOCIAL GIVING- A WAY OF LIFE FOR US AT BERGER”

At Berger Paints Jamaica, we believe in staying involved in the communities in which we operate and we are a strong supporter and contributor to many social and non-commercial activities and entities in Jamaica.

Among the projects we supported in 2019 were:

- Donated hundreds of gallons of paints and drums to schools across Jamaica to assist them in their renovation and beautification exercises and to drive environmentally safe practices.
- Donated paints to the Seaview Gardens Primary to assist in the beautification of the school as a Labour Day Project.

- Continued the joint school feeding program with Grace Kennedy for Riverton Meadows Early Childhood Centre in addition to giving support towards their graduation, and sport day and hosting a memorable Christmas treat for the students and teachers.
- Sponsored the ICAN Foundation by providing an opportunity for the innercity youths across Jamaica to participate in a summer basketball camp with potential talent in the sport.
- Donated hundreds of gallons of paint to the surrounding communities for their beautification projects.
- Donated a \$100,000 towards the Masterbuilders Association for students studying Architecture.

BUSINESS OUTLOOK

Having put the 2019 challenges behind us, Berger Paints Jamaica Limited’s outlook for 2020 is a positive one but there is a cause for concern with the impact of the global pandemic Covid-19 which we anticipate will have an impact on our business affecting our rate of sales growth and go to market strategy. Another cause for concern remains the volatility of the Jamaican dollar and this will have to be monitored and managed as best as possible.

However, **BPJL** intends to remain focused on the positives and our strategies for 2020 to maximize the opportunities presented to grow our market share in a more sustainable way whilst navigating through the Global Pandemic- Covid-19. As mentioned earlier during our corporate planning process, we have been developing strategies in the key areas of our business to deliver a stronger performance to all our stakeholders and customers.

REVENUE PLANS

Sales strategies include developing new routes to market while building on

relationships with key Dealers via Joint Customer Plans and Incentives. In the Projects Channel, we plan to continue the upward trajectory seen in 2019 and further enhance our partnerships with Master Builders Association, Jamaica Institute of Architects and the Jamaican Hotel Industry. Having secured our Public Procurement Certification, a pre-requisite to bidding on Government projects, we will be well positioned against the competition.

Similarly, the Automotive Channel remains a key area of focus and, with all brands now being properly established in the market, we project significant growth over 2019 volumes. We project to increase our distribution of both the PPG and Roberlo brands through partnerships with larger dealers and to provide support by establishing a mixing facility at our Head Office location. Roberlo was introduced to satisfy a specific segment in the market and has shown early success. The PPG automotive line continues to grow and as the premium brand, offers a range of products in its portfolio ranging from high end Nexa 2K, mid-tier Shoptone. We continue to be the only supplier of environmentally friendly automotive paints in the Aquabase line of products. We recognize that the Automotive Channel presents a high earning potential market and believe we are well positioned to take advantage of this segment of the market.

OPERATIONAL COST MANAGEMENT

We continuously look at rationalizing our overall product portfolio to ensure that we are meeting the market demands and providing a range of viable options regardless of the market segment. This rationalization also allows us to place focus on the SKUs that add value and optimize the benefits to the consumer. The use of this software will allow us to manage inventory and carrying costs more effectively. This will over time result in cost-savings due to a correlated reduction in raw material and finished goods carrying inventory costs.

Given the importance of consumer engagement, we have developed strategies that will be enhanced by consumer-oriented marketing programmes and are geared towards reinforcing our premium position in the market.

The Board of Directors has also given their approvals for the Company to undertake investments in capital expenditure that support the long-term strategies of the business. These include upgrades to plant equipment that will increase our output, lower our manufacturing cost and improve the operational efficiencies within the company.

As mentioned before, the execution of these strategies will be supported by the Construction Sector's Directors who will ensure that best practices are employed while driving operational efficiency to improve our revenue streams, costs management and profitability.

We wish to thank our management team and staff for their contribution and our business partners for their continued support. We are committed to be the supplier of choice in coating needs for any application in Jamaica and remain committed to providing our consumers with viable options in paint products and services that beautify the lives and living spaces of our customers while playing the role as a good corporate citizen.



MR. SHASHI MAHASE
General Manager

CORPORATE SOCIAL Responsibility

Riverton Meadows Early Childhood Treat





Labour Day Project

For our Labour Day project this year we not only sponsored Seaview Primary the paints needed to spruce up their school but we came out in our numbers and assisted with the painting of the school.



CORPORATE SOCIAL Responsibility

cont'd





Food for the Poor 5K Run/Walk

On May 19, 2019 we proudly participated in the annual Food For the Poor 5K Run/Walk. This year's proceeds from the run will go towards building as many homes as possible (the Food For The Poor organization have constructed over 25,000 housing units in the past 35 years).



CORPORATE SOCIAL Responsibility cont'd

Health, Home and Garden Expo

Berger participated in the three (3) day expo- Health Home and Garden, held at the National Arena in Kingston. Berger Paints Jamaica was a proud exhibitor of all our decorative finishes. We conducted several painting demonstrations, had prizes and surprises all weekend. Our instant-photobooth was a popular spot for patrons to capture the moment. While our live Moko-Jumbie performance awed the audience. Our Colour Advisor was on scene helping eager home-owners choose the right finish and colour-schemes for their homes.





CORPORATE SOCIAL Responsibility

cont'd

Painters Seminar Kingston

Annually we host several Painter's Seminar island wide, inviting painters and applicators to sit with us and learn how to apply and use our wide range of products. We also take this as an opportunity to hear customer reviews on our products and services.





Painters Seminar Montego Bay



Painters Seminar Mandeville



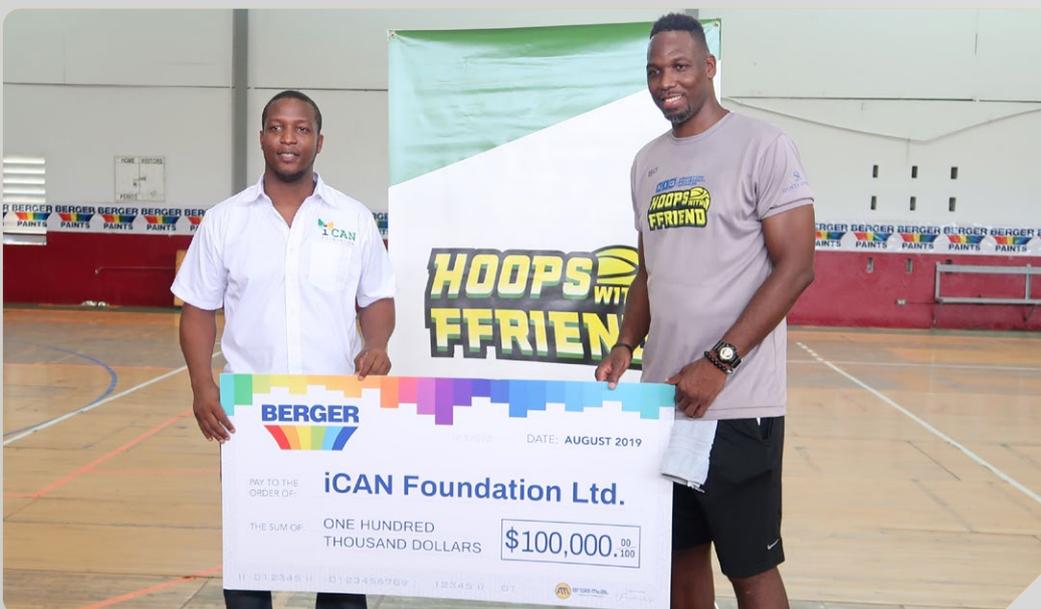
Donation of Drums

With the aim of protecting the global environment and shifting to a recycling-oriented society, we recently donated 14 plastic and metal drums to Riverton Meadows Early Childhood Centre to assist with the practice of recycling.



I Can Foundation Sponsorship

Creating opportunities through the sport of basketball, we proudly sponsored the Ican Foundation who teamed with several sponsors to make Hoops with Ffriend three-day Summer Basketball Camp possible this year. The basketball camp is geared towards less fortunate children with potential talent in the sport.





Merry Million Make Over Christmas promotion

The draw took place on January 7th, 2020. 12 Lucky persons won a complete room makeover valued at \$1M (painting up and furnishing).



CORPORATE SOCIAL Responsibility

cont'd

Colour Cash Summer Promotion

Our Colour Cash Promotion ran from July to August 18, 2019. With every purchase of 3 gallons of Berger paint our customers had an opportunity to win biweekly prizes of \$50,000 or 5 winners of one gallon of any Berger Paint with the grand prize winner being awarded \$150,000 plus a free room paint makeover .





Staff Engagement Retro Party

Berger Jamaica had their first quarterly staff engagement for the year titled “Retro Party”. As the name suggests, our team came out in their coolest, most hip retro outfits. From afros to high tops- we created a blast from the past. Oldies music, great food, games galore and even a fashion show. Our team enjoyed the nostalgia.



Advisory on Annual General Meeting

ADVISORY TO OUR VALUED SHAREHOLDERS

Dear Valued Shareholder,

Berger Paints Jamaica Limited has been closely monitoring the developments globally and locally concerning the novel Coronavirus COVID-19 pandemic.

In light of the restrictions on public gatherings and the physical distancing measures due to COVID 19, the Board has decided to put on hold arrangements for the Company's Annual General Meeting to ensure the safety of our staff, shareholders and other stakeholders.

We will notify you, our shareholders of the date of the Annual General Meeting, as soon as, it has been determined. The Notice of Annual Meeting will be issued and published on our website and in accordance with statutory requirements.

We thank you for your understanding and encourage you to stay safe.



Huron Gordon
Company Secretary
May 13, 2020

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 that is responsible for the overall stewardship of Berger. Directors are elected by the shareholders to supervise the management of the business and affairs of the company with the goal of enhancing long term shareholder value.

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

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

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

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 rigour to the deliberations of the Board. The Board considers a Director to have met the criteria for independence if he or she:

- does not represent a substantial shareholding
- is not a close relative of a significant Shareholder
- does not have an employment relationship with the Company
- The review of the effectiveness of the services provided by the external Auditors and other related matters
- Litigation reviews
- The review of compliance reports

As at December 31, 2019, the Board comprised three Non-Executive Directors and four Executive Directors. The names of the Directors including details of their qualifications and experience are set out on page 29-31 of this report. In accordance with the Company's Articles, one third of its Directors retire by rotation every year.

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

DIRECTORS' REMUNERATION

The Board determines the level and structure of fees paid to non-executive directors. The Executive Directors are not paid a fee in respect of their office as Directors of the Company.

AUDIT COMMITTEE

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

- The integrity of the financial statements and any formal announcements relating to the Company's performance
- Overseeing the relationship between the Company and its external Auditors
- The review of the effectiveness and adequacy of the Company's internal and financial controls
- The review of the external audit plans and subsequent findings

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

In accordance with generally accepted Corporate Governance standards and the requirements of the Jamaica Stock Exchange Listing Agreement that the majority of Committee members should be independent, three quarters of the Committee comprises Non-Executive, Independent Directors.

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

The General Manager and the Financial Controller/Company Secretary are invited to Committee meetings at the discretion of the Committee.

Directors' Report

The Directors hereby submit their Report and the Audited Financial Statements for the year ended December 31, 2019.

OPERATING RESULTS

| | \$'000 |
|------------------------|-----------|
| Revenues | 2,525,347 |
| Profit before taxation | 41,397 |
| Net Profit | 29,302 |

DIRECTORS

The Directors as at December 31, 2019 were as follows: -

Mr. Adam Sabga - Chairman
Mr. Ray A. Sumairsingh
Mr. Andy Mahadeo
Mr. Craig La Croix
Hon. Michael Fennell, OJ
Mrs. Jacqueline Sharp
Mr. Milton Samuda

In accordance with Article 97 of the Company's Articles of Incorporation, Mr. Andy Mahadeo and Mr. Milton Samuda, retire from the board by rotation, and being eligible, Messrs. Mahadeo and Samuda offer themselves for re-election at the next Annual General Meeting.

During the year Mr. Craig La Croix was appointed to the Board and it is proposed that he be re-elected at the next Annual General Meeting.

