Annual Report 2013

BERGER
Trusted Worldwide

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Trusted Worldwide

Contents

Company Information

Board of Directors
Mr. Maqbool H. H. Rahimtoola - Chairman
Dr. Mahmood Ahmad - Chief Executive
Mr. Hamid Masood Sohail
Mr. Muhammad Naseem
Mr. Ilyas Sharif
Mr. Shahzad M. Husain
Mr. Zafar A. Osmani

Audit Committee
Mr. Hamid Masood Sohail - Chairman
Mr. Maqbool H. H. Rahimtoola
Mr. Muhammad Naseem

Human Resource Committee
Dr. Mahmood Ahmad
Mr. Shahzad M.Husain
Mr. Zafar A. Osmani

CFO & Company Secretary
Mr. Abdul Wahid Qurshi

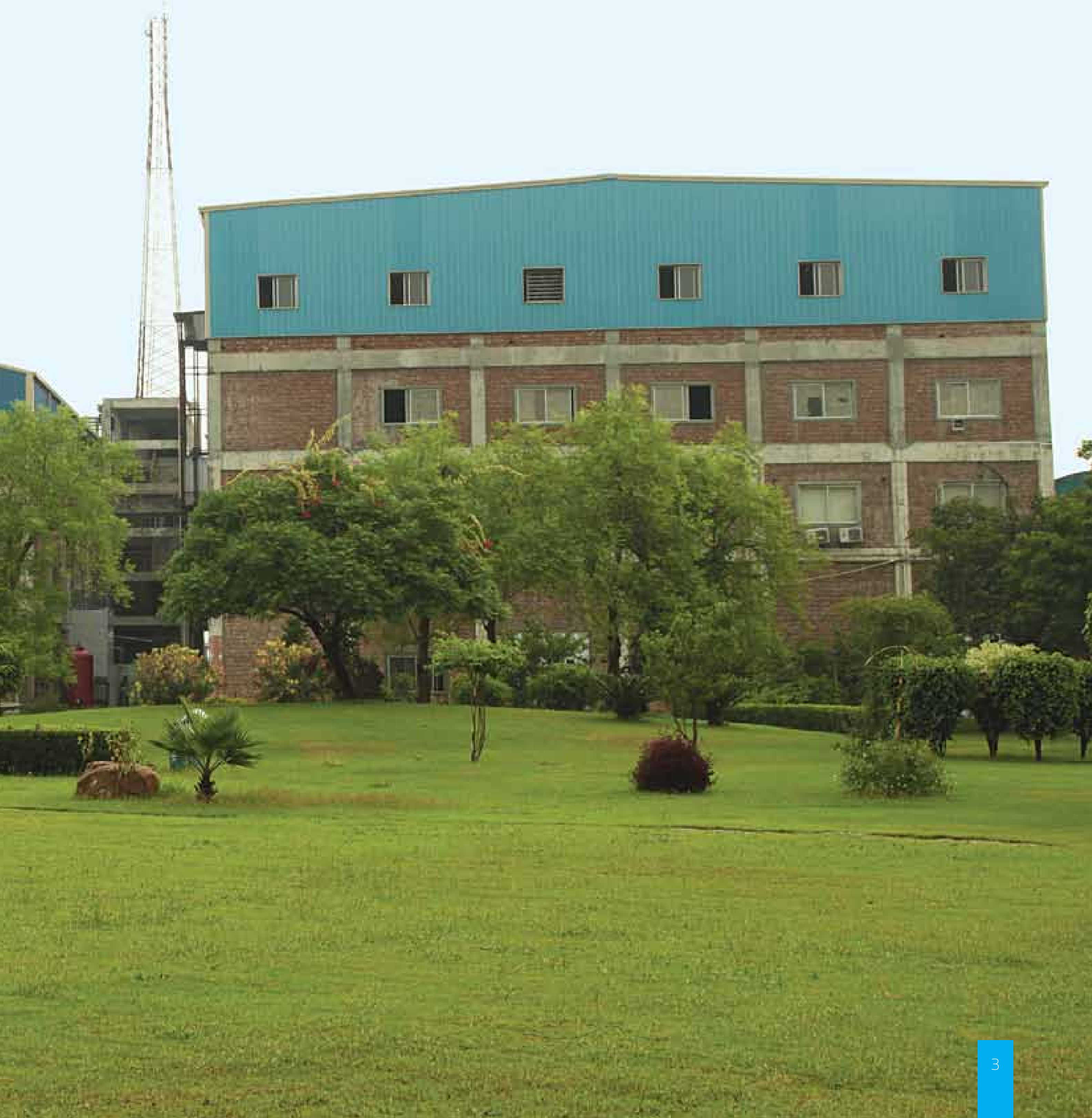
Bankers
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Faysal Bank Limited
JS Bank Limited
United Bank Limited
Bank Al-Habib Limited

Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

Solicitors
Surridge & Beecheno

Company Registrar
THK Associates Private Limited

Registered Office
X-3, Manghopir Road, S.I.T.E.,
Karachi



Company Profile

Berger was established two centuries ago and now it has grown to become one of the world's largest paints manufacturers. In Pakistan, the history of Berger is as old as the history of Pakistan. Berger started its operations in Pakistan in 1950 and was the first organized Paint Company to offer premium products through import from the United Kingdom.

BERGER PAINTS PAKISTAN LTD. became a public limited company in 1974, when 49.38% of its shares were acquired by Pakistani investors, while the remaining 50.62% were held by U.K. parent company, Jenson & Nicholson Limited. In 1991 Slotrapid Limited, a U.K. based company with diversified business interests, acquired control of Berger Paints Pakistan Limited by gaining 50.62% shares of the company.

Berger established its first local manufacturing facility in Karachi in 1955. As the country's economic and industrial sector expanded the demand for quality paints also grew and Berger continued to make extensions in its product range to meet these requirements.

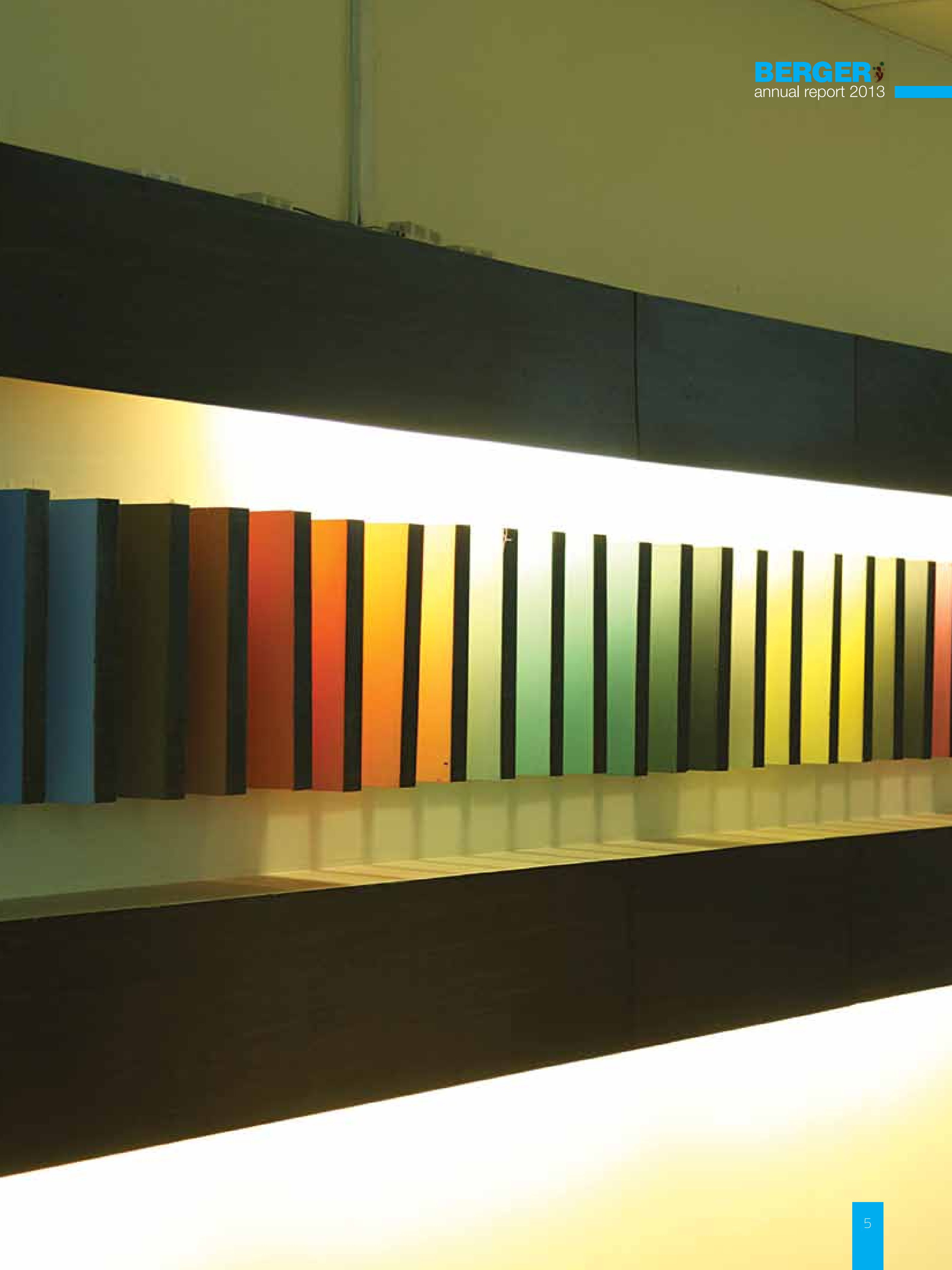
In 2006, Berger established state of the art manufacturing facility in Lahore. This plant has provided Berger an edge over its competition through enhanced production. It has enabled Berger to meet the growing demands of its valued customers across Pakistan. Berger Paints Head office is located in Lahore.

Consistent quality has always been Berger's trait. This has been the driving force in making it the leading brand name backed by premium quality across Pakistan. Berger has the most comprehensive product range for various paint market segments at different price points. Berger has earned the admiration and trust of customers by virtue of its superior technology, product quality and a very high level of customized services.

Berger has entered into a number of technical collaboration arrangements with leading international manufacturers. These include the largest paint company in Japan, which enables Berger to develop Automotive, Vehicle Refinishes and Industrial Paints conforming to international standards; a Japanese chemical company, for Bumper Paints; PCS Powders, UK for Powder Coatings; DPI Sendirian Berhad, Malaysia for Road & Runway Markings; Cerachem for Construction Chemicals and Asian Paints for Paints. Recently, Berger acquired distribution rights of DuPont for Pakistan's vehicle refinish paint segment.

Berger is also operating a Resin manufacturing facility at its Lahore factory. The resin plant has high production capacity and has enabled Berger to meet its entire resin needs for the manufacturing of a wide range of quality paints. Berger was the first paint company in Pakistan to set up its own resin production facility.

The company has regional offices in Karachi, Lahore, Islamabad and Territorial Offices in Gujranwala, Multan, Faisalabad, Peshawar and Hyderabad. A large team of sales personnel and a wide network of dealers and distributors serve customers in all urban centers across the country.



The Mission

Despite many challenges, Berger Paints has succeeded in staying at the forefront of Pakistan's paint industry. Innovation and technological development has enabled the company to achieve corporate success through its commitment to provide products of the highest quality and ensuring the ultimate satisfaction of customers.

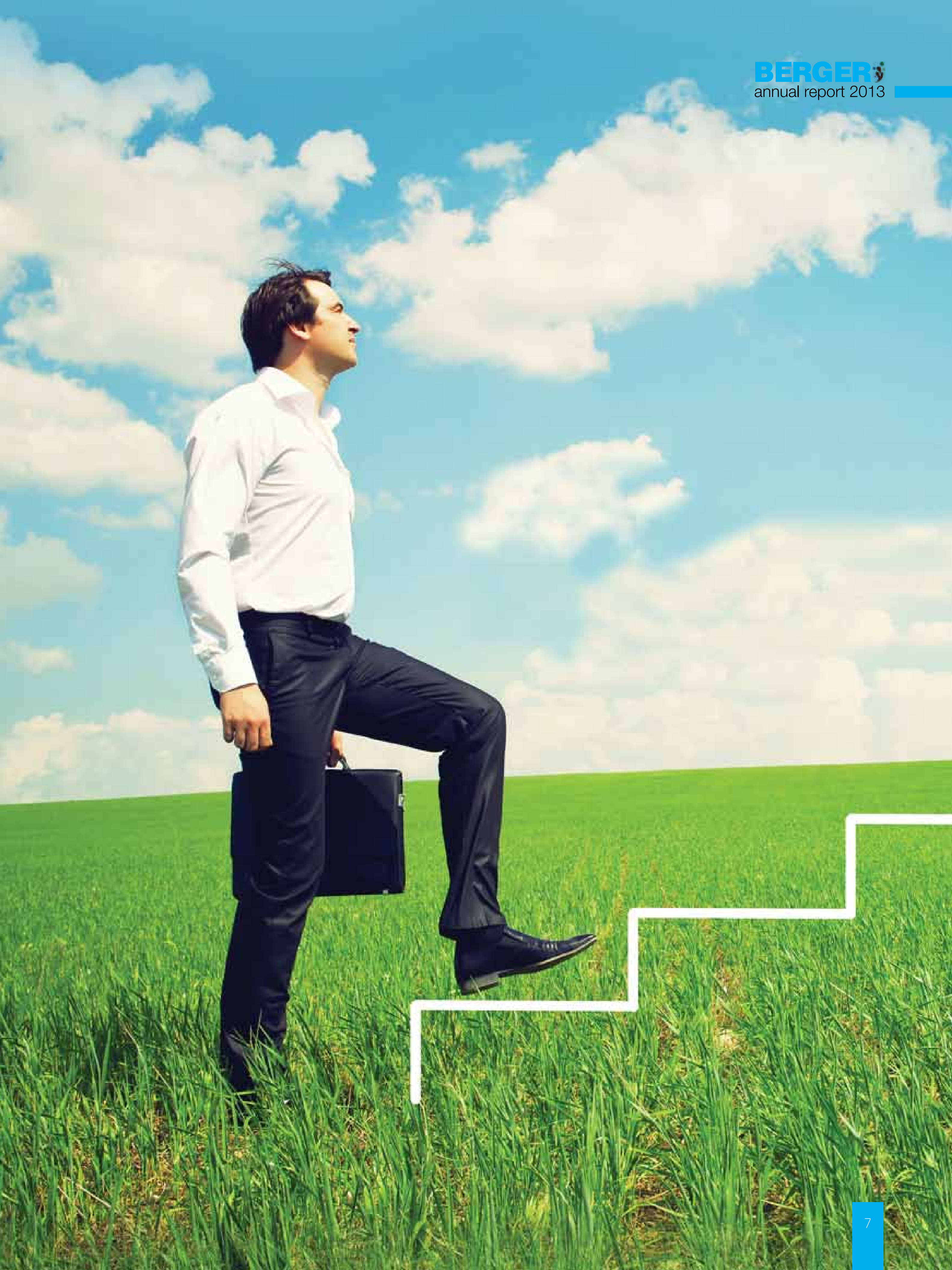
The company's employees are constantly encouraged to pursue the Corporate Mission Statement:

We will stay at the forefront of innovation and technological development in the paint industry.

We will vigorously promote and safeguard the interests of our employees, our share holders, our suppliers and all business associates.

We will achieve corporate success through an unwavering commitment to provide our customers high quality products to their ultimate satisfaction.

We will play our role as a good corporate citizen and serve community where we do business.



A Commitment to Excellence

Berger is the most trusted name in quality paints, coatings and allied products for household, commercial and industrial sectors. The company has built this proud reputation by not compromising on quality standards.

As an ISO-9001-2000 certified company, Berger continues to upgrade and improve its range by introducing innovative products in line with consumer needs.

All products are tested at the company's own facilities before leaving the factory so that the highest quality control standards are maintained at all times. The company also follows a continuous process of investment in new equipments, such as computerized color matching technology, to ensure fast and accurate testing results at all times.

An on-going training system is also in place so that the most rigorous testing methods and procedures can be applied at the finished product stage. A high standard of paints manufacturing is further ensured by using resin produced at Berger's own plant.

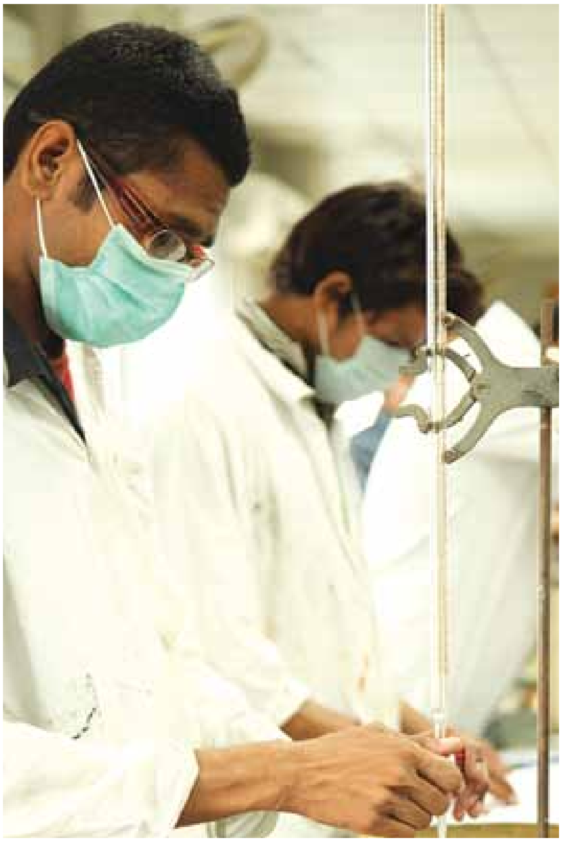
Customer Services

Berger is not just a Paint company; it offers one window solution across different paint product categories in order to meet the demands of its valued customers.

Berger Color Advisory Service is a free color consultancy that can be accessed on UAN: 111-237-437. The service is very popular among customers of decorative paints. It offers professional advice on selection of appropriate color schemes and types of paints that should be used on different surfaces and in different environments.

Berger offers professional services to its industrial customers through highly qualified and experienced Technical Services team. The team consists of highly trained technical staff holding degrees in chemistry.

The Technical Sales Officers make personal visits to address problems that the customers may be facing and have the relevant paint coating modified or adjusted according to the specific requirement.



People

At Berger, we consider PEOPLE as our most precious resource. This belief is gaining importance, leading to a more structured and focused approach in developing Human Resource as a competitive strength.

Our journey for excellence is amply supported by developing a learning organization with continuous capability building and skills enhancement. This is supplemented by wide range of employee engagement activities and programs which are in-place for morale boosting, motivation enhancement and inspiring commitment. Specific skills are being developed through training and coaching in required areas.

Across all layers in the organization, Berger is promoting a culture of acknowledging talent, nurturing potential and encouraging initiatives. We are maintaining an enabling environment with fairness and equal opportunity and freedom to perform and excel.

Our ambition for sustainable growth is to be materialized with right kind of people possessing best skills and unmatched competencies coupled with unflinching commitment.

Health Safety & Environment

Special focus is placed at Berger on protection of the environment as well as health and safety of employees, customers and communities where it operates.

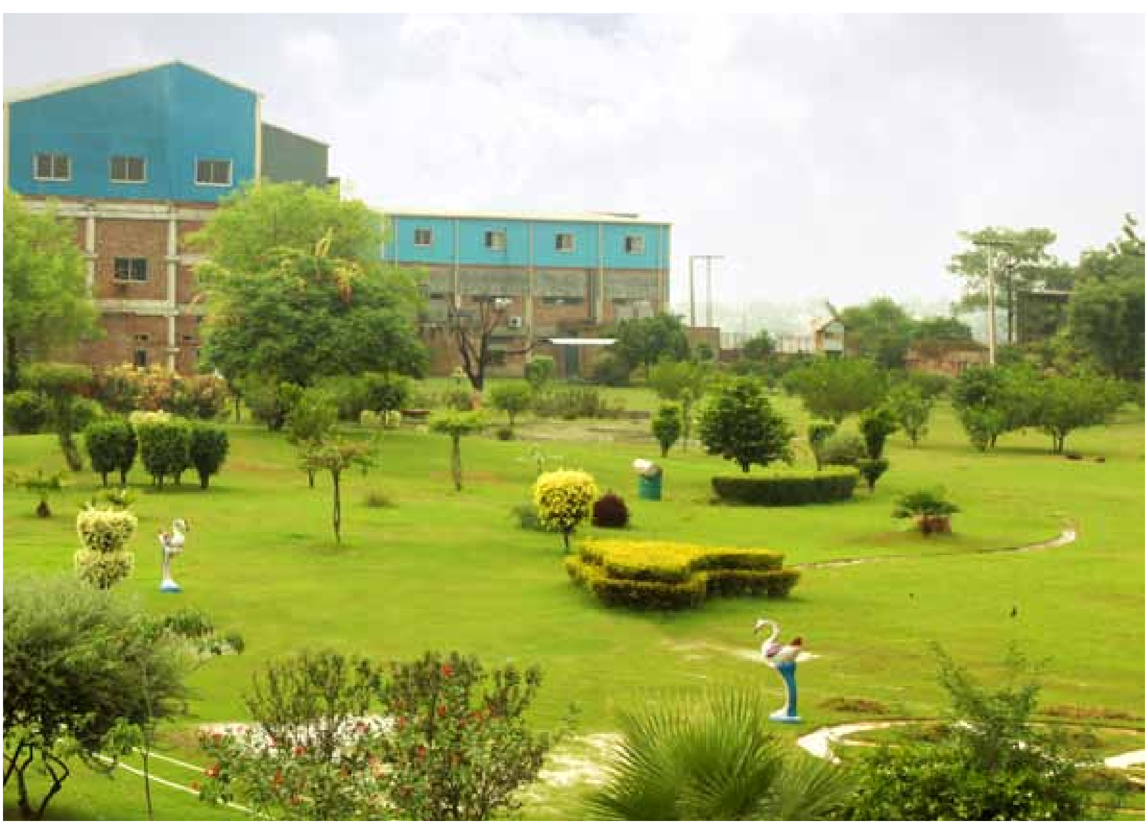
The company utilizes all available resources to pursue its EHS objectives by striving to attain economic prosperity and ecological balance.

Berger manufacturing facility conforms to the international and national environmental standards where company is manufacturing environmental friendly products to minimize the potential effect on the people and the environment.

A clean and pollution-free environment is ensured at the company's manufacturing facilities through a Solvent Recovery Plant that recycles used solvent, a Dust/Vapor extraction system and a Xylene recovery system.

Safety training programs are organized on a regular basis for all personnel and factory workers and vendors to ensure safety of the work environment. Strict safety regulations for PPE's (Personal Protection Equipments) and work procedures are enforced at every step.

In addition, safety officers conduct regular Safety Audits that identify and rectify any non-compliance and enforce proper maintenance of safety procedures with active cooperation of all employees.



Berger Business Lines

- Decorative Business
- Automotive Business
- General Industrial Finishes
- Powder Coatings
- Protective Coatings
- Vehicle Refinishes Business
- Road Safety
- Government & Marine
- Construction Chemicals
- Printing Inks
- Adhesives

Quality in Diversity

As an innovative and progressive paint company, Berger Paints Pakistan Limited offers a wide range of paints for diverse applications and uses. Berger's proven product quality and relentless focus on meeting customer needs in various specialized categories of paints and allied products continues to drive its success.

Decorative Paints

Berger Decorative Paints caters to interior, exterior wall surfaces & wood surfaces of residential, offices, factories and commercial buildings with diverse range of colors in all product categories.

