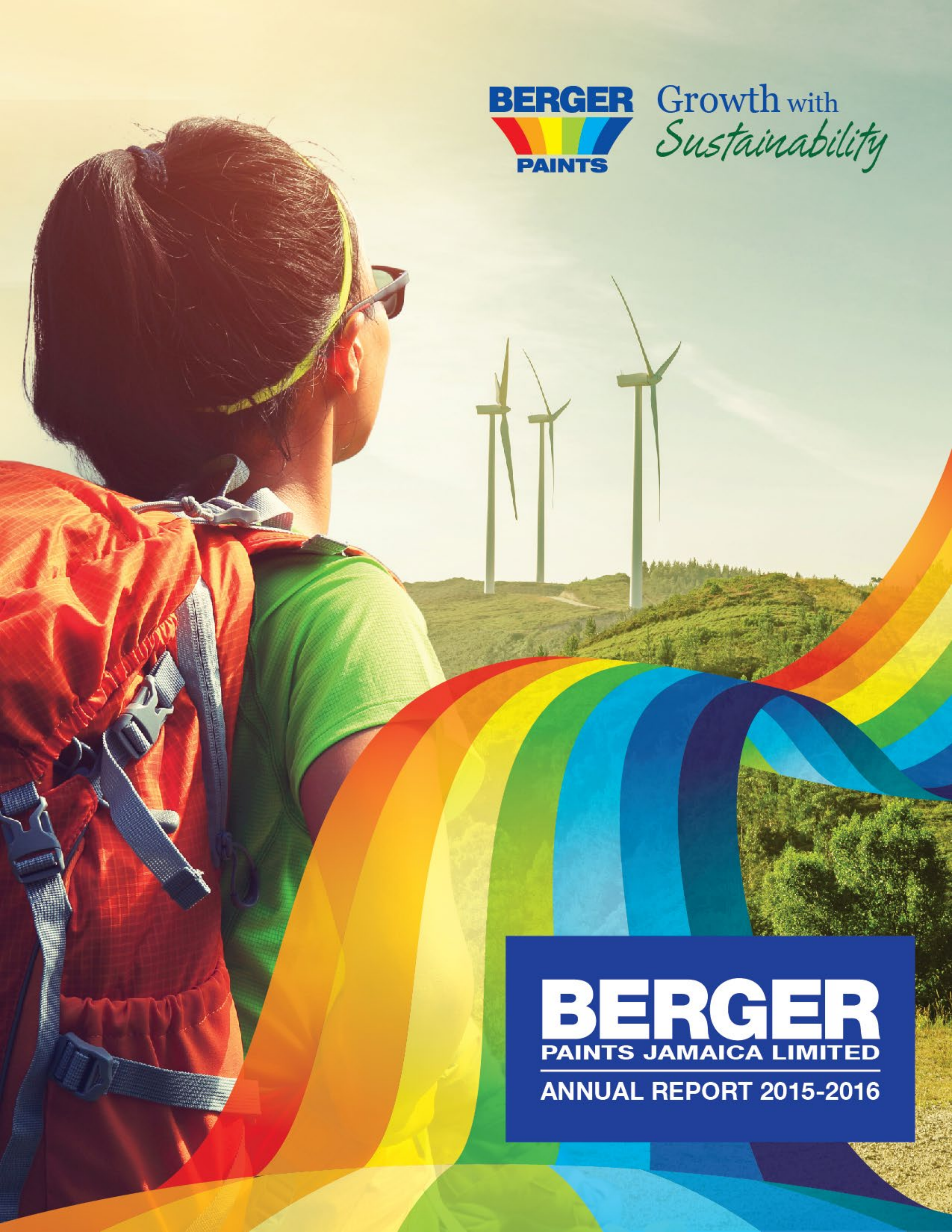


BERGER PAINTS

Growth with Sustainability

BERGER PAINTS JAMAICA LIMITED

ANNUAL REPORT 2015-2016


BERGER
royale
The Ultimate Interior
Paint Solution
BERGER
royale
LUXURY INTERIOR EMULSION
DURA - TUF TECHNOLOGY
ENHANCED DURABILITY
7 Year WARRANTY
Satin
*Conditions Apply
VIRTUALLY ODOURLESS
ANTI-FUNGAL & ANTI-ALGAL SHIELD
STAIN RESISTANT
SMOOTH FINISH
LOW VOC ENVIRO-FRIENDLY
VIRTUALLY ODOURLESS
STAIN RESISTANT
For more information visit www.bergerpaintscaribbean.com | Find us on

MISSION **STATEMENT**

BERGER PAINTS JAMAICA LIMITED

is committed to provide 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, thus constantly satisfying the needs of all our stakeholders.

TABLE OF CONTENTS

COMPANY **PROFILE**

Berger Paints Jamaica Limited manufactures and distributes decorative, industrial and wood coatings and paint-related material. It is a subsidiary of Berger International Private Limited (BIPL), itself a subsidiary of the Asian Paints Limited (APL), a conglomerate which ranks among the top four decorative coating companies in the world.

In November 2002, Asian Paints Limited, the largest paint manufacturer in India, acquired a controlling 51% stake in BIPL (formerly Berger International Ltd, BIL), the parent company of Berger Jamaica. During the year ended March 31, 2014 Asian Paints acquired the remaining stake in BIL. The US$2 billion Asian Paints Group, with a presence in 17 countries, is spread across the Caribbean, the Middle East, Africa, South Asia, South East Asia and the South Pacific region. It has 23 paint manufacturing facilities worldwide which service customers in over 65 countries.

Asian Paints is the only paint company in the world to be ranked amongst the '200 Best Under a Billion Dollar Companies' for 2005 by The Forbes Global Magazine.

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 are suited specifically to the harsh tropical conditions of the Caribbean.

The name Berger has become synonymous with quality and excellence, the foundation of which have 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 for a myriad of programmes and initiatives benefiting the society at large, particularly, the most vulnerable.

COMPANY **DATA**

Company Secretary
Huron Gordon

Auditors
Ernst & Young
8 Olivier Road
Kingston 8

Bankers
Bank of Nova Scotia Jamaica Limited

National Commercial Bank Ltd.

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

BERGER PAINTS

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 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.

OUR **PROMISE** TO YOU

Mustafa Turra
General Manager

Click-a-Colour on the Go with
BERGER colour SCHEME PRO
1 MATCH THE COLOURS IN ANY PIC ON YOUR MOBILE
2 SAVE AND SHARE YOUR COLOUR COMBINATIONS
3 GET ALL 1800 BERGER COLOURS AT YOUR FINGERTIPS
DOWNLOAD FREE!
ANDROID APP ON Google play
Available on the App Store
All the Colours of You!

CHAIRMAN'S **MESSAGE**

Let me begin by wholeheartedly adding my voice to those of the Board of Directors, the Berger Group and all stakeholders, as we say thanks to our outgoing Chairman Mr Jalaj Dani. I cannot overstate the role he played in steadily and thoughtfully guiding this ship throughout the years. I am also grateful that I am able to take on the mantle of an exciting new challenge to serve this Company, which is among the most respected institutions in Jamaica and look forward to your support in this endeavour.

Manish Choksi
Chairman

Economic Overview

In the 2015 Fiscal Year, global economic activity was moderate, recording growth of a 3.1%. This was influenced by a slowdown in economic activity in China, with a move away from investment and manufacturing towards consumption and services; a decrease in the prices of energy and other commodities; and a gradual tightening in monetary policy in the United States. For the fifth consecutive year, there was a decline in growth for emerging market and developing economies, with advanced economies continuing to show modest recovery.

Jamaica's economic performance for the past Fiscal Year was mixed. On the positive end, the country experienced the lowest inflation rate in four decades, with the rate at 3% for the 2015-16 period, compared to 4% in the previous year. The country's credit rating improved, leading to increased access to capital markets, underscored by the market's favourable response to the two Eurobonds which were subsequently issued by the Government of Jamaica (GOJ). The GOJ raised $2 billion in July 2015, which assisted in the partial buy back of its PetroCaribe debt owed to the state-owned Venezuelan oil company. This repurchase of debt is expected to reduce the country's debt-to-GDP ratio.

In addition, The Business Confidence Index (BCI) for the second quarter of 2015 at 128.2 was the third highest ever recorded. The result compared favourably with the BCI of 112.8 in the comparative quarter of 2014. There was also improvement in Consumer Confidence during the year.

Further, the Government successfully met all its targets under the economic programme with the

International Monetary Fund (IMF). However, the country continued to experience sluggish economic growth and unemployment rates remained relatively high, factors which continued to impact consumers' purchasing power.

Overall, there are indications that the basis for sound economic growth has been established and over time, the expectation is that the growth trajectory will be positive.

Asian Paints Group is also looking forward to an improved global economic scenario in 2016. Asian Paints is among the top five decorative coating companies in the world with a turnover of over USD $2.3 billion. We continue to invest in our coatings business to grow our presence in both India and emerging markets. The latest addition to the Asian Paints group, Kadisco Paints in Ethiopia, is a significant step in this direction. We are also transforming ourselves from being a 'coatings only' player to being a provider of Décor and Home Improvement services with the entry to new segments of modular kitchens (Sleek) and bathroom fittings (Ess Ess) in India.

Outstanding Results

Against the background of these positive indicators, Berger Paints Jamaica Limited has shown substantive growth in the last financial year, to reinforce its leadership position as the preferred brand in the marketplace. This achievement in a competitive industry and a challenging environment may be attributed to Berger's unwavering commitment to product excellence, value-added services and novel marketing strategies.

The 2015-16 Financial Year saw Berger Paints Jamaica Limited once again delivering solid business results. Profit after Tax was recorded at J$122.137 million, compared to J$67.037 million in 2014-15, which represents an 82% increase. At J$2,051 million, Net Sales grew by 11% over the previous year.

In alignment with the group philosophy and commitment to corporate governance, innovation and process excellence, Berger Paints Jamaica Limited continued to invest heavily in these areas to better serve our customers and deliver world class products and services. During the year, investments of J$63.8 million facilitated the upgrading of our facilities at Berger Jamaica.

82%
INCREASE IN PROFIT AFTER TAX

11%
NET SALES INCREASE

$64m
INVESTMENT IN FACILITY UPGRADE

Customer Centric Initiatives

The consumer is at the heart of everything we do at Berger Paints Jamaica. With this focus, we revamped the **www.bergerpaintscaribbean.com** website, making it more consumer and mobile friendly. The Berger Paints Jamaica team also continued to be innovative, with the introduction of its Ezycolour service, and the launching of Royale Wallfashion stencils. In 2015-16, the first of its kind Berger Colour Idea Centre was introduced in Jamaica, allowing consumers to browse and learn more about paint and décor before they make their purchase decision. Many dealer counters have also been revamped to provide inspiration to consumers, helping them to choose the right colour for their project.

Community Empowerment

Our support to organisations and initiatives, particularly those in the communities within which we operate, exemplifies our commitment to nation building. Our primary focus for the past year was in the areas of education and sports, where we continued to partner with the relevant stakeholders of our flagship programmes. We returned as the title sponsor of the Netball Jamaica/ Berger Elite League and the Company's various assistance programmes were once again extended to the Riverton Meadows Early Childhood Development Centre.

A Positive Outlook

Projections from the International Monetary Fund and the World Bank are that the global economy will experience moderate growth in 2016-17. While some growth is anticipated in most countries in the region, aggregate GDP for Latin America and the Caribbean is expected to contract in 2016.

The Jamaican economy continues to show green shoots, evidenced by the improvements in the country's economic indicators and restored business and consumer confidence. While the expectation is for moderate growth to continue, the year ahead will bring its fair share of challenges. Nevertheless, Berger Paints Jamaica remains committed to high levels of customer centricity leveraging the technical expertise of our parent company, coupled with our local talent and expertise, as well as our continued focus on being leaders in the market. We are confident that we are well positioned to benefit from the opportunities that develop as we continue to enhance the delivery of our products and services, improve efficiencies in our operations and grow revenues.