AUDITORS

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

EMPLOYEES

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

CUSTOMERS

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

BY ORDER OF THE BOARD



Huron Gordon
Company Secretary

April 20, 2020

Board of Directors



MR. ADAM SABGA
CHAIRMAN

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

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

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

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



MR. RAY A. SUMAIRSINGH
DIRECTOR

Mr. Sumairsingh became a Chartered Banker (ACIB) in 1975, after completing studies in London, UK. In 1982, he achieved his MBA in Finance, while working in New York, USA. His early career covered banking in Trinidad and Tobago, London and Wall Street, NYC. His career continued in Life, Pensions, Property and Casualty Insurance for the next fifteen years. In his role as a Senior Executive in Insurance, he also served as a Director of the Association of Trinidad and Tobago Insurance Companies (ATTIC) for over twenty years, as well as President for four separate terms. He also served on the Board of the Insurance Association of the Caribbean (IAC) for several years, including two years as President. In 2000, he joined the ANSA McAL Group and holds several directorships in the ANSA McAL Group, including the Parent Board since 2001. Mr. Sumairsingh has been a Director of the Trinidad and Tobago Stock Exchange for the past eight years and is currently serving his second term as Chairman.



MR. ANDY MAHADEO
DIRECTOR

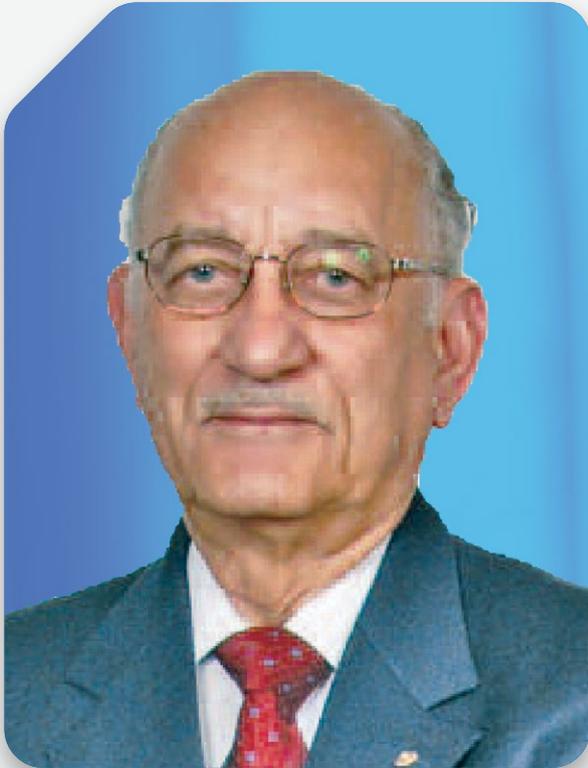
Mr. Mahadeo is a Mechanical Engineer by profession and a member of both the Association of Professional Engineers and the Board of Engineering of Trinidad and Tobago. He started his professional career in the Energy sector working for both local and international oil service companies before joining 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 been able to consistently demonstrate the creativity, energy, passion and focus on people basics that are the hallmarks of the Group's core values.



CRAIG LA CROIX
DIRECTOR

Craig La Croix was named the Operations Director for the Construction Sector of ANSA McAL Limited effective September 2, 2019. He joined Abel Building Solutions (a division of ANSA McAL Enterprises Limited) in 2005 and in 2015 was promoted to the position of Managing Director of ABS. Mr. La Croix is a Mechanical Engineer with approximately 25 years' 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). However, he continues to represent TTCA on the National Building Code Committee and the Trinidad & Tobago Bureau of Standards Clay Block Committee.

Board of Directors



**HON. MICHAEL FENNELL,
OJ, CD**
LLD (HONORIS CAUSA)
INDEPENDENT DIRECTOR

A past Managing Director of Berger Paints Jamaica Limited and Berger Caribbean, Mr. Fennell is a retired management consultant who serves on a number of Boards in both the Public and Private Sectors. A respected national, regional and international sports administrator, he is a Past President and now an Honorary Life President of the Commonwealth Games Federation as well as the immediate Past President of the Jamaica Olympic Association. He has been a Board member since 1983.



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

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



JACQUELINE SHARP
INDEPENDENT DIRECTOR

Jackie, a seasoned financial services professional, is currently Director for her family-owned manufacturing, export and retail business, Coffee Traders Limited. Prior to this, she has 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 role at Scotia was as Chief Executive Officer, where she led the profitable growth of the operations in Jamaica, with oversight of four other countries in the Caribbean.

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

Management Team

1



2



3



1. SHASHI MAHASE
GENERAL MANAGER

**2. PETA-GAYE
LEVENE-THOMAS**
MARKETING MANAGER

**3. JACQUELINE
WARREN-WILSON**
ASSISTANT
TECHNOLOGY MANAGER



4. GLADYS MILLER
OPERATIONAL AND
REGIONAL TECHNOLOGY
MANAGER

5. HURON GORDON
FINANCIAL CONTROLLER /
COMPANY SECRETARY

6. NEWTON ABRAHAMS
SALES MANAGER

MANAGEMENT DISCUSSION AND Analysis

The Management of Berger Paints Jamaica Limited (hereafter referred to as “Berger” or the “Company”) is responsible for the integrity and objectivity of the information contained in the Management Discussion and Analysis (MD & A). The financial information disclosed in the MD & A is consistent with the financial statements presented, which has been audited by Ernst & Young (EY) and which has been approved by both the Audit Committee and Board of Directors.

The MD & A is presented to enable readers to assess the operational results and financial condition of the Company for the year ended December 31, 2019 with audited prior year results. Unless otherwise indicated, all amounts are expressed in Jamaican dollars and have been primarily derived from our audited financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB)

CORPORATE OVERVIEW

Berger is a Jamaican company and commenced manufacturing in the Caribbean in 1953. Berger is the largest Paint Manufacturing Company in the English-speaking Caribbean and trades under the symbol “BRG” on the Jamaica Stock Exchange. With the corporate signature, “For Lasting Beauty and Protection,” epitomizes its commitment to quality and is dedicated to transforming the consumer paint experience in Jamaica.

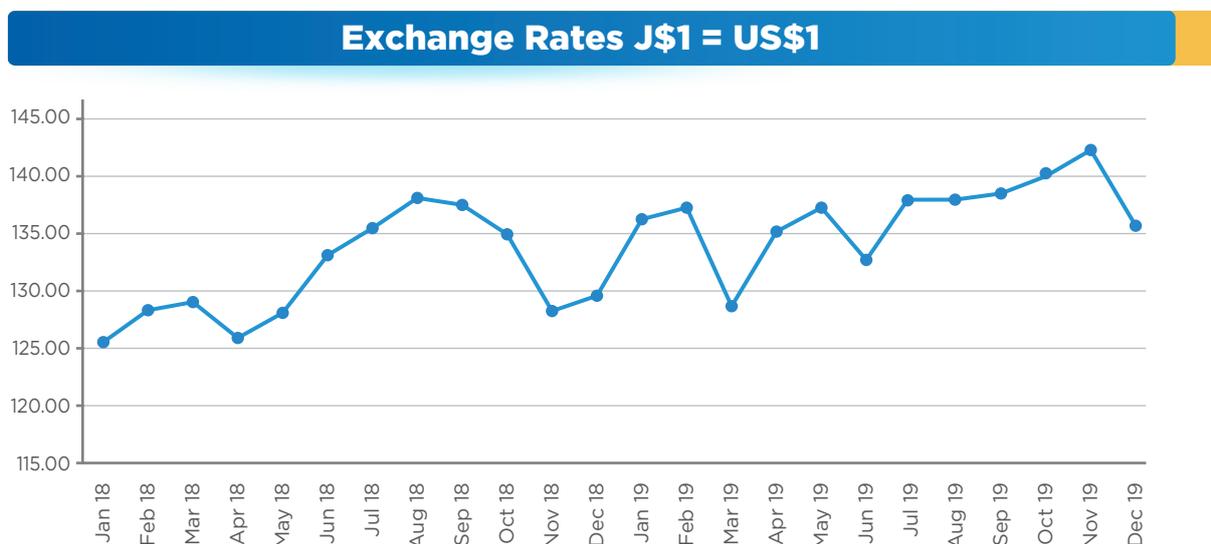
We are committed to providing the best quality coatings and excellent customer experience via superior technology and well trained, highly motivated human resources thereby creating an environment where we continue to be the preferred business partner, leader in the marketplace, preferred employer, and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

MACRO-ECONOMIC ENVIRONMENT

The macroeconomic environment was relatively stable in 2019 with growth in several sectors of the economy while inflation for the calendar year remained within the low single digit. The inflation rate is forecasted to fall within the Bank of Jamaica’s (BOJ) targeted range as Jamaica continues to shift towards an inflation targeting regime.

FINANCIAL PERFORMANCE OVERVIEW

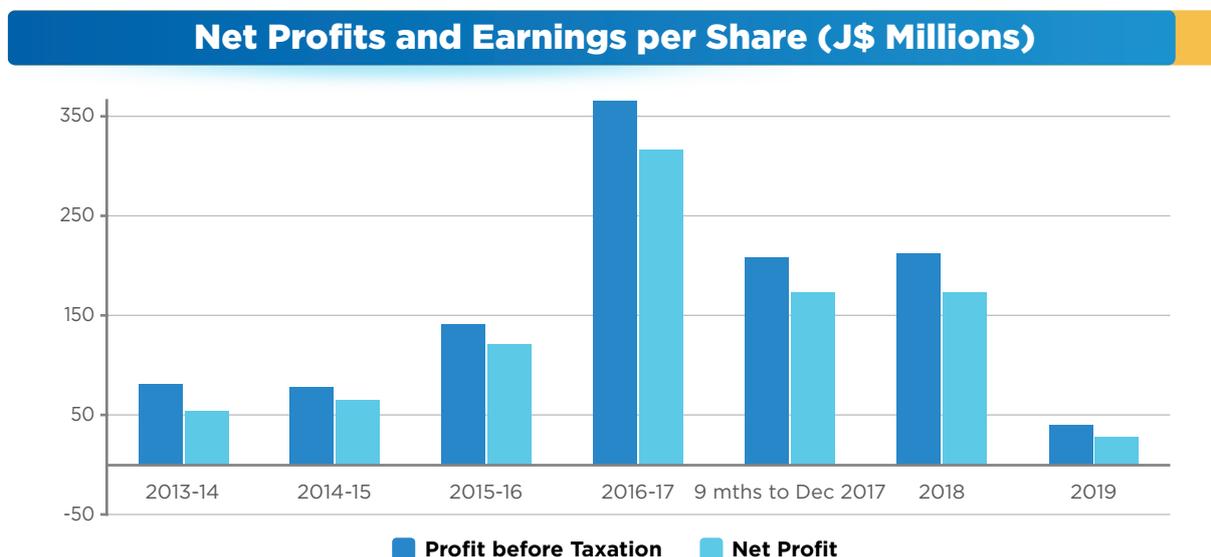
The 2019 Financial year was challenging for the Jamaican manufacturing sector in general with Berger Paints Jamaica Limited (BPJL) not spared the effects. There was increased volatility in the foreign exchange market. Compared to its USD counterpart, the Jamaican dollar devalued 3.8% in 2019, relative to a 2.17% in 2018. A strong point of the dollar was in March trading at J\$124.79, relative to its lowest trading point in November where it traded at J\$142.23.



The Company achieved net revenues of \$2,525 million compared to \$2,715 million for the prior year ended December 31, 2018, or 7% decrease. Sales and distribution were impacted by massive disruptions caused by the extensive roadworks across the island and the inclement weather in Q4.

With the decrease in revenue and strategic current year investments, the Company recorded net profit of \$29.3 million for the year ended December 31, 2019 compared to a net profit of \$173.6 million for the comparative period ended December 31, 2018.

The company's share price has grown exponentially over the past five (5) years, moving from a \$1.73 at December 2014 to \$18.01 at December 2019, significantly improving shareholder value.



| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 9 mths to 31/12/17 | 2018 | 2019 |
|-------------------------|---------|---------|---------|---------|---------|--------------------|---------|--------|
| Profit before taxation | 56,478 | 80,708 | 79,163 | 141,888 | 365,688 | 208,239 | 212,160 | 41,397 |
| Net Profit | 42,240 | 54,906 | 67,037 | 122,137 | 315,555 | 174,129 | 173,550 | 29,302 |
| Earnings per stock unit | \$0.20 | \$0.26 | \$0.31 | \$0.57 | \$1.47 | \$0.81 | \$0.81 | \$0.14 |

RAW MATERIALS & CONSUMABLES USED (COST OF SALES)

Cost of Sales decreased \$82.941 million compared to prior year or 6%, due primarily to reduction in absolute volumes and compounded by depreciation in J\$ to its US\$ counterpart (as 95% of material inputs are imported). To mitigate against the impact on cost of sales the company strategically focuses on inventory and foreign currency management.