Continuous endeavor is made to achieve and maintain the high product standards that Berger is renowned for. At the same time, innovative products that meet the needs of a demanding market are also launched on regular basis. Berger's decorative product portfolio consists of flagship products like, Elegance Matt Emulsion, All Rounder Matt Enamel, Weathercoat, SPD Smooth Emulsion and Economy Emulsion

Berger's Decorative business has achieved remarkable results in all product segments as it strives to keep in touch with new trends and aligns its product range accordingly. This is complemented by pioneering new marketing initiatives and strong focus on customer care.

Berger's decorative business also offers wide range of colors through its tinting machines. These machines have been set up in different metro cities by name of Color Bank.

DECORATIVE PROJECTS

WORLD TRADE CENTER, ISLAMABAD.

DEFENCE VALLEY, ISLAMABAD.

ARMY RESIDENCY FLATS, ISLAMABAD.

SUPREME COURT BUILDING, ISLAMABAD.

INDIAN EMBASSY, ISLAMABAD.

SERENA HOTELS

CENTAURAS, ISLAMABAD.

GULF PLAZA, LAHORE.

BEACONHOUSE SCHOOL SYSTEM

CITY SCHOOL

EDEN VALUE HOMES, LAHORE.

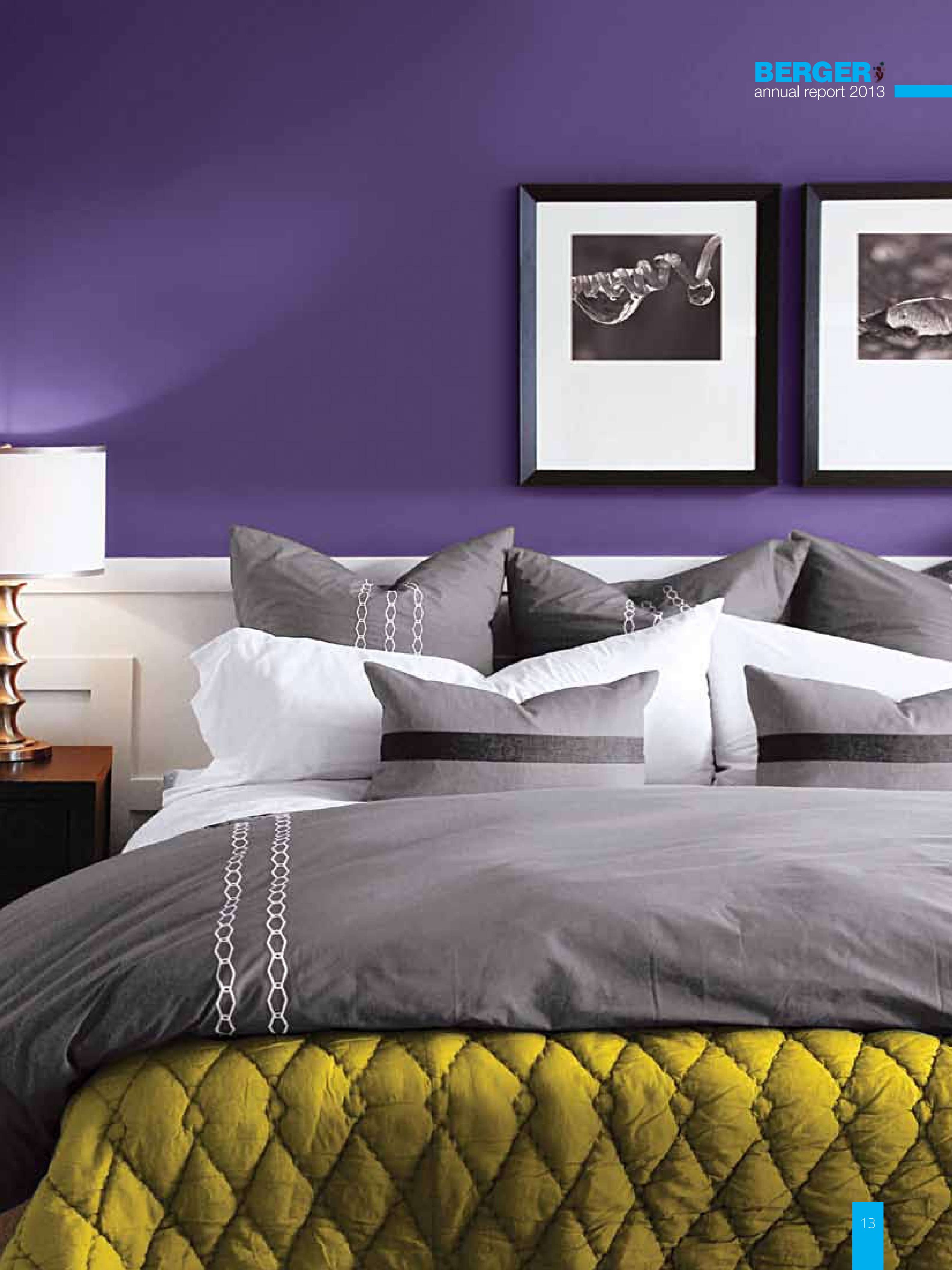
SMC TOWER, LAHORE.

SOFITEL TOWERS, KARACHI.

CENTRE POINT, KARACHI.

VINCEY SHOPPING MALL, KARACHI.

AGHA KHAN HOSPITAL, KARACHI.



Automotive Paints

The Automotive Paints business is a quintessential division of the organization. It offers a wide variety of products to cater the complete needs of the Automotive Industrial Sector ranging from pre-treatment products to top-coat stoving & flamboyant finishes to stoving lacquers & varnishes.

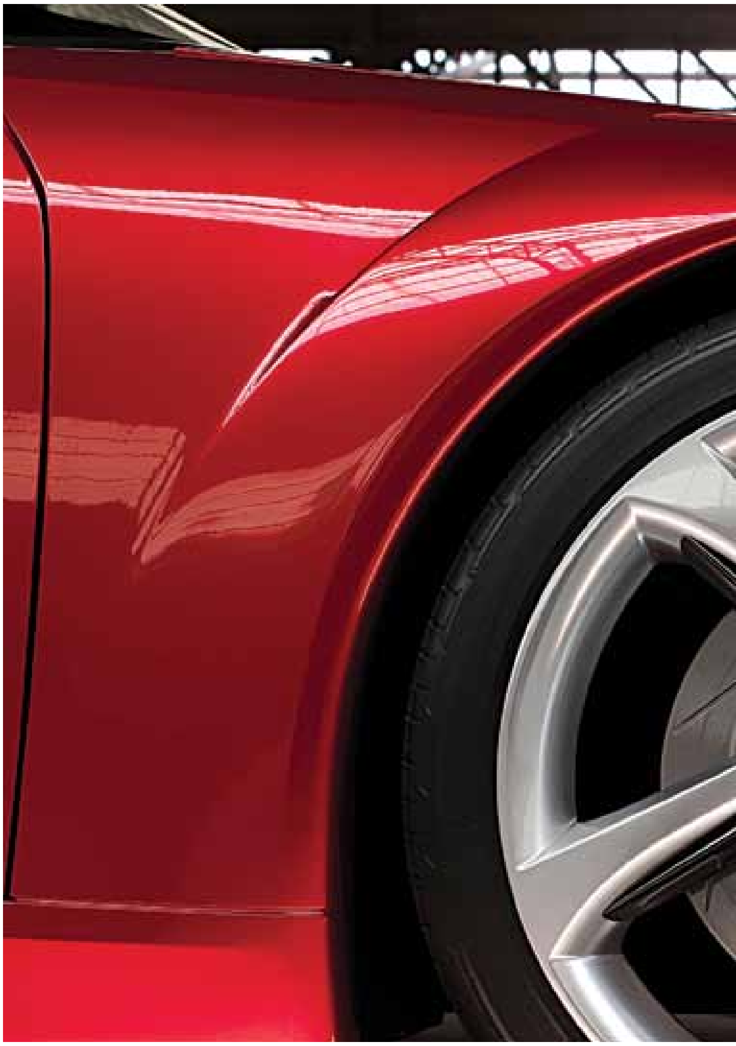
In order to serve the Japanese car manufacturing segment Berger has had a long standing Technical collaboration with the prestigious paint company of Japan whereby Berger uses Japanese technology to manufacture special Auto paints to supply to customers like Toyota, Honda, Nissan etc. Besides the car segment Berger also has a considerable share in Tractor & Truck manufacturing segment – to name a few Al-Ghazi Tractors (FIAT), HINO Pak, Al-Hajj FAW Motors (FAW Trucks), Master Motors are some of the main customers.

The Auto business enjoys a significant market share in the two & three wheeler industry as well by supplying paint to leading Japanese and Chinese Motorcycle & Rickshaw manufacturers along with the local bicycle industry as well. Our prestigious customers include Atlas Honda Motorcycles (AHL), DYL Motorcycles, Omega Industries (Road Prince motorcycles), Plum Qingqi, Pakistan Cycle Industrial Co-operative Society (PCICS Sohrab cycle) etc.

The Automotive Paints Business over the years has grown and flourished and Berger is recognized as one of the major players in this segment for its high quality standards & efficient technical services. Berger is proud to be associated with the Automotive Industry of Pakistan and is committed to provide the same high level of services in the years to come.

AUTOMOTIVE CLIENTS

ATLAS HONDA MOTORCYCLES (AHL)
NJ AUTO INDUSTRIES
AL GHAZI INDUSTRIES
MASTER MOTOR COMPANY
OMEGA INDUSTRIES (ROAD PRINCE)
INDUS MOTORS COMPANY (IMC)
HABIB MOTORCYCLES
OMEGA AUTO INDUSTRIES
DYL MOTOR CYCLES
PCICS
AL-HAJJ FAW MOTORS



General Industrial Finishes

The General Industry Paints Business caters mainly to the industrial manufacturing sector of the nation. Berger supplies industrial finishes to leading makers of domestic electric & non-electric appliances, auto spare-parts vendors, steel & metal product manufacturers, heavy industrial machine & transformer manufacturers, metal furniture etc.

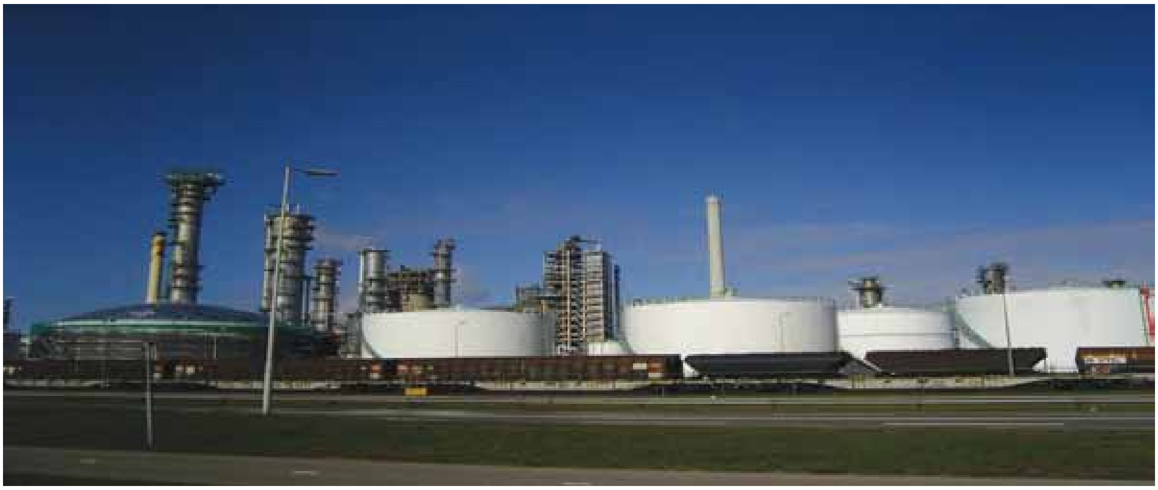
Boasting a wide range of industrial finishes Berger enjoys a significant market share in this segment of the paint industry. Berger has a complete industrial paint system developed for its extensive customer network spread all over the country. Finishes ranging from undercoats/ primers to air drying enamels & varnishes, high quality heat resistant stoving finishes & varnishes, roller coating paints & lacquers and epoxy based finishes are all available. Each system has its unique characteristics designed to protect & safeguard products from all types of internal & external environmental conditions.

Conforming to International ISO Quality standards Berger over years has established itself as a major manufacturer of Industrial Finishes and is proud to be associated with names like Pak Fan, Siemens, Singer, GFC Fans, SSGC, LG Pakistan etc.

Committed to excellence Berger always has and will continue to provide its customers with industrial finishes that are considered value for money and reliable.

GENERAL INDUSTRY CLIENTS

WAHID INDUSTRIES (PAK FAN)
AL BADAR ENGINEERING
SIEMENS PAKISTAN
BALOCHISTAN WHEELS LTD (BWL)
RAFIQUE ENGINEERING INDUSTRIES (ROYAL FAN)
SINGER PAKISTAN
LG PAKISTAN
AGRI AUTOS
GENERAL FAN COMPANY (GFC)
LOADS LIMITED
PHILIPS PAKISTAN
GUJRAT STEEL
SUPER ASIA INDUSTRIES
TRANSFO POWER
MADINA ELECTRONICS (MILLAT FANS)
SUI SOUTHERN GAS CO. (SSGC)



Powder Coatings

Powder Coating is a unique segment of the paint business catering to the industrial manufacturing sector of the country. It is an advanced and revolutionary method of applying a decorative or protective coating that can be used by both Industrial and Retail Consumers. The powder used for the process is a mixture of finely ground particles of pigment and resin, which is sprayed on a surface to be coated. The charged powder particles adhere to the electrically grounded surface which are then heated and fused onto a smooth surface. The coated surface is then reheated in a curing oven and the result is a uniform, high-quality, attractive smooth finish.

Powder Coating is mainly used for application on the metal parts of domestic appliances like air- conditioners, refrigerators, microwave ovens, water geysers, furniture, etc. and automotive parts like bumpers, radiators, hubcaps, filters, door handles, engine parts etc and also on aluminum profiles e.g. doors, windows, light poles, guard rails, light fixtures, antennas etc.

Berger manufactures and sells two brands of Powder Coating in Pakistan.

- Bercoat – Berger's in-house brand launched in early 2000's. Bercoat has been success fully performing since then in the local market.

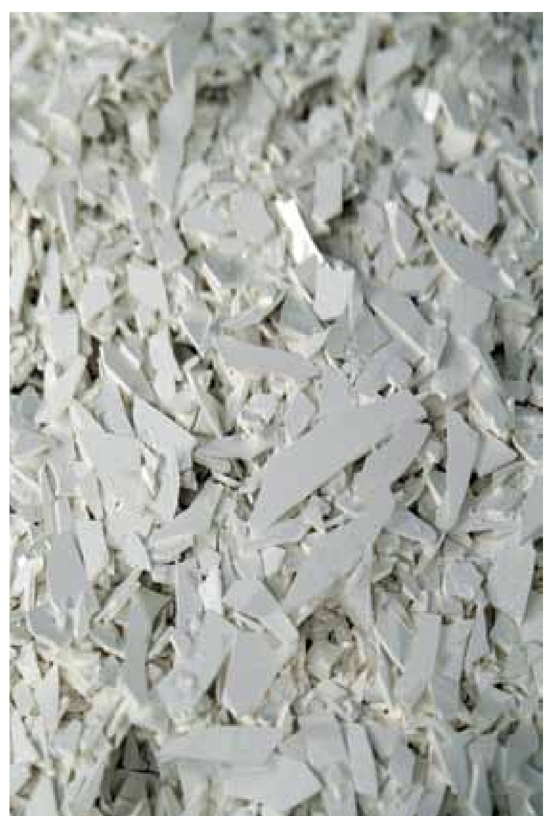
- Oxyplast – an international brand of Powder Coatings from Belgium whose sole franchise rights are with Berger in Pakistan. This franchise was acquired in 2009 and is steadily improving its share in the business.

Berger offers a wide variety of shades in Bercoat & Oxyplast. These shades are available in both Pure Polyester and Epoxy Polyester based systems. Customers can also get customized shades developed if need be. These finishes vary from glossy to matt, texture, antique and are all available to our customers as per their requirement.

Powder Coating is an economical and environment friendly form of durable coating gaining recognition rapidly in the industrial manufacturing segment. Manufacturers who are conscious about cost and quality prefer to use Powder Coatings & Finishes for their products and Berger is their foremost choice

POWDER COATING CLIENTS

COOL INDUSTRIES (WAVES)
SUI SOUTHERN GAS CO. (SSGC)
PHILIPS PAKISTAN
VARIOLINE INTERCOOL
PAN ISLAMIC INDUSTRIES
DYL MOTORCYCLES
UNIVERSAL CONTAINERS
MARVEL METALS
GFC FANS



Protective Coatings

The PROTECTON Division of Berger makes heavy duty Protective Coatings and Anti-Corrosive Paints for specialized structures such as barrages, dams, industrial structures, pipelines, boilers, which are exposed to hostile environmental elements.

Protective Coatings serve a dual purpose of protecting surfaces from chemical reactions as well as improving visual appeal. These protective paints conform to international standards of quality and are designed to resist the severity of extreme environmental as well as corrosive effects of atmosphere, and other decaying agents. They have excellent resisting properties against chemicals, marine environment, oil spillage and fresh and salt water. These coatings can be applied to concrete, cement render, asbestos sheeting, steel/concrete pipelines, harbors, oil refineries, dams, barrages, chemical plants, battery rooms etc. and shore installations with good durability..

PROTECTIVE COATING CLIENTS

DESCON ENGINEERING
PACKAGES LIMITED
FAUJI FERTILIZER CO.
NEXUS ENGINEERING
LOTTE PAKISTAN
PAKISTAN OIL FIELD
NATIONAL REFINERY
UNILEVER PAKISTAN
MAPLE LEAF CEMENT
PAKISTAN PETROLEUM
BYCO PETROLEUM

Vehicle Refinishes

The challenge of Berger's technical expertise in the Vehicle Refinish business is to offer touch-up paints that precisely match the original color of vehicles. This is achieved through different refinish systems designed to enable application for high gloss, durable, quick drying and accurate color matching finishes without giving heat treatment.

VITON car paint is the most popular market brand that was primarily introduced by Berger with Nitrocellulose base. It is based on international trends and offers a complete painting solution comprising putty, primer/surfacer, lacquer and thinners. It has more than 100 shades with the combination of fast drying and polishing properties.

In 2003, alkyd based quick drying enamel range by the name of 'DURA' was successfully launched for economy tier market segment with more than 30 shades and ancillary product range.

With the increase in market potential of wood finishes, new product line has been introduced to cater the needs of Furniture Industry by Refinish department.

These products include Sealer, Lacquers (Gloss and Matt finish), Polyurethane base Lacquer, colored Varnishes and Stains that are available in regular and bulk packs.

In 2011, Berger acquired the distribution rights of DuPont Performance Coatings for Pakistan. DuPont is the leading market brand of premium market segment with complete range of 2-K Finishes such as binders, tinters, primers, top coats, clear coats and hardeners along with all type of thinners. The product range is made available at all leading 3S dealerships, workshops and retail market

REFINISH TRAINING CENTER

Berger has established Refinish Training Center in the vicinity of its plant with state of the art technology. Refinish Training Center is being used to give training to the 3S dealers and painters for the application of 2K paint on cars..

Road Safety

The motto of Berger Road Safety business is 'Leading the Way to a Safe Journey'. Berger pioneered the concept of single source manufacturing and application of road marking products in Pakistan.

Berger Road Safety offers a complete range of road marking products, such as traffic signs, cat studs, delineators, barriers, guardrails etc. that provides high quality application services. The advance Cataphos TP hot-melt Thermoplastic material is manufactured in Pakistan as per BS 3262 specifications. A full range of other road marking products are also manufactured to match various application standards.

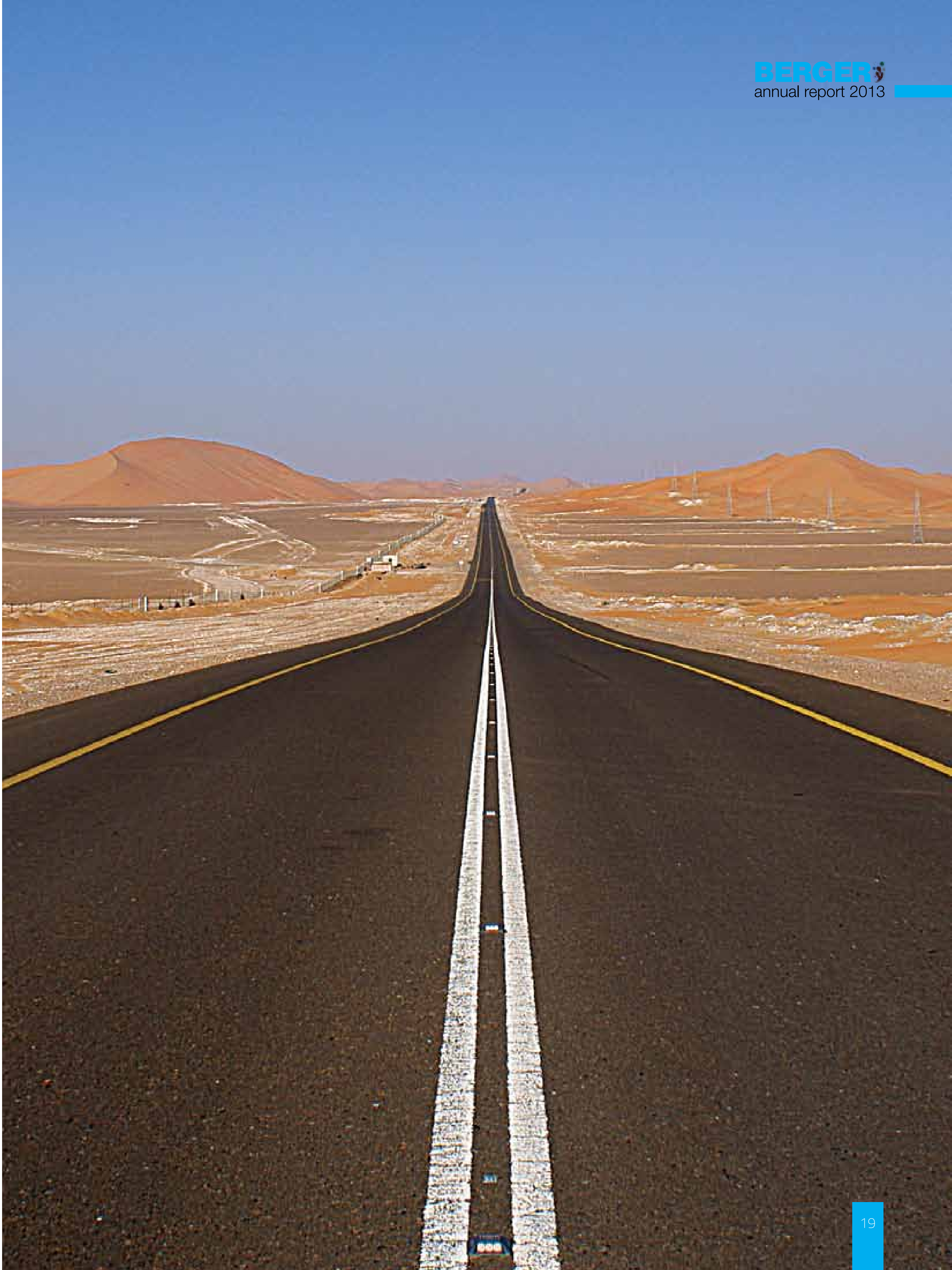
Application services are provided through trained personnel. Customers include 108 Engineering, Cantonment Board, Taisei Corporation, FWO Construction, Eden Housing Limited, NLC, CDA and Bahria, etc.