In closing, I would like to thank my fellow board members, our loyal employees, shareholders and customers for the honour of chairing this noble institution. I must also acknowledge the members of the trade and business community as well as the unions which have helped to further enhance the position of our Company in the forefront of the local paint industry.

I look forward to your continued partnership as we seek to conquer new horizons.

Mchoksi

Manish Choksi
Chairman

GENERAL MANAGER'S **MESSAGE**

ECONOMIC ENVIRONMENT

In the 2015 Fiscal Year, Jamaica's Debt Reform Programme began to bear fruit, with institutional reforms and measures to improve the environment for the private sector beginning to restore confidence in the Jamaican economy. Jamaica's credit rating improved, debt reduced to 126% of GDP and the country improved its standing in 2015 Doing Business rankings.

$122m
PROFIT AFTER TAX

STRONG PERFORMANCE

Against this backdrop, Berger Paints Jamaica Limited recorded a strong performance for the 2015-16 financial year. The Company achieved an 82% increase in Profit After Tax, which stood at J$122.137 million, compared to J$67.037 million in 2014-15. Net Sales during the same period increased to J$2,051 million, an increase of 11% over last year.

We invested J$63.89 million in capital projects in 2015-16, of which investments of J$41.7 million facilitated the upgrading of our production capabilities.

PRODUCTS AND SERVICES

Berger continues to be an innovator in the market and we moved forward in 2015 with our launch of Royale Wallfashion Stencils to assist consumers with their decorating projects. At the same time we have continued to invest in our luxury interior emulsion - Royale Satin and rolled out 'The Royale Satin Challenge' to showcase the product to consumers during the busy Christmas season and the rest of the year. Weatherproof Ultra Exterior Emulsion continues to grow and has now clearly become the defining exterior product in Jamaican paint market. Rust Pro Flat was among other products launched in 2015, along with additional colours in Magicote Gloss. Our premium core product line of Everglow, 303 and 404 lines experienced significant growth, while our Magicote value-for-money range continues to gain momentum.

To further support our consumers, we introduced Berger Ezycolour 4pics Service, which allows consumers to confidently choose their colours prior to painting. The remodelling of one of our stores in central Jamaica is only the first step in our journey to transform the retailing experience of consumers buying paint and we are working towards revolutionising the paint retailing in the years to come.

There were numerous painters' seminars and In-store workshops conducted during the course of the year to increase customer

Mustafa Turra
General Manager

engagement and awareness, allowing them to grasp the benefits and potential of these dynamic new/ improved product offerings. To support consumer engagement, our website **www.bergerpaintscaribbean.com** was also revamped, improving its functionalities and making it a true resource for anyone wanting to know about paint.

By employing creative marketing programmes and aggressive sales initiatives, combined with outstanding customer centricity and ensuring product availability we have delivered this year's solid sales growth. Through these initiatives we have strengthened our market leader position increasing our lead ahead of our competitors in an ever increasing competitive paint market.

EMPLOYEE ENGAGEMENT

For the 2015-16 Financial Year, the Company focused on more effective leadership by ensuring that our team members are placed in positions which are most commensurate with their abilities. This process has involved the reassignment and merging of some roles, with the company realising a more efficient working environment, which will go a far way towards increased levels of productivity and customer centricity.

Investment has also been made to upgrade the physical work environment for our employees, making it more practical & functional and at the same time more comfortable for persons to work in. This also included upgrading our canteen facilities and the renovation of offices.

At Berger, we are cognizant that fully engaged employees are committed to the organisation's goals and values; feel motivated to contribute to organisational success, and enjoy an enhanced sense of their own well-being. In an attempt to strengthen employee engagement, we conducted an employee engagement survey, which resulted in strategies designed to promote employee development and career growth; celebrate work-related achievements; recognise successful teams and individuals; and address workplace health and safety issues. For the period under review, we awarded grants for tertiary education to several employees, and also extended support to 10 employees' children through the provisions of scholarships to attend high school.

SUSTAINABILITY

Our commitment to Jamaica has been demonstrated with the investment of over J$100 million in the last two years through capital expenditure in our plant, machinery and other areas. We have enhanced our backend capabilities, added to the automation to increase productivity as well as improve the ease of work for employees, and are now pushing to have sustainability as a permanent part of who we are.

Sustainability is an important agenda for the Asian Paints Group as well as for us in Jamaica – and we have implemented a number of initiatives in this regard, among the first being reducing energy consumption and utilising renewable energy. With Energy being a major component in our production mix, we employed energy saving measures in 2015-16, reducing our energy consumption by more than 30%. Our factory and offices all use only LED lights and coupled with our newly installed 80kw solar power plant which will provide a quarter of our total power needs, we are making positive strides to reduce our carbon footprint.

Water conservation is another critical area where we made investments with the installation of low flush toilets, as well as water efficient taps. Our commitment to the environment has also been reflected in the state of the art Effluent Treatment Plant and we are thankful to the National Environment and Planning Agency (NEPA) for their continuous support and guidance in this initiative.

SERVING OUR COMMUNITY

Our commitment to social responsibility stems from the belief that we are a part of the communities we serve. As such, giving back is a fundamental aspect of Berger's identity and values. We remain dedicated to social responsibility as a value that goes hand-in-hand with our strategic business objectives, and that enhances the way we do business. For 2015, we continued our support of long-standing initiatives, primarily in the areas of education and sports.

In the area of education, we maintained our partnership with the Riverton Meadows Early Childhood Development Centre, where we collaborated with a private sector partner to provide students with a balanced meal on a daily basis. Our annual Christmas Treat proved a thrilling experience for the more than 200 children at the school, as they were feted by our team members, who organized fun activities to entertain them and offered them gifts and treats, in keeping with the spirit of the season.

Our association with Netball Jamaica and support of the sport at the highest local level remains one of our major undertakings. For the year in review, we strengthened our support for the Netball Jamaica/Berger Elite League, formerly the Berger Super League Netball Competition, providing sponsorship to the tune of J$6 million. This League has been the cornerstone of netball in Jamaica for close to three decades, as a training ground for players, referees and administrators, many of whom have gone on to represent Jamaica internationally. We are indeed proud of the achievements of the League and look forward to future synergies with Netball Jamaica.

LOOKING AHEAD

We made considerable progress in 2015-16; achieved a strong financial performance and laid a strong foundation for our future. We are confident that our operational and financial performances will further improve during 2016, enabling us to achieve greater heights for the next year.

We have a clear strategy for the year ahead, with focus on improving customer centricity through improved service levels and products which cater to the dynamic needs of the market; ensuring our team remains focused and motivated, with the right people in the right roles; investing to maintain our market advantage and capabilities to build a foundation for sustainable long-term growth; increasing our presence both in the local and overseas markets and continuing to solidify our reputation of excellence, innovation and strong ethical standards. We believe that the past year established the right platform to drive the execution of our plans and ensure that our investments in innovation, people, systems and markets deliver profitable growth and improve returns on invested capital.

In closing, let me express heartfelt gratitude to our customers and other stakeholders, in particular our shareholders, for their sustained confidence in the Company. Thanks must also be given to all our employees for their contribution to the excellent business performance, ensuring that our targets were met and consumers were satisfied.

At this juncture I would like to thank our past Chairman Mr Jalaj Dani for his guidance and support over the years and wish him all the best in his new assignment in Asian Paints Group. I also would like to extend a warm Jamaican welcome to our new Chairman, Mr Manish Choksi and we at Berger Jamaica look forward to working with him and learn from his vast experience leading new businesses of Asian Paints.

Mustafa Turra
General Manager

SUSTAINABILITY INITIATIVES **AT BERGER**

Sustainability can be defined as 'Meeting the needs of the present without compromising the ability of future generations to meet their own needs'. As an organisation we are committed to continuously improve our environmental footprint as well as our social conduct. Doing more with less, effective utilisation of natural resources and keeping ahead of the regulatory curve have all become an integral part of our sustainability initiatives.

Key Focus Areas

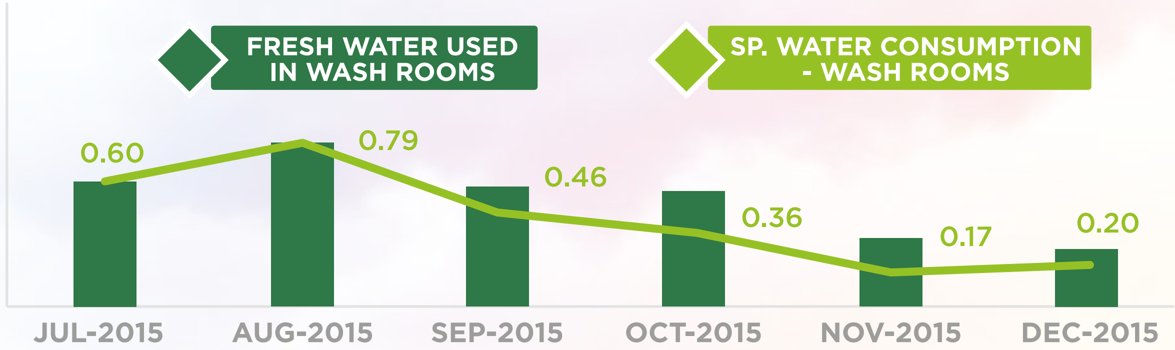
The three main pillars which make up sustainability are Environment, Economic and Social initiatives. The past year we focused on the key areas of power and water resource management under Environment, a strong Economic performance and various Corporate Social Responsibility (CSR) initiatives.

Water Management

Various initiatives were taken up throughout the year to reduce the consumption of water. The first thing which was done was the installation of flow meters at various points of consumption. The most significant of them was a 100% change over to water saving toilet fittings in November 2015. The impact was immediately felt by the reduction in the water consumed in the wash rooms.

A leak detection drive for our underground hydrant lines was conducted with the help of the National Water Commission (NWC). Two major leaks were detected which were immediately repaired. This has helped us save thousands of litres of water every month.

REDUCTION IN FRESH WATER USAGE AT WASH ROOMS



	2014-15 (avg)	2015-16 (avg)	% Reduction
SPC	140	102	27%

Energy Management

Reduction in Specific Power Consumption (SPC)

The E-Save initiative at Berger was multi-pronged. The first step was a complete switch over to LED lighting. We tripled the number of transparent roof sheets and also replaced all old air conditioners with new energy efficient models. The results of these initiatives were tremendous, with our Specific Power Consumption being reduced by about 30% in a single year.

Renewable Energy

An 80kWp Solar Energy project was commissioned in March 2016. This is a significant milestone in our efforts towards sustainability. About 25% of our energy needs will be managed through this project. A 23% reduction is expected in our carbon footprint which equates to about a 90 Metric Ton (MT) reduction in carbon emissions per annum. This is the strongest statement yet from Berger Paints towards its commitment to Sustainability.