OPERATING EXPENSES

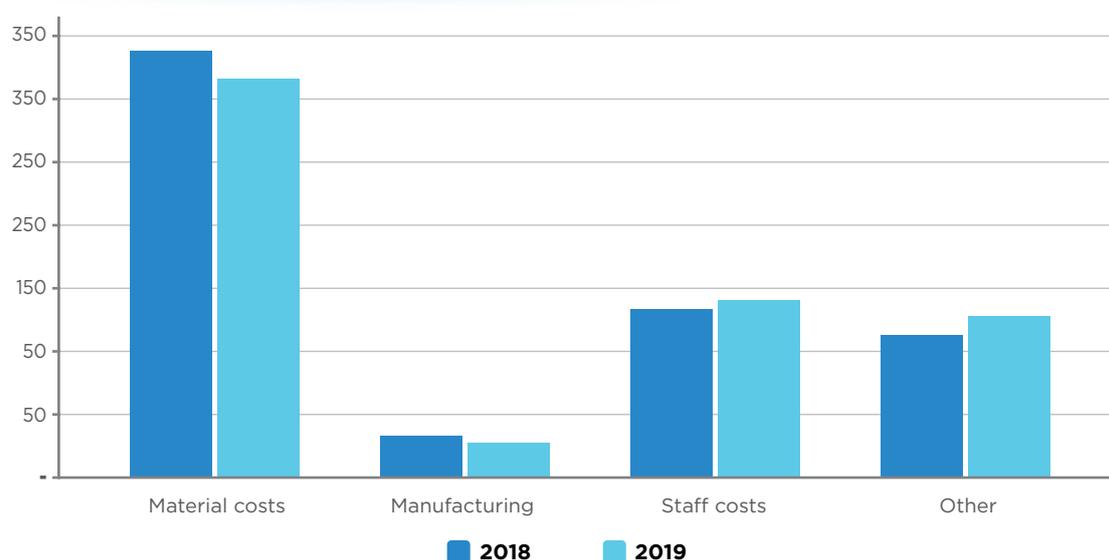
Operating expenses for the year 2019 totaled \$1,231 million compared to \$1,154 million for the comparative year ended 2018. The 7% increase in operating expenses was due to continued focus on strategic alignment of operations and organizational structure, investments in growth of our Automotive line, costs associated with implementing a new software platform and investment in training of our human resources. The full benefit of these investments are expected to be realized in future years.

Management remains focused on critical areas affecting profitability and as such expenses are monitored monthly to achieve this objective.

TAXES

Taxation expense for the current year was \$12.09 Million as compared to \$38.61 Million for the period ended December 31, 2018. Our effective income tax rate increased to 29.2% from 18.2% due to decrease in employment tax credit and increase in non-deductible expenses.

Operating Expenses (J\$ Thousands)



BERGER'S FINANCIAL CONDITION

A strong Balance Sheet supports our growth agenda.

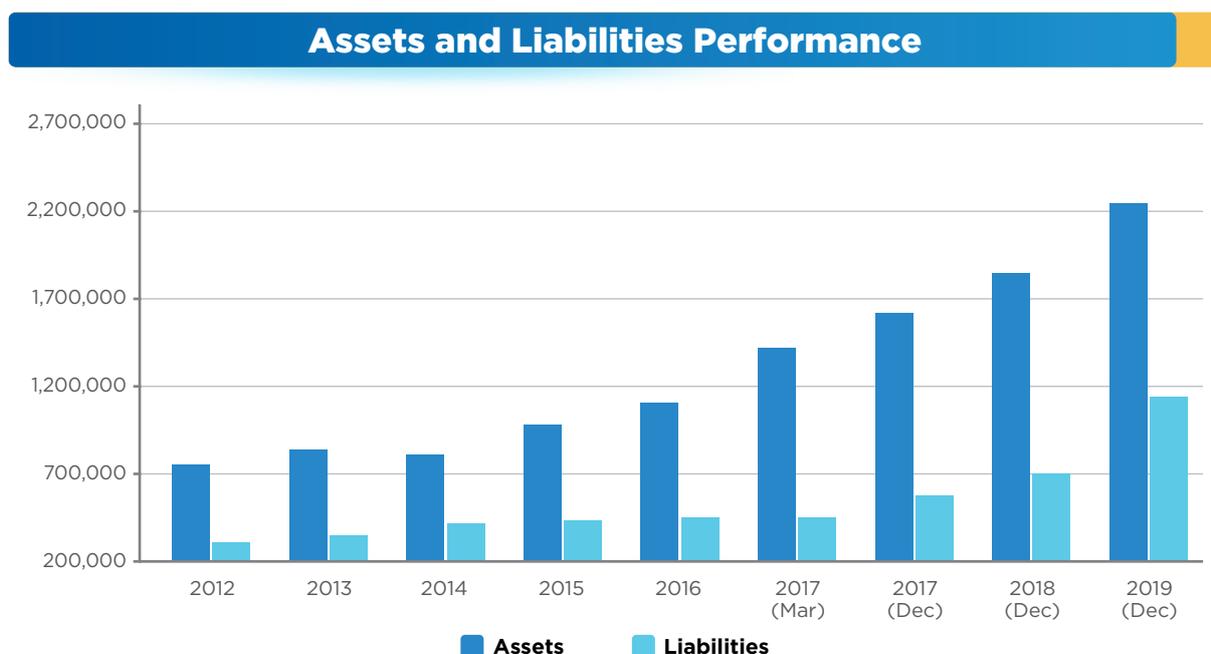
TOTAL ASSETS

Total assets increased by \$393.218 million or 20.4% moving from \$1,928.006 million for the year ended December 31, 2019 to \$2,321.224 million as at December 31, 2018 primarily due to increases in cash and bank balances (J\$230.903), Inventories (\$166.704), Right-of-use assets (\$29.804) and decrease in trade and other receivables (\$68.195).

TOTAL LIABILITIES

The Company's liabilities at December 31, 2019 stood at \$1,212.395 million, an increase of \$424.772 million or 54% above December 31, 2018 due to an increase in trade payables and due to fellow subsidiaries.

The Current and Acid test ratios stood strong at 1.80 and 1.19 respectively at December 31, 2019.



LIQUIDITY

The business is generating cash in surplus of normal trading obligations. This represents a “cushion” in the event of an economic downturn or unforeseen circumstance. The company remains debt free with a healthy cash and bank balance of \$584.698 million at December 31, 2019.

During the period net cash generated from operations totaled \$340.562 million, more than 100% improvement over the prior period. Net increase in cash and cash equivalents was \$221.253 million compared to a net increase of \$86.71 million at December 31, 2018, these arising from improved working capital management.

| SHAREHOLDER METRICS | | | | | | |
|-------------------------|--------|--------|--------|--------|--------|--------|
| | Dec-19 | Dec-18 | Dec-17 | Mar-17 | Mar-16 | Mar-15 |
| Share Price (\$) | 18.01 | 23.20 | 16.55 | 12.40 | 3.88 | 1.61 |
| Earnings per share (\$) | 0.14 | 0.81 | 0.81 | 1.47 | 0.57 | 0.31 |
| Book Value (\$) | 5.17 | 5.32 | 4.93 | 4.56 | 3.12 | 2.67 |
| Final Dividend (\$) | - | 0.307 | 0.285 | 0.30 | 0.20 | 0.12 |
| Special Dividend (\$) | - | - | - | 0.20 | - | - |
| Dividend Yield | - | 1.3% | 2% | 4% | 5% | 7% |

ENVIRONMENT, HEALTH & SAFETY PROGRAMME (EHS)

The Company is committed to maintaining a safe and healthy environment for our employees, customers and other stakeholders and protecting the environment of the communities in which we do business. Our EHS programme continues to be deployed across our operations.

RISK MANAGEMENT FRAMEWORK

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

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

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

OVERVIEW OF RISKS

Credit Risk

Credit risk is defined as the potential for loss to the Company arising from the failure of a customer to honour their contractual obligations to the Company. In managing the risk, the Company has established a credit quality review process, involving regular analysis of the ability of customers and potential customers to meet payment obligations. The Company's primary objective is to be methodical in its assessment, so that it can better understand, select and manage its exposure.

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management consistently reviews the Company's exposure in this regard, by constant monitoring of factors influencing currency movements, including daily analysis of its demand for foreign currency to meet supplier payments and positioning our foreign currency bank account holdings accordingly.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies, maintaining sufficient cash and cash equivalents and the availability of funds through an adequate amount of committed facilities. Due to the nature of the underlying business, management of the Company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

STRATEGIC DIRECTION AND OUTLOOK

For the year under review, the Jamaican economy performed well in respect of a number of macro indicators and we look forward to continued positive and focused fiscal management.

We expect that domestic sales will continue to grow as our strategies to enter new channels and seek out new opportunities in existing channels are realized over the next few years.

The majority shareholder, ANSA MCAL Group is the leading conglomerate in the Caribbean region with 73 companies spanning nine sectors in over eight territories, as such Berger anticipate benefitting from natural synergies and opportunities arising from this partnership which should endow to all its stakeholders. The Group is committed toward the development of the Berger Brand and more so towards contributing to the further development of the Jamaican economy as it is convinced that Jamaica is a good place to do business with strong government leadership and a productive workforce.

Disclosure of Shareholdings

10 LARGEST SHAREHOLDERS

| SHAREHOLDERS | SHAREHOLDING | % OF ISSUED CAPITAL |
|--|--------------------|---------------------|
| Ansa Coatings International Limited | 116,023,364 | 54.13 |
| Sagicor Pooled Equity Fund | 22,284,944 | 10.4 |
| Ideal Group Corporation Limited | 10,988,500 | 5.13 |
| Ideal Portfolio Services Company Limited | 5,076,086 | 2.37 |
| 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 |
| Karl P Wright | 1,883,829 | 0.88 |
| Total | 171,984,374 | 80.25 |

DIRECTORS' SHAREHOLDINGS AS AT 31 DECEMBER 2019

| DIRECTORS | SHAREHOLDING | CONNECTED PARTY | SHAREHOLDING |
|------------------------|--------------|------------------------------------|--------------|
| Adam Sabga (Chairman) | NIL | | |
| Michael Fennell | NIL | Kathleen Peggy Fennell | NIL |
| Andy Mahadeo | NIL | Denise Gayah-Mahadeo | NIL |
| Craig La Croix** | NIL | Lisa La Croix | NIL |
| Milton Samuda | NIL | Milton Samuda/ Elizabeth Samuda | NIL |
| Jacqueline Sharp | NIL | Jacqueline Sharp/ Jason Sharp | NIL |
| Ray A. Sumairsingh | NIL | Charmaine Sumairsingh | NIL |
| Total | 0 | | 0 |

**SENIOR MANAGEMENT SHAREHOLDINGS
AS AT 31 DECEMBER 2019**

| SENIOR MANAGEMENT | SHAREHOLDING | CONNECTED PARTY | SHAREHOLDING |
|--------------------------|---------------------|------------------------|---------------------|
| Newton Abrahams | NIL | Sharmaine Abrahams | NIL |
| Shashi Mahase** | NIL | Renee Boucard Mahase | NIL |
| Huron Gordon | NIL | Nadine Gordon | NIL |
| Peta Gaye Levene-Thomas | NIL | Damali Thomas | NIL |
| Gladys Miller | NIL | Wendell Miller | NIL |
| Jacqueline Warren-Wilson | 3,799 | | |
| Total | 3,799 | | 0 |

Notes:

Effective 28 October 2019, Barrington Graham resigned as General Manager.

**Effective 01 November 2019, Shashi Mahase was appointed General Manager

Effective 29 November 2019, Aneal Maharaj resigned as Director.