MAJOR ROAD SAFETY APPLICATION PROJECTS:

FAISALABAD ROADS REHABILITATION PROJECT (FRRP)
LAHORE ROADS REHABILITATION PROJECT (LRRP)
KASHMIR ROAD SIALKOT
FEROZEPUR ROAD LAHORE
TMP-RYK, N-5 SECTION
LHR – SKP- FSD EXPRESSWAY (BOT PROJECT)
LAHORE RING ROAD
FAIZPUR – JARANWALA ROAD
KALMA CHOWK LAHORE
LAHORE KASUR ROAD
MALL ROAD LAHORE
CANAL BANK ROAD LAHORE
BAHRIA TOWN RAWALPINDI
MURREE ROAD
TORKHAM-JALALABAD ROAD AFGHANISTAN
KOHAT TUNNEL
KANDHAR-KABUL HIGHWAY
INTERNAL ROADS OF CDA
BAGH - ARJA ROAD (AJK)
BALAKOT - MAHANDRI ROAD
ATTOCK REFINERY LIMITED INTERNAL ROADS
INDUS HIGHWAY
KARACHI INTERNATIONAL CONTAINER TERMINAL
RASHID MINHAS ROAD FLYOVER
BANARAS FLY OVER
DOW UNIVERSITY OF HEALTH SCINCES, OJHA CAMPUS
AGHA KHAN UNIVERSITY HOSPITAL
MAKRAN COASTAL HIGHWAY AT 25.05KM, GAWADAR
GAWADAR CITY PROJECT
KARACHI CANTONMENT BOARD ROADS
KHUZDAR - SHEHDADKOT ROAD PROJECT
INTERNAL ROADS OF DHA KARACHI.
KARARO - WADH. BALOCHISTAN

BERGER ROAD SAFETY CLIENTS:

NATIONAL HIGHWAY AUTHORITY (NHA)
PROVINCIAL HIGHWAY AUTHORITY (C&W)
ASTALDI ITALY
CAPITAL DEVELOPMENT AUTHORITY (CDA)
CHINA ROADS & BRIDGES CORPORATION
CHINA YUNAN CORPORATION
XIANJIANG BEIXIN ROAD & BRIDGES COMPANY CHINA
CITY DISTRICT GOVERNMENT KARACHI (CDGK)
CITY DISTRICT GOVERNMENT LAHORE (CDGL)
DHA KARACHI/LAHORE
LAHORE DEVELOPMENT AUTHORITY (LDA)
TEPA (LDA)
CIVIL AVIATION AUTHORITY (CAA)
CANTONMENT BOARDS
NATIONAL LOGISTIC CELL (NLC)
FRONTIER WORKS ORGANIZATION (FWO)



Govt. & Marine

Berger stands tall amongst esteemed suppliers to Government and its subordinate bodies, Armed Forces, Aviation sector, Utility corporations, Ports and Shipping, Research and Development Organizations, Educational Institutions and Health sector. It provides a vast variety of products and services ranging from the Architectural coatings to highly specialized products.

As Pakistan is endowed with a long coastal belt, it needs reliable protection for its sea-bound crafts as well as off-shore and on-shore installations. Berger's Government & Marine business meets this need with a wide range of products comprising of specialized coatings for ships, air craft's, fuel storage stands, warehouses, arms and ammunition depots, etc.

GOVT. & MARINE CLIENTS

SUI NORTHERN
PAKISTAN RAILWAYS
CIVIL AVIATION AUTHORITY
PAKISTAN ATOMIC ENERGY COMMISSION
WAPDA
C.O.D
POF
ARMY HOUSING
PPHI SINDH
GHQ
FWO
PAKISTAN NAVY

Construction Chemicals

Berger is active in most facets of the construction industry and operates sales, warehousing and manufacturing facilities all over the country, thereby providing local markets with a prompt and informed customer service.

BERGER has established a nationwide reputation for innovative construction technology based on extensive research and development together with experienced practical advice. We offer a broad range of high-quality, intelligent and tailor-made products and system to meet customer's needs, improving the quality, safety, efficiency, economy, design and durability of construction. The product range of BERGER comprises of products for almost every conceivable high performance chemical requirement of the building.

The company has earned wide acclaim for its high performance Epoxy Floorings and Chemical Waterproofing products. BERGER products are manufactured under stringent quality control using ingredients sourced indigenously as well as imported.

The staggering array of products includes Concrete Admixtures, Waterproofing treatments, Epoxy Flooring, Sealants and Grouts.

CONSTRUCTION CHEMICALS CLIENTS

ATTOCK REFINERY LTD,
NATIONAL DEVELOPMENT COMPLEX
MOL PAKISTAN
INDUS MOTORS COMPANY
ENGRO FOODS
PAK ARAB FERTILIZERS
LANDI RENZO PAKISTAN
AGA KHAN UNIVERSITY HOSPITAL
PAF
LALPIR POWER HOUSE
I.T TOWER, LAHORE

Printing Inks

Berger Paints is a manufacturer of printing inks for packaging industry. The base factory is operational at Lahore plant since 2009, whereas a color mixing house is functional at SITE Karachi. The Company is producing quality products by acquiring technology from SICPA International Switzerland. Most of the raw materials are imported from Europe and South Asian countries.

Berger's objective is to provide Flexo, Gravure and Offset inks according to international standards and to keep the products environment friendly.

Water-based Flexo ink is the most growing business. This is part of Berger's continuous efforts to meet growing market demand for quality brands in a wide range of product categories.

More than 100 printers and packaging houses across the country are in business with the company with trust and confidence which reflects that future is promising for this business line.

PRINTING INKS BUSINESS CLIENTS

FIRST TREET MANUFACTURING
ROSHAN PACKAGES PVT LIMITED
NOVACYN PACK
AL-QADRI & AWAN
FRONTIER PRINTER
FINE PACKAGES
INDUSTRIAL PACKAGES
AL MADINA PLASTICS
JILLANI INDUSTRIAL CORPORATION
ALHAMD GRAVURE
AL-AZIZ ROTOFLEX

Adhesives

The flagship brand at Berger's Adhesives business is Berlith. It is white glue based on a plastic resin that combines high concentration, high bonding strength and excellent application qualities. Both, in the wood furniture and sports goods industries, the high adhesion strength of Berlith makes it ideal for gluing hardboard, chipboard, softwood, ply, Formica, etc.

Because of its plastic resin, Berlith is the first choice for use in kitchen cabinets and counters. Berlith also serves as suitable pasting material for labels on plastic, glass, cartons, etc.

Berlith is especially designed for wood furniture industry, where its high adhesive strength makes it ideal for gluing.

Events & Activities

Institute of Architects Pakistan Exhibition

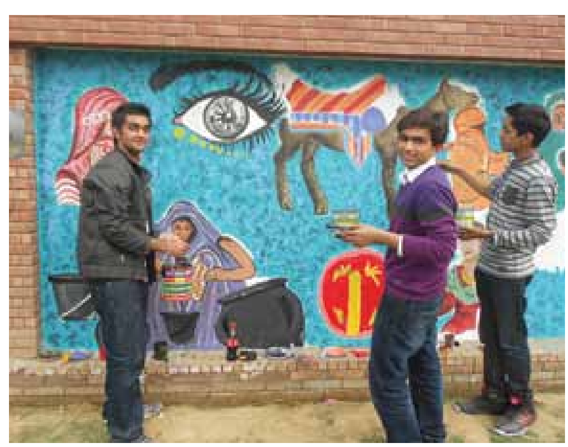
Berger participated in IAPEX (Institute of Architects Pakistan exhibition) held at Karachi and Islamabad in 2012-13. A large number of international brands and well reputed organizations related to the construction and paint industry. Architects, Builders and Contractors showed great interest in Berger and its product offerings.

DAWN Lifestyle Exhibition

Berger participated in DAWN Lifestyle Exhibition held at Karachi, Lahore and Islamabad in 2012-13. Renowned companies from FMCG, Home appliance, Furniture, Fashion/cosmetics industry etc participated in this exhibition. People from different walks of life attended this exhibition and participated in various activities organized by Dawn group. During this event Berger stall became center of attraction due to its location and activities. People in huge numbers visited the stall and participated in Berger stall activities.

Media Arts Fest' 2013-
Beaconhouse NewLands

Berger participated in Beaconhouse Media Arts Festival 2013 in February. Berger was the main sponsor of this activity at Beaconhouse DHA Phase 6, Lahore. All the major schools of Lahore participated in various arts competitions like Wall Painting, Still Life Painting and Face Painting. Berger provided its range of decorative paints in the wall painting competition, in which students made beautiful paintings using vast range of colors from Berger Products.



Events & Activities

Berger's Winners Sales Conference 2013

As per Berger's tradition, Winners Sales Conference 2013 was organized at the beautiful city of Muzaffarabad. The objective of this conference was to recognize the achievement of sales persons across all business divisions on national basis. The conference took place in March, 2013 at Pearl Continental Hotel, Muzaffarabad.

8th Berger Interdepartmental Cricket Tournament

The 8th Berger Interdepartmental cricket tournament was held in April, 2013. The tournament was filled with thrilling performances by the players. Total of 12 departmental teams participated in this event with their best players to bring the winning Trophy for their department. Berger's employees and their families enjoyed watching the event. At the end Berger awarded Trophies to the winner and runner up team.

Financial Highlights

	2013	2012	2011	2010	2009	2008
			Year Ended June 30,			
	-----------------	(Rupees in thousand)	----------------			
NET ASSETS						
Fixed Assets	603,597	639,696	697,641	715,499	1,052,460	614,447
Assets under Finance Lease	7,145	9,121	2,770	-	-	-
Goodwill	36,750	40,750	40,750	40,750	40,750	52,350
Long Term Investments	4,086	4,086	5,567	6,962	13,849	13,849
Long Term Loans & Deposits	37,123	34,700	31,861	23,508	29,253	22,072
Deferred Taxation	162,902	176,685	131,685	96,022	80,146	99,647
Net Current Assets	(86,420)	(145,607)	(40,948)	(208,918)	(443,157)	(364,172)
Total	765,183	759,431	869,326	673,823	773,301	438,193
FINANCED BY						
Share Capital	181,864	181,864	181,864	181,864	81,864	81,864
Reserves	280,733	219,307	219,469	277,593	114,787	84,919
Surplus on Revaluation of Fixed Assets	186,311	187,720	197,997	210,343	526,650	154,744
	648,908	588,891	599,330	669,800	723,301	321,527
Long Term and Deferred Liabilities	116,275	170,540	269,996	4,023	50,000	116,666
Total	765,183	759,431	869,326	673,823	773,301	438,193
TURNOVER AND PROFITS						
Turnover	4,167,303	4,052,009	3,571,510	3,359,276	3,580,302	3,123,311
Gross Profit	928,373	798,419	740,270	781,726	834,547	603,431
	22.28%	19.70%	20.73%	23.27%	23.31%	19.32%
Profit/ (Loss) before tax	101,368	(7,080)	(70,661)	(128,299)	47,296	(425,647)
Taxation	41,350	3,359	(191)	(12,078)	20,160	(122,900)
Profit/ (Loss) after tax	60,018	(10,439)	(70,470)	(116,221)	27,136	(302,747)
Dividend	-	-	-	-	-	-
Transfer to General Reserve	-	-	-	-	-	-
EARNING AND DIVIDENDS						
Earning/ (Loss) per share	3.30	(0.57)	(3.81)	(8.91)	2.21	(43.62)
Dividend per share - Cash (Rupees)	0.50	-	-	-	-	-
- Bonus	-	-	-	-	-	-

Directors' Report

We are pleased to present the directors' Report together with the financial statements of your Company for the year ended 30 June 2013.

The Country's economy continued to face sever challenges as a result of poor law and order situation power shortage floods and rains, along with a host of other structural impediments; investment and growth suffered.

Despite these handicap, your company achieved favorable results compared with the previous year.

The financial performance is summarized as follows.

	2013	2012
	Rupees in thousand	
Operating profit for the year	179,509	120,419
Other operating income	97,244	87,528
	276,753	207,947
Other charges	11,270	9,265
Finance Cost	164,115	205,762
	175,385	215,027
Profit/(Loss) before tax	101,368	(7,080)
Taxation	41,350	3,359
Profit/(Loss) after tax	60,018	(10,439)

SAFETY, HEALTH & ENVIORNMENT

Your company is fully aware of the need for safety in all aspects of to its operations. Apart from imparting intensive training to staff, various significant steps were also taken to adopt safety practices including construction of fire proof wall and strengthening of fire detection system by increasing the number of fire detectors and fire alarms.

BOARD OF DIRECTORS

During the year, five meetings of the Board of Directors were held and attendance was as follows:

Dr. Mahmood Ahmad	5
Mr. Hamid Masood Sohail	5
Mr. Maqbool H. H. Rahimtoola	4
Mr. Muhammad Naseem	5
Mr. Abdul Wahid Qureshi (Alternate Director of Mr. Ilyas Sharif)	1
Mr. Shahzad M. Hussain	3
Mr. Zafar A. Osmani	4
Mr. Zafar Qidwai (Alternate Director of Mr. Ilyas Sharif)	3

Leaves of absence was granted to the Directors who were unable to attend meetings

AUDIT COMMITTEE

During the year, five meetings of Audit committee were held.

HUMAN RESOURCE COMMITTEE

A meeting was held in Lahore during the year.

CONSOLIDATED FINANCIAL STAEMENTS

Consolidated financial statement of the Company and its subsidiaries, Berger DPI (Private) Limited, Berger Road Safety (Private) Limited and Berdex Construction Chemical (Private) Limited are attached.

HOLDING COMPANY

The holding company of Berger Paints Pakistan Limited is Messrs. Slotrapid limited which is incorporated in the B.V.I.

PROFIT/(LOSS) PER SHARE

The Earnings/ (Loss) per share for the year is Rs. 3.30 (2012: Rs. (0.57))

AUDITORS

The present auditors KPMG Taseer Hadi & Co. Chartered Accountants retired and being eligible, have offered themselves for reappointment with their partner in charge of audit Mr. Bilal Ali.

RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board. The Board approved pricing policy for related party transactions as discussed in the notes to the accounts.

DIVIDEND DISTRIBUTION

The Board of Directors take pleasure to recommend, to the shareholders of the Company for approval in the Annual General Meeting, a final dividend at the rate of Rupees 0.5 per ordinary share of Rupees. 10/ each (i.e. @ 5%).

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirement of the Code of Corporate Governance set out by the Stock Exchanges in their listing regulations, relevant for the year ended 30 June 2013 have been duly complied with. A statement to this effect is attached with the report.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2013 and its disclosure, as required by the Code of Corporate Governance is annexed.

STATEMENT OF CORPORATE FINANCIAL REPORTING FRAMEWORK

The company has complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly, the Directors are pleased to confirm the following:

i. The financial statements together with the notes thereon have been drawn up to conformity with the Companies Ordinance, 1984. These statements present fairly the company's state of affairs, the result of its operations, cash flow and changes in equity.

ii. Proper books of accounts have been maintained by the Company.

iii. Appropriate accounting policies have been consistently applied in the preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan.

iv. The accounting estimates, wherever required are based on reasonable and prudent judgment.

v. International financial reporting standard, as applicable in Pakistan, have been followed in preparation of financial statements.

vi. The system of internal control is sound in design and has been effectively implemented.

vii. There are no significant doubts upon the Company's ability to continue as a going concern.

viii. There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

ix. The key operating and financial data of the last six years is annexed.

x. The value of investments of provident, gratuity and pension funds were as at December 31, 2012:

	Rupee in Thousand
Berger Paints Executive Staff Pension Fund	37,016
Berger Paints Gratuity Fund	34,254
Berger Paints Provident Fund	147,550

The directors, CEO, CFO / Company Secretary and their Spouses and minor children did not carry out any trading in the shares of the company.

CORPORATE SOCIAL RESPONSIBILITY

The Company believes in its social responsibility and performed the same through environmental protection measures, community investment and welfare scheme, consumer protection measures, industrial relations, occupational safety and health, business ethics and national cause donation.

ON BEHALF OF THE BOARD

Karachi
Date: 20 September 2013

Dr. Mahmood Ahmad
Chief Executive

Pattern of Shareholding

As on 30 June 2013

NO. OF SHAREHOLDERS	From	To	SHARES HELD
320	1	100	9408
302	101	500	91166
200	501	1000	163574
315	1001	5000	804646
79	5001	10000	603088
38	10001	15000	504391
18	15001	20000	327216
10	20001	25000	231886
6	25001	30000	156779
2	30001	35000	65600
4	35001	40000	158000
3	40001	50000	150000
1	50001	55000	52000
2	55001	65000	125453
1	75001	80000	76500
2	80001	85000	165148
1	85001	90000	87000
1	90001	95000	95000
1	95001	100000	100000
1	115001	120000	120000
1	120001	125000	122184
1	125001	130000	127000
1	140001	145000	143000
1	145001	150000	150000
1	155001	160000	160000
1	200001	205000	203429
1	305001	310000	309495
1	325001	330000	325454
1	330001	335000	333318
1	350001	355000	354290
1	440001	445000	443417
1	475001	480000	477496
1	615001	620000	618426
1	865001	870000	865961
1	9465001	9470000	9466057
1322			18,186,382

Pattern of Shareholding

As on 30 June 2013

Description	Shares Held	Percentage
Directors, CEO and their spouses and minor children	2,021	0.011%
NIT and ICP	619,916	3.409%
Banks, DFI & NBFI	203,791	1.121%
Modarabas & mutual funds	40,000	0.220%
General public (local)	7,041,732	38.720%
General public (foreign)	15,972	0.088%
Others	796,893	4.382%
Associated Companies	9,466,057	52.050%
TOTAL	18,186,382	100.000%

Categories of Shareholders Required Under the Code of Corporate Governance as at June 30, 2013

Directors, CEO and their spouses and minor children Holding Percentage	Shares Held	Percentage
Dr. Mahmood Ahmad	2	0.000%
Mr. Maqbool H. H. Rahimtoola	1,572	0.009%
Mr. Hamid Masood Sohail	444	0.002%
Mr. Ilyas Sharif	1	0.000%
Mr. Mohammad Naseem	1	0.000%
Mr. Zafar A. Osmani	1	0.000%
TOTAL	2,021	0.011%
Associated Companies		
Slotrapid Limited	9,466,057	52.050%
NIT and ICP		
National Bank of Pakistan Trustee Dep CDC	619,326	3.405%
Investment Corporation of Pakistan	590	0.003%
	619,916	3.409%
Banks, DFI & NBFI	203,791	1.121%
Modarabas & mutual funds	40,000	0.220%
General public (local)	7,041,732	38.720%
General public (foreign)	15,972	0.088%
Others	796,893	4.382%
	8,098,388	44.530%
	18,186,382	100%

Statement of Compliance with the Code of Corporate Governance
For the year ended 30 June 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Stock Exchange of Karachi and Islamabad for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing Minority interests on its Board of Directors. At present the Board includes:

Category	**Name**
Independent Directors (s)	Mr. Hamid Masood Sohail Mr. Shahzad M. Hussain Mr. Zafar Osmain
Non-Executive Director(s)	Mr. Maqbool H.H. Rahimtoola Mr. Muhammad Naseem Mr. Ilyas Sharif
Executive Director	Dr. Mahmood Ahmad

   The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors of the company have confirmed that none of them is serving as a director on more than seven Listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI of, being member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board of Directors of the Company during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which there were approved or amended has been maintained.

7. All the powers of Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms & conditions of employment of the CEO, other executive and non-executives directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. Training for a Director has been arranged by the Company in this calendar year to comply with requirements of the Code.

10. There were no new appointments of Chief Financial Officers (CFO), Company secretary during the year. However, Board approved the appointment of Head of internal audit, along with his remuneration and terms and conditions of employment, as required by the Code.

11. The directors' report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.

13. The Directors, CEO and executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executives directors including the chairman of the committee who is also an independent director.

16. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.

18. The Board has set up an effective internal audit function. The staff is considered to be suitably qualified and experienced. They are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Charted Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and its partners are in compliance with International Federation of accountants (IFAC) guidelines on code of ethics as adopted by the institute of Charted accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been assigned other services except in accordance with the listing regulations and the auditors confirmed that they have observed IFAC guidelines in this regard.

21. The 'close period ', prior to the announcement of interim/ final results and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the Code have been complied with.

ON BEHALF OF THE BOARD

Karachi:
Date: 20 September 2013

Dr. Mahmood Ahmad
Chief Executive

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

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Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of Berger Paints Pakistan Limited ("the Company") to comply with the Listing Regulations of Islamabad and Karachi Stock Exchanges, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub- Regulation (x) of Listing Regulation No. 35 of the respective Stock Exchanges, where the Company is listed, requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

KPMG Taseer Hadi & Co.

Lahore
Date: 20 September 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of Berger Paints Pakistan Limited ("the company") as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  ii. the expenditure incurred during the year was for the purpose of the company's business; and

  iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Lahore

Date: 20 September 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Balance Sheet

As at 30 June 2013

	Note	2013	2012
		(Rupees in thousand)	
Non-current assets			
Property, plant and equipment	5	595,229	634,304
Intangibles	6	52,263	55,263
Long term investments (subsidiaries and an associate)	7	4,086	4,086
Long term loans	8	20,839	15,437
Long term deposits	9	16,284	19,263
Deferred taxation	10	162,901	176,685
		851,602	905,038
Current assets			
Stores	11	6,952	10,778
Stock in trade	12	875,915	987,881
Trade debts	13	827,388	694,265
Loans and advances	14	57,023	42,764
Trade deposits and short term prepayments	15	13,724	12,654
Other receivables	16	42,856	45,082
Taxation - net		126,742	141,906
Short term investments	17	18,883	20,080
Cash and bank balances	18	217,345	144,013
		2,186,828	2,099,423
		3,038,430	3,004,461
Share capital and reserves			
Authorised share capital			
25,000,000 ordinary shares of Rs.10 each		250,000	250,000
Share capital	19	181,864	181,864
Reserves	20	280,734	219,307
		462,598	401,171
Surplus on revaluation of fixed assets - net of tax	21	186,311	187,720
Non-current liabilities			
Long-term financing	22	50,000	115,000
Staff retirement benefits	23	60,692	47,865
Liabilities against assets subject to finance lease	24	5,583	7,675
Current liabilities			
Trade and other payables	25	952,876	1,096,443
Accrued finance cost	26	37,481	41,008
Current maturity of long-term financing	22	65,000	105,000
Current maturity of liabilities against assets subject to finance lease	24	2,091	1,883
Short term borrowings	27	1,215,798	1,000,696
		2,273,246	2,245,030
Total liabilities		2,389,521	2,415,570
Contingencies and commitments	28		
		3,038,430	3,004,461

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Profit and Loss Account

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in thousand)	
Sales - net	29	4,167,303	4,052,009
Cost of sales	30	3,238,930	3,253,590
Gross profit		928,373	798,419
Distribution costs	31	595,123	534,128
Administrative expenses	32	153,741	143,872
		748,864	678,000
Operating profit		179,509	120,419
Other operating income	33	97,244	87,528
		276,753	207,947
Other charges	34	11,270	9,265
Finance cost	35	164,115	205,762
		175,385	215,027
Profit/(Loss) before taxation		101,368	(7,080)
Taxation	36	41,350	3,359
Profit/(Loss) after taxation		60,018	(10,439)
		Rupees	
Profit/(loss) per share - basic and diluted	37	3.30	(0.57)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Statement of Comprehensive Income

For the year ended 30 June 2013

	2013	2012
	(Rupees in thousand)	
Profit/(Loss) after taxation	60,018	(10,439)
Other comprehensive income for the year	-	-
Total comprehensive income/(loss) for the year	60,018	(10,439)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Cash Flow Statement

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in thousand)	
Cash flow from operating activities			
Profit/ (loss) before taxation		101,368	(7,080)
Adjustments for non cash items:			
Depreciation on property, plant and equipment	5.6	63,109	68,217
Gain on disposal of fixed assets	33	(7,793)	(9,367)
Provision against slow moving stock		84,328	5,662
Provision for doubtful debts	31	47,007	10,000
Provision for staff retirement benefits		16,085	12,772
Impairment on long term investments		-	1,481
Finance cost	35	164,115	205,762
Ijarah lease rentals		-	7,106
Liabilities no longer payable written back	33	4,122	23,877
Impairment on goodwill	6.2	4,000	-
		374,973	325,510
Operating profit before working capital changes		476,341	318,430
Working capital changes			
(Increase) / Decrease in current assets:			
Stores and spares		3,826	(2,204)
Stock-in-trade		27,638	106,073
Trade debts		(180,130)	(48,272)
Loans and advances		(14,259)	(15,844)
Trade deposits and short-term prepayments		(1,070)	(527)
Other receivables		2,226	(7,595)
		(161,769)	31,631
(Decrease) / Increase in current liabilities:			
Trade and other payables		(147,689)	(68,165)
Cash generated from operations		166,883	281,896
Finance cost paid		(167,642)	(213,214)
Income taxes - net		(12,402)	(59,762)
Staff retirement benefits paid		(3,258)	(12,259)
Long term loans		(5,402)	(695)
Long term deposits		2,979	(2,144)
		(185,725)	(288,074)
Net cash outflow from operating activities		(18,842)	(6,178)
Cash flow from investing activities			
Capital expenditure		(25,646)	(14,750)
Addition in intangible assets		(1,000)	(1,000)
Sale proceeds on disposal of property, plant and equipment		9,405	16,549
Short term investments		1,197	(20,080)
Net cash outflow from investing activities		(16,044)	(19,281)
Cash flow from financing activities			
Long term financing repaid		(105,000)	(105,000)
Short term borrowings - net		84,000	(17,500)
Lease rentals paid		(1,884)	(8,694)
Net cash outflow from financing activities		(22,884)	(131,194)
Net decrease in cash and cash equivalents		(57,770)	(156,653)
Cash and cash equivalents at the beginning of the year		(796,683)	(640,030)
Cash and cash equivalents at the end of the year	38	(854,453)	(796,683)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Statement of Changes in Equity

For the year ended 30 June 2013

	Issued, subscribed and paid-up share capital	Capital Reserves	Revenue Reserves		Total share capital and reserves
		Share premium	General reserve	Accumulated loss	
	(Rupees in thousand)				
Balance as at 01 July 2011 - Restated	181,864	56,819	285,000	(122,350)	401,333
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	10,277	10,277
Total comprehensive loss for the year ended 30 June 2012	-	-	-	(10,439)	(10,439)
Balance as at 30 June 2012	181,864	56,819	285,000	(122,512)	401,171
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	1,409	1,409
Total comprehensive income for the year ended 30 June 2013	-	-	-	60,018	60,018
Balance as at 30 June 2013	181,864	56,819	285,000	(61,085)	462,598

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Notes to the Financial Statements

For the year ended 30 June 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

Berger Paints Pakistan Limited ("the company") was incorporated in Pakistan on March 25, 1950 as a private limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and was subsequently converted into a public limited company. The company is listed on the Karachi and Islamabad stock exchanges. The company is engaged in the manufacturing of paints, varnishes and other related items. Slotrapid Limited, based in British Virgin Island is the holding company. The registered office of the company is situated at X-3, Manghopir Road, S.I.T.E., Karachi and the principle manufacturing facility of the company is situated at 28 Km Multan Road, Lahore.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board and Islamic Financial Reporting Standards (IFAs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of financial statements are set out below.