Waste Management

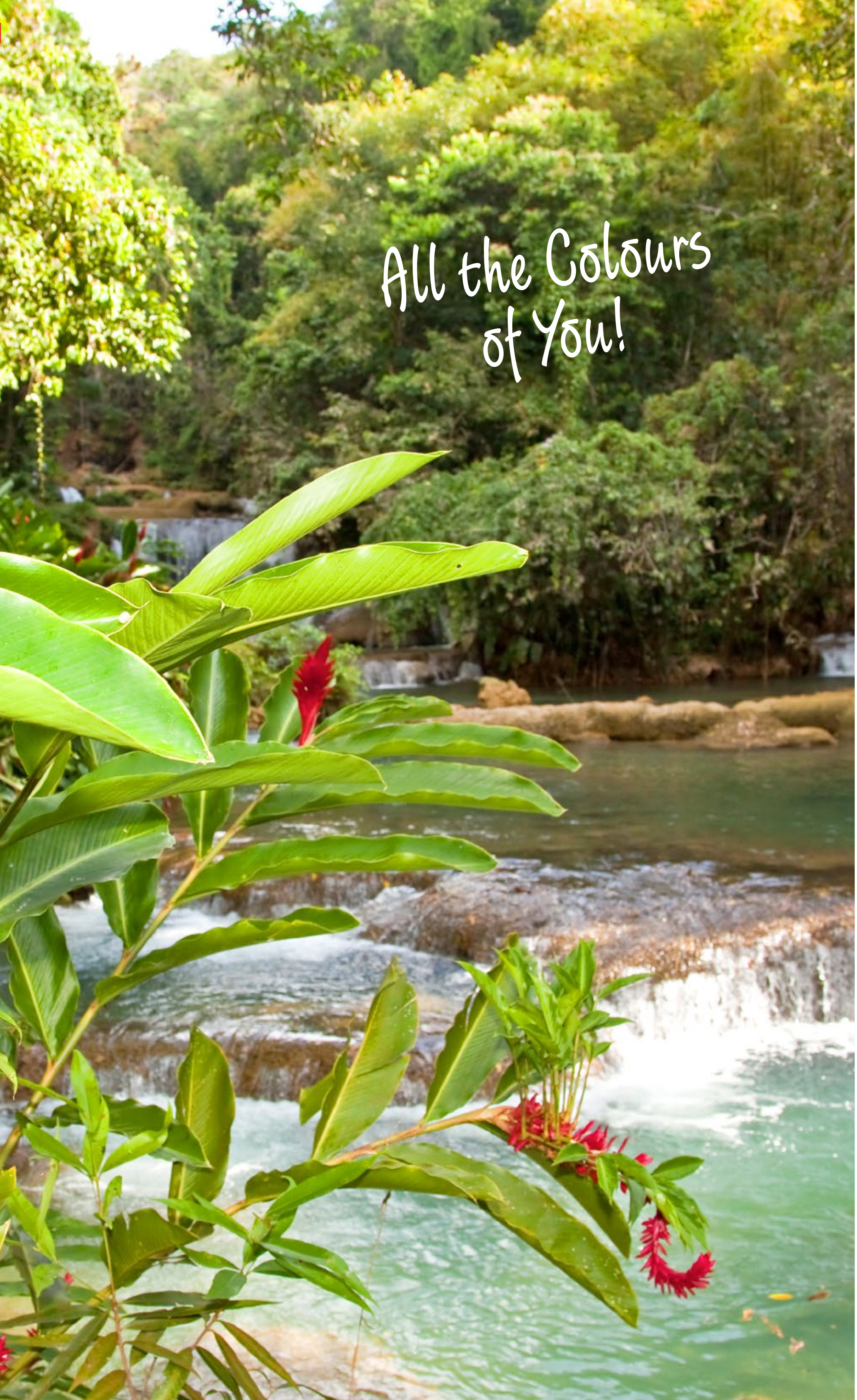
There was a 22% reduction in the effluent generation in the factory when compared to the previous year. There was also a reduction of 2% in the solid waste generated.

CSR Initiatives

Berger continues to support the community in which it operates. On an on-going basis, the over 200 students of the Riverton Meadows Early Childhood Centre benefit from our food donations to the school's feeding programme. The students and teachers are also feted every Christmas when the Berger employees organise a Christmas treat with Santa Claus and gifts for the students. Berger has also continued its relationship with the Jamaica Netball Association through the sponsorship of the Berger Elite League, helping to raise the level of professional netball in the island.

Environmentally Friendly Products

All our architectural paints are formulated with No Added Lead or Heavy Metals. Our Royale Satin Interior Emulsion and Weatherproof Ultra Exterior emulsion have been developed to have minimal environmental impact, with the use of recycled polypropylene packaging. Additionally, these products are low in Volatile Organic Compounds (VOC) and boast the lowest odour in the market, making them even more attractive to local consumers when you consider the growing incidents of allergies and respiratory concerns.


All the Colours of You!


PAINTS
BERGER
PAINTS
#ezycolou
BERGER
royale
LUXURY INTERIOR EMULSION
VIRTUALLY ODOURLESS
STAIN RESISTANT
GK
GA

CORPORATE **HIGHLIGHTS**

CORPORATE **GOVERNANCE**

One of the primary responsibilities of the Board of Directors and Management is to ensure Berger Paints Jamaica Limited ("Berger" or the "Company") has a robust and effective Corporate Governance framework so as to ensure greater transparency, protection of shareholder interests and to enhance the financial performance of the Company.

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 between April 1, 2015 and March 31, 2016, as well as the attendance of each Board member at these meetings are disclosed below:

BOARD OF DIRECTORS ATTENDANCE REGISTER - 2015-2016

	BOARD		AUDIT	
Members	No of Meetings	Attendance	No of Meetings	Attendance
Manish Choksi*	1"	1	N/A	N/A
Tom Thomas	5	3	N/A	N/A
Mustafa Turra ^	5	5	5	5
Michael Fennell	5	4	5	4
Warren McDonald	5	5	5	5
Milton Samuda	5	5	5	5
Pokar Chandiram	5	3	5	3
Jalaj Dani ^^	4"	0	N/A	N/A

** Appointed Director/Chairman, October 2015*
^ Is not a member of the Audit Committee but attends upon invitation of the committee
^^ Resigned as Director/Chairman, October 2015
" Being the number of meetings held while in office

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.

As at March 31, 2016, the Board comprised four Non-Executive Directors and three Executive Directors. The names of the Directors including details of their qualifications and experience are set out on pages 22 and 23 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.

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 plans and subsequent findings
- the review of the effectiveness of the services provided by the external Auditors and other related matters
- litigation reviews
- the review of compliance reports

The work of the Audit Committee is supported by two Internal Audit departments, as the Company is audited annually by the Internal Audit departments of Berger International Private Limited (BIPL - the Immediate Holding Company) and Asian Paints Limited (Ultimate Holding Company), the results of which are reported to the Audit Committee and the Board of Directors.

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, the Committee comprises only Non-Executive, Independent Directors.

The members of the Audit Committee are the Honourable Michael Fennell OJ, Mr. Milton Samuda, Mr. Pokar Chandiram and Mr. Warren McDonald. The Committee is chaired by Mr. Fennell.

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

DIRECTORS' REPORT

Year Ended March 31, 2016

Operating results

	$'000
Revenue	2,050,615
Profit before Tax	141,888
Net Profit After Tax	122,137

Dividends

A final dividend of 12¢ per share totalling $25.718 million for the year ended March 31, 2015 was approved at the Company's Annual General Meeting and paid to shareholders on the Company's register of members at the close of business on June 24, 2015.

The Directors recommend a dividend of 20¢ per share totalling $42.864 million for the year ended March 31, 2016 to be paid on July 14, 2016 to shareholders on the Company's register of members at the close of business on June 24, 2016.

Directors

The Directors as at March 31, 2016 were as follows:

Mr. Manish Choksi – Chairman
Mr. Mustafa Turra – General Manager
Mr. Tom Thomas – Regional Head, Caribbean
Hon. Michael Fennell, OJ
Mr. Warren McDonald
Mr. Milton Samuda
Mr. Pokar Chandiram

During the year:

- Mr. Jalaj Dani resigned as Chairman/Director of the Board
- Mr. Manish Choksi was appointed Chairman/ Director of the Board

In accordance with Articles 96 and 97 of the Company's Articles of Incorporation, Mr. Manish Choksi, Mr. Warren McDonald and Mr. Tom Thomas retire by rotation, and being eligible, offer themselves for re-election.

Auditors

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

Employees

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

Customers

We also 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

BOARD OF **DIRECTORS**

1.
Mr. Manish Choksi
Chairman
B.S. (Chem Eng.),
MBA

Mr. Choksi is the Chairman of Berger International Private Limited, the parent of Berger Paints Jamaica Limited. He is a member of the Executive Council of Asian Paints Group. In addition to the leadership of the International business of Asian Paints Group, he is also responsible for the Information Technology & Strategy function and the newly created Home Improvement Business. In addition to his operating responsibilities, he is a member of the board of several operating companies of Asian Paints Group.

2.
Mr. Mustafa Turra
General Manager/ Director
B. Tech. (Electrical),
Post Graduate (Business Mgmt.)

Mr. Turra has 10+ years of work experience in the paint industry. His experience includes sales, marketing and general management. He has worked in the Marketing Department of Asian Paints Limited and within subsidiaries of the Asian Paints Group in the Middle East, including Berger International subsidiaries in the United Arab Emirates and the Kingdom of Bahrain. He was appointed General Manager of Berger Paints Jamaica Limited on May 1, 2013 and also sits as a Director of the Company.

3.
Mr. Tom Thomas
Regional Head/ Director Caribbean
B.Tech. (Electronics)

Mr. Thomas is the General Manager in the Asian Paints Group and supervises the Berger subsidiaries in the Caribbean and Singapore. He also supervises Asian Paints subsidiaries in the South Pacific, besides handling other responsibilities in the Asian Paints Group.

4.
Hon. Michael Fennell, OJ, CD
Independent Director
LLD (Honoris Causa)

A past Managing Director of Berger Paints Jamaica Limited, Mr. Fennell is a Management Consultant who serves on many Boards in both the Public and Private Sectors. A respected national, regional and international sports administrator, he is the Immediate Past President and a current Life Vice-President of the Commonwealth Games Federation, as well as President of the Jamaica Olympic Association. He has been a Board member since 1983.

5.
Mr. Warren McDonald, JP
Independent Director
F.C.A., B.Sc. (Hons.) Economics

A past Regional Managing Director, Mr. McDonald was employed to Berger Paints Jamaica Limited for 33 years, 20 of which he served as Managing Director. He was appointed an Independent Director in May 2013. He is the President of the Jamaica Chamber of Commerce and serves on several Boards, in both the Public and Private Sectors.

6.
Mr. Milton Samuda
Independent Director
LLB. (Hons.)

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 also the immediate past Chairman of Jamaica Trade and Investment (JAMPRO), Past President of Jamaica Chamber of Commerce and of Sabina Park Holdings Limited. He has been a Board member since 2004.

7.
Mr. Pokar Chandiram, CD, JP
Independent Director
B.Sc. (Business Administration)

The Managing Director of K. Chandiram Limited since 1979, Mr. Chandiram is also Chairman of Bijoux Limited. He is a Director of several Boards in the Private Sector, including Berger Paints Jamaica Limited since 1994. He was awarded the Prime Minister's Medal for community work in 1993.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the sixty-fourth Annual General Meeting of Berger Paints Jamaica Limited will be held at the Knutsford Court Hotel, 16 Chelsea Avenue or 11 Ruthven Road, Kingston 10, on Monday, June 20, 2016 at 10:00 a.m. for the following purposes:

1. To receive, consider and, if thought fit, approve and adopt the report of the Directors and Audited Accounts for the year ended 31st March, 2016, and the report of the Auditors on the Accounts.

2. To re-appoint the Auditors Ernst & Young, and authorize the Directors to fix their remuneration for the ensuing year.

3. To consider and, if thought fit, declare a final dividend.

4. To re-elect the retiring Director(s) and to fix the remuneration of the Directors.
   Pursuant to Articles 96 & 97 the Directors to retire from Office are Mr. Warren McDonald, Mr. Tom Thomas and Mr. Manish Choksi, and being eligible, offer themselves for re-election.