**Effective 20 December 2019, Craig La Croix was appointed as Director.

Board Attendance

| Members | BOARD | | AUDIT | |
|---------------------|----------------|------------|----------------|------------|
| | No of Meetings | Attendance | No of Meetings | Attendance |
| Adam Sabga* | 4 | 4 | 4 | 1 |
| Ray A. Sumairsingh* | 4 | 4 | 4 | 2 |
| Andy Mahadeo | 4 | 1 | 4 | 1 |
| Michael Fennell | 4 | 4 | 4 | 4 |
| Jacqueline Sharp ^ | 4 | 2 | 4 | 2 |
| Craig La Croix^^ | 4 | 1 | 4 | - |
| Warren McDonald^^^ | 4 | 1 | 4 | 1 |
| Aneal Maharaj # | 4 | 2 | 4 | 2 |
| Milton Samuda | 4 | 4 | 4 | 4 |

Key

^ Appointed May 2019

^^ Appointed November 2019

^^^ Retired May 2019

Resigned November 2019

* Is not a member of the Audit Committee but attends upon invitation of the committee



Financial Statements

| | |
|-----------------------------------|-----------------|
| Independent Auditor's Report | 45 - 50 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 51 |
| Statement of Income | 52 |
| Statement of Comprehensive Income | 53 |
| Statement of Changes in Equity | 54 |
| Statement of Cash Flows | 55 |
| Notes to the Financial Statements | 56 - 115 |



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, 2019, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2019 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' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters, (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Accounting for defined benefit plans | |
| <p>The company's post-retirement benefit provisions relate to a defined benefit pension scheme amounting to an asset of \$149.52 million and a retiree medical post-retirement benefit scheme amounting to a liability of \$146.23 million.</p> <p>These provisions require a significant level of judgement and technical expertise in determining the future levels of the following:</p> <ul style="list-style-type: none"> - Discount rate - Inflation - Salary increases and; - Mortality rates <p>Management uses external actuaries to assist in determining these assumptions and in valuing the assets and liabilities within the schemes.</p> | <p>As part of our audit, we have evaluated the actuarial assumptions adopted by management such as discount rates and future salary increases. In addition, we tested the valuation of plan assets. We also performed substantive audit procedures on the underlying participants' data of the post-retirement benefit provisions that was provided to the actuary. The discount and inflation rates were agreed to those issued by the Institute of Chartered Accountants of Jamaica.</p> <p>We placed reliance on the actuary's report and therefore assessed the actuary's qualifications (i.e. professional certification, membership in an appropriate professional body), experience and reputation in the field. We also assessed the actuary's objectivity and evaluated the work performed (including reviewing the assumptions and inputs used in the report) in accordance with ISA 620 Using the Work of an Expert.</p> |

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 |
|--|---|
| <i>Allowance for expected credit losses</i> | |
| <p>As described in Note 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty under section <i>Allowance for expected credit losses</i> (ECL), the company applies a simplified approach in calculating ECLs amounting to \$81.156 million. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Based on IFRS 9 - “Financial Instruments”, the company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.</p> <p>The process of developing an expectation of credit losses requires management to use judgement which could inherently be subjective.</p> | <p>In auditing the allowance for expected credit losses, we performed the following:</p> <ul style="list-style-type: none"> - We evaluated the techniques and methodologies used by the company to estimate the ECLs, and assessed their compliance with the requirements of IFRS 9. - We assessed the reasonableness of the methodologies and assumptions applied, by validating the completeness of the inputs used to derive the loss rates used in determining the ECLs for trade receivables. - We also assessed the adequacy of disclosures in the financial statements. |

Other information included in the Annual Report

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

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



INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Other information included in the Annual Report (Continued)

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

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

Ernst & Young
Kingston, Jamaica

March 5, 2020

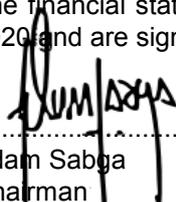
BERGER PAINTS JAMAICA LIMITED

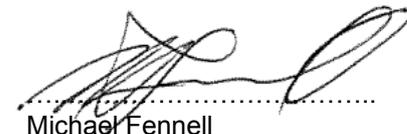
Statement of Financial Position As at December 31, 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|--------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 251,168 | 243,700 |
| Post employment benefits | 6 | 149,523 | 136,563 |
| Right-of-use assets | 7 | 29,804 | - |
| Deferred tax assets | 8 | 8,562 | 5,473 |
| Total non-current assets | | 439,057 | 385,736 |
| Current assets | | | |
| Inventories | 9 | 638,700 | 471,996 |
| Due from fellow subsidiaries | 10 | 42,923 | 17,122 |
| Trade and other receivables | 11 | 568,432 | 636,597 |
| Income tax recoverable | | 47,414 | 62,760 |
| Cash and bank balances | 12 | 584,698 | 353,795 |
| Total current assets | | 1,882,167 | 1,542,270 |
| Total assets | | 2,321,224 | 1,928,006 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 13 | 141,793 | 141,793 |
| Revaluation reserves | 14 | 45,595 | 45,445 |
| Revenue reserve | | 921,441 | 953,145 |
| Total shareholders' equity | | 1,108,829 | 1,140,383 |
| Non-current liabilities | | | |
| Post employment benefits | 6 | 146,229 | 133,582 |
| Lease liabilities | 7 | 21,536 | - |
| Total non-current liabilities | | 167,765 | 133,582 |
| Current liabilities | | | |
| Due to immediate parent company | 10 | 46,728 | 75,194 |
| Due to fellow subsidiaries | 10 | 654,800 | 276,231 |
| Dividends payable | | 13,809 | 11,895 |
| Provisions | 15 | 17,460 | 15,830 |
| Lease liabilities | 7 | 8,705 | - |
| Trade and other payables | 16 | 303,128 | 274,891 |
| Total current liabilities | | 1,044,630 | 654,041 |
| Total equity and liabilities | | 2,321,224 | 1,928,006 |

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

The financial statements were approved and authorised for issue by the Board of Directors on March 5, 2020 and are signed on its behalf by:


Adam Sabga
Chairman


Michael Fennell
Director

BERGER PAINTS JAMAICA LIMITED

Statement of Income

Year Ended December 31, 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|---|-------|----------------|----------------|
| Revenue from contracts with customers | 18 | 2,525,347 | 2,714,994 |
| Raw materials and consumable used | | (1,366,689) | (1,384,371) |
| Changes in inventories of finished goods and work in progress (net) | | 99,992 | 34,733 |
| Manufacturing expenses | | (108,298) | (132,595) |
| Depreciation | 5,7 | (48,943) | (40,805) |
| Employee benefits expense | 20 | (558,383) | (530,389) |
| Other operating expenses | | (515,604) | (450,225) |
| Other income | | 13,975 | 818 |
| PROFIT BEFORE TAXATION | 19 | 41,397 | 212,160 |
| Taxation | 21 | (12,095) | (38,610) |
| NET PROFIT FOR THE YEAR | | 29,302 | 173,550 |
| Earnings per stock unit | 22 | \$0.14 | \$0.81 |

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

BERGER PAINTS JAMAICA LIMITED

Statement of Comprehensive Income

Year Ended December 31, 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|--|-------|----------------------|-----------------------|
| NET PROFIT FOR THE YEAR | | <u>29,302</u> | <u>173,550</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that will not be reclassified to profit or loss in subsequent periods: | | | |
| Deferred tax adjustment in respect of revaluation of property, plant and equipment | 14 | <u>150</u> | <u>150</u> |
| Remeasurement of employment benefit plans | 6 | 6,388 | (20,851) |
| Deferred tax effect | 8 | <u>(1,597)</u> | <u>5,213</u> |
| | | <u>4,791</u> | <u>(15,638)</u> |
| Other comprehensive income (loss) for the year net of tax | | <u>4,941</u> | <u>(15,488)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | <u><u>34,243</u></u> | <u><u>158,062</u></u> |

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

BERGER PAINTS JAMAICA LIMITED

Statement of Change in Equity Year Ended December 31, 2019

| | Notes | Share Capital \$'000 | Revaluation Reserves \$'000 | Revenue Reserve \$'000 | Total \$'000 |
|--|-------|----------------------------|-----------------------------------|------------------------------|-----------------|
| Balance at January 1, 2018 | | 141,793 | 45,295 | 856,314 | 1,043,402 |
| Net profit for the year | | - | - | 173,550 | 173,550 |
| Other comprehensive income (loss) for the year | | - | 150 | (15,638) | (15,488) |
| Total comprehensive income for the year | | - | 150 | 157,912 | 158,062 |
| Dividends | 17 | - | - | (61,081) | (61,081) |
| Balance at December 31, 2018 | | 141,793 | 45,445 | 953,145 | 1,140,383 |
| Net profit for the year | | - | - | 29,302 | 29,302 |
| Other comprehensive income for the year | | - | 150 | 4,791 | 4,941 |
| Total comprehensive income for the year | | - | 150 | 34,093 | 34,243 |
| Dividends | 17 | - | - | (65,797) | (65,797) |
| Balance at December 31, 2019 | | 141,793 | 45,595 | 921,441 | 1,108,829 |

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

BERGER PAINTS JAMAICA LIMITED

Statement of Cash Flows Year Ended December 31, 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|---|-------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit for the year | | 29,302 | 173,550 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 5 | 39,582 | 40,805 |
| Depreciation on right of use assets | 7 | 9,361 | - |
| Interest expense on leased liabilities | 7 | 1,083 | - |
| Unrealised foreign exchange gains (net) | | (9,650) | (35,089) |
| Post retirement benefit charge | 6(e) | 19,052 | 20,195 |
| Income tax expense | 21 | 12,095 | 38,610 |
| Provision charge | 15 | 19,765 | 16,748 |
| Expected credit loss recognised on trade receivables | 11 | 30,045 | 76,460 |
| Expected credit loss recognised on other receivables | 11 | 799 | 761 |
| Reversal of expected credit loss on trade receivables | 11 | (32,465) | (58,920) |
| Impact of IFRS 9 adoption | | - | (11,244) |
| Impact of IFRS 15 adoption | | - | (2,837) |
| Gain on sale of property, plant and equipment | | (548) | - |
| Operating cash flows before movements in working capital: | | 118,421 | 259,039 |
| Decrease in trade and other receivables | | 69,786 | 25,354 |
| Increase in inventories | | (166,704) | (33,217) |
| Increase in due to/from fellow subsidiaries (net) | | 352,768 | 143,171 |
| Provisions utilised | 15 | (18,135) | (20,361) |
| Increase /(Decrease) in trade and other payables | | 28,237 | (105,904) |
| (Decrease)/Increase in due to immediate parent company | | (28,466) | 47,718 |
| Post employment benefits contributions | 6(e) | (12,977) | (13,164) |
| Cash generated from operations | | 342,930 | 302,636 |
| Interest paid | | (1,083) | - |
| Income tax paid | | (1,285) | (143,179) |
| Net cash provided by operating activities | | 340,562 | 159,457 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | 5 | (47,050) | (12,370) |
| Proceeds on sale of property, plant and equipment | | 548 | - |
| Net cash used in investing activities | | (46,502) | (12,370) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | (63,883) | (60,377) |
| Lease liabilities payments | 7 | (8,924) | - |
| Net cash used in financing activities | | (72,807) | (60,377) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 221,253 | 86,710 |
| OPENING CASH AND CASH EQUIVALENTS | | 353,795 | 231,996 |
| Effect of foreign exchange rate changes | | 9,650 | 35,089 |
| CLOSING CASH AND CASH EQUIVALENTS | 12 | 584,698 | 353,795 |
| Non-cash item | | | |
| Transfer of assets | 10 | - | 120,307 |

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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, interpretations and amendments to existing standards effective during the year*

The company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2019, the nature and the impact of each new standard or amendment is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the company. These are also described in more detail below.

- **IFRS 16 Leases**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The company is not a lessor.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- **IFRS 16 Leases (continued)**

The company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of January 1, 2019. The company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at January 1, 2019. Instead, the company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/(decrease)) is as follows:

| | \$'000 |
|--------------------------|---------------|
| Assets | |
| Right-of-use assets | <u>13,297</u> |
| Total assets | <u>13,297</u> |
| Liabilities | |
| Lease liabilities | <u>13,297</u> |
| Total liabilities | <u>13,297</u> |

The company has lease rental contracts for office space. Before the adoption of IFRS 16, the company classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 3.7 for the accounting policy prior to January 1, 2019.

Upon adoption of IFRS 16, the company applied a single recognition and measurement approach for all leases where the Company is the lessee except for short-term leases and leases of low-value assets. Refer to Note 3.7 for the accounting policy beginning January 1, 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the company.

Leases previously accounted for as operating leases

The company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- *IFRS 16 Leases (continued)*

Leases previously accounted for as operating leases (continued)

The company also applied the available practical expedients, as applicable, wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the above, as at January 1, 2019:

- Right-of-use assets of \$13.297 million were recognised and presented separately in the statement of financial position.
- Lease liabilities of \$13.297 million were recognised and presented separately in the statement of financial position.
- There was no effect of these adjustments on retained earnings.

The lease liability as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

| | \$'000 |
|--|----------------------|
| Operating lease commitments as at December 31, 2018 | 14,240 |
| Weighted average rate as at January 1, 2019 | <u>4.83% - 5.77%</u> |
| Discounted operating lease commitments and lease liability as at January 1, 2019 | <u><u>13,297</u></u> |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the company as it did not have any plan amendments, curtailments, or settlements during the period.

- **Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments had no impact on the financial statements of the company as the company does not have long-term interests in associates and joint ventures.