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 21 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 3.17 at present value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. For critical accounting estimates and judgments used in these financial statements refer to note 4.

3.2 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss, except for freehold and leasehold land, buildings thereon and plant and machinery, which are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is charged to income applying the straight line method whereby the cost less residual value of an asset is written off over its estimated useful life. Residual values are reviewed at each balance sheet date and adjusted if the impact on depreciation is significant.

Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Depreciation on additions is charged from the month in which the asset is put to use while depreciation on assets disposed of is charged up to the month preceding the disposal at the rates stated in note 5.1 to these financial statements.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of property, plant and equipment are included in income currently.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Capital work in progress is stated at cost less impairment in value, if any. It consists of all expenditure and advances connected with specific assets incurred and made during installation and construction period. These are transferred to specific assets as and when assets are available for use.

3.3 Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss.

The company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.4 Investments

Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification at the end of each financial year. Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current.

Investments are either classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale investments or investment in subsidiary and associated companies, as appropriate. When investments are recognized initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction cost.

Investments in equity instruments of subsidiaries and associates

Investments in subsidiaries and associates where the Company has significant influence are measured at cost in the Company's separate financial statements.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and separate financial statements'. Investments in associates, in the consolidated financial statements, are being accounted for using the equity method.

At each balance sheet date, the Company reviews the carrying amounts of its investments in subsidiaries and associates to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

Investments that suffered an impairment are reviewed for possible reversal of impairment at each reporting date. Impairment losses recognized in the profit and loss account are reversed through the same.

3.5 Business combinations

The purchase method of accounting is used to account for the acquisition of businesses by the company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, if any, at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities, if any, assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognized as goodwill.

3.6 Long term deposits

Long term deposits are stated at cost.

3.7 Stores

These are valued at the lower of moving average cost and net realizable value except for items in transit, which are valued at invoice price and related expenses incurred up to the balance sheet date. General stores, spares and loose tools are charged to profit and loss currently. The company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Adequate provision is made for slow moving items.

3.8 Stocks in trade

Stocks of raw materials are valued at moving average cost. Finished goods are valued at the lower of average manufacturing cost and Net Realizable Value (NRV). Semi-processed goods are valued at moving average cost.

Average cost in relation to semi-processed and finished goods comprises direct material and appropriate portion of production overheads.

Stock in transit is stated at invoice value plus other charges paid thereon up to the balance sheet date.

NRV signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the costs necessary to be incurred to make the sale.

Provision for obsolete and slow moving stock in trade is made on management estimate, whenever necessary.

3.9 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less an allowance for uncollectible amounts. Provision for doubtful receivables is based on review of outstanding amounts at year end and management's assessment of customers' credit worthiness. Balances considered bad and irrecoverable are written off as and when identified.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, current and deposit account balances with banks and outstanding balance of running finance facilities availed by the company.

3.11 Borrowings cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

3.12 Leases

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 5.1. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating lease

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the Company's benefit.

3.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

3.14 Provisions

Provisions are recognized when, the company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimates of the obligations can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

3.15 Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognized until their realization become virtually certain.

3.16 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.17 Staff retirement benefits

3.17.1 Defined benefit plan

The company operates the following defined benefit schemes:

a) An approved and funded pension scheme for all executives; and

b) An approved and funded gratuity scheme for all its permanent employees.

Actuarial valuation are carried out using the Project Unit Credit Method. Contributions to the schemes are based on these valuations and actuarial gains and losses are recognized as income or expense in the same accounting period.

3.17.2 Defined contribution plan

Provident fund

The company also operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10 percent of basic salary for executive and non-executive staff. During the year Rs 8.607 million (2012: Rs 7.630 million) were charged to expense.

Employee compensated absences

The company also provides for compensated absences for all eligible employees in accordance with the rules of the company. The company accounts for these benefits in the period in which the absences are earned.

The company uses the actuarial valuations carried out using the projected unit cost method for valuation of its accumulated compensating absences. The following significant assumptions have been used:

Discount rate	10% per annum
Expected rate of salary increase in future years	9% per annum

3.18 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and under the final tax regime.

Deferred

Deferred tax is recognized for using the balance sheet liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and / or carry-forward of unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date 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 deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.19 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees which is the company's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.20 Revenue recognition

- Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

  Revenue from sale of goods is recognized when the significant risk and rewards of owner ship of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers.

- Interest / markup is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

- Dividend income is recognized when the company's right to receive payment is established.

- Other revenues are recorded on accrual basis.

3.21 Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to income currently.

Financial assets include investments, trade and other debts, loans, advances, deposits and cash and bank balances.

Financial liabilities include long term financing, short term borrowings , accrued finance cost and trade and other payables.

3.22 Off setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.23 Surplus on revaluation of fixed assets

Surplus on revaluation is credited to the surplus on revaluation of fixed assets account except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, if any, in which case surplus is recognized in profit or loss account. A revaluation deficit is recognized in profit or loss, except for a deficit directly offsetting a previous surplus on the same asset, in which case the deficit is taken to surplus on revaluation of fixed assets account. The surplus on revaluation of fixed assets to the extent of the annual incremental depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost is transferred annually to retained earnings net of related tax. The company recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets.

Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings.

3.24 Dividends and appropriations to general reserve

Dividends and appropriations to general reserves are recognized in the financial statements in the period in which these are approved.

3.25 Impairment

The company assesses at each balance sheet date whether there is any indication that the assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to determine whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is charged to income currently except for impairment loss on revalued assets, which is recognized directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

3.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the company that makes strategic decisions.

3.27 Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change

will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. This amendment could change the measurement of the company's obligation for its retirement benefit related amount of profit and loss account and other comprehensive income.
The company has not planned to adopt this amendment early, however, had this amendment been adopted early, profit before tax has been reduced by Rs 1.084 million and other comprehensive income would have been increased by Rs 1.084 million.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendment would not have significant impact on financial statement of the company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment would not have significant impact on financial statement of the company.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2013, however, they do not affect the company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

		Note
-	Residual values and useful lives of depreciable assets	3.2
-	Provision for taxation	3.18
-	Provision for deferred taxation	3.18
-	Net realizable value of stock in trade to their net realizable value	3.8
-	Provision for doubtful debts	3.9
-	Staff retirement benefits	3.17

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

	Note	2013	2012
		(Rupees in thousand)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	593,828	629,981
Capital work in progress	5.3	1,401	4,323
		595,229	634,304

5.1 Property, plant and equipment

	Annual rate of depreciation	Cost as at 01 July 2012	Additions/ (Deletions)	Cost as at 30 June 2013	Accumulated Depreciation as at 01 July 2012	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2013	Book value as at 30 June 2013
	%	(--------------------------------Rupees	in	thousand	----------------------------			)
Owned								
Freehold land	-	196,862	-	196,862	-	-	-	196,862
Leasehold land	2.06	67,000	-	67,000	2,745	1,365	4,110	62,890
Building on freehold land	5	174,418	8,071	182,489	16,806	8,548	25,354	157,135
Building on leasehold land	5	9,673	-	9,673	854	504	1,358	8,315
Plant and machinery	8-35	246,046	7,876	253,922	98,469	38,625	137,094	116,828
Laboratory equipments	10	14,126	2,819	16,945	7,526	1,352	8,878	8,067
Electric fittings	10	27,647	2,392	29,974	10,240	2,758	12,987	16,987
			(65)			(11)		
Computer and related accessories	25	14,297	1,143	15,440	9,099	2,278	11,377	4,063
Office machines	10	3,560	1,494	5,054	1,609	353	1,962	3,092
Furniture and fixtures	10	15,714	1,404	17,118	6,448	1,665	8,113	9,005
Motor vehicles	20	33,383	3,368	29,763	28,070	3,684	26,324	3,439
			(6,988)			(5,430)		
2013		**802,726**	**28,567**	**824,240**	**181,866**	**61,132**	**237,557**	**586,683**
			(7,053)			**(5,441)**		
Leased								
Motor vehicles	20	8,657	-	8,657	1,949	1,731	3,679	4,978
Plant and machinery	10	1,164	-	1,164	19	117	136	1,028
Electric fittings	10	1,290	-	1,290	22	129	151	1,139
2013		**11,111**	**-**	**11,111**	**1,990**	**1,977**	**3,966**	**7,145**
		813,837	**28,567**	**835,351**	**183,856**	**63,109**	**241,523**	**593,828**
			(7,053)			**(5,441)**		

	Annual rate of depreciation	Cost as at 01 July 2011	Additions/ (Deletions)	Cost as at 30 June 2012	Accumulated Depreciation as at 01 July 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2012	Net book value as at 30 June 2012
	%	(--------	--------	Rupees in	thousand	--------	--------	--------)
Owned								
Freehold land	-	196,862	-	196,862	-	-	-	196,862
Leasehold land	2.06	67,000	-	67,000	1,380	1,365	2,745	64,255
Building on freehold land	5	174,362	56	174,418	8,404	8,402	16,806	157,612
Building on leasehold land	5	9,673	-	9,673	350	504	854	8,819
Plant and machinery	8-35	243,377	2,669	246,046	56,762	41,707	98,469	147,577
Laboratory equipments	10	13,904	222	14,126	6,130	1,396	7,526	6,600
Electric fittings	10	23,840	3,807	27,647	7,671	2,569	10,240	17,407
Computer and related accessories	25	12,250	2,047	14,297	6,933	2,166	9,099	5,198
Office machines	10	2,351	1,209	3,560	1,439	170	1,609	1,951
Furniture and fixtures	10	15,339	375	15,714	4,904	1,544	6,448	9,266
Motor vehicles	20	51,132	42	33,383	31,989	6,690	28,070	5,313
			(17,791)			(10,609)		
2012		810,090	10,427	802,726	125,962	66,513	181,866	620,860
			(17,791)			(10,609)		
Leased								
Motor vehicles - Restated	20	3,056	5,601	8,657	286	1,663	1,949	6,708
Plant and machinery	10	-	1,164	1,164	-	19	19	1,145
Electric fittings	10	-	1,290	1,290	-	22	22	1,268
2012		3,056	8,055	11,111	286	1,704	1,990	9,121
		813,146	18,482	813,837	126,248	68,217	183,856	629,981
			(17,791)			(10,609)		

The cost of the assets as at 30 June, 2013 include fully depreciated assets amounting to Rs 41.63 million (2012: Rs 22.97 million) but are still in use of the company.

5.2 Details of operating fixed assets disposed off

Particulars of assets	Sold to	Cost/ Revalued amount	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(------------- Rupees	in	thousand	------------)	
Motor vehicles						
- Honda Civic	Syed Arslan jafri	1,043	1,043	-	780	Tender
- Honda City	Muhammad Ayub	22	12	10	-	-do-
- Honda City	Muhammad Ayub	1	1	-	805	-do-
- Suzuki Mehran	Muhammad Ayub	1	1	-	485	-do-
- Suzuki Cultus	Syed Yasir Hussain Shah	590	541	49	633	-do-
- Suzuki Mehran	Muhammad Ayub	395	395	-	375	-do-
- Suzuki Cultus	Muhammad Asim Mumtaz	590	541	49	633	-do-
- Suzuki Cultus	Muhammad Qaiser	590	374	216	506	-do-
- Suzuki Mehran	Muhammad Basit Ali	394	26	368	437	-do-
- Suzuki Mehran	Sajid Ansar	497	488	9	468	-do-
- Honda City	Akhtar ali	880	880	-	870	-do-
- Suzuki Cultus	M. Asim Mumtaz	550	550	-	517	-do-
- Suzuki Cultus	Abdul Qadoos	590	580	10	531	-do-
- Suzuki Mehran	Sajid Mahmood Siddiqui	1	1	-	403	-do-
- Suzuki Cultus	Syed Yasir Hussain Shah	1	1	-	767	-do-
- Suzuki Cultus	Khurram Ayub	489	-	489	605	-do-
- Suzuki Alto	Jawad Tariq	358	-	358	553	-do-
Electrical Fittings						
- Electric Generator	Ali Khanzada	65	11	54	37	Employee
	2013	**7,057**	**5,445**	**1,612**	**9,405**	
	2012	17,791	10,609	7,182	16,549	

		2013	2012
		(Rupees in thousand)	
5.3	**Capital work in progress includes following**		
	Building	-	3,482
	Plant and machinery	1,401	461
	Electric installation	-	271
	Furniture and fixture	-	109
		1,401	4,323

5.4 The company basis its valuation of operating assets susceptible to impairment based on valuations being performed by independent valuators at regular intervals as detailed in note 21

5.5 Had these revaluations not been carried out, the net book value of freehold land and leasehold land, buildings on free hold and leasehold land and plant and machinery would have been as follows:

		Note	2013	2012
			(Rupees in thousand)	
	Freehold land		70,856	70,856
	Leasehold land		950	1,041
	Buildings on freehold land		162,485	162,966
	Buildings on leasehold land		9,367	9,860
	Plant and machinery		130,989	150,787
			374,647	395,510
5.6	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	30.1	51,163	55,183
	Distribution costs	31	5,604	7,959
	Administrative expenses	32	6,342	5,075
			63,109	68,217
6.	**Intangibles**			
	Computer software - in progress	6.1	15,513	14,513
	Goodwill	6.2	36,750	40,750
			52,263	55,263

	2013	2012
	(Rupees in thousand)	
6.1 Computer software - in progress		
Balance as at 01 July	14,513	13,513
Addition during the year	1,000	1,000
Less: Amortization during the year		
Balance as at 30 June	15,513	14,513

It represents expenditure incurred on acquiring and implementing Enterprise Resource Planning (ERP) software.

	Note	2013	2012
		(Rupees in thousand)	
6.2 Goodwill			
Packaging Ink Business		16,750	16,750
Less: Impairment charged		(4,000)	-
	6.2.1	12,750	16,750
Powder Coating Business	6.2.2	24,000	24,000
		36,750	40,750

6.2.1 This goodwill represents excess of purchase consideration paid by the Company for acquisition of the Packaging Inks business unit of an ink manufacturing company (the seller) over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. For impairment testing, the recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 11.50%. Impairment on goodwill has arisen primarily because of lower than expected growth in sales and lower gross margins. The calculation of value in use is sensitive to discount rate and local inflation rates.

6.2.2 This goodwill represents excess of purchase consideration paid by the Company for acquisition of the Powder Coating business unit of an ink manufacturing company (the seller) over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. For impairment testing, the recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 11.50%. The calculation of value in use is sensitive to discount rate and local inflation rates.

7. LONG TERM INVESTMENTS IN RELATED PARTIES - AT COST

(Subsidiaries and an associate)

No. of shares - ordinary 2013	No. of shares - ordinary 2012	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2013	2012
							(Rupees in thousand)	
(i) Subsidiary companies - unlisted								
765,000	765,000	Berger DPI (Private) Limited	Pakistan	June 30, 2012	51	10	2,550	2,550
676,020	676,020	Berdex Construction Chemicals (Private) Limited	Pakistan	June 30, 2012	51.96	10	5,510	5,510
		Less: Provision for impairment					(5,510)	(5,510)
							-	-
							2,550	2,550
(ii) Associate - listed								
273,600	273,600	Buxly Paints Limited	Pakistan	June 30, 2012	19	10	10,397	10,397
		Less: Provision for impairment					(8,861)	(8,861)
							1,536	1,536
							4,086	4,086

8. LONG TERM LOANS

	Note	2013	2012
		(Rupees in thousand)	
Considered good- secured			
Due from employees	8.1	32,867	20,180
Less: Current portion shown under current assets	14	(12,028)	(4,743)
		20,839	15,437

8.1 These represent interest free loans provided to the employees of the company in accordance with the terms of their employment, under a scheme for the purchase of motor vehicles, motor cycles and CNG kits. These loans are secured by way of retention of title documents of the respective assets in the name of the company except for those vehicles which have been refinanced under Ijarah financing. The outstanding amount at the end of the year is recoverable over a period of five to eight years. These loans have not been discounted to their present value as the financial impact thereof is not material.

8.2 Maximum aggregate balance due from employees at the end of any month during the year was Rs 33.149 million (2012: Rs 21.609 million).

9. LONG TERM DEPOSITS

	2013	2012
	(Rupees in thousand)	
Considered good	16,284	19,263
Considered doubtful	4,841	3,552
	21,125	22,815
Less: Provision for doubtful balances	(4,841)	(3,552)
	16,284	19,263

	Note	2013	2012
		(Rupees in thousand)	

10. DEFERRED TAXATION

Deferred tax asset comprises of temporary differences relating to:			
Accelerated tax depreciation		(75,918)	(63,746)
Provision for doubtful debts and long term deposits		43,351	27,722
Provision for slow moving stock in trade		33,645	10,302
Un-used tax losses, tax credits and minimum tax		161,823	202,407
		162,901	176,685

Deferred tax asset on tax losses available for carry forward are recognized to the extent it is probable that future taxable profits would be available against which these unused tax losses would be utilized. Deferred tax recognized on minimum tax paid under section 113 of the Income Tax Ordinance, 2001 would expire in tax year 2015 uptill 2018.

	Note	2013	2012
		(Rupees in thousand)	

11. STORES

In hand		6,952	10,778

Stores and spares include items that are of capital nature but are not distinguishable.

12. STOCK IN TRADE

Raw and packing materials			
- in hand		485,317	504,053
- in transit		84,911	65,369
		570,228	569,422
Semi processed goods		113,020	119,707
Finished goods	12.1	291,622	313,379
		974,870	1,002,508
Provision for slow moving and obsolete stocks			
- Raw material		(84,000)	-
- Finished goods		(14,955)	(14,627)
		(98,955)	(14,627)
		875,915	987,881

12.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounted to Rs 4.783 million (2012: Rs 2.413 million). Included in finished goods stock are color bank machines costing Rs 10.086 million (2012: Rs. 10.086 million).

13. TRADE DEBTS

	Note	2013 (Rupees in thousand)	2012
Unsecured			
Considered good			
- from related parties	13.1	53,082	66,639
- others		774,306	627,626
		827,388	694,265
Considered doubtful – others		122,661	75,654
		950,049	769,919
Less: Provision for doubtful debts	13.2	(122,661)	(75,654)
		827,388	694,265

13.1 Trade debts include the following amounts due from the following related parties:

	Note	2013	2012
Berdex Construction Chemicals (Private) Limited - subsidiary	13.1.1	-	8,370
Dadex Eternit Limited - an associated undertaking		62	-
Berger DPI (Private) Limited - subsidiary		185	27,162
Buxly Paints Limited - an associated undertaking		38,898	31,107
Berger Road Safety (Private) Limited - subsidiary of Berger DPI (Private) Limited		13,937	-
		53,082	66,639

13.1.1 During the year, the company through an asset purchase agreement:

- purchased gross receivables and assets worth Rs 21.7 million from Berdex Construction Chemicals (Private) Limited alongwith provision of Rs 10.32 million. The consideration for this purchase was Rs 6.7 million to be adjusted against net receivable of Rs 6.37 million in the books of company.

13.1.2 During the year, the company through an asset purchase agreement:

- purchased gross receivables worth Rs 16.7 million from Buxly Paints Limited alongwith provision of Rs 14.4 million. The consideration for this purchase was Rs 2.3 million to be adjusted against receivable of Rs 2.3 million in the books of company.

13.2 The movement in provision for doubtful debts for the year is as follows:

	Note	2013 (Rupees in thousand)	2012
Balance as at 01 July		75,654	66,342
Provision for the year - net of recoveries	31	22,286	10,000
Provision - Buxly and Berdex	13.1.1&.2	24,721	-
Bad debts written off		-	(688)
Balance as at 30 June		122,661	75,654

	Note	2013	2012
		(Rupees in thousand)	

14. LOANS AND ADVANCES

	Note	2013	2012
Current portion of long-term loans - considered good			
Due from employees	8	12,028	4,743
Advances - unsecured, considered good			
Employees		2,027	1,549
Suppliers		42,968	36,472
		44,995	38,021
		57,023	42,764

15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2013	2012
Trade deposits - security deposits	5,800	9,833
Short term prepayments	7,924	2,821
	13,724	12,654

16. OTHER RECEIVABLES

	Note	2013	2012
Receivable from related parties	16.1	10,758	16,840
Receivable against color bank machines		10,231	11,069
Export rebate		14,809	10,284
Margin against letters of guarantee		2,182	1,073
Accrued income		1,429	758
Advance against expenses		2,604	3,584
Others		843	1,474
		42,856	45,082

16.1 This includes amount due from the following:

	2013	2012
Berger DPI (Private) Limited - a subsidiary	237	579
Buxly Paints Limited - an associated undertaking	6,565	9,556
Berger Road Safety (Private) Limited - subsidiary of Berger DPI (Private) Limited	3,956	6,705
	10,758	16,840

16.1.1 This represents amounts receivable from these companies for reimbursement of expenses and sharing of common expenses under normal business trade as per the terms mutually agreed.