To consider and if thought fit pass the following resolutions:

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

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

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

BY ORDER OF THE BOARD

Huron Gordon
Company Secretary

Dated this 29th day of April, 2016

REGISTERED OFFICE
256 Spanish Town Road
Kingston 11

NOTES:

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

2. *Pursuant to Article 74, a Corporate shareholder (member) may by resolution of its Directors' appoint a person (not a proxy) to attend and vote at the meeting.*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Left Page - L -R:

Newton Abrahams – Sales Manager
Jacqueline Warren-Wilson – Assistant Technology Manager
Mustafa Turra – General Manager
Angela Scott-Brown - Human Resources Manager (standing)
Gladys Miller – Operations and Regional Technology Manager

MANAGEMENT **TEAM**

Right Page - L - R:

Casey Perue	– Marketing Manager
Huron Gordon	- Financial Controller/Company Secretary
M. V. Sreejith	– Regional Supply Chain Manager

MANAGEMENT DISCUSSION **AND ANALYSIS**

The Management of Berger Paints Jamaica Limited (hereafter referred to as "Berger" or the "Company") is responsible for the reliability 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 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 March 31, 2016 and to compare the current financial year to prior financial years. Unless otherwise indicated, all amounts are expressed in Jamaican dollars and have been primarily derived from our financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

During the financial year, the Jamaican economy continued to show positive trends and we continue to focus on executing a number of initiatives designed to improve our prospects of growing in the future.

$1.17b
IN ASSETS

Corporate Overview

Berger, which commenced manufacturing in the Caribbean in 1953, is the largest Paint Manufacturing Company in the English speaking Caribbean and trades under the symbol "BRG" on the Jamaica Stock Exchange. The corporate signature, "For Lasting Beauty and Protection" epitomizes our commitment to quality and is dedicated to serving paint users beautifully.

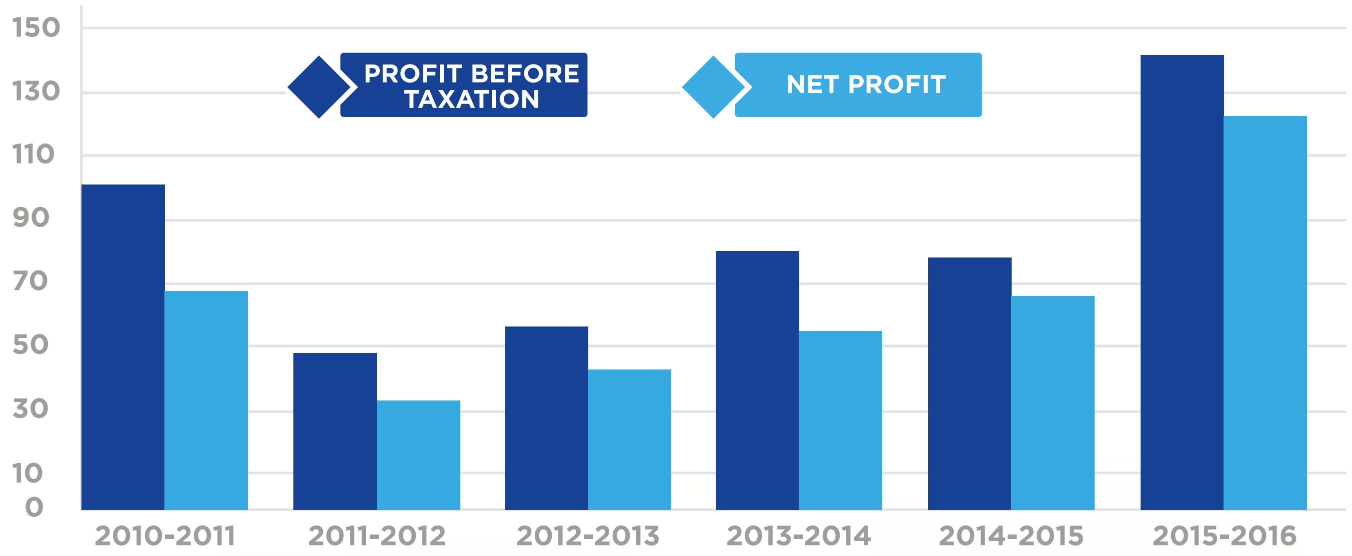
Our results for the financial year were very pleasing.

As at March 31, 2016, Berger had J$1.168 billion in assets, and recorded net profits of J$122.137 million for the year ended March 31, 2016.

Financial Performance Overview

The Company reported a Net Profit of $122.137 million for the financial year ended March 31, 2016. This was 82% above the net profit of $67.037 million for the comparative period ended March 31, 2015. Net Sales for the financial year ended March 31, 2016 stood at $2,051 million compared to $1,854 million, an 11% increase over the prior period.

NET PROFITS AND PROFIT BEFORE TAX (J$ MILLIONS)

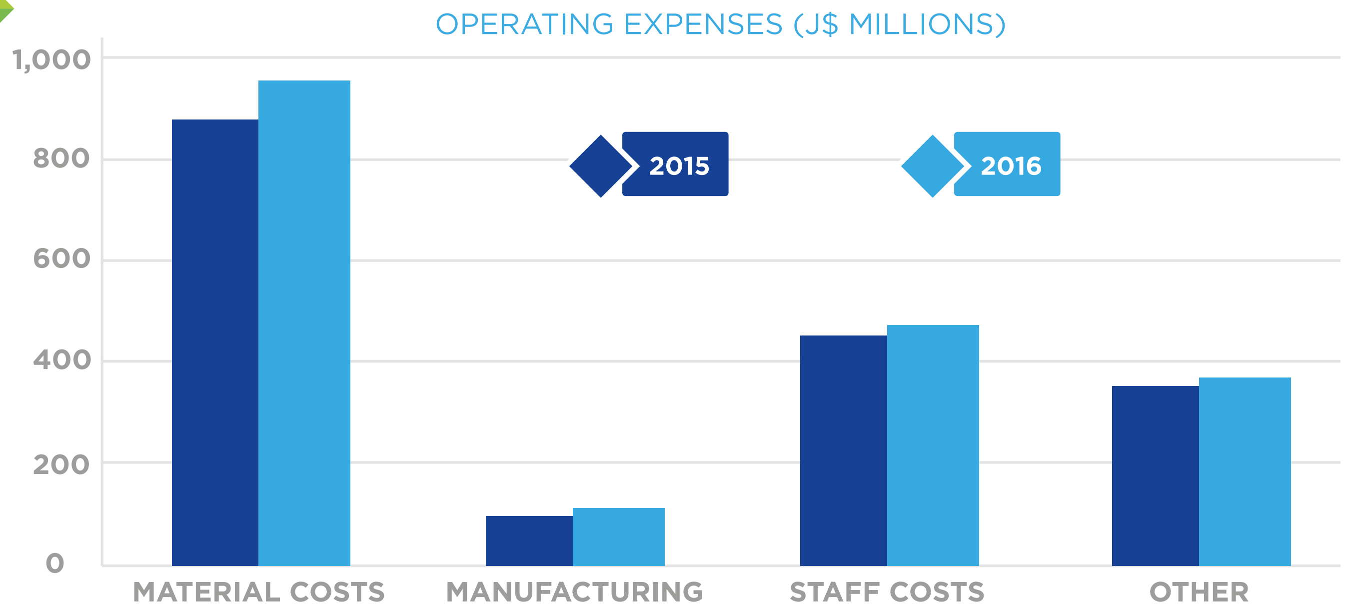


	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Profit before taxation	101,091	49,402	56,478	80,708	79,163	141,888
Net Profit	67,806	33,317	42,240	54,906	67,037	122,137
Earnings per stock unit	$0.32	$0.16	$0.20	$0.26	$0.31	$0.57

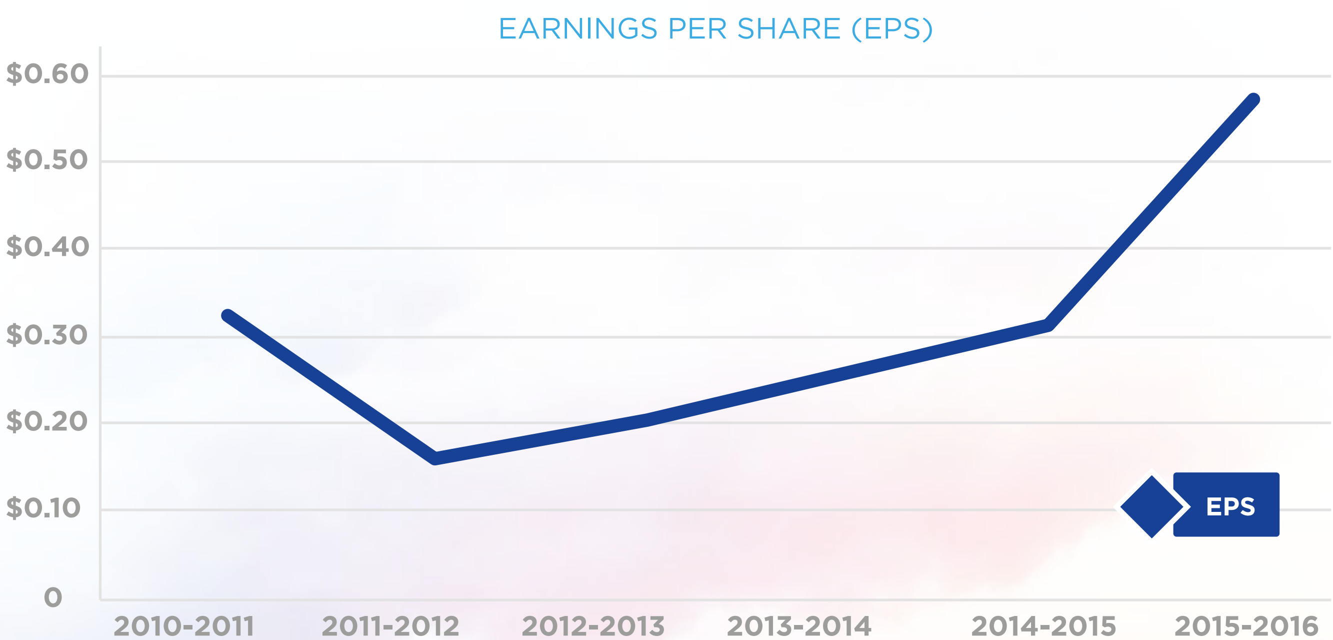
Other comprehensive income for the year, net of tax was $0.088 million, compared to $93.873 million, net of tax for the comparative period ended March 31, 2015. Total comprehensive income for the year, net of tax was $122.225 million, compared to $160.910 million, net of tax for the comparative period ended March 31, 2015.