- **Amendments to IFRS 9 - Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the financial statements of the company.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- **IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments***

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the company considered whether it has any uncertain tax positions, but has determined, based on its level of tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

- ***Annual Improvements 2015-2017 Cycle (issued in December 2017)***

These improvements include:

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

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

2.1 *Standards, interpretations and amendments to existing standards effective during the year (continued)*

- ***Annual Improvements 2015-2017 Cycle (issued in December 2017)***

- **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

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

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

These amendments had no impact on the company's financial statements as the current practice is in line with these amendments.

- **IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the company's financial statements.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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

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

| <u>New and Revised Standards</u> | | <u>Effective for annual periods beginning on or after</u> |
|----------------------------------|--|---|
| IAS 1 and IAS 8 | Definition of Material – Amendments to IAS 1 and IAS 8 | January 1, 2020 |
| IFRS 3 | Definition of a Business – Amendments to IFRS 3 | January 1, 2020 |
| IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 | Effective date deferred indefinitely |
| <u>New and Revised Standards</u> | | |
| IFRS 17 | Insurance Contracts | January 1, 2021 |
| | The Conceptual Framework for Financial Reporting | January 1, 2020 |

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

The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following is relevant to the operations of the company and are likely to impact amounts reported in the company's financial statements:

The Conceptual Framework for Financial Reporting

Effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

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

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

The Conceptual Framework for Financial Reporting (continued)

The Conceptual Framework includes some new concepts provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The directors and management have not yet assessed the impact of the application of this Framework on the company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of preparation

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT 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 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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Fair value measurement (continued)

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

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

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

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

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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Transactions with jointly controlled entities (continued)

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

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

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

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

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

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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment (continued)

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

Policy effective January 1, 2019

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 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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

Policy effective January 1, 2019 (continued)

Company as a lessee (continued)

Lease liabilities (continued)

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.

Policy prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.9 Employee benefits

3.9.1 Pension obligations

The company operates a defined benefit pension plan. The plan is funded by contributions from employees and employer. The employees contribute at the rate of 5% of pensionable salaries. The employees may make additional unmatched voluntary contributions up to the maximum permissible by the Income Tax Act. The employer contributes such funds as are necessary to meet the balance of the liabilities as determined by actuarial valuations subject to a maximum rate so that the total contributions (employee and employer) sum to 20% of pensionable salaries. The company's rate of contribution of 5.5% is determined by the Board of Directors upon recommendation of external actuaries.

The cost of providing benefits is determined using the Projected Unit Credit Method with external actuarial valuations being carried out at the end of each reporting period.

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits (continued)

3.9.1 Pension obligations (continued)

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

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

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

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

3.9.2 Termination obligations

Termination benefits are payable whenever an employee's employment is terminated involuntarily before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

3.9.3 Other post-retirement obligations

The company provides health benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that used for the defined benefit pension plan as disclosed above.

3.10 Inventories

These are stated at the lower of cost and net realisable value. The cost of finished goods and cost of work-in-progress comprises direct materials and labour plus an appropriate proportion of fixed and variable overhead expenses that have been incurred in bringing inventory to its present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments

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

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

The fair values of financial instruments are discussed in Note 24. Listed below are the company's financial assets and liabilities and the specific accounting policies relating to each:

3.11.1 *Financial assets*

Initial recognition and measurement

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

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

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

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.1 *Financial assets (continued)*

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Derecognition

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

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

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.1 *Financial assets (continued)*

Financial assets at amortised cost (debt instruments) (continued)

Derecognition (continued)

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

Impairment

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

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

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

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.2 *Financial liabilities*

Initial recognition and measurement

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

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

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

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

(a) *Related party*

A party is related to the company if:

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

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

3.11.2 *Financial liabilities (continued)*

Initial recognition and measurement (continued)

(b) *Dividends payable*

These are recognised as a liability in the period in which they are approved by the shareholders at the annual general meeting.

Derecognition

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

3.12 Taxation

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

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the statement of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Sales tax

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

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

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

Current and deferred tax for the period

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

3.13 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers

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

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

Sales of products to third parties

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

(i) *Variable consideration*

If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Effective 2019, certain customers were provided with a right of return and discount incentives based on volumes subject to the maintenance of their customer account on a current basis. Previously, certain customers were provided with a right if return and volume rebates. The rights of return and discounts/volume rebates give rise to variable consideration.

- Rights of return

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (continued)

Sales of products to third parties (continued)

(i) *Variable consideration (continued)*

- Discount incentives/Volume rebates

Effective January 1, 2019

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.

Policy prior to January 1, 2019

The company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (continued)

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.

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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue from contracts with customers (continued)

Interest revenue

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.15 Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the company operates (its functional currency).

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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

a) Revenue from contracts with customers

Determining method to estimate variable consideration and assessing the constraint

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

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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

Critical judgements in applying accounting policies (continued)

a) Revenue from contracts with customers (continued)

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

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

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

The company included the renewal period as part of the lease term for leases or 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) Post employment benefits

As disclosed in Note 6, the company operates a defined benefit pension plan and provides post retirement medical benefits. The amounts shown in the statement of financial position are an asset of approximately \$149.52 million (2018: \$136.56 million) in respect of the defined benefit pension plan and a liability of approximately \$146.23 million (2018: \$133.58 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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

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

Key sources of estimation uncertainty (continued)

a) Post employment benefits (continued)

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The company estimates the appropriate discount rate annually, which rate is used to determine the present value of estimated cash outflows expected to be required to settle the pension and post-retirement medical benefit obligation.

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

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

Note 6(i) details some sensitivity analyses in respect of these post employment benefit plans.

b) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. A change of +/- 10% in the final tax outcome of these estimates would have the effect of approximately \$1.21 million (2018: \$3.86 million) increase/decrease in the current and deferred tax provisions.

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

Estimating variable consideration for returns and incentive discount/volume rebates

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

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

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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

Key sources of estimation uncertainty (continued)

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

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

The company updates its assessment of expected returns and discounts/volume rebates periodically and the refund liabilities are adjusted accordingly. Estimates of expected returns and discounts/volume rebates are sensitive to changes in circumstances and the company's past experience regarding returns and discount/rebate entitlements may not be representative of customers' actual returns and discount/rebate entitlements in the future. As at December 31, 2019, the amount recognised as refund liabilities for the expected returns and discounts/volume rebates was \$4.29 million (2018: \$10.04 million).

d) Allowance for expected credit losses

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

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

At year end trade receivables totaled \$588.42 million (2018: \$692.90 million) for which an allowance for expected credit losses of \$81.16 million (2018: \$83.58 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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

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, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

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

5. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land \$'000 | Freehold Buildings & Leasehold Improvements \$'000 | Plant and Machinery \$'000 | Furniture Fixtures & Equipment \$'000 | Motor Vehicles \$'000 | Totals \$'000 |
|---------------------------------|----------------------------|--|----------------------------------|--|-----------------------------|------------------|
| At cost | | | | | | |
| January 1, 2018 | 27,000 | 99,089 | 268,443 | 98,650 | 35,255 | 528,437 |
| Additions (Note 10) | - | 6,236 | 77,050 | 8,231 | 4,663 | 96,180 |
| December 31, 2018 | 27,000 | 105,325 | 345,493 | 106,881 | 39,918 | 624,617 |
| Additions | - | 4,065 | 93 | 36,666 | 6,226 | 47,050 |
| Disposals | - | - | - | - | (1,534) | (1,534) |
| December 31, 2019 | 27,000 | 109,390 | 345,586 | 143,547 | 44,610 | 670,133 |
| Accumulated depreciation | | | | | | |
| January 1, 2018 | - | 45,734 | 181,066 | 80,281 | 33,031 | 340,112 |
| Depreciation charge | - | 5,244 | 25,342 | 7,613 | 2,606 | 40,805 |
| December 31, 2018 | - | 50,978 | 206,408 | 87,894 | 35,637 | 380,917 |
| Depreciation charge | - | 3,575 | 23,005 | 9,859 | 3,143 | 39,582 |
| On disposal | - | - | - | - | (1,534) | (1,534) |
| December 31, 2019 | - | 54,553 | 229,413 | 97,753 | 37,246 | 418,965 |
| Carrying amounts | | | | | | |
| December 31, 2019 | 27,000 | 54,837 | 116,173 | 45,794 | 7,364 | 251,168 |
| December 31, 2018 | 27,000 | 54,347 | 139,085 | 18,987 | 4,281 | 243,700 |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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% (2018 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.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

6. POST EMPLOYMENT BENEFITS (CONTINUED)

Retiree Medical Plan

The company bears the full cost of health care of employees after retirement.

Valuation

The most recent actuarial valuations of the two plans were carried out as at December 31, 2019 by Apex Consulting Limited (Consulting Actuaries) (2018: Ravi Rambarran & Associates Limited (Consulting Actuaries)), Fellow of the Institute of Actuaries). The obligations were measured using the projected unit credit method.

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

Financial Assumptions

| | 2019 | 2018 |
|---|------|------|
| | % | % |
| Gross discount rate | 7.50 | 7.00 |
| Expected rate of salary increases | 3.50 | 3.50 |
| Future pension increases | 1.25 | 1.25 |
| Medical inflation | 5.00 | 4.50 |
| Inflation | 4.00 | 3.00 |
| 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:

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

(ii) Retirement - males who joined the plan before January 1, 2002 will retire at age 65 and all other members will retire at age 60.

(i) Terminations - no assumption was made for exit prior to retirement.

(iv) Marital statistics – 80% of members are assumed to be married at their date of retirement.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-----------|-----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Present value of obligation | (1,004,652) | (1,069,906) | (1,080,051) | (871,233) | (806,972) |
| Fair value of plan assets | 1,663,555 | 1,487,691 | 1,386,267 | 1,061,681 | 951,120 |
| Unrecognised asset due to ceiling | (509,380) | (281,222) | (143,606) | (62,315) | (14,392) |
| Net asset in the statement of financial position | 149,523 | 136,563 | 162,610 | 128,133 | 129,756 |

- (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 | |
|--|------------------------------|-------------|----------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Present value of obligation | (1,004,652) | (1,069,906) | (146,229) | (133,582) |
| Fair value of plan assets | 1,663,555 | 1,487,691 | - | - |
| Unrecognised asset due to ceiling | (509,380) | (281,222) | - | - |
| Net asset (liability) in the statement of financial position | 149,523 | 136,563 | (146,229) | (133,582) |

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

| | Defined Benefit Pension Plan | | Retiree Medical Plan | |
|---|------------------------------|-----------|----------------------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current service cost | 15,275 | 19,951 | 3,101 | 3,690 |
| Net interest cost: | | | | |
| Interest cost on defined benefit obligation | 75,000 | 84,664 | 9,392 | 10,345 |
| Interest income on plan assets | (83,716) | (109,943) | - | - |
| Interest effect of the assets ceiling | - | 11,488 | - | - |
| Total included in employee benefits expense | 6,559 | 6,160 | 12,493 | 14,035 |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

| | Defined Benefit Pension Plan | | Retiree Medical Plan | |
|---------------------------------------|---------------------------------|----------------|----------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Remeasurements | | | | |
| Change in financial assumptions | (52,749) | 110,881 | 387 | 23,920 |
| Experience adjustments | (186,984) | (208,930) | 4,800 | (31,148) |
| Change in effect of the asset ceiling | 228,158 | 126,128 | - | - |
| | <u>(11,575)</u> | <u>28,079</u> | <u>5,187</u> | <u>(7,228)</u> |

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

| | Defined Benefit Pension Plan | | Retiree Medical Plan | |
|---------------------------------|---------------------------------|----------------|----------------------|------------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Opening balance | 136,563 | 162,610 | (133,582) | (131,747) |
| Amount charged to income | (6,559) | (6,160) | (12,493) | (14,035) |
| Remeasurement recognised in OCI | 11,575 | (28,079) | (5,187) | 7,228 |
| Contributions by employer | 7,944 | 8,192 | 5,033 | 4,972 |
| Closing balance | <u>149,523</u> | <u>136,563</u> | <u>(146,229)</u> | <u>(133,582)</u> |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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 | |
|------------------------------------|---------------------------------|------------------|----------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Opening defined benefit obligation | 1,069,906 | 1,080,051 | 133,582 | 131,747 |
| Service cost | 15,275 | 19,951 | 3,101 | 3,690 |
| Interest cost | 75,000 | 84,664 | 9,392 | 10,345 |
| Members' contributions | 12,227 | 11,739 | - | - |
| Benefits paid | (41,329) | (67,915) | (5,033) | (4,972) |
| Value of purchased annuities | - | 23,551 | - | - |
| Remeasurement: | | | | |
| Changes in financial assumptions | (52,749) | 112,740 | 387 | 23,920 |
| Changes in experience adjustments | (73,678) | (194,875) | 4,800 | (31,148) |
| Closing defined benefit obligation | <u>1,004,652</u> | <u>1,069,906</u> | <u>146,229</u> | <u>133,582</u> |