	Note	2013	2012
		(Rupees in thousand)	
17. SHORT TERM INVESTMENTS	17.1	18,883	20,080

17.1 This represents term deposit receipts under lien with commercial banks against letter of guarantee, maturing up to one year and carrying mark-up rates ranging from 5 to 11 percent per annum (2012: 10 to 11 percent).

	Note	2013	2012
		(Rupees in thousand)	
18. CASH AND BANK BALANCES			
With banks:			
In current accounts		112,673	135,391
In deposit accounts	18.1	23,952	7,299
Cheques in hand	18.2	80,000	-
Cash in hand		720	1,323
		217,345	144,013

18.1 This balance is under lien with commercial banks against letter of guarantee, carrying mark-up rates ranging from 5 to 11 percent per annum (2012: 5 to 11.5 percent per annum).

18.2 These include cheques received from a distributor at year end.

19. SHARE CAPITAL

2013	2012		2013	2012
(Number of shares)			(Rupees in thousand)	
		Authorised share capital		
25,000,000	25,000,000	Ordinary shares of Rs 10 each	250,000	250,000
		Issued, subscribed and paid-up share capital		
12,135,798	12,135,798	Ordinary shares of Rs 10 each fully paid up in cash	121,358	121,358
6,050,611	6,050,611	Ordinary share of Rs 10 each issued as bonus shares	60,506	60,506
18,186,409	18,186,409		181,864	1 81,864

19.1 Slotrapid Limited B. V. I. (the holding company) and their nominees held 9,466,057 (2012: 9,466,057) ordinary shares of Rs 10 each representing 52.05 percent (2012: 52.05 percent) of the ordinary paid up capital of the company.

	Note	2013	2012
		(Rupees in thousand)	

20. RESERVES

Capital reserve			
Share premium reserve		56,819	56,819
Revenue reserve			
General reserve		285,000	285,000
Accumulated Loss		(61,085)	(122,512)
		223,915	162,488
		280,734	219,307

21. SURPLUS ON REVALUATION OF FIXED ASSET - NET OF TAX

Net surplus as at 01 July		187,720	201,754
Gross surplus			
Transfer to unappropriated profit as a result of incremental depreciation charged during the current year - net of deffered tax		(1,409)	(14,034)
		186,311	187,720
Related deferred tax liability			
As at 01 July		-	(3,757)
On transfer to unappropriated profit as a result of incremental depreciation charged during the current year		-	3,757
		-	-
Net surplus as at 30 June		186,311	187,720

During the year ended 30 June 1988, Iqbal A. Nanjee and Co. Valuation Consultants, carried out revaluations of leasehold land, building on leasehold land and plant and machinery as of 31 March 1988, which resulted in an aggregate surplus on revaluation of Rs 45.642 million thereon over cost. A similar exercise was subsequently carried out during the year ended 30 June 2004 by the same valuation consultants to revalue freehold and leasehold land, buildings on freehold land and leasehold land and plant and machinery as of 01 July 2003, which resulted in yet another surplus on revaluation of Rs 182.369 million thereon over their net book value. Revaluation carried out on 30 June 2009 resulted in a surplus of Rs 374.806 million on freehold land and leasehold land and a deficit of Rs 25.188 million on buildings on freehold and leasehold land.

During the year ended 30 June 2010, the company revalued all its freehold and leasehold land, buildings on freehold land and leasehold land and plant and machinery. This revaluation resulted in a surplus of Rs 74.635 million on freehold land, buildings on freehold land and plant and machinery and a deficit of Rs 109.574 million on leasehold land, buildings on leasehold land over their respective net book values. The company's leasehold land and building in Karachi were revalued by Anjum Asim Associates and Co., Valuation Consultants while land and buildings at Lahore plant, Kot Lakhpat building and Islamabad warehouse were revalued by Harvester Enterprises and Co., Valuation Consultants. Plant and machinery were revalued by Iqbal A. Nanjee and Co. Valuation Consultants.

22. LONG TERM FINANCING

	Note	2013	2012
		(Rupees in thousand)	
Secured			
- JS Bank Limited	22.1	40,000	120,000
- Habib Bank Limited	22.2	75,000	100,000
		115,000	220,000
Less: Current maturity shown under current liabilities		(65,000)	(105,000)
		50,000	115,000

22.1 This represents a long term loan from a commercial bank of Rs 200 million. The facility is secured against an equitable mortgage of Rs 267 million on land and building of Lahore factory of the company. Mark-up is payable quarterly and charged at the rate of three month's KIBOR plus 2.5 % per annum. The balance is repayable in 2 equal quarterly installments of Rs. 20 million each. The above facility carries mark-up ranging between 11.94% and 14.45% (2012: 14.41% and 16.04%) per annum.

22.2 This represents a long term loan from a commercial bank of Rs 125 million. This facility is secured against hypothecation charge over plant and machinery of the company. Mark-up is payable quarterly and charged at the rate of one month's KIBOR plus 2.0% per annum. The balance is repayable in 12 equal quarterly installments of Rs 6.25 million each. The above facility carries mark-up ranging between 11.33% and 13.95% (2012: 13.91% and 15.54%) per annum.

	Note	2013	2012
		(Rupees in thousand)	

23. STAFF RETIREMENT BENEFITS

	Note	2013	2012
Defined benefit plan			
Staff Pension	23.2	13,724	8,556
Staff Gratuity	23.2	37,863	30,521
		51,587	39,077
Other long term employee benefits			
Accumulating compensated absences	23.11	9,105	8,788
		60,692	47,865

Defined benefit plan

As mentioned in note 3.17, the company operates an approved funded gratuity and pension schemes for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at 30 June 2013. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2013	2012
Valuation discount rate	10%	13%
Expected rate of increase in salary level	9%	12%
Rate of return on plan assets	13%	14%

23.1 The disclosures made in notes 24.2 to 24.6 and 24.8 to 24.10 are based on the information included in the actuarial valuation as of 30 June 2013.

	2013		2012	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
23.2 Balance sheet reconciliation				
Present value of defined benefit obligation	48,585	37,904	41,501	30,557
Fair value of plan assets	(34,861)	(41)	(32,945)	(36)
	13,724	37,863	8,556	30,521
23.3 Movement in the fair value of plan assets is as follows:				
Fair value as at 01 July	32,945	36	23,483	893
Expected return on plan assets	4,283	5	3,288	125
Actuarial losses	(1,063)	(8)	(1,901)	(125)
Company's contribution	-	2,300	633	2,062
Employee contribution		-	792	-
Benefits paid	(1,304)	(2,292)	(1,350)	(2,919)
Amount transferred from/(to) company during the year	-	-	8,000	-
Fair value as at 30 June	34,861	41	32,945	36
23.4 Movement in defined benefit obligation is as follows:				
Obligation as at 01 July	41,501	30,557	38,097	26,351
Service cost	4,890	5,926	4,031	5,598
Interest cost	5,395	3,972	5,334	3,689
Benefits paid	(1,304)	(2,292)	(1,350)	(2,919)
Actuarial (gains)/loss	(1,897)	(259)	(4,611)	(2,162)
Obligation as at 30 June	48,585	37,904	41,501	30,557
23.5 Charge for the year				
Current service cost	4,890	5,926	4,031	5,598
Interest cost	5,395	3,972	5,334	3,689
Expected return on plan assets	(4,283)	(5)	(3,288)	(125)
Recognition of actuarial (gains) / losses	(834)	(251)	(2,710)	(2,037)
Employee contribution	(927)	-	(792)	-
Expense	4,241	9,642	2,575	7,125
Actual return on plan assets	3,220	(3)	1,387	-

	2013		2012	
	Pension	Gratuity	Pension	Gratuity
		(Rupees in thousand)		
23.6 Movement in net liability in the balance sheet is as follows:				
Net liability as at 01 July	8,556	30,521	14,614	25,458
Charge for the year	4,241	9,642	2,575	7,125
Company's contribution	-	(2,300)	(633)	(2,062)
Employees' contribution deducted not paid	927	-	-	-
Amount transferred (from)/to company	-	-	(8,000)	-
Net liability as at 30 June	13,724	37,863	8,556	30,521
23.7 The charge for the year has been allocated as follows:				
Cost of sales	2,120	4,821	1,287	3,563
Distribution costs	1,739	3,953	1,056	2,921
Administrative expenses	382	868	232	641
	4,241	9,642	2,575	7,125

23.8 Amounts for the current period and previous four annual periods of the fair value of plan assets, present value of defined benefit obligation and surplus arising thereon is as follows:

	2013	2012	2011	2010	2009
			(Rupees in thousand)		
As at 30 June					
Present value of defined benefit obligation	86,489	72,058	64,448	57,457	53,071
Fair value of plan assets	(34,902)	(32,981)	(24,376)	32,077	(33,550)
Deficit	51,587	39,077	40,072	89,534	19,521
Experience adjustment:					
Gain on obligations	(2,156)	(6,773)	(3602)	(1,828)	(10,542)
Loss on plan assets	(1,071)	(2,026)	(1075)	(5,270)	(2,371)

	2013		2012	
	Pension	Gratuity	Pension	Gratuity
		(Rupees in thousand)		
23.9 Plan assets comprise the following:				
Defence Saving Certificates	8,550	-	7,800	-
Term deposits	10,011	-	3,068	-
Cash	374	41	8,694	36
Term Finance Certificate	3,878	-	13,383	-
Cash management Optimizer	12,048	-	-	-
	34,861	41	32,945	36

23.10 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

23.11 Movement in accumulated compensated absences

	2013	2012
	(Rupees in thousand)	
Balance as at 01 July	8,788	7,280
Provision during the year	6,864	4,661
Payments made during the year	(6,547)	(3,153)
Balance as at 30 June	9,105	8,788

24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The minimum lease payments have been discounted at an implicit interest rate of 13.96 % to 15.40% to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

	2013			2012
	Minimum lease payments	Future finance cost	Present value of lease liability	Present value of lease liability
	(---------Rupeesin thousand-------)			
Not later than one year	2,800	709	2,091	1,883
Later than one year but not later than five years	6,204	621	5,583	7,675
	9,004	1,330	7,674	9,558

25. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees in thousand)	
Trade payables		391,760	580,043
Bills payable		342,327	301,165
Accrued expenses		20,977	11,504
Unclaimed dividend		2,305	2,306
Provision for infrastructure cess	25.1	24,048	19,334
Advances from customers		11,912	25,834
Workers' Profits Participation Fund	25.2	8,972	3,278
Workers' Welfare Fund		12,256	10,254
Sales tax & special excise duty payable		44,921	11,941
Royalty payable to related parties	25.3	57,583	93,659
Royalty and technical fee payable		17,799	12,256
Others		18,016	24,869
		952,876	1,096,443

	Note	2013	2012
		(Rupees in thousand)	

25.1 The movement in provision for infrastructure cess for the year is as follows:

	Note	2013	2012
Balance as at 01 July		19,334	46,465
Provision for the year		4,714	2,254
Payments during the period		-	(17,079)
Provision reversed during the year		-	(12,306)
Balance as at 30 June		24,048	19,334

25.2 Workers' Profits Participation Fund

	Note	2013	2012
Balance as at 01 July		3,278	2,853
Allocation for the year	34	5,268	-
Interest on funds utilized in the company's business	35	426	425
		8,972	3,278
Less: Amount paid to workers during the year on behalf of the Fund		-	-
Balance as at 30 June		8,972	3,278

25.3 This includes amount due to the following:

	Note	2013	2012
Slotrapid Limited B.V.I.		54,023	90,888
Buxly Paints Limited		3,560	2,771
		57,583	93,659

26. ACCRUED FINANCE COST

	Note	2013	2012
Mark-up accrued on secured			
Long term financing		2,580	3,658
Short term financing		5,942	2,063
Short term running finances		28,959	35,287
		37,481	41,008

27. SHORT TERM BORROWINGS

	Note	2013	2012
Short term financing	27.1	144,000	60,000
Short term running finances	27.2	1,071,798	940,696
		1,215,798	1,000,696

27.1 Short term financing - secured

The facilities for short term financing (Morabaha) have been arranged from commercial banks amounting to Rs 160 Million. Out of this Rs 100 million is available against new Morabaha facility. The facility from First National Bank Modaraba of Rs 60 million (2012: 60 million) is secured against first pari passu charge of Rs 80 million on all the present and future current assets of the Company, ranking charge of Rs 80 million on movable fixed assets with 25% margin and post dated cheques of each morabaha. This facility carries mark-up ranging between 11.69% and 14.31% (2012: 14.12% and 16.23%) per annum, payable quarterly.

The facility from Al Baraka Islamic Bank Limited of Rs 100 million, outstanding amount of Rs 84 million (2012: Nil), is secured against first exclusive mortgage charge of 4.04 kanal industrial property (including land and building) of the company situated at 36 Industrial estate Kot Lakhpat, Lahore with 30% margin. First exclusive equitable mortgage charge of 333.33 sq yards sector 1-10/3 industrial area Islamabad with 30% margin, title to import documents and 10 % L/C cash margin. This facility carries mark-up ranging between 12.43% and 13.45% (2012: Nil) per annum, payable quarterly.

27.2 Short term running finances - secured

The company has arranged facilities for short term running finance from various banks on mark-up basis to the extent of Rs 967 million (2012: Rs 1,022 million). These arrangements are secured against first joint hypothecation charge over the company's stocks and receivables and carries mark-up ranging between 11.19% and 14.70% (2012: 13.91% and 16.29%) per annum, payable quarterly.

27.3 Unavailed credit facilities

The facilities for opening of letters of credits and guarantees as at 30 June 2013 amounted to Rs 985 million (2012: Rs 985) of which the remaining unutilized amount as of that date was Rs 514.478 million (2012: Rs 200.75 million).

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

- Claims against the company not acknowledged as debts Rs 9.206 million (2012: Rs 9.206 million) other than disclosed below.

- In previous years the company filed a suit against an ex-distributor (the distributor) in the High Court of Sindh (the court) for recovery of Rs 8.882 million and damages amounting to Rs 5 million on account of unpaid credit invoices for the products supplied by it to the distributor. However, the distributor in return also filed a counter claim of Rs 78.153 million against the company in the court on account of damages and compensation. As the management of the company, based on the advice of its legal counsel handling the case, is confident that the outcome of this suit will be decided in the favour of the company, therefore no provision has been made in this respect in these financial statements.
- The company has challenged an order from Environmental Protection Agency, Punjab (EPA) and case is pending before Environmental Protection Tribunal, Punjab. The company has also been granted stay order by the Lahore High Court against any adverse action from EPA. Based on legal opinion, management is confident that the matter will be decided in favour of the company.

- The Sindh High Court (the Court) in the case of 'Kasim Textile' in its order of 7 May, 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a company has assessed losses on which no tax is payable, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the

Company is not entitled to carry forward minimum tax paid in the tax year 2010 to 2012 of Rs 87.685 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those would also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly tax liability for the current year has been made on the basis of minimum tax.

28.2 Commitments

- Outstanding letters of credit as at 30 June 2013 amounted to Rs 167.506 million (2012: Rs 275.701 million).

- Outstanding letters of guarantees as at 30 June 2013 amounted to Rs 38.403 million (2012: Rs 23.520 million).

- The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	Note	2013	2012
		(Rupees in thousand)	
Not later than one year		11,244	9,728
Later than one year and not later than five years		16,976	17,297
		28,220	27,025

29 SALES - NET

	Note	2013	2012
Gross Sales			
- Local		4,891,063	4,817,634
- Exports		213,922	211,660
		5,104,985	5,029,294
Less: Discounts		(260,815)	(315,178)
Sales tax		(676,867)	(662,107)
		4,167,303	4,052,009

30. COST OF SALES

	Note	2013	2012
Finished goods as at 01 July		313,379	328,226
Cost of goods manufactured	30.1	3,216,845	3,119,466
Purchases		-	113,615
Provision against slowing moving finished goods		328	5,662
Less: Finished goods as at 30 June		(291,622)	(313,379)
Cost of sales		3,238,930	3,253,590

30.1 Cost of goods manufactured

	Note	2013	2012
		(Rupees in thousand)	
Raw and packing materials consumed including provision for slow moving of Rs 84 million (2012: Nil)		2,922,817	2,856,313
Stores consumed		6,394	6,001
Salaries, wages and other benefits	30.1.1	60,765	43,147
Travelling and conveyance		7,691	5,876
Fuel, water and power		71,350	57,030
Legal and professional fee		3,111	1,414
Rent, rates and taxes		389	552
Insurance		7,423	8,847
Repairs and maintenance		18,152	21,450
Contracted services		48,734	50,658
Depreciation	5.6	51,163	55,183
Ijarah lease rentals		1,785	3,152
Printing and stationery		1,082	1,283
Communication		511	238
Other expenses		8,791	4,721
		3,210,158	3,115,865
Opening stock of semi-processed goods		119,707	123,308
Closing stock of semi-processed goods		(113,020)	(119,707)
Cost of goods manufactured		3,216,845	3,119,466

30.1.1 Salaries, wages and benefits include Rs 12.43 million (2012: Rs 10.37) in respect of employee retirement benefits.

31 DISTRIBUTION COSTS

	Note	2013	2012
Salaries, wages and other benefits	31.1	132,612	124,167
Travelling and conveyance		38,871	34,372
Rent, rates and taxes		11,773	15,194
Insurance		5,501	2,341
Fuel, water and power		2,346	2,820
Advertising and sales promotion		193,177	186,763
Technical services and royalty fee		37,910	36,116
Freight and handling		85,786	91,591
Repairs and maintenance		671	775
Contracted services		12,595	5,227
Depreciation	5.6	5,604	7,959
Ijarah lease rentals		7,491	3,127
Provision for doubtful debts - net of recoveries	13.2	47,007	10,000
Bad debts directly written off		1,633	1,142
Printing and stationery		2,062	1,434
Legal and professional		1,402	2,482
Communication		4,934	4,944
Other expenses		3,748	3,674
		595,123	534,128

31.1 Salaries, wages and benefits include Rs 12.89 million (2012: Rs 7.76) in respect of employee retirement benefits.

	Note	2013	2012
		(Rupees in thousand)	

32. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, wages and other benefits	32.1	68,612	74,108
Travelling and conveyance		12,931	10,285
Rent, rates and taxes		4,515	3,827
Insurance		4,362	5,059
Auditors' remuneration	32.2	1,465	1,400
Fuel, water and power		3,350	2,387
Repairs and maintenance		2,561	3,665
Contracted services		17,594	9,427
Depreciation	5.6	6,342	5,075
Ijarah lease rentals		2,340	827
Printing and stationery		2,362	2,678
Legal and professional		7,653	12,837
Communication		2,686	2,141
Directors' fee		1,750	1,700
Others		15,218	8,456
		153,741	143,872

32.1 Salaries, wages and benefits include Rs 4.061 million (2012: Rs 4.45) in respect of employee retirement benefits.

32.2 Auditors' remuneration

	2013	2012
	(Rupees in thousand)	
Audit fee	1,000	1,000
Special certifications and half yearly review	325	325
Out of pocket expenses	140	75
	1,465	1,400

33. OTHER OPERATING INCOME

	2013	2012
Sale of scrap	6,947	11,545
Gain on disposal of fixed assets	7,793	9,367
Rental income and other services charged to related parties	3,800	7,569
Toll manufacturing income	6,258	4,368
Export rebate	4,525	4,458
Liabilities no longer payable written back	4,122	23,877
Insurance claim	11,088	9,420
Mark-up on term deposit receipts	3,278	1,022
Late payment charges from a related party	710	1,206
Others	29,833	14,696
Exchange Gain	18,890	-
	97,244	87,528

		Note	2013	2012
			(Rupees in thousand)	
34.	**OTHER CHARGES**			
	Exchange loss		-	6,868
	Provision for impairment on long term investments		-	1,482
	Impairment on goodwill		4,000	-
	Workers' Welfare Fund		2,002	915
	Workers' Participation fund	25.2	5,268	-
			11,270	9,265
35.	**FINANCE COST**			
	Mark up on:			
	Long term financing		22,033	41,934
	Short term financing		16,275	9,874
	Short term running finances		119,793	146,348
	Finance cost on leases		1,492	686
	Interest on workers profit participation fund	25.2	426	425
	Bank charges		4,096	6,495
			164,115	205,762
36.	**TAXATION**			
	Current			
	- For the year		27,566	45,244
	- For prior years		-	3,115
	Deferred			
	- For current years		13,784	(45,000)
			41,350	3,359

Given that the company has carry forward tax losses, the current tax provision represents tax under 'Final tax regime' and minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. As at 30 June 2013, the company has assessed tax losses available for carry forward amounting to Rs 160.833 million (2012: Rs 420.278 million) including tax depreciation losses of Rs 160.833 million (2012: Rs 325.271). Minimum tax is available for set off for five years against normal tax liabilities arising in future years.

Tax under' Final Tax Regime' (FTR) represents tax on exports and finished goods imported for onward sale. FTR is treated as a full and final discharge and not to be set off against normal tax liabilities arising in future years. Current tax includes tax under FTR amounting to Rs 8.263 million (2012: Rs 7.797 million).

Since the Company is liable to pay minimum tax, therefore no numerical tax reconciliation is given.

		2013	2012
		(Rupees in thousand)	

37. EARNINGS PER SHARE - BASIC AND DILUTED

	2013	2012
Profit/(Loss) after taxation	60,018	(10,439)
	Number of shares	
Weighted average number of shares outstanding during the year	18,186,409	18,186,409
	(Rupees)	
Profit/(Loss) per share	3.30	(0.57)

37.1 No figure for diluted earnings per share has been presented as the company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

38. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		(Rupees in thousand)	
Cash and bank balances	18	217,345	144,013
Short-term running finance	27.2	(1,071,798)	(940,696)
		(854,453)	(796,683)

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	Executives	Non-Executive Directors	Chief Executive	Executives	Non-Executive Directors
	(-------------------- Rupees in thousand					--------------------)
Managerial remuneration (including bonus)	120	41,173	-	105	36,709	-
Retirement benefits	-	21,644	-	-	22,998	-
Housing rent	-	18,070	-	-	15,904	-
Utilities	-	3,812	-	-	3,261	-
Medical expenses	492	1,763	-	937	1,111	-
	612	86,462	-	1,042	79,983	-
Number of persons	1	38	6	1	43	6

39.1 In addition to above, six (2012: Six) non-executive directors were paid fee aggregating Rs 1.75 million (2012: Rs 1.70 million).

39.2 The chief executive and certain other executives of the company are provided with free use of company cars while the chief executive is provided boarding and lodging in the company's guest house.

39.3 The Company has employed following number of persons:

	2013	2012
	(Number of persons)	
- As at 30 June	462	455
- Average number of employees	459	428

39.4 The Company has set up provident fund for its permanent employees. The total charge against provident fund for the year was Rs 8.607 million (2012: Rs 7.630 million). The net assets based on un-audited financial statements of provident fund for the year ended 31 December 2012 amounts to Rs 148.62 million (2011: Rs 113.892 million) out of which 91% (2011: 95%) was invested in term deposit receipts and defence saving certificates. The fair value of investments of provident fund was Rs 126.18 million (2011: Rs 107.07 million) and the cost of the investment was Rs 85.5 million (2012: Rs 85.5 million). The above investments out of provident fund have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

40. TRANSACTIONS WITH RELATED PARTIES

The related parties of the company comprise subsidiaries, associated undertakings, employees' gratuity fund, employees' pension fund, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, remuneration of executives and the chief executive are disclosed in the relevant notes.