Total Operating Expenses

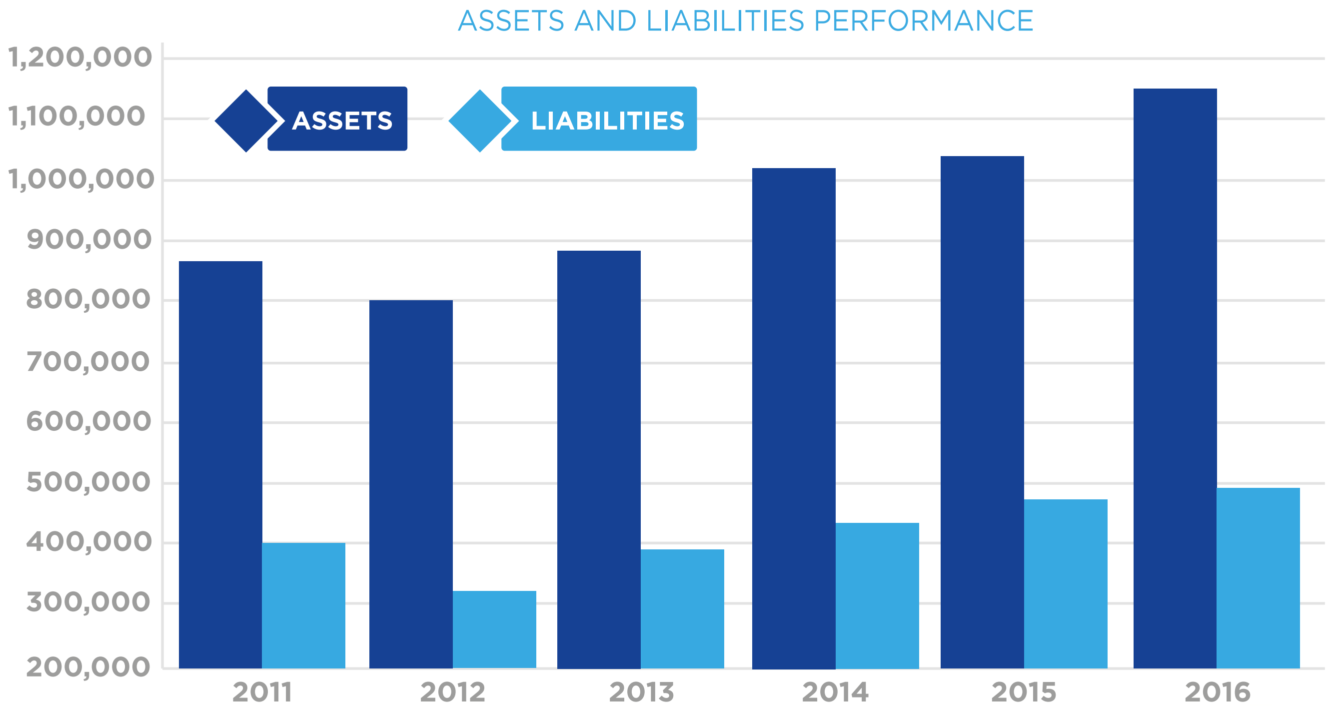
Total operating expenses for the year totaled $1,909 million, an increase of 7.2% when compared to $1,781 million last year. Material costs increased over the prior year by 8.2%. This was impacted by an increase in absolute sales volumes and devaluation in the Jamaican dollar of 6% for the fiscal year ended



March 2016.
Continued cost containment measures, such as process improvements and plant and machinery upgrades, have been implemented by management to achieve systematic cost reduction. As such, management monitors expenses on a monthly basis to achieve this objective. The Company continues to enjoy the benefits of sourcing savings from supply contracts negotiated by our parent company that



leverages their volume requirements to secure the best terms from suppliers.
Earnings Per Share for Berger Paints Jamaica Limited was 57 cents at the end of the financial year March 31, 2016. This was 84% above the comparative prior period. Our book value per share as at March 31, 2016 was $3.12, an increase of 17% compared to $2.67 as at March 31, 2015.



Environment, Health and 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 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

The Jamaican economy is performing well in respect of a number of macro indicators and we look forward to continued positive and focused fiscal management.

Our strategic plan continues to be centred around the following pillars:

- Agility - Sensing and being responsive to change
- Innovation - Being dynamic, unique
- People - Developing and engaging staff
- Customer centricity - Developing relationship with customers and being responsive
- Integration - Collaborative efforts of everyone

Overall, we are optimistic about the future.

DISCLOSURE OF **SHAREHOLDINGS**

10 LARGEST SHAREHOLDERS - AS AT 31 MARCH, 2016

SHAREHOLDERS	SHAREHOLDING	% OF ISSUED CAPITAL
LEWIS BERGER (OVERSEAS)	109,332,222	51.01
SAGICOR POOLED EQUITY FUND	22,284,944	10.40
IDEAL GROUP CORPORATION LIMITED	10,988,500	5.13
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	5,098,662	2.38
IDEAL BETTING COMPANY LIMITED	4,624,152	2.16
IDEAL GLOBAL INVESTMENTS LIMITED	4,000,000	1.87
KEY INSURANCE CO. LTD.	3,799,999	1.77
MAYBERRY WEST INDIES BANK LIMITED	3,349,361	1.56
JCSD TRUSTEE SERVICES LTD - SIGMA OPTIMA	2,943,098	1.37
FIRST JAM./H.E.A.R.T/NTA PENSION SCHEME	2,433,500	1.14
TOTAL	**168,854,438**	**78.79**

DIRECTORS' SHAREHOLDINGS - AS AT 31 MARCH, 2016

DIRECTORS	SHAREHOLDING	CONNECTED PARTY	SHAREHOLDING
MANISH CHOKSI	NIL	NIL	NIL
MUSTAFA TURRA	NIL	NIL	NIL
TOM THOMAS	NIL	NIL	NIL
MICHAEL FENNELL	9,213	NIL	NIL
WARREN McDONALD	704,911	NIL	NIL
MILTON SAMUDA	NIL	MILTON SAMUDA/ ELIZABETH SAMUDA	12,007
POKERDAS CHANDIRAM CHATANI	NIL	POKERDAS CHANDIRAM CHATANI / SATI CHANDIRAM/ VINOD CHANRA	45,000
TOTAL	**714,124**		**57,007**

SENIOR MANAGEMENT SHAREHOLDINGS - AS AT 31 MARCH, 2016

SENIOR MANAGEMENT	SHAREHOLDING
NEWTON ABRAHAMS	NIL
HURON GORDON	2,352
GLADYS MILLER	18,240
CASEY PERUE	NIL
ANGELA SCOTT-BROWN	NIL
MUSTAFA TURRA	NIL
JACQUELINE WARREN-WILSON	3,799
SREEJITH VENUGOPAL	NIL
TOTAL	**24,391**

7-YEAR FINANCIAL **STATISTICAL REVIEW**

TABLE 1: SELECTED FINANCIAL DATA (in thousands)	2015-2016	2014-2015
INCOME STATEMENT SUMMARY		
Sales (Net Of Discounts And Rebates)	2,050,615	1,853,595
Operating Profit	142,827	79,158
Investment Revenues	22	27
Finance Costs	(961)	(22)
Profit Before Taxation	141,888	79,163

TABLE 2: KEY RATIOS AND PER COMMON SHARE DATA	2015-2016	2014-2015
PROFITABILITY RATIOS		
Return On Average Shareholders' Equity	20%	13%
Return On Average Total Assets	11%	7%
Profit Margin	6%	4%
Effective Tax Rate	14%	15%

PER COMMON SHARE DATA	2015-2016	2014-2015
Earnings Per Share	$0.57	$0.31
Book Value Per Share	$3.12	$2.67

2013-2014	2012-2013	2011-2012	2010-2011	15 months to March 31, 2010
1,737,995	1,608,216	1,540,689	1,498,241	1,829,255
80,572	56,235	50,121	100,189	100,540
272	270	855	943	728
(136)	(27)	(1,574)	(41)	(5,852)
80,708	56,478	49,402	101,091	95,416

2013-2014	2012-2013	2011-2012	2010-2011	15 months to March 31, 2010
12%	9%	7%	15%	17%
6%	5%	4%	8%	8%
3%	3%	2%	5%	4%
32%	25%	33%	33%	22%

2013-2014	2012-2013	2011-2012	2010-2011	15 months to March 31, 2010
$0.26	$0.16	$0.16	$0.32	$0.35
$2.00	$2.24	$2.20	$2.17	$2.14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Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of Berger Paints Jamaica Limited

Report on the financial statements

We have audited the accompanying financial statements of Berger Paints Jamaica Limited (the company), which comprise the statement of financial position as at March 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the members of Berger Paints Jamaica Limited (Continued)

Report on the financial statements (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

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 and the financial statements are in agreement therewith and give the information required in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

April 25, 2016

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	214,122	179,556
Post employment benefits	6	128,133	129,756
Deferred tax assets	7	16,592	7,649
Total non-current assets		358,847	316,961
Current assets			
Inventories	8	337,993	335,707
Due from fellow subsidiaries	9	7,511	4,047
Trade and other receivables	10	325,365	309,348
Investment security	11	-	562
Cash and bank balances	12	138,722	91,604
Total current assets		809,591	741,268
Total assets		1,168,438	1,058,229
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	13	141,793	141,793
Revaluation reserves	14	44,995	44,845
Revenue reserve		482,214	385,857
Total shareholders' equity		669,002	572,495
Non-current liabilities			
Post employment benefits	6	151,040	146,835
Current liabilities			
Due to immediate parent company	9	10,967	10,500
Due to fellow subsidiaries	9	6,834	5,570
Dividends payable		15,968	15,168
Provisions	15	18,301	16,606
Trade and other payables	16	285,850	283,616
Income tax payable	21(c)	10,476	7,439
Total current liabilities		348,396	338,899
Total equity and liabilities		1,168,438	1,058,229

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 April 25, 2016 and are signed on its behalf by:

Mustafa Turra
General Manager/Director

Warren McDonald
Director

BERGER PAINTS JAMAICA LIMITED

INCOME STATEMENT
YEAR ENDED MARCH 31, 2016

	Notes	2016 $'000	2015 $'000
Sales (net of discounts and rebates)	18	2,050,615	1,853,595
PROFIT BEFORE FINANCE COSTS AND TAXATION	19	142,849	79,185
Finance costs	19(b)	(961)	(22)
PROFIT BEFORE TAXATION	19	141,888	79,163
Taxation	21	(19,751)	(12,126)
NET PROFIT FOR THE YEAR		122,137	67,037
Earnings per stock unit	22	57¢	31¢

The accompanying notes form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2016

	Note	2016 $'000	2015 $'000
NET PROFIT FOR THE YEAR		122,137	67,037
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	150	150
Remeasurement of defined benefit plans	6	(83)	124,963
Deferred tax effect	7	21	(31,240)
		(62)	93,723
Other comprehensive income for the year net of tax		88	93,873
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		122,225	160,910

The accompanying notes form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2016

	Notes	Share Capital $'000	Revaluation Reserves $'000	Revenue Reserve $'000	Total $'000
Balance at April 1, 2014		141,793	44,695	242,243	428,731
Net profit for the year		-	-	67,037	67,037
Other comprehensive income for the year		-	150	93,723	93,873
Total comprehensive income for the year		-	150	160,760	160,910
Dividends	17	-	-	(17,146)	(17,146)
Balance at March 31, 2015		141,793	44,845	385,857	572,495
Net profit for the year		-	-	122,137	122,137
Other comprehensive income (loss) for the year		-	150	(62)	88
Total comprehensive income for the year		-	150	122,075	122,225
Dividends	17	-	-	(25,718)	(25,718)
Balance at March 31, 2016		141,793	44,995	482,214	669,002

The accompanying notes form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		122,137	67,037
Adjustments for:			
Depreciation	5	29,323	21,557
Unrealised foreign exchange gains (net)		(408)	(2,317)
Post retirement benefit charge	6 (e)	19,209	33,102
Income tax expense	21	19,751	12,126
Interest income	19	(22)	(27)
Interest expense	19	961	22
Gain on sale of property, plant and equipment		-	(2,246)
Provision charge	15	20,076	19,174
Impairment loss recognised on trade receivables	10	37,212	24,399
Impairment loss recognised on other receivables	10	8,004	156
Reversal of impairment loss on trade receivables	10	(32,343)	(14,038)
Operating cash flows before movements in working capital:		223,900	158,945
Increase in trade and other receivables		(28,890)	(50,634)
(Increase)/Decrease in inventories		(2,286)	27,803
Decrease in due to fellow subsidiary companies		(2,200)	(2,517)
Provisions utilised	15	(18,381)	(15,874)
Increase in trade and other payables		2,234	52,995
Increase/(Decrease) in due to immediate parent company		467	(6,870)
Post employment benefits contributions	6(e)	(13,464)	(14,498)
Cash generated from operations		161,380	149,350
Income tax paid		(25,486)	(25,781)
Interest paid		(961)	(22)
Net cash provided by operating activities		134,933	123,547
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		22	27
Proceeds from sale of property, plant and equipment		-	2,246
Acquisition of property, plant and equipment	5	(63,889)	(60,782)
Investment security (net)		562	21
Net cash used in investing activities		(63,305)	(58,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(24,918)	(16,553)
Net cash used in financing activities		(24,918)	(16,553)
NET INCREASE IN CASH AND CASH EQUIVALENTS		46,710	48,506
OPENING CASH AND CASH EQUIVALENTS		91,604	40,781
Effect of foreign exchange rate changes		408	2,317
CLOSING CASH AND CASH EQUIVALENTS		138,722	91,604

The accompanying notes form an integral part of the Financial Statements.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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 51% subsidiary of Lewis Berger (Overseas Holdings) Limited, which is incorporated in the United Kingdom. The ultimate holding company is Asian Paints Limited, which is incorporated in India. The registered office of the company is 256 Spanish Town Road, Kingston 11.