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

| | Defined Benefit Pension Plan | |
|--|---------------------------------|------------------|
| | 2019 \$'000 | 2018 \$'000 |
| Opening fair value of plan assets | 1,487,691 | 1,386,267 |
| Members' contributions | 12,227 | 11,739 |
| Employer's contributions | 7,944 | 8,192 |
| Interest income on plan assets | 83,716 | 109,943 |
| Benefits paid | (41,329) | (67,915) |
| Value of purchased annuities | - | 23,551 |
| Remeasurement: | | |
| Changes in financial assumptions | - | 1,859 |
| Experience adjustments | 113,306 | 14,055 |
| Closing fair value of plan assets | <u>1,663,555</u> | <u>1,487,691</u> |
| Movement in asset ceiling asset | | |
| Effect of asset ceiling at beginning | (281,222) | (143,606) |
| Interest in asset | - | (11,488) |
| Remeasurement effects | (228,158) | (126,128) |
| Effect of ceiling at the end of period | <u>(509,380)</u> | <u>(281,222)</u> |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

| | Defined Benefit Pension Plan | |
|-----------------------------------|--|--|
| | 2019 | 2018 |
| | Fair Value of Plan Asset \$'000 | Fair Value of Plan Asset \$'000 |
| Equity fund | 532,337 | 405,356 |
| CPI indexed fund | 49,907 | 49,180 |
| International equity | 49,907 | 44,153 |
| Fixed income fund | 149,720 | 125,245 |
| Mortgage and real estate fund | 299,440 | 299,344 |
| Foreign currency fund | 182,991 | 161,858 |
| Money market fund | 16,635 | 7,762 |
| Value of purchased annuities | 382,618 | 393,239 |
| Other adjustments | - | 1,554 |
| | <hr/> | <hr/> |
| Closing fair value of plan assets | <u>1,663,555</u> | <u>1,487,691</u> |

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

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

(i) Sensitivity analyses

1. Medical Inflation

| | 1% decrease in Medical inflation Assumption \$'000 | 1% increase in Medical inflation Assumption \$'000 |
|--|---|---|
| (Decrease) Increase in defined benefit obligation - 2019 | (19,424) | 24,288 |
| (Decrease) Increase in defined benefit obligation - 2018 | (17,606) | 21,764 |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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 |
|---|---|---|
| 2019 | | |
| Increase (Decrease) in defined benefit obligation | | |
| - Medical | 23,475 | (18,694) |
| Increase (Decrease) in defined benefit obligation | | |
| - Pension | 117,684 | (91,396) |
| 2018 | | |
| Increase (Decrease) in defined benefit obligation | | |
| - Medical | 21,422 | (17,091) |
| Increase (Decrease) in defined benefit obligation | | |
| - Pension | 108,074 | (85,957) |

3. Future pension increase

| | 1% decrease in Future Pension Assumption \$'000 | 1% increase in Future Pension Assumption \$'000 |
|---|--|--|
| 2019 | | |
| (Decrease) Increase in defined benefit obligation | | |
| - Pension | (83,664) | 97,791 |
| 2018 | | |
| (Decrease) Increase in defined benefit obligation | | |
| - Pension | (89,098) | 104,143 |

4. Salary assumption

| | 1% decrease in Salary Assumption \$'000 | 1% increase in Salary Assumption \$'000 |
|---|--|--|
| 2019 | | |
| (Decrease) Increase in defined benefit obligation | | |
| - Pension | (23,842) | 29,733 |
| 2018 | | |
| (Decrease) Increase in defined benefit obligation | | |
| - Pension | (32,773) | 36,500 |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(i) Sensitivity analyses (continued)

5. Life expectancy

| | 1 year Decrease \$'000 | 1 year Increase \$'000 |
|---|---------------------------------------|---------------------------------------|
| 2019 | | |
| (Decrease) Increase in defined benefit obligation - Medical | (4,518) | 4,526 |
| (Decrease) Increase in defined benefit obligation - Pension | (17,517) | 17,194 |
| 2018 | | |
| (Decrease) Increase in defined benefit obligation - Medical | (4,128) | 4,135 |
| (Decrease) Increase in defined benefit obligation - Pension | (11,289) | 11,198 |

(j) Other

(i) Expected employer contributions for the next year

| | \$'000 |
|---------|---------------|
| Pension | 12,799 |
| Medical | 5,599 |
| | <u>18,398</u> |

(ii) Expected expense for the next year

| | Medical \$'000 | Pension \$'000 | Total \$'000 |
|----------------------|---------------------------|---------------------------|-------------------------|
| Service cost | 3,101 | 15,275 | 18,376 |
| Financing cost (net) | 9,392 | (8,716) | 676 |
| | <u>12,493</u> | <u>6,559</u> | <u>19,052</u> |

(iii) Maturity profile of defined benefit obligation

| | Weighted average duration of liability 2019 | Weighted average duration of liability 2018 |
|---------|--|--|
| Pension | 13 | 26 |
| Medical | 16 | 26 |

(iv) Included in the holdings of plan assets is an investment in the Sagicor Pooled Pension Investment Funds which holds 10.4% (2018: 10.4%) of the company's issued shares.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

7. LEASES

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

| | \$'000 |
|---|----------------|
| As at January 1, 2019 upon application of IFRS 16 | 13,297 |
| Additions | 25,868 |
| Depreciation | <u>(9,361)</u> |
| As at December 31, 2019 | <u>29,804</u> |

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

| | \$'000 |
|---|-----------------|
| As at January 1, 2019 upon application of IFRS 16 | 13,297 |
| Additions | 25,868 |
| Accretion of interest | 1,083 |
| Payments | <u>(10,007)</u> |
| As at December 31, 2019 | <u>30,241</u> |
| Classified as: | |
| Current | 8,705 |
| Non-current | <u>21,536</u> |
| | <u>30,241</u> |

The following are the amounts recognised in profit or loss:

| | 2019 |
|--|---------------|
| | \$'000 |
| Depreciation expense of right of use asset | 9,361 |
| Interest expense on lease liabilities | <u>1,083</u> |
| Total amount recognised in profit or loss | <u>10,444</u> |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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:

| | 2019 \$'000 | 2018 \$'000 |
|--------------------------|-----------------|-----------------|
| Deferred tax assets | 56,308 | 52,522 |
| Deferred tax liabilities | <u>(47,746)</u> | <u>(47,049)</u> |
| | <u>8,562</u> | <u>5,473</u> |

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

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Opening balance | 5,473 | 4,566 |
| Credit/(Charge) to income for the period (Note 21(a)) | 4,536 | (4,456) |
| (Charge)/Credit to other comprehensive income for the period (Note 21(b)) | <u>(1,447)</u> | <u>5,363</u> |
| Closing balance | <u>8,562</u> | <u>5,473</u> |

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

Notes to the Financial Statements Year Ended December 31, 2019

8. DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

Deferred tax assets

| | Excess value over tax allowances on motor vehicles \$'000 | Depreciation charges in excess of capital allowances \$'000 | Accrued vacation \$'000 | Post employment benefits obligation \$'000 | Accrued incentive and other \$'000 | Unrealised Foreign exchange losses \$'000 | Lease liabilities in excess of right of use assets \$'000 | Total \$'000 |
|--|--|--|-------------------------------|--|--|---|--|-----------------|
| Balance, January 1, 2018 | 59 | 3,520 | 4,860 | 32,936 | 8,555 | - | - | 49,930 |
| Credit/(Charge) to income for the year | 152 | (3,178) | (903) | 2,266 | 6,062 | - | - | 4,399 |
| Charge to other comprehensive income for the year | - | - | - | (1,807) | - | - | - | (1,807) |
| Balance, December 31, 2018 | 211 | 342 | 3,957 | 33,395 | 14,617 | - | - | 52,522 |
| Credit/(Charge) to income for the year | (211) | (342) | 408 | 1,865 | (3,628) | 4,288 | 109 | 2,489 |
| Credit to other comprehensive Income for the year | - | - | - | 1,297 | - | - | - | 1,297 |
| Balance, December 31, 2019 | - | - | 4,365 | 36,557 | 10,989 | 4,288 | 109 | 56,308 |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

8. DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

Deferred tax liabilities

| | Unrealised foreign exchange gains \$'000 | Revaluation of properties \$'000 | Post- employment benefits asset \$'000 | Capital allowances in excess of depreciation charges \$'000 | Capital allowances in excess of depreciation charges on motor vehicles \$'000 | Total \$'000 |
|---|--|--|--|--|---|-----------------|
| Balance, January 1, 2018 | 429 | 4,284 | 40,651 | - | - | 45,364 |
| Charge to income for the year | 8,347 | - | 508 | - | - | 8,855 |
| Credit to other comprehensive income for the year | - | (150) | (7,020) | - | - | (7,170) |
| Balance, December 31, 2018 | 8,776 | 4,134 | 34,139 | - | - | 47,049 |
| (Credit)/Charge to income for the year | (8,776) | - | 348 | 6,283 | 98 | (2,047) |
| Charge/(Credit) to other comprehensive income for the year | - | (150) | 2,894 | - | - | 2,744 |
| Balance, December 31, 2019 | - | 3,984 | 37,381 | 6,283 | 98 | 47,746 |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

9. INVENTORIES

| | 2019 \$'000 | 2018 \$'000 |
|----------------------------|----------------|----------------|
| Finished goods | 311,947 | 222,775 |
| Work-in-progress | 10,820 | - |
| Raw materials and supplies | 240,641 | 248,937 |
| Goods-in-transit | 75,292 | 284 |
| | <u>638,700</u> | <u>471,996</u> |

Inventories stated above are net of provision for obsolescence amounting to approximately \$62.74 million (2018: \$38.97 million).

The cost of inventories recognised as an expense during the period, was \$1,266.70 million (2018: \$1,349.64 million).

Movement in provision for obsolescence

| | 2019 \$'000 | 2018 \$'000 |
|------------------------------------|----------------|----------------|
| Opening balance | 38,973 | 38,361 |
| Charged to income | 26,698 | 8,471 |
| Reversal of write down (Note 9(a)) | (2,934) | (7,859) |
| Closing balance | <u>62,737</u> | <u>38,973</u> |

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

Charges in respect of inventory obsolescence of \$26.70 million (2018: \$8.47 million) are recorded in raw materials and consumable used.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

10. BALANCES/TRANSACTIONS WITH RELATED PARTIES

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

Trading transactions and balances

The company carried out transactions in the ordinary course of business during the period with its affiliates as follows:

| | Sales of Goods and Raw Materials | | Purchases of Goods, Raw Materials and Equipment | | Technical Service Fees | | Amounts Owed by (to) Related Parties | |
|---|-------------------------------------|----------------|---|----------------|------------------------|----------------|---|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| <i>Immediate parent</i> | - | - | - | - | 72,392 | 75,638 | (46,728) | (75,194) |
| Ansa Coatings International Ltd. | | | | | | | | |
| <i>Fellow subsidiaries</i> | | | | | | | | |
| Berger Trinidad | - | 3,226 | 1,523 | 168 | - | - | 17,024 | 17,122 |
| Berger Barbados | 489 | 5,178 | 85 | 3,936 | - | - | 2,963 | (1,329) |
| ABEL Building Solutions | - | - | - | 3,190 | - | - | (55) | (1,556) |
| Ansa Mcal (Barbados) | - | - | - | - | - | - | - | (71) |
| Ansa Coating (Ja) Ltd. | - | - | - | - | - | - | (110,257) | (120,307) |
| Ansa Mcal Trading | - | - | 1,003,779 | 987,160 | - | - | (462,812) | (144,263) |
| Ansa Coatings Limited | - | - | 112,507 | 35,765 | - | - | (23,402) | (4,650) |
| Ansa Mcal Limited | - | - | - | - | - | - | (58,274) | (4,035) |
| Ansa Polymer | - | - | - | - | - | - | 2 | (20) |
| Sissons Paints | - | - | - | - | - | - | 27 | - |
| Ansa Mcal Chemicals | - | - | - | - | - | - | 22,861 | - |
| Richmond Motors | - | - | - | - | - | - | 46 | - |
| | 489 | 8,404 | 1,117,894 | 1,030,219 | - | - | (611,877) | (259,109) |
| Reflected in statement of financial position: | | | | | | | | |
| Due from fellow subsidiaries | | | | | | | 42,923 | 17,122 |
| Due to fellow subsidiaries | | | | | | | (654,800) | (276,231) |
| | | | | | | | (611,877) | (259,109) |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

10. BALANCES/TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Sale of goods to related parties were made at the predetermined company rates. Purchases are made at market prices discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized during the year for irrecoverable debts in respect of the amounts owed by related parties.