There have been no guarantees provided or received for any related party receivables or payables. Other material transactions with related parties are given below:

Relation with undertaking	Nature of transaction	2013	2012
		(Rupees in thousand)	
Holding company			
- Slotrapid Limited B.V.I.	Royalty expense	28,602	28,148
Subsidiary			
- Berger DPI (Private) Limited	Sales	160	399
	Rental income and other services charged	95	350
- Berdex Construction Chemicals (Private) Limited	Sales	-	1,189
	Commission expense	1,766	2,082
- Berger Road Safety (Private) Limited	Sales	53,813	40,084
	Rental income and other services charged	3,678	3,611
Associated undertaking			
- Buxly Paints Limited	Sales	107,114	91,953
	Rental income and other services charged	3,851	3,608
	Toll manufacturing income	6,258	4,368
	Royalty expense	789	599
	Rental expense	800	150
- Dadex Eternit Limited	Sales	344	27
	Purchases	-	71
Remuneration of key management personnel		Note 39	

The related party status of outstanding balances as at 30 June 2013 are included in trade debts (note 13.1), other receivables (note 16.1) and trade and other payables (note 25.3) respectively.

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors on specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within such parameters.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is exposed to currency risk arising from various currency exposures, primarily with respect to the Euro, United Kingdom Sterling (UKP), United States Dollar (USD) and Japanese Yen (JPY). Currently, the company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to foreign entities. The company's exposure to foreign exchange risk is as follows:

	2013	2012
	(In thousand)	
Trade and other payables - Euro	-	(21)
Net exposure - Euro	-	(21)
Trade and other payables - UKP	-	(10)
Net exposure - UKP	-	(10)
Trade and other payables - USD	(2,304)	(2,499)
Net exposure - USD	(2,304)	(2,499)
Trade and other payables - JPY	(22,905)	(51,970)
Net exposure - JPY	(22,905)	(51,970)

The following significant exchange rates were applied during the year:

	2013	2012
	(In thousand)	
Rupees per Euro		
Average rate	125.38	118.55
Reporting date rate	130.18	118.50
Rupees per UKP		
Average rate	151.78	140.22
Reporting date rate	151.80	147.07
Rupees per USD		
Average rate	96.86	88.50
Reporting date rate	99.66	94.20
Rupees per JPY		
Average rate	1.11	1.13
Reporting date rate	1.01	1.19

If the functional currency, at reporting date, had fluctuated by 5% against the Euro, UKP, USD and JPY with all other variables held constant, the impact on profit after taxation for the year would have been Rs 12.63 million (2012: Rs 15.058 million) lower/higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Foreign exchange risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The company is not exposed to equity price risk since the investment held by the company in subsidiaries are unquoted and are not subject to fluctuations in market prices. Moreover the equity instrument held by the company are not traded on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Karachi Stock Exchange (KSE). Therefore, it is not possible to measure the impact of increase / decrease in the KSE Index on the company's profit after taxation for the year.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company's interest rate risk arises from long term borrowings, short term borrowings and short term running finances. Borrowings obtained at variable rates expose the company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the company's interest bearing financial instruments was:

	2013	2012
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Bank balances - deposit accounts	23,952	7,299
Short term investments	18,883	20,080
Total exposure	42,835	27,379
Financial liabilities		
Floating rate instruments		
Long-term financing	115,000	220,000
Short-term financing	144,000	60,000
Short-term running finance	1,071,798	940,696
	1,330,798	1,220,696

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term financing, at the year end rate, fluctuate by 1% higher / lower with all the other variables held constant, profit after taxation for the year would have been Rs 0.220 million (2012: Rs 0.419 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk of the company arises from deposits with banks, trade debts, investments, loans and advances and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013	2012
	(Rupees in thousand)	
Long term investments	4,086	4,086
Loans to employees	32,867	20,180
Long term deposits	21,125	22,815
Trade debts	950,049	769,919
Trade deposits	5,800	9,833
Other receivables	28,047	34,798
Short term investments	18,883	20,080
Bank balances	216,625	142,690
	1,277,482	1,024,401

Credit risk of the company arises from deposits with banks and financial institutions and credit exposure to customers. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on the credit control procedures implemented by the management.

The age of financial assets and related impairment loss at balance sheet date is as follows:

The age of financial assets

	2013	2012
	(Rupees in thousand)	
Not past due	327,433	250,930
Past due but not Impaired:		
Not more than three months	626,765	572,123
More than three months and not more than six months	193,741	54,047
More than six months and not more than one year	6,882	32,700
Past due and Impaired:		
More than one year	122,661	114,601
	1,277,481	1,024,401

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	Rating Short term	Rating Long term	Rating Agency	2013	2012
				(Rupees in thousand)	
Oman International Bank Limited	A-2	BBB	JCR-VIS	458	444
Faysal Bank Limited	A1+	AA	PACRA & JCR	10,416	5,015
Bank Al Habib Limited	A1+	AA+	PACRA	21,103	235
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	43,063	28,748
United Bank Limited	A-1+	AA+	JCR-VIS	24,431	12,623
Habib Bank Limited	A-1+	AAA	JCR-VIS	29,735	44,310
MCB Bank Limited	A1+	AAA	PACRA	7,970	26,315
JS Bank Limited	A1	A	PACRA	18,302	25,000
Al-Barka Bank Limited	A-1	A	JCR-VIS	28	-
				155,506	142,690

(c) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages liquidity risk by maintaining funding through an adequate amount of committed credit facilities. At 30 June 2013, the company had Rs 16 million available unutilized borrowing limits from financial institutions and Rs. 217.245 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at 30 June 2013:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	115,000	65,000	50,000	-
Trade and other payables	952,876	952,876	-	-
Accrued finance cost	37,481	37,481	-	-
Short term borrowings	1,215,798	1,215,798	-	-
	2,321,155	2,271,155	50,000	-

The following are the contractual maturities of financial liabilities as at 30 June 2012:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	220,000	105,000	115,000	-
Trade and other payables	1,096,443	1,096,443	-	-
Accrued finance cost	41,008	41,008	-	-
Short term borrowings	1,000,696	1,000,696	-	-
	2,358,147	2,243,147	115,000	-

41.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

41.3 Financial instruments by category

	Loans and receivables	
	2013	2012
	(Rupees in thousand)	
Financial assets as per balance sheet		
Loans to employees	32,867	20,180
Long term deposits	21,125	22,815
Trade debts	950,049	769,919
Trade deposits	5,800	9,833
Other receivables	28,047	34,798
Short term investments	18,883	20,080
Cash and bank balances	217,345	144,013
	1,274,116	1,021,638

	Investments in subsidiaries and associate - at cost	
	2013	2012
	(Rupees in thousand)	
Financial assets as per balance sheet		
Long term investments (subsidiaries and an associate)	4,086	4,086

	Other financial liabilities 2013	2012
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term financing	115,000	220,000
Trade and other payables	952,876	1,096,443
Accrued finance cost	37,481	41,008
Short term borrowings	1,215,798	1,000,696
	2,321,155	2,358,147

41.4 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

The company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The gearing ratios as at 30 June 2013 and 2012 were as follows:

	2013	2012
	(Rupees in thousand)	
Total debt	1,330,798	1,220,696
Total equity	462,597	401,171
Total debt and equity	1,793,396	1,621,867
Gearing ratio	74.21%	75.26%

42. PRODUCTION CAPACITY

	2013	2012
	(Liters in thousand)	
Actual production	22,016	28,429

The capacity of the plant is indeterminable because it is a multi product plant involving varying processes of manufacturing. Actual production includes resin production of Rs 5.880 million liters (2012: 6.449 million liters) which is used in the manufacture of the final product.

43. OPERATING SEGMENTS

43.1 These financial statements have been prepared on the basis of single reportable segment.

43.2 Revenue from sale of paints represents 100% (2012: 100%) of the total revenue of the Company.

43.3 95.04% (2012: 95%) sales of the Company relates to customers in Pakistan.

43.4 All non-current assets of the Company as at 30 June 2013 are located in Pakistan.

44. EVENT AFTER BALANCE SHEET DATE

Dividend declared by the company after the balance sheet date amounts to Rs. 9,093,205 (Rs. 0.50 per share [2012: Nil]).

45. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison and better presentation as per reporting framework however, no significant re-arrangements have been made.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 20 September 2013 by the Board of Directors of the company.

47. GENERAL

Figures have been rounded off to the nearest thousand of rupee unless otherwise stated.

Chief Financial Officer **Chief Executive** **Director**

Notice of Annual General Meeting

Notice is hereby given that the 63rd Annual General Meeting of Berger Paints Pakistan Limited will be held on October 29, 2013 at 7:30 pm at the Overseas Investor Chamber of Commerce & Industries, Karachi. To transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts along with the Consolidated Financial Statements of the Company for the year ended June 30, 2013 together with the Directors Report and Auditors Reports thereon.
2. To appoint the Auditors of the Company and fix their remuneration for the financial year ending 2013-14. Board has recommended reappointing KPMG-Taseer Hadi & Co Chartered Accountants who being eligible offer themselves for re-appointment.
3. To approve the announced dividends in cash @5% i.e Rs. 0.5 per share of Rs. 10 each.

BY ORDER OF THE BOARD

Abdul Wahid Qureshi
Company Secretary

Karachi: 8 October 2013

Registered Office:
X-3, Manghopir Road
S.I.T.E. Karachi

NOTES:

1. The Share Transfer Books will remain closed from October 23, 2013 to October 29, 2013, both days inclusive and no transfer will be accepted during this period.
2. A member of the company entitled to attend the, speak and vote at this meeting may appoint another member as his/her proxy to attend , speak and vote on his behalf .
3. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by the securities and exchange commission of Pakistan .
   a) For Attending the Meeting:
      i. In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/ her identity by showing his/ her computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
      ii. In case of Corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
   b) For Appointing proxies:
      i. In case of individuals, the account holder or sub account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations shall submit the proxy form per the above requirement.
      ii. The proxy form shall be witnessed by two persons whose name, addresses and CNIC numbers shall be mentioned.
      iii. Attested copies of the CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.
      iv. The proxy shall produce his/ her original CNIC or original passport at the time of the meeting.
      v. In case of corporate entity, the Board of Directors; resolution/ power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
4. The Form of proxy to be valid must be properly filled in/ executed and received at the Company's Registered Office not later than 48 hours before the time of meeting.
5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.
6. Members who have not yet submitted photocopies of their Computerized National Identity Card (CNIC) are requested to send the same to our Share Registrar at the earliest.
7. Form of Proxy enclosed herewith.

Berger Paints Pakistan Limited
Consolidated Financial Statements
for the year ended 30 June 2013

Directors' Report

The directors of the holding company present their report together with the audited Consolidated Financial Statement for the year ended 30 June 2013.

	Rupees in thousand
Profit before taxation	108,868
Taxation	43,455
Profit after taxation	65,413
Minority interest	2,761
Net profit for the year attributable to the holding company	62,652

FINANCIAL STATMENTS

The audited accounts of the holding company for the year ended 30 June 2013 are annexed.

HOLDING COMPANY

The holding Company of Berger Paints Pakistan Limited is M/S Slotrapid Limited which is incorporated in the B.V.I.

PROFIT PER SHARE

The profit per share for the year is Rs. 3.45 [2012: Rs. (0.46)]

AUDITORS

The present auditors M/s KPMG Taseer Hadi & Co charted accountant shall stand retired and being eligible, have offered themselves for re-appointment.

CORPORATE GOVERNANCE

A statement of corporate financial reporting framework appears in the Directors' Report of the holding company is annexed.

OTHER INFORMATION

All relevant other information has been already disclosed in Directors' Report of the Holding Company.

ON BEHALF OF THE BOARD

Karachi
Date: 20 September 2013

Dr. Mahmood Ahmad
Chief Executive

KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed consolidated financial statements of Berger Paints Pakistan Limited (the holding company) and its subsidiary companies, Berger DPI (Private) Limited and Berdex Construction Chemicals (Private) Limited, comprising consolidated balance sheet as at 30 June 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Berger Paints Pakistan Limited. The financial statements of the subsidiary companies, Berger DPI (Private) Limited and Berdex Construction Chemicals (Private) Limited, were audited by another firm of chartered accountants, whose audit report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of other auditor. The Group share of income from associate of Rs. 0.24 million shown in the consolidated profit and loss account and note 7 to the consolidated financial statements is based on un-audited financial statements of the associate. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express our opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, except for the matter referred above, the consolidated financial statements present fairly the consolidated financial position of Berger Paints Pakistan Limited and its subsidiary companies as at 30 June 2013 and the consolidated results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

Lahore

Date: 20 September 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Consolidated Balance Sheet

As at 30 June 2013

	Note	2013	2012
		(Rupees in thousand)	
			Restated
Non-current assets			
Property, plant and equipment	5	595,982	635,819
Intangibles	6	52,263	55,263
Investment in an associate	7	2,311	2,552
Long term loans	8	20,839	15,437
Long term deposits	9	17,599	20,578
Deferred taxation	10	162,830	176,617
		851,824	906,266
Current assets			
Stores	11	6,952	10,778
Stock in trade	12	875,915	987,881
Trade debts	13	859,880	712,848
Loans and advances	14	57,693	43,362
Trade deposits and short term prepayments	15	14,224	13,343
Other receivables	16	41,169	42,037
Taxation - net		131,454	152,633
Short term investments	17	18,883	20,080
Cash and bank balances	18	222,943	148,128
		2,229,113	2,131,090
		3,080,937	3,037,356
Share capital and reserves			
Authorised share capital			
25,000,000 ordinary shares of Rs.10 each		250,000	250,000
Share capital	19	181,864	181,864
Reserves	20	297,177	233,116
		479,041	414,980
Non-controlling interest		17,551	14,790
		496,592	429,770
Advance against issue of share capital of subsidiary company		41	41
Surplus on revaluation of fixed assets - net of tax	21	186,311	187,720
Non-current liabilities			
Long-term financing	22	50,000	115,000
Staff retirement benefits	23	60,692	47,865
Liabilities against assets subject to finance lease	24	5,583	7,675
Current liabilities			
Trade and other payables	25	961,348	1,100,698
Accrued finance cost	26	37,481	41,008
Current maturity of long-term financing	22	65,000	105,000
Current maturity of liabilities against assets subject to finance lease	24	2,091	1,883
Short term borrowings	27	1,215,798	1,000,696
		2,281,718	2,249,285
Total liabilities		2,397,993	2,419,825
Contingencies and commitments	28		
		3,080,937	3,037,356

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Consolidated Profit and Loss Account

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in thousand)	
			Restated
Sales - net	29	4,210,557	4,082,478
Cost of sales	30	3,261,520	3,272,555
Gross profit		949,037	809,923
Distribution costs	31	602,645	543,132
Administrative expenses	32	154,621	142,861
		757,266	685,993
Operating profit		191,771	123,930
Other operating income	33	92,938	86,793
		284,709	210,723
Other charges	34	11,457	7,817
Finance cost	35	164,143	205,858
		175,600	213,675
Share of (loss)/profit of associate - net of tax		(241)	314
Profit/(Loss) before taxation		108,868	(2,638)
Taxation	36	43,455	5,760
Profit/(Loss) after taxation		65,413	(8,398)
Attributable to :			
Equity holders of the parent		62,652	(8,320)
Non-controlling interest		2,761	(78)
		Rupees	
Profit/(Loss) per share - basic and diluted	37	3.45	(0.46)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	2013	2012
	(Rupees in thousand)	
		Restated
Profit/(Loss) after taxation	65,413	(8,320)
Other comprehensive income for the year	-	-
Non-controlling interest	2,761	(78)
Total comprehensive income/(loss) for the year	68,174	(8,398)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Consolidated Cash Flow Statement

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in thousand)	
Cash generated from operations			
Profit/ (Loss) before taxation		108,868	(2,638)
Adjustments for non cash items :			
Depreciation on property, plant and equipment	5.6	63,709	68,971
Gain on disposal of property, pant and equipment	33	(7,793)	(9,367)
Provision against slow moving stock		84,328	5,662
Provision for doubtful debts	31	47,007	11,916
Provision for staff retirement benefits		16,085	12,772
Share of profit/(loss) in associate		241	(314)
Finance cost	35	164,143	205,858
Ijarah lease rentals		-	7,106
Liabilities no longer payable written back	33	5,217	25,080
Impairment on goodwill	6.2	4,000	-
Working capital changes		(321,486)	(46,023)
		164,319	279,023
Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		3,826	(2,204)
Stock-in-trade		27,638	110,478
Trade debts		(194,039)	(56,275)
Loans and advances		(14,331)	(15,269)
Trade deposits and short-term prepayments		(881)	(400)
Other receivables		868	(6,903)
		(176,919)	29,427
(Decrease) / increase in current liabilities:			
Trade and other payables		(144,567)	(75,450)
		(321,486)	(46,023)
Cash flow from operating activities			
Cash generated from operations		164,319	279,023
Finance cost paid		(167,670)	(213,310)
Income taxes - net		(8,489)	(61,564)
Staff retirement benefits paid		(3,258)	(12,259)
Long term loans		(5,402)	(386)
Long term deposits		2,979	(1,694)
Net cash outflow from operating activities		(17,521)	(10,190)
Cash flow from investing activities			
Capital expenditure		(25,721)	(14,846)
Addition in intangible assets		(1,000)	(1,000)
Sale proceeds on disposal of property, plant and equipment		9,642	16,549
Short term investments		1,197	(20,080)
Net cash outflow from investing activities		(15,882)	(19,377)
Cash flow from financing activities			
Long term financing repaid		(105,000)	(105,000)
Short term borrowings - net		84,000	(17,500)
Lease rentals paid		(1,884)	(8,694)
Net cash outflow from financing activities		(22,884)	(131,194)
Net decrease in cash and cash equivalents		(56,287)	(160,761)
Cash and cash equivalents at the beginning of the year		(792,568)	(631,807)
Cash and cash equivalents at the end of the year	38	(848,855)	(792,568)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Issued, subscribed and paid-up share capital	Capital Reserves Share premium	Revenue Reserves General reserve	Revenue Reserves Accumulated loss	Total equity attributable to shareholders of parent company	Non-controlling interest	Total share capital and reserves
	(Rupees in thousand)						
Balance as at 01 July 2011	181,864	56,819	285,000	(110,660)	413,023	14868	427,891
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	10,277	10,277	-	10,277
Total comprehensive loss for the year ended 30 June 2012 - Restated	-	-	-	(8,320)	(8,320)	(78)	(8,398)
Balance as at 30 June 2012 - Restated	181,864	56,819	285,000	(108,703)	414,980	14,790	429,770
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	1,409		-	1,409
Total comprehensive income for the year ended 30 June 2013	-	-	-	62,652	62,652	2,761	65,413
Balance as at 30 June 2013	181,864	56,819	285,000	(44,642)	477,632	17,551	496,592

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

The group comprises of :

Parent company

- Berger Paints Pakistan Limited

Subsidiary companies

- Berdex Construction Chemicals (Private) Limited
- Berger DPI (Private) Limited
- Berger Road Safety (Private) Limited - subsidiary of Berger DPI (Private) Limited

Associate company

- Buxly Paints Limited

Berger Paints Pakistan Limited (the parent company) was incorporated in Pakistan on March 25, 1950 as a private limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and was subsequently converted into a public limited company. The company is listed on the Karachi and Islamabad stock exchanges. The company and its subsidiary companies collectively referred to as the group are principally engaged in the manufacturing and selling of paints, varnishes and other related items, executing contracts for application of road marking paints and merchandising construction chemicals. The registered office of the group is situated at X-3, Manghopir Road, S.I.T.E., Karachi and the principle manufacturing facility of the group is situated at 28 Km Multan Road, Lahore.

The group owns 51 percent of the share capital of Berger DPI (Private) Limited who intern holds 99 percent share capital of the Berger Road Safety (Private) Limited and 51.96 percent of the share capital of Berdex Construction Chemicals (Private) Limited. The group is a subsidiary of Slotrapid Limited B.V.I.

Berdex Construction Chemicals (Private) Limited is under the process of members' voluntary winding up under the provisions of Companies Ordinance, 1984. Therefore, its financial statements have not been prepared on a going concern basis and the historical cost convention has been adjusted for realization of assets and liquidation of liabilities that might be necessary. The carrying value of its assets and liabilities as at 30th June, 2013 approximate their realizable value.

1.1 Basis of consolidation

These consolidated financial statements comprise the financial statements of the parent company and its subsidiary companies as at 30 June 2013.

(a) Subsidiaries

The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying values of the investments held by the parent company have been eliminated against the shareholders' equity in the subsidiary companies.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions that are recognised in assets, are eliminated in full.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

(b) Non-controlling interest

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the parent company. Non-controlling interest is presented as a separate item in the consolidated financial statements. The group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the group. Disposals to non-controlling interests result in gains and losses for the group and are recorded in the income statement.

(c) Associates

Associates are all entities over which the group has significant influence but not control. The group's share of its associate's post-acquisition profit or loss is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board and Islamic Financial Reporting Standards (IFAs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of financial statements are set out below.

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 21 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 3.17 at present value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. For critical accounting estimates and judgments used in these financial statements refer to note 4.

3.2 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss, except for freehold and leasehold land, buildings thereon and plant and machinery, which are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is charged to income applying the straight line method whereby the cost less residual value of an asset is written off over its estimated useful life. Residual values are reviewed at each balance sheet date and adjusted if the impact on depreciation is significant.

Useful lives are determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Depreciation on additions is charged from the month in which the asset is put to use while depreciation on assets disposed of is charged up to the month preceding the disposal at the rates stated in note 5.1 to these financial statements.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of property, plant and equipment are included in income currently.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Capital work in progress is stated at cost less impairment in value, if any. It consists of all expenditure and advances connected with specific assets incurred and made during installation and construction period. These are transferred to specific assets as and when assets are available for use.

3.3 Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss.

The group assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.4 Investments

Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification at the end of each financial year. Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current.

Investments are either classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale investments or investment in associated company, as appropriate. When investments are recognized initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction cost.

Investment in equity instrument of associate

Associates are all entities over which the Group has significant influence but not control. Investments in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's share of its associate's post-acquisition profit or loss is recognised in the profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3.5 Business Combinations

The purchase method of accounting is used to account for the acquisition of businesses by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, if any, at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities, if any, assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognized as goodwill.

3.6 Long term deposits

Long term deposits are stated at cost.

3.7 Stores

These are valued at the lower of moving average cost and net realizable value except for items in transit, which are valued at invoice price and related expenses incurred up to the balance sheet date. General stores, spares and loose tools are charged to profit and loss currently. The group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Adequate provision is made for slow moving items.

3.8 Stocks in trade

Stocks of raw materials are valued at moving average cost. Finished goods are valued at the lower of moving average cost and Net Realizable Value (NRV). Semi-processed goods are valued at moving average cost.

Average cost in relation to semi-processed and finished goods comprises direct material and appropriate portion of production overheads.

Stock in transit is stated at invoice value plus other charges paid thereon up to the balance sheet date.
NRV signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the costs necessary to be incurred to make the sale.

Provision for obsolete and slow moving stock in trade is made on management estimate, whenever necessary.

3.9 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less an allowance for uncollectible amounts. Provision for doubtful receivables is based on review of outstanding amounts at year end and management's assessment of customers' credit worthiness. Balances considered bad and irrecoverable are written off as and when identified.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, current and deposit account balances with banks and outstanding balance of running finance facilities availed by the company.

3.11 Borrowings cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

3.12 Leases

Finance leases

Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 5.1. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating lease

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the group's benefit.

3.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the group.

3.14 Provisions

Provisions are recognized when, the group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimates of the obligations can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

3.15 Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. Contingent assets are not recognized until their realization become virtually certain.

3.16 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.17 Staff retirement benefits

3.17.1 Defined benefit plan

The group operates the following defined benefit schemes:

a) An approved and funded pension scheme for all executives; and

b) An approved and funded gratuity scheme for all its permanent employees.