These financial statements are expressed in Jamaican dollars.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 *Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods)*

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

2.2 *Standards and Interpretations adopted with no effect on financial statements*

The following additional new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

		Effective for annual periods beginning on or after
Amendments to Standards		
IAS 19	Defined Benefit Plans: Employee Contributions – Amendments to IAS 19	July 1, 2014
IAS 16, 24, 38 and IFRS 2, 3, 8 and 13	Amendments arising from 2010 – 2012 Annual Improvements to IFRS	July 1, 2014
IAS 40 and IFRS 1, 3 and 13	Amendments arising from 2011 – 2013 Annual Improvements to IFRS	July 1, 2014

2.3 *Standards and interpretations in issue not yet effective*

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective or early adopted for the financial period being reported on:

		Effective for annual periods beginning on or after
New and Revised Standards		
IAS 27	IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27	January 1, 2016

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

2.3 *Standards and interpretations in issue not yet effective (Continued)*

New and Revised Standards (Continued)		Effective for annual periods beginning on or after
IAS 1	Disclosure Initiative – Amendments to IAS 1	January 1, 2016
IAS 16 and 38	IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation Amendments to IAS 16 and IAS 38	January 1, 2016
IAS 16 and 41	IAS 16 and IAS 41 Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41	January 1, 2016
IFRS 9	Financial Instruments	January 1, 2018
IFRS 10 and IAS 28	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	January 1, 2016
IFRS 10, 12 and IAS 28	IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28	January 1, 2016
IFRS 11	IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	January 1, 2016
IFRS 14	IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 5, 7 and IAS 19, 32	Amendments arising from 2012 – 2014 Annual Improvements to IFRS	January 1, 2016

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

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

- IFRS 9 *Financial Instruments*

  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company plans to adopt the new standard on the required effective date. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9 (See below).

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

2.3 *Standards and interpretations in issue not yet effective (Continued)*

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

- IFRS 9 *Financial Instruments (continued)*

  (i) Classification and measurement

  The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

  (ii) Impairment

  IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis, which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

  (iii) Hedge accounting

  This amendment would not apply as the Company does not apply hedge accounting.

- IFRS 15 Revenue from Contracts with Customers

  IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2015/16, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

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

2.3 ***Standards and interpretations in issue not yet effective (Continued)***

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

- IAS 1 Disclosure Initiative – Amendments to IAS 1

  The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify; the materiality requirements in IAS 1, that specific line items in the statement of profit or loss and OCI and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to financial statements and that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income.

  Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates. This amendment is effective for annual periods beginning on or after 1 January 2016. Management has not yet assessed the impact of this amendment on the financial statements on adoption at its effective date.

- IFRS 16 Leases
  This new standard requires lesees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognize a liability to pay rentals with a corresponding asset, and recognize interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of "low value" assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted but not before the Company applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard 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.

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.

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

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

3.4 **Fair value measurement (Continued)**

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

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

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

3.5 **Property, plant and equipment**

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost of assets (other than land and properties under construction) less their residual values, over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.6 **Impairment of tangible assets**

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

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

3.6 **Impairment of tangible assets (Continued)**

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.

3.7 **Employee benefits**

3.7.1 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 (with the option of contributing an additional 5%). 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, excluding net interest 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.

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 profit or loss:

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

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

3.7 **Employee benefits (Continued)**

3.7.2 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.

3.7.3 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.

3.8 **Inventories**

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

3.9 **Financial instruments**

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

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

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

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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

3.9 **Financial instruments (Continued)**

3.9.1 ***Financial assets***

Financial assets are recognised and derecognised on trade date where the purchase or sale of the instrument is under a contract whose terms require delivery of the instrument within the timeframe established by regulation or convention in the market place.

The company's financial assets are classified as financial assets at 'fair value through profit or loss (FVTPL)' and 'loans and receivables' with the classification being based on the nature and purpose of the financial asset and is determined at the time of initial recognition.

(a) *Financial assets at FVTPL*

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

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

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

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

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

(b) *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

3.9 **Financial instruments (Continued)**

3.9.1 ***Financial assets (Continued)***

(b) *Loans and receivables (Continued)*

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

The company's portfolio of loans and receivables comprises amounts due from fellow subsidiaries (See Related Party below), trade and other receivables and cash and bank balances.

(c) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that have occurred after initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.1 Financial assets (Continued)

(c) *Impairment of financial assets (Continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.1 Financial assets (Continued)

(c) *Impairment of financial assets (Continued)*

Derecognition of financial assets (Continued)
On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.9.2 Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the company are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
These are classified as “other financial liabilities”.

Financial liabilities are initially measured at fair value, net of transaction costs (where applicable). They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The company’s financial liabilities comprise amounts due to immediate parent company, due to fellow subsidiaries, dividends payable and trade and other payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial instruments (Continued)

3.9.2 Financial liabilities and equity instruments (continued)

(a) *Related party*

A party is related to the company if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the company; or
- has joint control over the company;

(ii) the party is an associate of the company;
(iii) the party is a joint venture in which the company is a venturer;
(iv) the party is a member of the key management personnel of the company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

Intergroup transactions are recorded at pre-determined group rates and are settled quarterly. Interest is not charged on these balances as they are settled in a short period.

(b) *Dividends payable*

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

Derecognition of financial liabilities

The company derecognises financial liabilities when the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.10 Taxation

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

<u>Current tax</u>
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

3.10 **Taxation (Continued)**

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.

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

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

3.11 **Provisions**

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

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

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

3.12 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and other similar allowances.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue recognition (Continued)

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

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.

3.13 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 on 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.

3.14 Leasing

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Leasing (Continued)

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.

3.15 Research and development expenditure

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

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 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.

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

Critical judgements in applying accounting policies

Management believes there are no judgements made that had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

a) Post employment benefits
As disclosed in Note 6, the company operates a defined benefit pension plan and provides post retirement medical benefits. The amounts shown in the statement of financial position are an asset of approximately $128.13 million (2015: $129.76 million) in respect of the defined benefit pension plan and a liability of approximately $151.04 million (2015: $146.84 million) in respect of post retirement medical liabilities. The post employment benefits are subject to estimates in respect of periodic costs, which costs are dependent on future returns on assets, future discount rates, rates of salary increases and the inflation rate in respect of the pension plan, and rates of increases in medical costs for the post retirement medical plan. External actuaries are contracted by the company in this regard.

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

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

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

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

b) Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. A change of +/- 10% in the final tax outcome of these estimates would have the effect of approximately $1.98 million (2015: $1.21 million) increase/decrease in the current and deferred tax provisions.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings $'000	Plant and Machinery $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles $'000	Totals $'000
At cost						
April 1, 2014	27,000	77,667	176,142	69,217	39,146	389,172
Additions	-	7,168	31,022	17,080	5,512	60,782
Disposals	-	-	-	-	(5,591)	(5,591)
March 31, 2015	27,000	84,835	207,164	86,297	39,067	444,363
Additions	-	12,941	41,684	9,264	-	63,889
March 31, 2016	27,000	97,776	248,848	95,561	39,067	508,252
Accumulated Depreciation						
April 1, 2014	-	29,396	134,825	59,015	25,605	248,841
Depreciation charge	-	4,179	8,392	3,372	5,614	21,557
Disposals	-	-	-	-	(5,591)	(5,591)
March 31, 2015	-	33,575	143,217	62,387	25,628	264,807
Depreciation charge	-	5,006	12,492	6,542	5,283	29,323
March 31, 2016	-	38,581	155,709	68,929	30,911	294,130
Carrying amounts						
March 31, 2016	27,000	59,195	93,139	26,632	8,156	214,122
March 31, 2015	27,000	51,260	63,947	23,910	13,439	179,556

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.

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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 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, 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% (2015: 5.5%) of pensionable salaries) and the employees contribute at a rate of 5% of pensionable salaries (with the option of contributing an additional 5%). Pension benefits are determined on a prescribed benefits basis and are payable at a rate of 1⅔% of the employee's average earnings over the three years prior to retirement times the employee's number of years membership in the plan.

Retiree Medical Plan

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

Valuation

The most recent actuarial valuations of the two plans were carried out as at March 31, 2016 by Ravi Rambarran of Rambarran & Associates Limited (Consulting Actuaries), Fellow of the Institute of Actuaries. The obligations were measured using the projected unit credit method.

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

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

Financial Assumptions

	2016 %	2015 %
Gross discount rate ($JA)	9.0	9.5
Expected rate of salary increases	5.5	6.0
Future pension increases	2.75	3.0
Medical inflation	7.0	7.5
Inflation	5.5	6.0
Minimum funding rate	0.25	0.25
Administration fees (percentage of pay)	1.0	1.0

Demographic Assumptions

(i) Mortality

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

Death rates per 1,000 are set out below:

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

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

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

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

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Present value of obligation	(871,233)	(806,972)	(151,040)	(146,835)
Fair value of plan assets	1,061,681	951,120	-	-
Unrecognised asset due to ceiling	(62,315)	(14,392)	-	-
Net asset (liability) in the statement of financial position	128,133	129,756	(151,040)	(146,835)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current service cost	14,097	15,909	4,645	6,212
Net interest cost:				
Interest cost on defined benefit obligation	72,911	66,877	13,709	15,543
Interest income on plan assets	(87,520)	(71,439)	-	-
Interest effect of the assets ceiling	1,367	-	-	-
Total included in employee benefits expense	855	11,347	18,354	21,755

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Remeasurements				
Change in financial assumption	35,297	-	11,526	-
Experience adjustments	(72,788)	(103,208)	(20,508)	(36,127)
Change in effect of the asset ceiling	46,556	14,392	-	-
	9,065	(88,836)	(8,982)	(36,127)

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

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Opening balance	129,756	42,466	(146,835)	(165,904)
Amount charged to income	(855)	(11,347)	(18,354)	(21,755)
Remeasurement recognised in OCI	(9,065)	88,836	8,982	36,127
Contributions by employer	8,297	9,801	5,167	4,697
Closing balance	128,133	129,756	(151,040)	(146,835)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Opening defined benefit obligation	806,972	805,006	146,835	165,904
Service cost	14,097	15,909	4,645	6,212
Interest cost	72,911	66,877	13,709	15,543
Members' contributions	11,430	13,083	-	-
Benefits paid	(113,856)	(43,990)	(5,167)	(4,697)
Value of purchased annuities	33,037	6,801	-	-
Remeasurement:				
Changes in financial assumptions	52,596	-	11,526	-
Changes in experience adjustments	(5,954)	(56,714)	(20,508)	(36,127)
Closing defined benefit obligation	871,233	806,972	151,040	146,835

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

6. POST EMPLOYMENT BENEFITS (CONTINUED)

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

	Defined Benefit Pension Plan		Retiree Medical Plan	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Opening fair value of plan assets	951,120	847,472	-	-
Members' contributions	11,430	13,083	-	-
Employer's contributions	8,297	9,801	-	-
Interest income on plan assets	87,520	71,439	-	-
Benefits paid	(113,856)	(43,990)		-
Value of purchased annuities	33,037	6,801	-	-
Remeasurement:				
Changes in financial assumptions	17,299	-	-	-
Experience adjustments	66,834	46,514	-	-
Closing fair value of plan assets	1,061,681	951,120	-	-
Movement in asset ceiling Liability (Asset)				
Effect of asset ceiling at beginning	(14,392)	-		
Interest in asset	(1,367)	-		
Remeasurement effects	(46,556)	(14,392)		
Effect of ceiling at the end	(62,315)	(14,392)		