Compensation of key management personnel

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

| | 2019 \$'000 | 2018 \$'000 |
|--------------------------|----------------|----------------|
| Short-term benefits | 83,577 | 64,206 |
| Post-employment benefits | 3,652 | 1,956 |
| | <u>87,229</u> | <u>66,162</u> |

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.

Business combinations under common control

During 2018, the company took control over certain assets and activities of ANSA Coatings Jamaica Limited, a related party that engaged in the purchase and distribution of industrial and decorative paints and accessories. The company did not acquire any voting shares of ANSA Coatings Jamaica Limited, which continues to exist as a separate, but non-trading, legal entity. The nature and significance of the activities acquired by the company resulted in this transaction being accounted for as a business combination and not as an asset acquisition. Further, as the company acquired the business of a related party that shares the company's ultimate parent, ANSA McAL Limited, this transaction is considered a business combination under common control.

The POI method was applied to this transaction given the size of the activities and assets acquired relative to that of the company.

The purpose of this transaction was to realise synergies and generate economies of scale by manufacturing and distributing the products formerly managed by ANSA Coatings Jamaica Limited in addition to those products already managed by the company.

The carrying value of the net assets acquired was \$120.31 million, being \$83.81 million for PPE, \$30.05 million for inventory and \$6.45 million of other receivables.

Consideration of \$120.31 million remains payable to ANSA Coatings Jamaica Limited.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

11. TRADE AND OTHER RECEIVABLES

| | 2019 \$'000 | 2018 \$'000 |
|---|-----------------|-----------------|
| Trade receivables | 588,421 | 692,902 |
| Less allowance for expected credit losses | <u>(81,156)</u> | <u>(83,576)</u> |
| | 507,265 | 609,326 |
| Other receivables and prepayments (net of an allowance for expected credit losses of \$15.53 million (2018: \$14.73 million)) | <u>61,167</u> | <u>27,271</u> |
| | <u>568,432</u> | <u>636,597</u> |

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 (2018: over one year) 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 (2018: 30 days and 1 year) are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

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, there were no consumers with balances representing more than 5% of the total balance of trade receivables. At December 31, 2018, \$146.50 million (amount within the approved credit limit) is due from two of the company's customers (See also Note 24(d)). There were no other customers who represented more than 5% of the total balance of trade receivables.

The company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amount owed by the company to the counterparty.

Movement in allowance for expected credit losses

| | <u>Trade Receivables</u> | | <u>Other Receivables</u> | |
|--------------------------------------|--------------------------|-----------------|--------------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Opening balance | 83,576 | 58,255 | 14,732 | 13,971 |
| Impact of IFRS 9 adoption | - | 11,244 | - | - |
| Expected credit losses recognised | 30,045 | 76,460 | 799 | 761 |
| Amounts written-off as uncollectible | - | (3,463) | - | - |
| Amounts recovered during the year | <u>(32,465)</u> | <u>(58,920)</u> | <u>-</u> | <u>-</u> |
| Closing balance | <u>81,156</u> | <u>83,576</u> | <u>15,531</u> | <u>14,732</u> |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in allowance for expected credit losses (continued)

In determining the recoverability of a receivable, the company considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The directors believe that, at the end of the reporting period, there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables

| | 2019 | 2018 |
|---------------|---------------|---------------|
| | \$'000 | \$'000 |
| 0-30 days | 581 | 5,537 |
| 31-90 days | 17,483 | 1,460 |
| 91-180 days | 7,517 | 1,015 |
| 181-270 days | 2,813 | 820 |
| 271-360 days | 1,316 | 20,921 |
| Over 360 days | 51,446 | 53,823 |
| | <u>81,156</u> | <u>83,576</u> |

Ageing of impaired other receivables

| | 2019 | 2018 |
|-------------|---------------|---------------|
| | \$'000 | \$'000 |
| ≥ 12 months | <u>15,531</u> | <u>14,732</u> |

12. CASH AND BANK BALANCES

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Cash on hand | 501 | 429 |
| Foreign currency bank balances (Note 12(a)) | 263,136 | 39,131 |
| Jamaican dollar bank balances (Note 12(b)) | <u>321,061</u> | <u>314,235</u> |
| | <u>584,698</u> | <u>353,795</u> |

(a) These include non-interest bearing accounts totalling \$1.67 million (2018: \$1.65 million), representing the Jamaican dollar equivalent of Belize \$26,700 (2018: \$26,700) and \$261.47 million (2018: \$37.48 million) representing the Jamaican dollar equivalent of US\$1.99 million (2018: US\$293,468).

(b) (i) This includes an interest bearing account totalling \$0.001 (2018: \$0.008 million) at an interest rate of 0.025% (2018: 0.025%) per annum.

(ii) The company has a credit facility (overdraft) with a commercial bank with a limit of \$90 million (2018: \$90 million) at a rate of 16.25% (2018: 16.25%) per annum. The company did not utilise the facility in the current or prior period.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

12. CASH AND BANK BALANCES (CONTINUED)

(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

| | 2019 No. of shares | 2018 No. of shares | 2019 \$'000 | 2018 \$'000 |
|---|--------------------------|--------------------------|----------------|----------------|
| Authorised: No par value ordinary shares at the beginning and end of the period | 214,322,393 | 214,322,393 | | |
| Issued and fully paid at the beginning and end of the period: | 214,322,393 | 214,322,393 | | |
| Stated capital | | | <u>141,793</u> | <u>141,793</u> |

There were no movements in share capital during the period.

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

14. REVALUATION RESERVES

| | Properties Revaluation Reserve | |
|---|-----------------------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Balance at beginning of year | 45,445 | 45,295 |
| Adjustments to deferred tax liability in respect of revalued buildings (Note 21(b)) | <u>150</u> | <u>150</u> |
| Balance at end of year | <u>45,595</u> | <u>45,445</u> |

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

15. PROVISIONS

| | Employee Benefits | |
|----------------------------|-------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Opening balance | 15,830 | 19,443 |
| Charged to income for year | 19,765 | 16,748 |
| Utilised during the year | (18,135) | (20,361) |
| Closing balance | <u>17,460</u> | <u>15,830</u> |

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

16. TRADE AND OTHER PAYABLES

| | 2019 \$'000 | 2018 \$'000 |
|-----------------------------|----------------|----------------|
| Trade payables | 183,863 | 87,370 |
| Other payables and accruals | <u>119,265</u> | <u>187,521</u> |
| | <u>303,128</u> | <u>274,891</u> |

The credit period on purchases of goods from the company's major suppliers range from 30 - 60 days. The company has financial risk management procedures in place to ensure that all payables are paid within the credit timeframe.

17. DIVIDENDS

During the current year:

A final dividend of 30.7¢ per share totalling \$65.80 million for the year ended December 31, 2018 was approved at the company's Annual General Meeting and paid to shareholders on the company's register of members at the close of business May 28, 2019.

During the prior period:

A final dividend of 28.5¢ per share totalling \$61.08 million for the 9 months ended December 31, 2017 were approved at the company's Annual General Meeting and paid to shareholders on the company's register of members at the close of business July 31, 2018.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following are entity-wide disclosures:

(a) Products

| | 2019 | 2018 |
|-----------------------------------|------------------|------------------|
| | \$'000 | \$'000 |
| Decorative/architectural products | 2,482,877 | 2,614,087 |
| Industrial products | 42,470 | 100,907 |
| | <u>2,525,347</u> | <u>2,714,994</u> |

(b) Geographical areas

| | 2019 | 2018 |
|----------------|------------------|------------------|
| | \$'000 | \$'000 |
| Domestic sales | 2,449,400 | 2,621,955 |
| Export sales | 75,947 | 93,039 |
| | <u>2,525,347</u> | <u>2,714,994</u> |

(c) Major customers

Of the sales for the year, 13% (2018: 14%) 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

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Right of return asset (included in other receivables) | 961 | 961 |
| Refund liabilities (included in other payables) | | |
| - Arising from retrospective incentive discounts/volume rebates | - | 5,752 |
| - Arising from rights of return | 4,290 | 4,290 |
| | <u>4,290</u> | <u>10,042</u> |

(e) Performance obligations

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

19. PROFIT BEFORE TAXATION

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

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| (i) Expenses on financial assets at amortised cost | | |
| Allowance for expected credit losses on sale of goods net of recoveries of \$32.46 million (2018: \$58.92 million) | (110) | 17,540 |
| Allowance for expected credit losses on other receivables | 799 | 761 |
| (ii) Net loss on financial assets and financial liabilities at amortised cost | | |
| Net foreign exchange loss | 27,559 | 9,820 |
| (iii) Other expenses | | |
| Directors' emoluments | | |
| Fees | 3,579 | 1,500 |
| Management | 22,416 | 9,409 |
| Audit fees | 5,872 | 5,872 |

20. EMPLOYEES BENEFITS EXPENSE

Staff costs incurred during the period were:

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Salaries, wages and statutory contributions | 486,055 | 453,583 |
| Other staff benefits | 71,769 | 76,806 |
| | <u>557,824</u> | <u>530,389</u> |

21. TAXATION

Current and deferred taxes have been calculated using the tax rate of 25% (2018: 25%).

(a) Recognised in profit and loss

(i) The total charge for the period comprises:

| | 2019 | 2018 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current tax | 16,631 | 34,154 |
| Deferred tax adjustment (Note 8) | (4,536) | 4,456 |
| | <u>12,095</u> | <u>38,610</u> |

Current and deferred taxes have been calculated using the tax rate of 25% (2018: 25%).

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

21. TAXATION (CONTINUED)

(a) Recognised in profit and loss (continued)

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

| | 2019 \$'000 | 2018 \$'000 |
|--|------------------------------|------------------------------|
| Profit before tax | 41,397 | 212,160 |
| Tax at the domestic income tax rate of 25% | 10,349 | 53,040 |
| Tax effect of expenses that are not deductible in determining taxable profit | 2,140 | 50 |
| Non assessable income | (137) | - |
| Employment tax credit | (7,128) | (14,638) |
| Other | 6,871 | 158 |
| Tax expense for the year | <u>12,095</u> | <u>38,610</u> |

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

| | 2019 \$'000 | 2018 \$'000 |
|--|------------------------------|------------------------------|
| Revaluation of properties (Note 14) | 150 | 150 |
| Remeasurement of defined benefit plans | (1,597) | 5,213 |
| | <u>(1,447)</u> | <u>5,363</u> |

22. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit of \$0.14 (2018: \$0.81) is based on the profit after taxation of \$29.302 million (2018: \$173.55 million) and the number of stock units in issue during the period of 214,322,393 units (2018: 214,322,393 units).

23. COMMITMENTS

a) Operating lease arrangements

Operating lease payments represent rentals payable by the company for certain of its office locations. Leases are negotiated for an average term of two to five years and rentals renewable. At the end of the reporting period, the company has outstanding commitments under operating leases, which fall due as follows:

| | 2019 \$'000 | 2018 \$'000 |
|--|------------------------------|------------------------------|
| Within one year | 10,112 | 7,112 |
| In the second to fifth years inclusive | 23,063 | 7,128 |
| | <u>33,175</u> | <u>14,240</u> |

Operating lease payments relating to short term leases and leases of low value assets recognized as expense for the year amounted to \$0.929 million (2018: \$Nil).

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

23. COMMITMENTS (CONTINUED)

(b) Capital commitment

There were no capital commitments as at December 31, 2019 nor at December 31, 2018.

(c) Contingencies

During the year, the company received assessments from the Taxpayer Audit and Assessment department for additional tax liabilities in respect of General Consumption Tax, payroll statutory deductions and Corporate Income Tax. The company filed its objection to certain aspects of the assessments and is awaiting the completion of the appeals to be notified of the final tax liabilities subject to charges (interest, surcharge and penalties). A provision of \$1.020 million (included in Trade and Other Payables) was made by the company in respect of tax liabilities not subject to objections. This amount was paid subsequent to year end.

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:

| | 2019 \$'000 | 2018 \$'000 |
|---|------------------|------------------|
| Financial Assets | | |
| Loans and receivables – at amortised cost | | |
| - Due from fellow subsidiaries | 42,923 | 17,122 |
| - Trade and other receivables (excluding prepayments) | 560,895 | 636,302 |
| - Cash and bank balances | 584,698 | 353,795 |
| | <u>1,188,516</u> | <u>1,007,219</u> |
| Financial Liabilities (at amortised cost) | | |
| - Due to immediate parent company | 46,728 | 75,194 |
| - Due to fellow subsidiaries | 595,159 | 276,231 |
| - Dividends payable | 13,809 | 11,895 |
| - Trade and other payables (excluding accruals) | 203,162 | 179,430 |
| - Lease liabilities | 30,241 | - |
| | <u>889,099</u> | <u>542,750</u> |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements **Year Ended December 31, 2019**

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

Financial risk management policies and objectives

By its nature, the company's activities involve the use of financial instruments.