Actuarial valuation are carried out using the Project Unit Credit Method. Contributions to the schemes are based on these valuations and actuarial gains and losses are recognized as income or expense in the same accounting period.

3.17.2 Defined contribution plan

Provident fund

The group also operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the group and the employees, to the fund at the rate of 10 percent of basic salary for executive and non-executive staff. During the year Rs 8.607 million (2012: Rs 7.630 million) were charged to expense.

Employee compensated absences

The group also provides for compensated absences for all eligible employees in accordance with the rules of the company. The company accounts for these benefits in the period in which the absences are earned.

The group uses the actuarial valuations carried out using the projected unit cost method for valuation of its accumulated compensating absences. The following significant assumptions have been used

Discount rate	10% per annum
Expected rate of salary increase in future years	9% per annum

3.18 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and under the final tax regime.

Deferred

Deferred tax is recognized for using the balance sheet liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and / or carry-forward of unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date 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 deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.19 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees which is the groups's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.20 Revenue recognition

- Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.
  Revenue from sale of goods is recognized when the significant risk and rewards of owner ship of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers.

- Interest / markup is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

- Dividend income is recognized when the groups's right to receive payment is established.

- Other revenues are recorded on accrual basis.

3.21 Financial instruments

All financial assets and liabilities are recognized at the time when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the group loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to income currently.
Financial assets include investments, trade and other debts, loans, advances, deposits and cash and bank balances.

Financial liabilities include long term financing, short term borrowings , accrued finance cost and trade and other payables.

3.22 Off setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.23 Surplus on revaluation of fixed assets

Surplus on revaluation is credited to the surplus on revaluation of fixed assets account except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, if any, in which case surplus is recognized in profit or loss account. A revaluation deficit is recognized in profit or loss, except for a deficit directly offsetting a previous surplus on the same asset, in which case the deficit is taken to surplus on revaluation of fixed assets account. The surplus on revaluation of fixed assets to the extent of the annual incremental depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost is transferred annually to retained earnings net of related tax. The group recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets.

Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings.

3.24 Dividends and appropriations to general reserve

Dividends and appropriations to general reserves are recognized in the financial statements in the period in which these are approved.

3.25 Impairment

The group assesses at each balance sheet date whether there is any indication that the assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to determine whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is charged to income currently except for impairment loss on revalued assets, which is recognized directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

3.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the company that makes strategic decisions.

3.27 Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. This amendment could change the measurement of the group's obligation for its retirement benefit related amount of profit and loss account and other comprehensive income.

  The group has not planned to adopt this amendment early, however, had this amendment been adopted early, profit before tax has been reduced by Rs 1.084 million and other comprehensive income would have been increased by Rs 1.084 million.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the group.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendment would not have significant impact on financial statement of the group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendment would not have significant impact on financial statement of the group.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the group.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2013, however, they do not affect the group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

	Note
- Residual values and useful lives of depreciable assets	*3.2*
- Provision for taxation	*3.18*
- Provision for deferred taxation	*3.18*
- Net realizable value of stock in trade to their net realizable value	*3.8*
- Provision for doubtful debts	*3.9*
- Staff retirement benefits	*3.17*

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

	Note	**2013**	2012
		(Rupees in thousand)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	594,581	631,496
Capital work in progress	5.3	1,401	4,323
		595,982	635,819

5.1 Property, plant and equipment

	Annual rate of depreciation	Cost as at 01 July 2012	Additions/ (Deletions)	Cost as at 30 June 2013	Accumulated Depreciation as at 01 July 2012	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2013	Book value as at 30 June 2013
	%	(----------	----------	Rupees	in thousand	----------	----------	----------)
Owned								
Freehold land	-	196,862	-	196,862	-	-	-	196,862
Leasehold land	2.06	67,000	-	67,000	2,745	1,365	4,110	62,890
Building on freehold land	5	174,418	8,071	182,489	16,806	8,548	25,354	157,135
Building on leasehold land	5	9,673	-	9,673	854	504	1,358	8,315
Plant and machinery	8-35	255,991	7,893	263,824	107,250	39,076	146,298	117,526
			(60)			(28)		
Laboratory equipments	10	14,549	2,819	16,945	7,746	1,367	8,878	8,067
			(423)			(235)		
Electric fittings	10	27,647	2,392	29,974	10,240	2,758	12,987	16,987
			(65)			(11)		
Computer and related accessories	25	14,401	1,202	15,593	9,203	2,285	11,478	4,115
			(10)			(10)		
Office machines	10	3,569	1,494	5,063	1,613	354	1,967	3,096
Furniture and fixtures	10	15,751	1,404	17,118	6,467	1,666	8,113	9,005
			(37)			(20)		
Motor vehicles	20	37,197	3,368	33,577	31,759	3,809	30,138	3,439
			(6,988)			(5,430)		
2013		**817,058**	**28,643**	**838,118**	**194,683**	**61,732**	**250,681**	**587,437**
			(7,583)			**(5,734)**	**(5,441)**	
Leased								
Motor vehicles	20	8,657	-	8,657	1,949	1,731	3,680	4,977
Plant and machinery	10	1,164	-	1,164	19	117	136	1,028
Electric fittings	10	1,290	-	1,290	22	129	151	1,139
2013		**11,111**	**-**	**11,111**	**1,990**	**1,977**	**3,967**	**7,144**
		828,169	28,643	849,229	196,673	63,709	254,648	594,581
			(7,583)			(5,734)		

	Annual rate of depreciation	Cost as at 01 July 2011	Additions/ (Deletions)	Cost as at 30 June 2012	Accumulated Depreciation as at 01 July 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2012	Book value as at 30 June 2012
	%	(----------------	----------------	Rupees	in thousand	----------------	----------------	----------------)
Owned								
Freehold land	-	196,862	-	196,862	-	-	-	196,862
Leasehold land	2.06	67,000	-	67,000	1,380	1,365	2,745	64,255
Building on freehold land	5	174,362	56	174,418	8,404	8,402	16,806	157,612
Building on leasehold land	5	9,673	-	9,673	350	504	854	8,819
Plant and machinery	8-35	253,226	2,765	255,991	65,098	42,152	107,250	148,741
Laboratory equipments	10	14,327	222	14,549	6,328	1,418	7,746	6,803
Electric fittings	10	23,840	3,807	27,647	7,671	2,569	10,240	17,407
Computer and related accessories	25	12,354	2,047	14,401	7,031	2,172	9,203	5,198
Office machines	10	2,360	1,209	3,569	1,442	171	1,613	1,956
Furniture and fixtures	10	15,376	375	15,751	4,921	1,546	6,467	9,284
Motor vehicles	20	54,946	42	37,197	35,400	6,968	31,759	5,438
			(17,791)			(10,609)		
2012		824,326	10,523	817,058	138,025	67,267	194,683	622,375
			(17,791)			(10,609)		
Leased								
Motor vehicles - Restated	20	3,056	5,601	8,657	286	1,663	1,949	6,708
Plant and Machinery	10	-	1,164	1,164		19	19	1,145
Electric Fittings	10	-	1,290	1,290		22	22	1,268
2012		3,056	8,055	11,111	286	1,704	1,990	9,121
		827,382	18,578	828,169	138,311	68,971	196,673	631,496
			(17,791)			(10,609)		

The cost of the assets as at 30 June, 2013 include fully depreciated assets amounting to Rs 41.63 million (2012: Rs 22.97 million) but are still in use of the group.

5.2 Details of operating fixed assets disposed off

Particulars of assets	Sold to	Cost/ Revalued amount	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(-------------- Rupees	in thousand	------------)		
Motor vehicles						
- Honda Civic	Syed Arslan jafri	1,043	1,043	-	780	Tender
- Honda City	Muhammad Ayub	22	12	10	-	-do-
- Honda City	Muhammad Ayub	1	1	-	805	-do-
- Suzuki Mehran	Muhammad Ayub	1	1	-	485	-do-
- Suzuki Cultus	Syed Yasir Hussain Shah	590	541	49	633	-do-
- Suzuki Mehran	Muhammad Ayub	395	395	-	375	-do-
- Suzuki Cultus	Muhammad Asim Mumtaz	590	541	49	633	-do-
- Suzuki Cultus	Muhammad Qaiser	590	374	216	506	-do-
- Suzuki Mehran	Muhammad Basit Ali	394	26	368	437	-do-
- Suzuki Mehran	Sajid Ansar	497	488	9	468	-do-
- Honda City	Akhtar ali	880	880	-	870	-do-
- Suzuki Cultus	M. Asim Mumtaz	550	550	-	517	-do-
- Suzuki Cultus	Abdul Qadoos	590	580	10	531	-do-
- Suzuki Mehran	Sajid Mahmood Siddiqui	1	1	-	403	-do-
- Suzuki Cultus	Syed Yasir Hussain Shah	1	1	-	767	-do-
- Suzuki Cultus	Khurram Ayub	489	-	489	605	-do-
- Suzuki Alto	Jawad Tariq	358	-	358	553	-do-
- Others	Miscellaneous	526	289	237	237	-do-
Electrical Fittings						
- Electric Generator	Ali Khanzada	65	11	54	37	Employee
	2013	**7,583**	**5,734**	**1,849**	**9,642**	
	2012	17,791	10,609	7,182	16,549	

		2013	2012
		(Rupees in thousand)	
5.3	**Capital work in progress includes following**		
	Building	-	3,482
	Plant and machinery	1,401	461
	Electric installation	-	271
	Furniture and fixture	-	109
		1,401	4,323

5.4 The group basis its valuation of operating assets suspect to impairment based on valuations being performed by independent valuators at regular intervals as detailed in note 21

5.5 Had these revaluations not been carried out, the net book value of freehold land and leasehold land, buildings on free hold and leasehold land and plant and machinery would have been as follows:

		Note	2013	2012
			(Rupees in thousand)	
	Freehold land		70,856	70,856
	Leasehold land		950	1,041
	Buildings on freehold land		162,485	162,966
	Buildings on leasehold land		9,367	9,860
	Plant and machinery		130,989	152,151
			374,647	396,874
5.6	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	30.1	51,661	55,674
	Distribution costs	31	5,604	7,959
	Administrative expenses	32	6,444	5,338
			63,709	68,971
6.	**INTANGIBLES**			
	Computer software - in progress	6.1	15,513	14,513
	Goodwill	6.2	36,750	40,750
			52,263	55,263

		2013	2012
		(Rupees in thousand)	
6.1	**Computer software - in progress**		
	Balance as at 01 July	14,513	13,513
	Addition during the year	1,000	1,000
	Balance as at 30 June	15,513	14,513

It represents expenditure incurred on acquiring and implementing Enterprise Resource Planning (ERP) software.

		Note	2013	2012
			(Rupees in thousand)	
6.2	**Goodwill**			
	Packaging Ink Business		16,750	16,750
	Less: Impairment charged		(4,000)	-
		6.2.1	12,750	16,750
	Powder Coating Business	6.2.2	24,000	24,000
			36,750	40,750

6.2.1 This goodwill represents excess of purchase consideration paid by the group for acquisition of the Packaging Inks business unit of an ink manufacturing company (the seller) over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. For impairment testing, the recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 11.50%. Impairment on goodwill has arisen primarily because of lower than expected growth in sales and lower gross margins. The calculation of value in use is sensitive to discount rate and local inflation rates.

6.2.2 This goodwill represents excess of purchase consideration paid by the group for acquisition of the Powder Coating business unit of an ink manufacturing company (the seller) over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. For impairment testing, the recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 11.50%. The calculation of value in use is sensitive to discount rate and local inflation rates.

7. INVESTMENT IN AN ASSOCIATE

No. of shares - ordinary 2013	No. of shares - ordinary 2012	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2013	2012
							(Rupees in thousand)	
273,600	273,600	Buxly Paints Limited	Pakistan	30 June 2012	19	10	2,552	2,238
		Add: Share of (loss/profit of associate					(241)	314
		Less: Provision for impairment					-	-
							2,311	2,552

7.1 Group's share of loss from associated company of Rs 0.24 million is based on unaudited financial statements of the associated company for the year ending 30 June 2013.

7.2 In consolidated financial statements for the year ending 30 June 2012, group's share of profit from associated company was based on unaudited financial statements of the associated company for the year ending 30 June 2012. However, group's share of profit from associated company for the year ending 30 June 2012 has now been taken on the basis of audited financial statements of associated company for the year ending 30 June 2012. As per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors" the adjustments of such classification have been made retrospectively. Consequently, carrying amount of investment in an associate as at 30 June 2012 have increased by Rs 0.38 million and group's accumulated loss as at 30 June 2012 and group's basic and diluted loss per share for the year ending 30 June 2012 have been reduced by Rs 0.38 million and Rs 0.002 respectively.

8. LONG TERM LOANS

	Note	2013	2012
		(Rupees in thousand)	
Considered good- secured			
Due from employees	8.1	32,867	20,180
Less: Current portion shown under current assets	14	(12,028)	(4,743)
		20,839	15,437

8.1 These represent interest free loans provided to the employees of the group in accordance with the terms of their employment, under a scheme for the purchase of motor vehicles, motor cycles and CNG kits. These loans are secured by way of retention of title documents of the respective assets in the name of the group except for those vehicles which have been refinanced under Ijarah financing. The outstanding amount at the end of the year is recoverable over a period of five to eight years. These loans have not been discounted to their present value as the financial impact thereof is not material.

8.2 Maximum aggregate balance due from employees at the end of any month during the year was Rs 33.149 million (2012: Rs 21.609 million).

9. LONG TERM DEPOSITS

	2013	2012
	(Rupees in thousand)	
Considered good	17,599	20,578
Considered doubtful	4,841	3,552
	22,440	24,130
Less: Provision for doubtful balances	(4,841)	(3,552)
	17,599	20,578

	Note	2013	2012
		(Rupees in thousand)	

10. DEFERRED TAXATION

Deferred tax asset comprises of temporary differences relating to:

	2013	2012
Accelerated tax depreciation	(75,989)	(63,814)
Provision for doubtful debts and long term deposits	43,351	27,722
Provision for slow moving stock in trade	33,645	10,302
Un-used tax losses, tax credits and minimum tax	161,823	202,407
	162,830	176,617

Deferred tax asset on tax losses available for carry forward are recognized to the extent it is probable that future taxable profits would be available against which these unused tax losses would be utilized. Deferred tax recognized on minimum tax paid under section 113 of the Income Tax Ordinance, 2001 would expire in tax year 2015 uptill 2018.

	Note	2013	2012
		(Rupees in thousand)	

11. STORES

	Note	2013	2012
In hand		6,952	10,778

Stores and spares include items that are of capital nature but are not distinguishable.

12. STOCK IN TRADE

	Note	2013	2012
Raw and packing materials			
- in hand		485,317	504,053
- in transit		84,911	65,369
		570,228	569,422
Semi processed goods		113,020	119,707
Finished goods	12.1	291,622	313,379
		974,870	1,002,508
Provision for slow moving and obsolete stocks			
- Raw material		(84,000)	-
- Finished goods		(14,955)	(14,627)
		(98,955)	(14,627)
		875,915	987,881

12.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounted to Rs 4.783 million (2012: Rs 2.413 million). Included in finished goods stock are color bank machines costing Rs 10.086 million (2012: Rs. 10.086 million).

13. TRADE DEBTS

	Note	2013	2012
		(Rupees in thousand)	
Unsecured			
Considered good			
- from related parties	13.1	38,960	31,107
- others		820,920	681,741
		859,880	712,848
Considered doubtful – others		137,678	90,611
		997,558	803,459
Less: Provision for doubtful debts	13.2	(137,678)	(90,611)
		859,880	712,848

13.1 Trade debts include the following amounts due from the following related parties:

	2013	2012
Dadex Eternit Limited - an associated undertaking	62	-
Buxly Paints Limited - an associated undertaking	38,898	31,107
	38,960	31,107

13.1.1 During the year, the parent company through an asset purchase agreement purchased gross receivables worth Rs 16.7 million from Buxly Paints Limited alongwith provision of Rs 14.4 million. The consideration for this purchase was Rs 2.3 million to be adjusted against receivable of Rs 2.3 million in the books of company.

13.2 The movement in provision for doubtful debts for the year is as follows:

	Note	2013	2012
		(Rupees in thousand)	
Balance as at 01 July		90,611	79,383
Provision for the year - net of recoveries	31	22,346	11,916
Provision - Buxly and Berdex	13.1.1&.2	24,721	-
Bad debts written off		-	(688)
Balance as at 30 June		137,678	90,611

	Note	2013	2012
		(Rupees in thousand)	
14. LOANS AND ADVANCES			
Current portion of long-term loans - considered good			
Due from employees	8	12,028	4,743
Advances - unsecured, considered good			
Employees		2,077	1,605
Suppliers		43,588	37,014
		45,665	38,619
		57,693	43,362
15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits - security deposits		6,300	10,483
Short term prepayments		7,924	2,860
		14,224	13,343
16. OTHER RECEIVABLES			
Receivable from related parties	16.1	6,565	9,556
Receivable against color bank machines		10,231	11,069
Export rebate		14,809	10,284
Margin against letters of guarantee		2,182	2,390
Accrued income		1,429	758
Sales tax refundable		-	416
Retention money		2,102	2,506
Advance against expenses		2,604	3,584
Others		1,247	1,474
		41,169	42,037
16.1 This includes amount due from the following:			
Buxly Paints Limited - an associated undertaking		6,565	9,556
		6,565	9,556

16.1.1 This represent amount receivable for reimbursement of expenses and sharing of common expenses under normal business trade as per the terms mutually agreed.

	Note	2013	2012
		(Rupees in thousand)	
17. SHORT TERM INVESTMENTS	17.1	18,883	20,080

17.1 This represents term deposit receipts under lien with commercial banks against letter of guarantee, maturing up to one year and carrying mark-up rates ranging from 5 to 11 percent per annum (2012: 10 to 11 percent).

18. CASH AND BANK BALANCES

	Note	2013	2012
		(Rupees in thousand)	
With banks:			
In current accounts		116,034	138,720
In deposit accounts	18.1	25,458	7,354
Cheques in hand	18.2	80,000	-
Cash in hand		1,451	2,054
		222,943	148,128

18.1 This balance is under lien with commercial banks against letter of guarantee, carrying mark-up rates ranging from 2 to 11 percent per annum (2012: 5 to 11.5 percent per annum).

18.2 These include cheques received from a distributor at year end.

19. SHARE CAPITAL

2013	2012		2013	2012
(Number of shares)			(Rupees in thousand)	
		Authorised share capital		
25,000,000	25,000,000	Ordinary shares of Rs 10 each	250,000	250,000
		Issued, subscribed and paid-up share capital		
12,135,798	12,135,798	Ordinary shares of Rs 10 each fully paid up in cash	121,358	121,358
6,050,611	6,050,611	Ordinary share of Rs 10 each issued as bonus shares	60,506	60,506
18,186,409	18,186,409		181,864	181,864

19.1 Slotrapid Limited B. V. I. (the holding company) and their nominees held 9,466,057 (2012: 9,466,057) ordinary shares of Rs 10 each representing 52.05 percent (2012: 52.05 percent) of the ordinary paid up capital of the company.

	2013	2012
	(Rupees in thousand)	
20. RESERVES		
Capital reserve		
Share premium reserve	56,819	56,819
Revenue reserve		
General reserve	285,000	285,000
Accumulated Loss	(44,642)	(108,703)
	240,358	176,297
	297,177	233,116

21. SURPLUS ON REVALUATION OF FIXED ASSET - NET OF TAX

	2013	2012
Net surplus as at 01 July	187,720	201,754
Gross surplus		
Transfer to unappropriated profit as a result of incremental depreciation charged during the current year - net of deffered tax	(1,409)	(14,034)
	186,311	187,720
Related deferred tax liability		
As at 01 July	-	(3,757)
On transfer to unappropriated profit as a result of incremental depreciation charged during the current year	-	3,757
	-	-
Net surplus as at 30 June	186,311	187,720

During the year ended 30 June 1988, Iqbal A. Nanjee and Co. Valuation Consultants, carried out revaluations of leasehold land, building on leasehold land and plant and machinery as of 31 March 1988, which resulted in an aggregate surplus on revaluation of Rs 45.642 million thereon over cost. A similar exercise was subsequently carried out during the year ended 30 June 2004 by the same valuation consultants to revalue freehold and leasehold land, buildings on freehold land and leasehold land and plant and machinery as of 01 July 2003, which resulted in yet another surplus on revaluation of Rs 182.369 million thereon over their net book value. Revaluation carried out on 30 June 2009 resulted in a surplus of Rs 374.806 million on freehold land and leasehold land and a deficit of Rs 25.188 million on buildings on freehold and leasehold land.

During the year ended 30 June 2010, the parent company revalued all its freehold and leasehold land, buildings on freehold land and leasehold land and plant and machinery. This revaluation resulted in a surplus of Rs 74.635 million on freehold land, buildings on freehold land and plant and machinery and a deficit of Rs 109.574 million on leasehold land, buildings on leasehold land over their respective net book values. The parent company's leasehold land and building in Karachi were revalued by Anjum Asim Associates and Co., Valuation Consultants while land and buildings at Lahore plant, Kot Lakhpat building and Islamabad warehouse were revalued by Harvester Enterprises and Co., Valuation Consultants. Plant and machinery were revalued by Iqbal A. Nanjee and Co. Valuation Consultants.

22. LONG TERM FINANCING

	Note	2013	2012
		(Rupees in thousand)	
Secured			
- JS Bank Limited	22.1	40,000	120,000
- Habib Bank Limited	22.2	75,000	100,000
		115,000	220,000
Less: Current maturity shown under current liabilities		(65,000)	(105,000)
		50,000	115,000

22.1 This represents a long term loan from a commercial bank of Rs 200 million. The facility is secured against an equitable mortgage of Rs 267 million on land and building of Lahore factory of the group. Mark-up is payable quarterly and charged at the rate of three month's KIBOR plus 2.5 % per annum. The balance is repayable in 2 equal quarterly installments of Rs. 20 million each. The above facility carries mark-up ranging between 11.94% and 14.45% (2012: 14.41% and 16.04%) per annum.

22.2 This represents a long term loan from a commercial bank of Rs 125 million. This facility is secured against hypothecation charge over plant and machinery of the group. Mark-up is payable quarterly and charged at the rate of one month's KIBOR plus 2.0% per annum. The balance is repayable in 12 equal quarterly installments of Rs 6.25 million each. The above facility carries mark-up ranging between 11.33% and 13.95% (2012: 13.91% and 15.54%) per annum.

23. STAFF RETIREMENT BENEFITS

	Note	2013	2012
		(Rupees in thousand)	
Defined benefit plan			
Staff Pension	23.2	13,724	8,556
Staff Gratuity	23.2	37,863	30,521
		51,587	39,077
Other long term employee benefits			
Accumulating compensated absences	23.11	9,105	8,788
		60,692	47,865

Defined benefit plan

As mentioned in note 3.17, the group operates an approved funded gratuity and pension schemes for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at 30 June 2013. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2013	2012
Valuation discount rate	10%	13%
Expected rate of increase in salary level	9%	12%
Rate of return on plan assets	13%	14%

23.1 The disclosures made in notes 24.2 to 24.6 and 24.8 to 24.10 are based on the information included in the actuarial valuation as of 30 June 2013.