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

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

	Defined Benefit Pension Plan	
	2016 Fair Value of Plan Asset $'000	2015 Fair Value of Plan Asset $'000
Equity fund	196,320	177,705
CPI indexed fund	40,282	65,467
International equity	46,680	44,790
Fixed income fund	59,841	1,387
Mortgage and real estate fund	214,061	209,745
Foreign currency fund	166,799	158,613
Money market fund	3,127	2,907
Value of purchased annuities	342,712	298,778
Other adjustments	(8,141)	(8,272)
Closing fair value of plan assets	1,061,681	951,120

Apart from purchased annuities, each asset is 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	(21,096)	26,354

.2 Discount rate

	1% decrease in Discount rate Assumption $'000	1% increase in Discount rate Assumption $'000
Increase (Decrease) in defined benefit obligation – Medical	26,081	(20,579)
Increase (Decrease) in defined benefit obligation – Pension	91,139	(72,469)

BERGER PAINTS JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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

(i) Sensitivity analyses (Continued)

.3 Future Pension Increase

	1% decrease in Future Pension Assumption $'000	1% increase in Future Pension Assumption $'000
(Decrease) Increase in defined benefit obligation – Pension	(59,126)	68,417

.4 Salary Assumption

	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000
(Decrease) Increase in defined benefit obligation – Pension	(30,878)	34,655

.5 Life expectancy

	1 year Decrease $'000	1 year Increase $'000
(Decrease) Increase in defined benefit obligation – Medical	(4,859)	4,879
(Decrease) Increase in defined benefit obligation – Pension	(8,294)	8,184

(j) Other

(i) Expected contributions for the next year

	$'000
Employer	6,853
Employee	9,508
	16,361

(ii) Expected expense for the next year

	Medical $'000	Pension $'000	Total $'000
Service cost	4,252	14,742	18,994
Financing cost (net)	13,366	(12,252)	1,114
	17,618	2,490	20,108

6. POST EMPLOYMENT BENEFITS (CONTINUED)

(j) Other (continued)

(iii) Maturity profile of defined benefit obligation

	Weighted Average Duration of liability (years) – 2016	Weighted average Duration of liability (years) – 2015
Pension	27	28
Medical	27	27

(iv) Included in the holdings of plan assets is an investment in the Sagicor Pooled Pension Investment Funds which holds 10.4% (2015: 10.4%) of the company's issued shares.

7. DEFERRED TAX ASSETS (LIABILITIES)

Certain deferred tax assets and liabilities have been offset in accordance with the company's accounting policy. The following is the analysis of the deferred tax balances:

	2016 $'000	2015 $'000
Deferred tax assets	56,141	48,839
Deferred tax liabilities	(39,549)	(41,190)
	16,592	7,649

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

	2016 $'000	2015 $'000
Opening balance	7,649	27,186
Credit to income for the period (Note 21(a))	8,772	11,553
Credit (Charge) to other comprehensive income for the period (Note 21(b))	171	(31,090)
Closing balance	16,592	7,649

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

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

Deferred tax assets

	Unrealised foreign exchange losses $'000	Accrued vacation $'000	Post employment benefits obligation $'000	Depreciation Charges in excess of capital allowances $'000	Accrued incentive and other $'000	Total $'000
Balance, April 1, 2014	-	3,325	41,475	1,379	-	46,179
Credit (Charge) to income for the year	-	826	4,265	(1,379)	7,979	11,691
Charge to other comprehensive income for the year	-	-	(9,031)	-	-	(9,031)
Balance, March 31, 2015	-	4,151	36,709	-	7,979	48,839
Credit to income for the year	-	424	3,297	-	5,827	9,548
Charge to other comprehensive income for the year	-	-	(2,246)	-	-	(2,246)
Balance, March 31, 2016	-	4,575	37,760	-	13,806	56,141

Deferred tax liabilities

	Unrealised foreign exchange gains $'000	Revaluation of properties $'000	Post-employment benefits asset $'000	Excess value over tax allowances on motor vehicles $'000	Capital allowances in excess of depreciation charges $'000	Total $'000
Balance, April 1, 2014	112	4,884	10,616	3,381	-	18,993
Credit (Charge) to income for the year	467	-	(386)	(883)	940	138
(Credit) Charge to other comprehensive income for the year	-	(150)	22,209	-	-	22,059
Balance, March 31, 2015	579	4,734	32,439	2,498	940	41,190
(Credit) Charge to income for the year	(477)	-	1,861	(1,197)	589	776
Credit to other comprehensive income for the year	-	(150)	(2,267)	-	-	(2,417)
Balance, March 31, 2016	102	4,584	32,033	1,301	1,529	39,549

8. INVENTORIES

	2016 $'000	2015 $'000
Finished goods	191,237	148,774
Work-in-progress	342	7,763
Raw materials and supplies	141,156	156,863
Goods-in-transit	5,258	22,307
	337,993	335,707

Inventories stated above are net of provision for obsolescence amounting to approximately $40.38 million (2015: $31.73 million).

The cost of inventories recognised as an expense during the period, was $953.45 million (2015: $881.32 million).

Movement in provision for obsolescence

	2016 $'000	2015 $'000
Opening balance	31,732	20,177
Charged to income	33,617	15,660
Reversal of write down (Note 8(a))	(24,971)	(4,105)
Closing balance	40,378	31,732

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

9. BALANCES/TRANSACTIONS WITH RELATED PARTIES

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

Trading transactions and balances

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

	Sales of Goods and Raw Materials		Purchases of finished goods and raw materials		Technical Service Fees		Amounts Owed by (to) Related Parties	
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Immediate parent								
Lewis Berger (Overseas Holdings) Ltd.	-	-	-	-	60,045	53,934	(10,967)	(10,500)
Fellow subsidiaries								
Berger Trinidad	-	1,390	1,544	2,143	-	-	7,511	2,062
Berger Barbados	980	207	69	359	-	-	(640)	1,950
Asian Paints International Limited	-	-	-	-	-	-	(5,967)	(5,570)
Berger Singapore	-	-	325	305	-	-	(227)	-
Berger International Limited	-	-		-	-	-	-	35
	980	1,597	1,938	2,807	-	-	677	(1,523)
Reflected in statement of financial position:								
Due from fellow subsidiaries							7,511	4,047
Due to fellow subsidiaries							(6,834)	(5,570)
							677	(1,523)
Directors							18	58

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

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

9. **BALANCES/TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

Loans to related parties

	2016 $'000	2015 $'000
Key management personnel	776	-

These comprise short-term loans. No interest is charged on these amounts.

Compensation of key management personnel
The remuneration of directors and other members of key management during the year was as follows:

	2016 $'000	2015 $'000
Short-term benefits	72,787	62,460
Post-employment benefits	1,810	1,674
	74,597	64,134

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.

10. **TRADE AND OTHER RECEIVABLES**

	2016 $'000	2015 $'000
Trade receivables (net of provisions for outstanding rebates to customers of $35.48 million (2015: $13.37 million))	347,206	326,968
Less allowance for doubtful debts	50,244	45,516
	296,962	281,452
Other receivables and prepayments (net of an allowance for doubtful debts of $11.63 million (2015: $3.62 million))	28,403	27,896
	325,365	309,348

The average credit period on sale of goods is 30 - 60 days. The company has provided fully for all receivables due for 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 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.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Before accepting any new customer, the company uses a credit bureau to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed annually. Approximately 98% (2015: 98%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit bureau assessment as well as the internal assessment system used by the company. Of the trade receivables balance at the end of the reporting period, $120.10 million (2015: $100.06 million) (amount within the approved credit limit) is due from two (2015: two) of the company's customers (See also Note 24(d)). There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the company's trade receivable balance are debtors with a carrying amount of $246.37 million (2015: $174.01 million) which is past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality of the debtors and the amounts are still considered recoverable. The company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amount owed by the company to the counterparty. The average age of these receivables is 67 days (2015: 66 days).

Ageing of past due but not impaired

	2016 $'000	2015 $'000
30 – 90 days	192,195	146,101
91 – 180 days	30,974	18,107
181 – 270 days	19,188	7,093
271 – 360 days	4,010	2,709
	246,367	174,010

Movement in allowance for doubtful debts

	Trade Receivables		Other Receivables	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Opening balance	45,516	45,212	3,624	3,468
Impairment losses recognised on receivables	37,212	24,399	8,004	156
Amounts written-off as uncollectible	(141)	(10,057)	-	-
Amounts recovered during the year	(32,343)	(14,038)	-	-
Closing balance	50,244	45,516	11,628	3,624

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

	2016 $'000	2015 $'000
≥ 365 days	50,244	45,516

11. INVESTMENT SECURITY

This represented holdings in Scotia Premium Money Market Fund. At March 31, 2015, the eligible units held totaled 5,625.1 units at a value of $100 per unit. The investment was disposed of during the year.

12. CASH AND BANK BALANCES

	2016 $'000	2015 $'000
Cash on hand	796	366
Foreign currency bank deposits (Note 12(a))	20,007	51,632
Jamaican dollar bank deposits (Note 12(b))	117,919	39,606
	138,722	91,604

(a) These include non-interest bearing accounts totalling $1.57 million (2015: $1.50 million), representing the Jamaican dollar equivalent of Belize $26,700 (2015: $26,700) and $18.44 million (2015: $50.13 million) representing the Jamaican dollar equivalent of US$149,167 (2015: US$437,474).

(b) (i) This includes an interest bearing account totalling $0.008 million (2015: $0.009 million) at an interest rate of 0.20% (2015: 0.50%) per annum.

(ii) The company has a credit facility (overdraft) with a commercial bank to a limit of $91.5 million (2015: $100 million) at a rate of 17.25% (2015: 17.25%) per annum. The company has utilised the facility during the year, however there were no overdraft balances as at March 31, 2016 and March 31, 2015.

(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

	2016 No. of shares	2015 No. of shares	2016 $'000	2015 $'000
Authorised: No par value ordinary shares at the beginning and end of the period	214,322,393	214,322,393		
Issued and fully paid at the beginning and end of the period:	214,322,393	214,322,393		
Stated capital			141,793	141,793

There were no movements in share capital during the period.

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

14. REVALUATION RESERVES

	Properties Revaluation Reserve	
	2016	2015
	$'000	$'000
Balance at beginning of year	44,845	44,695
Adjustments to deferred tax liability in respect of revalued buildings (Note 21(b))	150	150
Balance at end of year	44,995	44,845

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

15. PROVISIONS

	Employee Benefits	
	2016	2015
	$'000	$'000
Opening balance	16,606	13,306
Charged to income for year	20,076	19,174
Utilised during the year	(18,381)	(15,874)
Closing balance	18,301	16,606

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

16. TRADE AND OTHER PAYABLES

	2016	2015
	$'000	$'000
Trade payables	135,555	123,214
Other payables and accruals	150,295	160,402
	285,850	283,616

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:

(i) A final dividend 12¢ per share totalling $25.72 million for year ended March 31, 2015 was approved at the company's Annual General Meeting and paid to shareholders on the company's register of members at the close of business on June 24, 2015.

(ii) The directors propose a dividend of 20¢ per share totalling $42.86 million for the year ended March 31, 2016 to be paid on July 14, 2016 to shareholders on the company's register of members at the close of business June 24, 2016.

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

During the 2014/2015:

A final dividend of 8¢ per share totalling $17.15 million for year ended March 31, 2014 was approved at the company's Annual General Meeting and paid to shareholders on the company's register of members at the close of business on June 20, 2014.