The company has exposure to the following risks from its use of its financial instruments: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Financial risk management objectives

The company's activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company has documented financial risk management policies which are directed by its parent company. These policies set out the company's overall business strategies and its risk management philosophy. The financial risk management programme seeks to minimise potential adverse effects of financial performance of the company. The Board of Directors, directed by the parent company, provides written policies for overall financial risk management as well as policies covering specific areas, such as market risk, credit risk and liquidity risk. Periodic reviews are undertaken to ensure that the company's policy guidelines are complied with.

There has been no change during the year to the company's exposure to these financial risks or the manner in which it manages and measures the risk.

The company does not hold or issue derivative financial instruments.

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

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

(b) Foreign exchange risk

The company undertakes certain transactions denominated in currencies other than the Jamaican dollar resulting in exposures to exchange rate fluctuations.

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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:

| | <u>Liabilities</u> | | <u>Assets</u> | | <u>Net Liabilities (Assets)</u> | |
|----------------|--------------------|----------------|----------------|----------------|---------------------------------|----------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| | <u>J\$'000</u> | <u>J\$'000</u> | <u>J\$'000</u> | <u>J\$'000</u> | <u>J\$'000</u> | <u>J\$'000</u> |
| US dollars | 605,446 | 173,974 | 342,792 | 93,473 | 262,654 | 80,501 |
| Euros | - | 601 | - | - | - | 601 |
| Belize dollars | - | - | 1,666 | 1,652 | (1,666) | (1,652) |

Foreign currency sensitivity

The following table details the sensitivity to a 4% revaluation and 6% devaluation (2018: 2% 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 4% or weakens by 6% (2018: strengthens by 2% or weakens by 4%) against the relevant foreign currency, profit will (decrease) increase by:

| | <u>2019</u> | | | | <u>2018</u> | | | |
|----------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Revaluation</u> | <u>Devaluation</u> | <u>Revaluation</u> | <u>Devaluation</u> | <u>Revaluation</u> | <u>Devaluation</u> | <u>Revaluation</u> | <u>Devaluation</u> |
| | <u>%</u> | <u>J\$'000</u> | <u>%</u> | <u>J\$'000</u> | <u>%</u> | <u>J\$'000</u> | <u>%</u> | <u>J\$'000</u> |
| US dollars | +4 | 10,506 | -6 | (15,759) | +2 | 1,610 | -4 | (3,220) |
| Euros | +4 | - | -6 | - | +2 | 12 | -4 | (24) |
| Belize dollars | +4 | (67) | -6 | 100 | +2 | (33) | -4 | 66 |
| | | <u>10,439</u> | | <u>(15,659)</u> | | <u>1,589</u> | | <u>(3,178)</u> |

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

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 increased during the current period mainly due to the increased trade receivables and bank deposits as well as increased payables denominated in foreign currencies.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as at the end of the reporting period as it does not reflect the exposure during the period. US dollar denominated sales and liabilities are seasonal, fluctuating throughout the period.

(c) Interest rate risk management

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates as a result of cash flow or fair value interest rate risk. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow risk.

The company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section at Note 24(e) below.

Management of interest rate risk

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

Interest rate sensitivity

The sensitivity analyses is determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. In respect of Jamaican dollar investments, a 100 basis points increase and a 100 basis points decrease (2018: a 100 basis points increase and a 100 basis point decrease) and for foreign currency denominated balances, a 100 basis points increase and a 100 basis points decrease (2018: 50 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, 2019 and December 31, 2018, the company had no significant exposure to interest rate risk.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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

Financial risk management policies and objectives (continued)

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Financial assets that potentially subject the company to concentration of credit risk consist principally of cash, cash equivalents, trade and other receivables and amounts due from related parties. The maximum exposure to credit risk is the amount of approximately \$1,188.02 million (2018: \$1,006.79 million) (excluding cash on hand) disclosed under 'categories of financial instruments' above and the company holds no collateral in this regard. Generally, the company manages its credit risk by screening its customers, establishing credit limits and the rigorous follow-up of receivables.

Cash and bank deposits

The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings. The carrying amount of cash and bank balances (excluding cash on hand) totalling \$584.20 million (2018: \$353.37 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

Trade and other receivables

The company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management on an annual basis. Further, trade receivables consist of a large number of customers, spread across the retail and construction sectors and as such, the company does not have significant credit risk exposure to any single counterparty, except in respect of two retail entities whose outstanding balances at December 31, 2018 (within the approved credit limits) amounted to approximately 21% of trade receivables (see Note 11). There were no customers with outstanding balances in excess of 5% of the total receivables at December 31, 2019. Ongoing credit evaluation is performed on the financial condition of trade receivables. The book value of receivables is stated after allowance for likely losses estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

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 | | | | | | | Total |
|--|-------------------|---------------|---------------|----------------|----------------|---------------|---------------|---------------|
| | Days past due | | | | | | | |
| | 0-30 days | 31- 90 days | 91- 180 days | 181 - 270 days | 271 - 360 days | Over 361 days | | |
| 31 December 2019 | Current | | | | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expected credit loss rate | 0.21% | 8.01% | 23.68% | 100.00% | 100.00% | 100.00% | | |
| Estimated total gross carrying amount at default | 282,844 | 218,268 | 31,734 | 2,813 | 1,316 | 51,446 | 588,421 | |
| Allowance for expected credit loss | 581 | 17,483 | 7,517 | 2,813 | 1,316 | 51,446 | 81,156 | |
| | Trade receivables | | | | | | | |
| | Days past due | | | | | | | |
| | 0-30 days | 31- 90 days | 91- 180 days | 181 - 270 days | 271 - 360 days | Over 361 days | | |
| 31 December 2018 | Current | | | | | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expected credit loss rate | 1.25% | 3.24% | 16.30% | 4.32% | 21.81% | 64.40% | | |
| Estimated total gross carrying amount at default | 443,168 | 45,021 | 6,230 | 18,992 | 95,915 | 83,576 | 692,902 | |
| Allowance for expected credit loss | 5,537 | 1,460 | 1,015 | 820 | 20,921 | 53,823 | 83,576 | |

The carrying amount of financial assets in respect of trade receivables totalling \$507.26 million (2018: \$609.33 million) and other receivables totalling \$53.63 million (2018: \$26.98 million) excluding prepayments at year end which is net of impairment of approximately \$15.53 million (2018: \$83.58 million and \$14.73 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 \$42.92 million (2018: \$17.12 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements

Year Ended December 31, 2019

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

Financial risk management policies and objectives (continued)

(e) Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the nature of the underlying business, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments. The company also maintains a credit overdraft facility with a commercial bank to a limit of \$90.0 million (2018: \$90.0 million).

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

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

| | Weighted Average Effective Interest Rate % | On Demand or Within 1 Year \$'000 | 1 - 5 years \$'000 | Total \$'000 |
|--------------------------------------|--|--|--------------------------|-----------------|
| <u>December 2019</u> | | | | |
| Non-interest bearing | Nil | 858,858 | - | 858,858 |
| Interest bearing – lease liabilities | 4.83 – 5.77 | 10,112 | 23,063 | 33,175 |
| | | <u>868,970</u> | <u>23,063</u> | <u>892,033</u> |
| <u>December 2018</u> | | | | |
| Non-interest bearing | Nil | <u>542,750</u> | | <u>542,750</u> |

(f) Fair value of financial assets and financial liabilities

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. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for the financial assets and liabilities of the company, fair values in the financial statements have been presented using various estimation techniques based on market conditions existing at the end of the reporting period. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the company would realise in a current market exchange.

BERGER PAINTS JAMAICA LIMITED

Notes to the Financial Statements Year Ended December 31, 2019

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 (continued)

The following methods and assumptions have been used in determining the fair values of financial assets and financial liabilities:

- The carrying amounts included in the financial statements for cash and bank balances, trade and other receivables and trade and other payables, due to immediate parent company and due from or to fellow subsidiaries reflect the approximate fair values because of the short-term maturity of these instruments.
- The carrying amount of lease liabilities (variable rate) is assumed to approximate their fair value.

Capital risk management policies and objectives

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

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

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

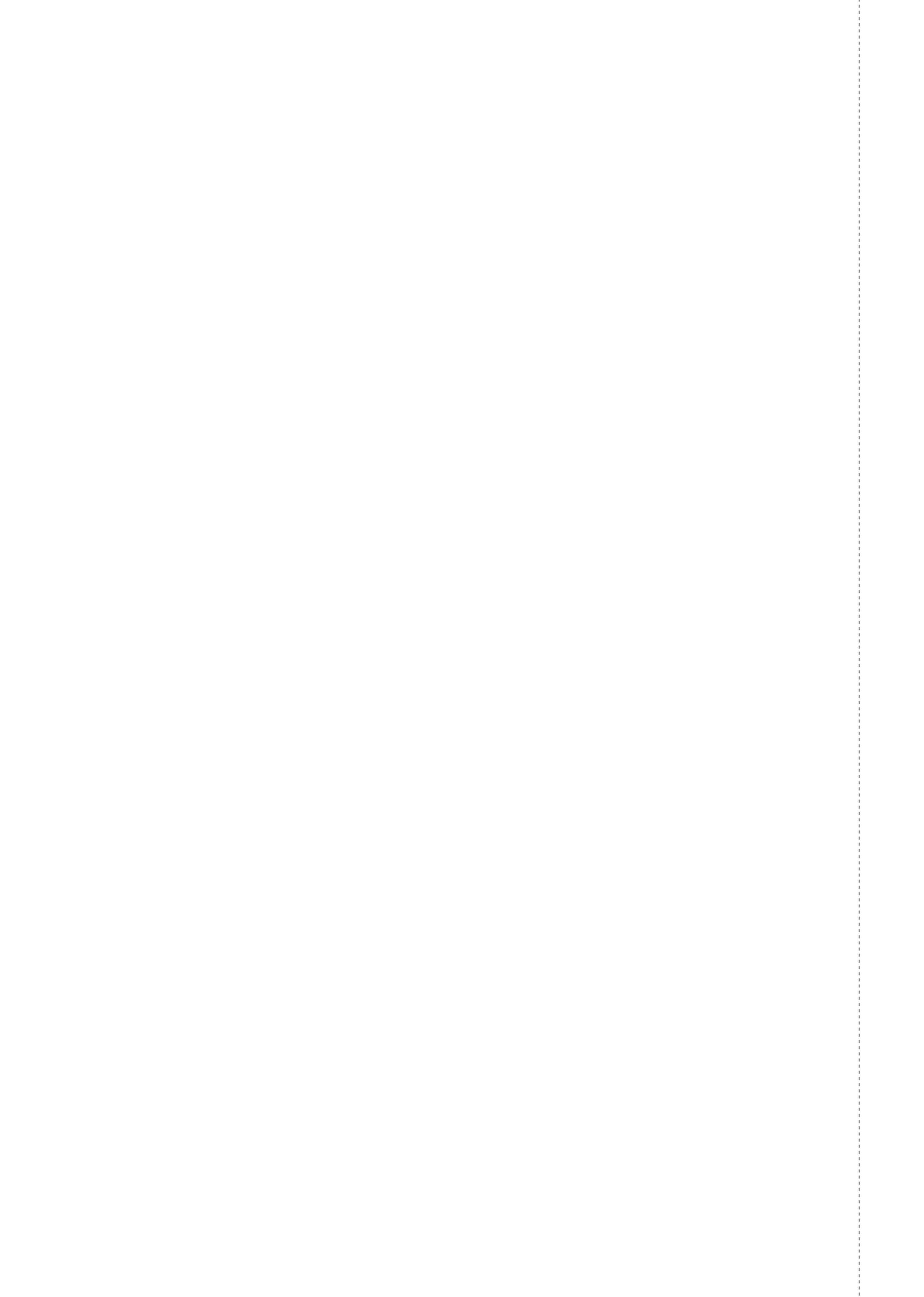
The company's overall strategy as directed by its parent remains unchanged from the year ended December 31, 2018.

Proxy Form

I/WE
of being a member/members
of the above named Company, hereby appoint
..... of
..... or failing him
of as my/our
proxy to vote for me/us on my/our behalf at the Annual General Meeting of
the Company.

Signed this day of 2020

**PLACE
\$100
STAMP
HERE**





ansa mcAL
GROUP OF COMPANIES

Together, we are

Family