18. SALES (NET OF DISCOUNTS AND REBATES)

The following are entity-wide disclosures:

(a) Products

	2016 $'000	2015 $'000
Decorative/architectural products	1,966,047	1,798,595
Industrial products	84,568	55,000
	2,050,615	1,853,595

(b) Geographical areas

	2016 $'000	2015 $'000
Domestic sales	1,944,544	1,750,269
Export sales	106,071	103,326
	2,050,615	1,853,595

(c) Major customers

Of the sales for the period, 14% (2015: 14%) was attributable to the company's largest customer. There were no other customers who represented 10% or more of the company's revenue.

BERGER PAINTS JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

19. **PROFIT BEFORE TAXATION**

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

	2016 $'000	2015 $'000
Expenses		
Raw materials and consumables used	988,493	882,161
Changes in inventories of finished goods and work-in-progress (net)	(35,042)	(839)
Manufacturing expenses	109,726	97,600
Depreciation	29,323	21,557
Employee benefits expense (Note 20)	475,357	449,526
Other operating expenses	341,212	331,537
Total	1,909,069	1,781,542
Other income		
Investment revenues	22	27
Miscellaneous	1,281	7,105
Total	1,303	7,132

Other operating expenses include charges in respect of inventory obsolescence of $33.62 million (2015: $15.66 million).

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

	2016 $'000	2015 $'000
(i) Revenue and expenses on financial assets at amortised cost		
Revenue:		
Interest – bank deposits	22	27
Expenses:		
Interest – overdraft	961	22
Allowance for doubtful debt on sale of goods net of recoveries of $32.34 million (2015: $14.04 million)	4,869	10,361
Allowance for doubtful debt on other receivables	8,004	156
(ii) Net loss on financial assets and financial liabilities at amortised cost		
Net foreign exchange loss	2,911	6,430
(iii) Other expenses		
Directors' emoluments		
Fees	1,950	1,950
Management	21,031	19,800
Audit fees	4,815	4,500

20. STAFF COSTS

Staff costs incurred during the period were:

	2016 $'000	2015 $'000
Salaries, wages and statutory contributions	385,587	351,441
Other staff benefits	89,770	98,085
	475,357	449,526

21. TAXATION

Current and deferred taxes have been calculated using the tax rate of 25% (2015: 25%).

(a) Recognised in profit and loss

(i) The total charge for the period comprises:

	2016 $'000	2015 $'000
Current tax	40,745	28,858
Employment tax credit	(12,222)	(8,673)
Minimum business tax	-	(60)
Prior year under provision	-	3,554
Deferred tax adjustment (Note 7)	(8,772)	(11,553)
	19,751	12,126

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

	2016 $'000	2015 $'000
Profit before tax	141,888	79,163
Tax at the domestic income tax rate of 25%	35,472	19,791
Tax effect of expenses that are not deductible in determining taxable profit	255	927
Employment tax credit	(12,222)	(8,673)
Prior year under provision	-	3,554
Other	(3,754)	(3,473)
Tax expense for the period	19,751	12,126

The tax rate used for the reconciliations above is the company tax rate of 25% (2015: 25%) payable by corporate entities in Jamaica on taxable profits under tax laws.

21. **TAXATION (CONTINUED)**

(b) **Recognised directly in other comprehensive income in equity** (Note 7)

	2016 $'000	2015 $'000
Revaluation of properties (Note 14)	150	150
Remeasurement of defined benefit plans	21	(31,240)
	171	(31,090)

(c) **Current tax liabilities**

	2016 $'000	2015 $'000
Income tax payable	10,476	7,439

22. **EARNINGS PER STOCK UNIT**

The calculation of earnings per stock unit is based on the profit after taxation of $122.14 million (2015: $67.04 million) and the number of stock units in issue during the period of 214,322,393 units (2015: 214,322,393 units).

23. **COMMITMENTS**

(a) Capital commitment

Capital expenditure authorised but not contracted for at March 31, 2016 amounted to approximately $7.30 million (2015: $3.36 million). These expenditures are mainly in respect of the acquisition of plant & machinery and Dealer Tinting Machines (2015: acquisition of several tinting machine and PBX solutions).

(b) Operating lease arrangements

Operating lease payments represent rentals payable by the company for certain of its office locations. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three to five years.

	2016 $'000	2015 $'000
Minimum lease payments under operating leases recognised as an expense in the period	7,783	7,112

23. **COMMITMENTS (CONTINUED)**

(b) Operating lease arrangements (Continued)

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

	2016 $'000	2015 $'000
Within one year	8,605	7,876
In the second to fifth years inclusive	19,210	27,814
	27,815	35,690

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

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

Categories of financial instruments

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

	2016 $'000	2015 $'000
Financial Assets		
Loans and receivables – at amortised cost		
- Due from fellow subsidiaries	7,511	4,047
- Trade and other receivables (excluding prepayments)	321,822	306,151
- Cash and bank balances	138,722	91,604
	468,055	401,802
Financial assets at fair value through profit or loss	-	562
	468,055	402,364
Financial Liabilities (at amortised cost)		
- Due to immediate parent company	10,967	10,500
- Due to fellow subsidiaries	6,834	5,570
- Dividends payable	15,968	15,168
- Trade and other payables (excluding accruals)	221,640	201,265
	255,409	232,503

24. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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 group's policy guidelines are complied with.

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

The company does not hold or issue derivative financial instruments.

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

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

Money Market Pooled Fund price sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to pooled fund price risk at the reporting date. If quoted prices has been 10% higher/lower, net profit for the year would increase/decrease by $NIL (2015: $56,000) as a result of the changes in fair values of this instrument. The decrease in sensitivity is due mainly to the disposal of the pooled fund investments during the year.

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

Financial risk management policies and objectives (Continued)

(b) Foreign exchange risk

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

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

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

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

	Liabilities		**Assets**		**Net Liabilities (Assets)**	
	2016 J$'000	**2015 J$'000**	**2016 J$'000**	**2015 J$'000**	**2016 J$'000**	**2015 J$'000**
US dollars	72,589	127,357	75,939	79,882	(7,293)	47,475
Euros	1,877	-	-	-	1,877	-
GBP	1,392	-	-	-	1,392	-
Belize dollars	-	-	1,571	1,506	(1,571)	(1,506)

Foreign currency sensitivity
The following table details the sensitivity to a 1% revaluation and 6% devaluation (2015: 1% revaluation and 10% 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.

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

Financial risk management policies and objectives (Continued)

(b) Foreign exchange risk (Continued)

Foreign currency sensitivity (Continued)

If the Jamaican dollar strengthens by 1% or weakens by 6% (2015: strengthens by 1% or weakens by 10%) against the relevant foreign currency, profit will increase (decrease) by:

Profit or loss increase (decrease)

	March 31, 2016				March 31, 2015			
	Revaluation		Devaluation		Revaluation		Devaluation	
	%	J$'000	%	J$'000	%	J$'000	%	J$'000
US dollars	+1	(73)	-6	438	+1	475	-10	(4,747)
Euros	+1	19	-6	(113)	-	-	-	-
GBP	+1	14	-6	(84)	-	-	-	-
Belize dollars	+1	(16)	-6	94	+1	(15)	-10	152
		(56)		335		460		(4,595)

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

The company's sensitivity to foreign currency has decreased during the current year mainly due to the increased holdings of bank deposits and trade receivables offset by 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 exposure does not reflect the exposure during the period. US dollar denominated sales and liabilities are seasonal, fluctuating throughout the period.

(c) Interest rate risk management

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

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

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

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk management (Continued)

Interest rate sensitivity
The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. In respect of Jamaican dollar investments, a 100 basis points increase and a 100 basis point decrease (2015: a 250 basis points increase and a 100 basis points decrease) and for foreign currency denominated balances, a 100 basis points increase and a 50 basis points decrease (2015: 200 basis point 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.

If interest rates had been 100 basis points higher and 100 basis points lower for Jamaican dollar balances (2015: 250 basis points higher and 100 basis points lower) and 100 basis points higher and 50 basis points lower for foreign currency denominated balances (2015: 200 basis points higher and 50 basis points lower) and all other variables were held constant, the company's profit for the period would increase/decrease by $Nil (2015: increase/decrease by $Nil). This is mainly attributable to the company's exposure to interest rate risk on its bank deposits.

The company's sensitivity to interest rates has decreased during the current period mainly due to the decreased interest bearing bank deposit holdings.

(d) Credit risk management

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

Financial assets that potentially subject the company to concentration of credit risk consist principally of cash, cash equivalents, trade and other receivables and amounts due from related parties. The maximum exposure to credit risk is the amount of approximately $468.05 million (2015: $402.36 million) disclosed under 'categories of financial instruments' above and the company holds no collateral in this regard. Generally, the company manages its credit risk by screening its customers, establishing credit limits and the rigorous follow-up of receivables.

Cash and bank deposits
The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings. The carrying amount of cash and bank balances (excluding cash on hand) totalling $137.92 million (2015: $91.24 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

Investment security
The credit risk associated with this investment is limited because the counterparty is a major financial institution with high credit rating. The carrying amount of $NIL (2015: $562,000) at the reporting date represents the company's maximum exposure to this class of financial asset.

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

Financial risk management policies and objectives (Continued)

(d) Credit risk management (Continued)

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 (2015: two) retail entities whose outstanding balances (within the approved credit limits) amount to approximately 35% (2015: 31%) of trade receivables (see Note 10). Ongoing credit evaluation is performed on the financial condition of trade receivables. The book value of receivables is stated after allowance for likely losses estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets in respect of trade receivables totalling $296.96 million (2015: $281.45 million) and other receivables totalling $24.86 million (2015: $24.70 million) at year end which is net of impairment of approximately $28.40 million and $11.63 million respectively (2015: $45.52 million and $3.62 million respectively), represents the company's maximum exposure to this class of financial asset.

Amounts due from fellow subsidiaries
The directors believe that the credit risks associated with this financial instrument are minimal. The carrying amount of the above balance totalling $7.51 million (2015: $4.05 million) at the reporting date represents the company's maximum exposure to this class of financial assets.

(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 $91.5 million (2015: $100 million).

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

Financial risk management policies and objectives (Continued)

(e) Liquidity risk management (Continued)

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

Non-derivative financial liabilities

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

	Weighted Average Effective Interest Rate %	On Demand or Within 1 Year $'000	Total $'000
2016			
Non-interest bearing	-	255,409	255,409
2015			
Non-interest bearing	-	232,503	232,503

Non-derivative financial assets

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

	Weighted Average Effective Interest Rate %	On Demand or Within 1 Year $'000	Total $'000
2016			
Non-interest bearing	-	468,047	468,047
Interest bearing	0.2	8	8
2015			
Non-interest bearing	-	402,355	402,355
Interest bearing	0.5	9	9

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

Financial risk management policies and objectives (Continued)

(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.

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

- The carrying amounts included in the financial statements for cash and bank balances, trade and other receivables and trade and other payables, due to immediate parent company and due from or to fellow subsidiaries reflect the approximate fair values because of the short-term maturity of these instruments.

- The fair value of the investment security is measured by reference to quoted market prices derived by valuation techniques based on prices quoted by the issuer.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 (See Note 3.4) based on the degree to which the fair value is observable:

	2016			
	Level 1 **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Financial assets at fair value in the Statement of Financial Position				
Pooled funds	-	-	-	-

	2015			
	Level 1 **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Financial assets at fair value in the Statement of Financial Position				
Pooled funds	-	562	-	562

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

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

Capital risk management policies and objectives

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

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

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

The company's overall strategy as directed by its parent remains unchanged from year ended 2015.

FORM OF PROXY

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 to be held on

the 20th day of June, 2016 and at any adjournment thereof.

Signed this...day of...2016

....
Signature

PLACE
$100
STAMP
HERE

BERGER
Weatherproof
Ultra

Premium Exterior Emulsion

Ultra Durable
Superior durability and exceptional weather resistance

Anti-fungal
Long term anti-fungal and anti-algal protection

Guaranteed ultra long-lasting finish

Water-Based Environment Friendly

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