	2013		2012	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
23.2 Balance sheet reconciliation				
Present value of defined benefit obligation	48,585	37,904	41,501	30,557
Fair value of plan assets	(34,861)	(41)	(32,945)	(36)
	13,724	37,863	8,556	30,521
23.3 Movement in the fair value of plan assets is as follows:				
Fair value as at 01 July	32,945	36	23,483	893
Expected return on plan assets	4,283	5	3,288	125
Actuarial losses	(1,063)	(8)	(1,901)	(125)
Group's contribution	-	2,300	633	2,062
Employee contribution		-	792	-
Benefits paid	(1,304)	(2,292)	(1,350)	(2,919)
Amount transferred from/(to) company during the year	-	-	8,000	-
Fair value as at 30 June	34,861	41	32,945	36
23.4 Movement in defined benefit obligation is as follows:				
Obligation as at 01 July	41,501	30,557	38,097	26,351
Service cost	4,890	5,926	4,031	5,598
Interest cost	5,395	3,972	5,334	3,689
Benefits paid	(1,304)	(2,292)	(1,350)	(2,919)
Actuarial (gains)/loss	(1,897)	(259)	(4,611)	(2,162)
Obligation as at 30 June	48,585	37,904	41,501	30,557
23.5 Charge for the year				
Current service cost	4,890	5,926	4,031	5,598
Interest cost	5,395	3,972	5,334	3,689
Expected return on plan assets	(4,283)	(5)	(3,288)	(125)
Recognition of actuarial (gains) / losses	(834)	(251)	(2,710)	(2,037)
Employee contribution	(927)	-	(792)	-
Expense	4,241	9,642	2,575	7,125
Actual return on plan assets	3,220	(3)	1,387	-

	2013		2012	
	Pension	Gratuity	Pension	Gratuity
		(Rupees in thousand)		
23.6 Movement in net liability in the balance sheet is as follows:				
Net liability as at 01 July	8,556	30,521	14,614	25,458
Charge for the year	4,241	9,642	2,575	7,125
Group's contribution	-	(2,300)	(633)	(2,062)
Employees' contribution deducted not paid	927	-	-	-
Amount transferred (from)/to group	-	-	(8,000)	-
Net liability as at 30 June	13,724	37,863	8,556	30,521
23.7 The charge for the year has been allocated as follows:				
Cost of sales	2,120	4,821	1,287	3,563
Distribution costs	1,739	3,953	1,056	2,921
Administrative expenses	382	868	232	641
	4,241	9,642	2,575	7,125

23.8 Amounts for the current period and previous four annual periods of the fair value of plan assets, present value of defined benefit obligation and surplus arising thereon is as follows:

	2013	2012	2011	2010	2009
			(Rupees in thousand)		
As at 30 June					
Present value of defined benefit obligation	86,489	72,058	64,448	57,457	53,071
Fair value of plan assets	(34,902)	(32,981)	(24,376)	32,077	(33,550)
Deficit	51,587	39,077	40,072	25,380	19,521
Experience adjustment:					
(Gain)/loss on obligations	(2,156)	(6,773)	(3,602)	(1,828)	(10,542)
Loss on plan assets	(1,071)	(2,026)	(1,075)	(5,270)	(2,371)

	2013		2012	
	Pension	Gratuity	Pension	Gratuity
		(Rupees in thousand)		
23.9 Plan assets comprise the following:				
Defence Saving Certificates	8,550	-	7,800	-
Term deposits	10,011	-	3,069	-
Cash	374	41	8,694	35
Term Finance Certificate	3,878	-	13,383	-
Cash management Optimizer	12,048	-	-	-
	34,861	41	32,946	35

23.10 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

23.11 Movement in accumulated compensated absences

	2013	2012
	(Rupees in thousand)	
Balance as at 01 July	8,788	7,280
Provision during the year	6,864	4,661
Payments made during the year	(6,547)	(3,153)
Balance as at 30 June	9,105	8,788

24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The minimum lease payments have been discounted at an implicit interest rate of 13.96 % to 15.40% to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

	2013			2012
	Minimum lease payments	Future finance cost	Present value of lease liability	Present value of lease liability
	(Rupees in thousand)			
Not later than one year	2,800	709	2,091	1,883
Later than one year but not later than five years	6,204	621	5,583	7,675
	9,004	1,330	7,674	9,558

25. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees in thousand)	
Trade payables		393,437	582,052
Bills payable		342,327	301,165
Accrued expenses		21,151	11,710
Unclaimed dividend		2,305	2,306
Provision for infrastructure cess	25.1	24,048	19,334
Advances from customers		16,372	25,834
Workers' Profits Participation Fund	25.2	9,238	3,544
Workers' Welfare Fund		12,442	10,288
Sales tax & special excise duty payable		44,921	11,941
Dividend payable		1,531	1,531
Royalty payable to related parties	25.3	57,583	93,659
Royalty and technical fee payable		17,799	12,256
Others		18,194	25,078
		961,348	1,100,698

	Note	2013	2012
		(Rupees in thousand)	
25.1 The movement in provision for infrastructure cess for the year is as follows:			
Balance as at 01 July		19,334	46,465
Provision for the year		4,714	2,254
Payments during the period		-	(17,079)
Provision reversed during the year		-	(12,306)
Balance as at 30 June		24,048	19,334
25.2 Workers' Profits Participation Fund			
Balance as at 01 July		3,544	3,620
Allocation for the year	34	5,268	-
Interest on funds utilized in the company's business	35	426	425
		9,238	4,045
Less: Amount paid to workers during the year on behalf of the Fund		-	(501)
Balance as at 30 June		9,238	3,544
25.3 This includes amount due to the following:			
Slotrapid Limited B.V.I.		54,023	90,888
Buxly Paints Limited		3,560	2,771
		57,583	93,659

26. ACCRUED FINANCE COST

	Note	2013	2012
Mark-up accrued on secured:			
Long term financing		2,580	3,658
Short term financing		5,942	2,063
Short term running finances		28,959	35,287
		37,481	41,008

27. SHORT TERM BORROWINGS

	Note	2013	2012
Short term financing	27.1	144,000	60,000
Short term running finances	27.2	1,071,798	940,696
		1,215,798	1,000,696

27.1 Short term financing - secured

The facilities for short term financing (Morabaha) have been arranged from commercial banks amounting to Rs 160 Million. Out of this Rs 100 million is available against new Morabaha facility. The facility from First National Bank Modaraba of Rs 60 million (2012: 60 million) is secured against first pari passu charge of Rs 80 million on all the present and future current assets of the group, ranking charge of Rs 80 million on movable fixed assets with 25% margin and post dated cheques of each morabaha. This facility carries mark-up ranging between 11.69% and 14.31% (2012: 14.12% and 16.23%) per annum, payable quarterly.

The facility from Al Baraka Islamic Bank Limited of Rs 100 million, outstanding amount of Rs 84 million (2012: Nil), is secured against first exclusive mortgage charge of 4.04 kanal industrial property (including land and building) of the group situated at 36 Industrial estate Kot Lakhpat, Lahore with 30% margin. First exclusive equitable mortgage charge of 333.33 sq yards sector 1-10/3 industrial area Islamabad with 30% margin, title to import documents and 10 % L/C cash margin. This facility carries mark-up ranging between 12.43% and 13.45% (2012: Nil) per annum, payable quarterly.

27.2 Short term running finances - secured

The group has arranged facilities for short term running finance from various banks on mark-up basis to the extent of Rs 967 million (2012: Rs 1,022 million). These arrangements are secured against first joint hypothecation charge over the company's stocks and receivables and carries mark-up ranging between 11.19% and 14.70% (2012: 13.91% and 16.29%) per annum, payable quarterly.

27.3 Unavailed credit facilities

The facilities for opening of letters of credits and guarantees as at 30 June 2013 amounted to Rs 985 million (2012: Rs 985 million) of which the remaining unutilized amount as of that date was Rs 514.478 million (2012: Rs 200.75 million).

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

- Claims against the group not acknowledged as debts Rs 9.206 million (2012: Rs 9.206 million) other than disclosed below.

- In previous years the group filed a suit against an ex-distributor (the distributor) in the High Court of Sindh (the court) for recovery of Rs 8.882 million and damages amounting to Rs 5 million on account of unpaid credit invoices for the products supplied by it to the distributor. However, the distributor in return also filed a counter claim of Rs 78.153 million against the group in the court on account of damages and compensation. As the management of the group, based on the advice of its legal counsel handling the case, is confident that the outcome of this suit will be decided in the favour of the group, therefore no provision has been made in this respect in these financial statements.

- The group has challenged an order from Environmental Protection Agency, Punjab (EPA) and case is pending before Environmental Protection Tribunal, Punjab. The group has also been granted stay order by the Lahore High Court against any adverse action from EPA. Based on legal opinion, management is confident that the matter will be decided in favour of the group.

- The Sindh High Court (the Court) in the case of 'Kasim Textile' in its order of 7 May, 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a company has assessed losses on which no tax is payable, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the group is not entitled to carry forward minimum tax paid in the tax year 2010 to 2012 of Rs 87.685 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those would also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly tax liability for the current year has been made on the basis of minimum tax.

- Berger DPI (Private) Limited (the subsdiary company) has filed tax return in respect of current year and previous year based under Normal tax regime (NTR). Previously, the subsidiary company was filing tax return under Final Tax Regime (FTR). If the subsidiary company's view point regarding change in regime is not accepted by the tax department, additional provision amounting to Rs NIL (2012: Rs 47 million) would be required.

28.2 Commitments

- Outstanding letters of credit as at 30 June 2013 amounted to Rs 167.506 million (2012: Rs 275.701 million).

- Outstanding letters of guarantees as at 30 June 2013 amounted to Rs 38.403 million (2012: Rs 23.520 million).

- The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	Note	2013	2012
		(Rupees in thousand)	
Not later than one year		11,244	9,728
Later than one year and not later than five years		16,976	17,297
		28,220	27,025

29. SALES - NET

	Note	2013	2012
Local Sales		4,933,662	4,845,524
Exports		213,922	211,660
Sales from service contracts		655	2,694
		5,148,239	5,059,878
Less: Discounts		(260,815)	(315,178)
Sales tax		(676,867)	(662,222)
		4,210,557	4,082,478

30. COST OF SALES

	Note	2013	2012
Finished goods as at 01 July		313,379	328,226
Cost of goods manufactured	30.1	3,237,603	3,136,523
Purchases		-	113,615
Provision against slowing moving finished goods		328	5,662
Application cost		1,832	1,908
Less: Finished goods as at 30 June		(291,622)	(313,379)
Cost of sales		3,261,520	3,272,555

	Note	2013	2012
		(Rupees in thousand)	

30.1 Cost of goods manufactured

	Note	2013	2012
Raw and packing materials consumed including provision for slow moving of Rs 84 million (2012: Nil)		2,937,084	2,868,992
Stores consumed		6,586	6,001
Salaries, wages and other benefits	30.1.1	62,545	44,613
Travelling and conveyance		7,691	5,876
Fuel, water and power		73,895	58,671
Legal and professional fee		3,111	1,414
Rent, rates and taxes		1,033	692
Insurance		7,423	8,847
Repairs and maintenance		18,601	21,608
Contracted services		48,734	50,658
Depreciation	5.6	51,661	55,674
Ijarah lease rentals		1,785	3,152
Printing and stationery		1,082	1,283
Communication		511	238
Other expenses		9,174	5,203
		3,230,916	3,132,922
Opening stock of semi-processed goods		119,707	123,308
Closing stock of semi-processed goods		(113,020)	(119,707)
Cost of goods manufactured		3,237,603	3,136,523

30.1.1 Salaries, wages and benefits include Rs 12.43 million (2012: Rs 10.37 million) in respect of employee retirement benefits.

31. DISTRIBUTION COSTS

	Note	2013	2012
Salaries, wages and other benefits	31.1	135,377	127,138
Travelling and conveyance		39,395	33,100
Rent, rates and taxes		10,012	15,194
Insurance		5,501	2,341
Fuel, water and power		2,634	2,820
Advertising and sales promotion		193,986	186,869
Technical services and royalty fee		37,910	36,116
Freight and handling		85,786	91,591
Repairs and maintenance		670	775
Contracted services		12,595	5,227
Depreciation	5.6	5,604	7,959
Ijarah lease rentals		7,491	3,127
Provision for doubtful debts - net of recoveries	13.2	47,007	11,916
Bad debts directly written off		1,693	2,707
Printing and stationery		2,062	1,434
Legal and professional		1,402	2,482
Communication		4,942	4,944
Other expenses		8,578	7,392
		602,645	543,132

31.1 Salaries, wages and benefits include Rs 12.89 million (2012: Rs 7.76 million) in respect of employee retirement benefits.

	Note	2013	2012
		(Rupees in thousand)	

32. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, wages and other benefits	32.1	68,612	74,108
Travelling and conveyance		12,953	10,285
Rent, rates and taxes		4,676	4,006
Insurance		4,362	5,059
Auditors' remuneration	32.2	1,625	1,553
Fuel, water and power		3,350	2,387
Repairs and maintenance		2,567	3,665
Contracted services		17,594	9,427
Depreciation	5.6	6,444	5,338
Ijarah lease rentals		2,340	827
Printing and stationery		2,366	2,689
Legal and professional		7,878	13,040
Communication		2,686	2,141
Directors' fee		1,750	1,700
Others		15,418	6,636
		154,621	142,861

32.1 Salaries, wages and benefits include Rs 4.06 million (2012: Rs 4.45 million) in respect of employee retirement benefits.

32.2 Auditors' remuneration

	2013	2012
	(Rupees in thousand)	
Audit fee - Parent company auditor	1,000	1,000
Component auditor	150	145
Special certifications and half yearly review	325	325
Out of pocket expenses	150	83
	1,625	1,553

33. OTHER OPERATING INCOME

	2013	2012
Sale of scrap	6,947	11,545
Gain on disposal of fixed assets	7,793	9,367
Rental income and other services charged to related parties	3,213	5,576
Toll manufacturing income	6,258	4,368
Export rebate	4,525	4,458
Liabilities no longer payable written back	5,217	25,080
Insurance claim	11,088	9,420
Mark-up on term deposit receipts	3,371	1,076
Late payment charges from a related party	710	1,206
Others	24,926	14,697
Exchange Gain	18,890	-
	92,938	86,793

	Note	2013	2012
		(Rupees in thousand)	
34. OTHER CHARGES			
Exchange loss		-	6,868
Impairment on goodwill		4,000	-
Workers' Welfare Fund		2,189	949
Workers' Participation fund		5,268	-
		11,457	7,817
35. FINANCE COST			
Mark up on:			
Long term financing		22,033	41,934
Short term financing		16,275	9,874
Short term running finances		119,793	146,348
Finance cost on leases		1,492	686
Interest on workers profit participation fund	25.2	426	425
Bank charges		4,124	6,591
		164,143	205,858
36. TAXATION			
Current			
- For the year		30,758	46,385
- For prior years		(1,092)	4,423
Deferred			
- For current years		13,789	(45,048)
		43,455	5,760

Given that the parent company has carry forward tax losses, the current tax provision represents tax under ' Final tax regime' and minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. As at 30 June 2013, the parent company has assessed tax losses available for carry forward amounting to Rs 160.835 million (2012: Rs 420.278 million) including tax depreciation losses of Rs 160.835 million (2012: Rs 325.271). Minimum tax is available for set off for five years against normal tax liabilities arising in future years.

Tax under' Final Tax Regime' (FTR) represents tax on exports and finished goods imported for onward sale. FTR is treated as a full and final discharge and not to be set off against normal tax liabilities arising in future years. Current tax includes tax under FTR amounting to Rs 8.263 million (2012: Rs 7.797 million).

Due to current and previous tax losses, provision for current year tax of Berger DPI (Pvt) limited is based on minimum tax. No other provision for current tax was required keeping in view the available tax losses.

Since the group is liable to pay minimum tax, therefore no numerical tax reconciliation is given.

	2013	2012
	(Rupees in thousand)	

37. EARNINGS PER SHARE - BASIC AND DILUTED

	2013	2012
Profit/(Loss) after taxation	62,652	(8,320)
	Number of shares	
Weighted average number of shares outstanding during the year	18,186,409	18,186,409
	(Rupees)	
Profit/(Loss) per share	3.45	(0.46)

37.1 No figure for diluted earnings per share has been presented as the group has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

38. CASH AND CASH EQUIVALENTS

		2013	2012
		(Rupees in thousand)	
Cash and bank balances	18	222,943	148,128
Short-term running finance	27.2	(1,071,798)	(940,696)
		(848,855)	(792,568)

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	Executives	Non-Executive Directors	Chief Executive	Executives	Non-Executive Directors
	(--------------------- Rupees in thousand ---------------------)					
Managerial remuneration (including bonus)	120	41,173	-	105	36.709	-
Retirement benefits	-	21,644	-	-	22,998	-
Housing rent	-	18,070	-	-	15,904	-
Utilities	-	3,812	-	-	3,261	-
Medical expenses	492	1,763	-	937	1,111	-
	612	86,462	-	1,042	79,983	-
Number of persons	1	38	6	1	43	6

39.1 In addition to above, six (2012: Six) non-executive directors were paid fee aggregating Rs 1.75 million (2012: Rs 1.70 million).

39.2 The chief executive and certain other executives of the group are provided with free use of company cars while the chief executive is provided boarding and lodging in the group's guest house.

39.3 The Group has employed following number of persons:

	2013	2012
	(Number of persons)	
- As at 30 June	471	467
- Average number of employees	469	440

39.4 The group has set up provident fund for its permanent employees. The total charge against provident fund for the year was Rs 8.607 million (2012: Rs 7.630 million). The net assets based on un-audited financial statements of provident fund for the year ended 31 December 2012 amounts to Rs 148.62 million (2011: Rs 113.892 million) out of which 91% (2011: 95%) was invested in term deposit receipts and defence saving certificates. The fair value of investments of provident fund was Rs 126.18 million (2011: Rs 107.07 million) and the cost of the investment was Rs 85.5 million (2012: Rs 85.5 million). The above investments out of provident fund have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

40. TRANSACTIONS WITH RELATED PARTIES

The related parties of the group comprise subsidiaries, associated undertakings, employees' gratuity fund, employees' pension fund, directors and key management personnel. The group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, remuneration of executives and the chief executive are disclosed in the relevant notes.

There have been no guarantees provided or received for any related party receivables or payables. Other material transactions with related parties are given below:

Relation with undertaking	Nature of transaction	2013	2012
		(Rupees in thousand)	
Holding company			
- Slotrapid Limited B.V.I.	Royalty expense	28,602	28,148
Associated undertaking			
- Buxly Paints Limited	Sales	107,114	91,953
	Rental income and other services charged	3,851	3,608
	Toll manufacturing income	6,258	4,368
	Royalty expense	789	599
	Rental expense	800	150
- Dadex Eternit Limited	Sales	344	27
	Purchases	-	71
Remuneration of key management personnel		Note 39	

The related party status of outstanding balances as at 30 June 2013 are included in trade debts (note 13.1), other receivables (note 16.1) and trade and other payables (note 25.3) respectively.

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors on specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within such parameters.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The group is exposed to currency risk arising from various currency exposures, primarily with respect to the Euro, United Kingdom Sterling (UKP), United States Dollar (USD) and Japanese Yen (JPY). Currently, the group's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to foreign entities. The company's exposure to foreign exchange risk is as follows:

	2013	2012
	(In thousand)	
Trade and other payables - Euro	-	(21)
Net exposure - Euro	-	(21)
Trade and other payables - UKP	-	(10)
Net exposure - UKP	-	(10)
Trade and other payables - USD	(2,304)	(2,499)
Net exposure - USD	(2,304)	(2,499)
Trade and other payables - JPY	(22,905)	(51,970)
Net exposure - JPY	(22,905)	(51,970)

The following significant exchange rates were applied during the year:

	2013	2012
	(Rupees in thousand)	
Rupees per Euro		
Average rate	125.38	118.55
Reporting date rate	130.18	118.50
Rupees per UKP		
Average rate	151.78	140.22
Reporting date rate	151.80	147.07
Rupees per USD		
Average rate	96.86	88.50
Reporting date rate	99.66	94.20
Rupees per JPY		
Average rate	1.11	1.13
Reporting date rate	1.01	1.19

If the functional currency, at reporting date, had fluctuated by 5% against the Euro, UKP, USD and JPY with all other variables held constant, the impact on profit after taxation for the year would have been Rs 12.63 million (2012: Rs 15.058 million) lower/higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Foreign exchange risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The group is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The group is not exposed to equity price risk since the investment held by the group in subsidiaries are unquoted and are not subject to fluctuations in market prices. Moreover the equity instrument held by the company are not traded on a regular basis on the stock exchange and historically, it does not have a direct correlation with the equity index of the Karachi Stock Exchange (KSE). Therefore, it is not possible to measure the impact of increase / decrease in the KSE Index on the company's profit after taxation for the year.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group's interest rate risk arises from long term borrowings, short term borrowings and short term running finances. Borrowings obtained at variable rates expose the company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the group's interest bearing financial instruments was:

	2013	2012
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Bank balances - deposit accounts	25,458	7,354
Short term investments	18,883	20,080
Total exposure	44,341	27,434
Financial liabilities		
Floating rate instruments		
Long-term financing	115,000	220,000
Short-term financing	144,000	60,000
Short-term running finance	1,071,798	940,696
	1,330,798	1,220,696

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the group.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term financing, at the year end rate, fluctuate by 1% higher / lower with all the other variables held constant, profit after taxation for the year would have been Rs 0.220 million (2012: Rs 0.419 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk of the group arises from deposits with banks, trade debts, investments, loans and advances and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013	2012
	(Rupees in thousand)	
Loans to employees	32,867	20,180
Long term deposits	22,440	24,130
Trade debts	997,558	803,459
Trade deposits	6,300	10,483
Other receivables	26,360	31,337
Short term investments	18,883	20,080
Bank balances	221,492	146,074
	1,325,900	1,055,743

Credit risk of the group arises from deposits with banks and financial institutions and credit exposure to customers. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on the credit control procedures implemented by the management.

The age of financial assets and related impairment loss at balance sheet date is as follows:

The age of financial assets

	2013	2012
	(Rupees in thousand)	
Not past due	328,342	248,732
Past due but not Impaired:		
Not more than three months	637,665	590,706
More than three months and not more than six months	215,333	54,047
More than six months and not more than one year	6,882	32,700
Past due and Impaired:		
More than one year	137,678	129,558
	1,325,900	1,055,743

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	Rating Short term	Rating Long term	Rating Agency	2013	2012
				(Rupees in thousand)	
Oman International Bank Limited	A-2	BBB	JCR-VIS	458	444
Faysal Bank Limited	A1+	AA	PACRA & JCR	10,416	5,015
Bank Al Habib Limited	A1+	AA+	PACRA	21,103	368
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	44,569	31,901
United Bank Limited	A-1+	AA+	JCR-VIS	24,431	12,623
Habib Bank Limited	A-1+	AAA	JCR-VIS	29,735	44,319
MCB Bank Limited	A1+	AAA	PACRA	7,970	26,315
JS Bank Limited	A1	A	PACRA	18,302	25,000
Al-Barka Bank Limited	A-1	A	JCR-VIS	28	-
Askari Bank Limited	A1+	AA	PACRA	63	69
Standard Chartered Bank	A1+	AAA	PACRA	5	19
NIB Bank Limited	A1+	AA-	PACRA	-	1
				157,080	146,074

(c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities.

The group manages liquidity risk by maintaining funding through an adequate amount of committed credit facilities. At 30 June 2013, the group had Rs 16 million available unutilized borrowing limits from financial institutions and Rs. 217.245 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at 30 June 2013:

	Carrying amount	Less than one year	One to five years	More than five years
	(--------------Rupees in thousand	--------------)		
Long term financing	115,000	65,000	50,000	-
Trade and other payables	961,348	961,348	-	-
Accrued finance cost	37,481	37,481	-	-
Short term borrowings	1,215,798	1,215,798	-	-
	2,329,627	2,279,627	50,000	-

The following are the contractual maturities of financial liabilities as at 30 June 2012:

	Carrying amount	Less than one year	One to five years	More than five years
	(-------------Rupees in thousand	-------------	-------------	-------------)
Long term financing	220,000	105,000	115,000	-
Trade and other payables	1,100,698	1,100,698	-	-
Accrued finance cost	41,008	41,008	-	-
Short term borrowings	1,000,696	1,000,696	-	-
	2,362,402	2,247,402	115,000	-

41.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

41.3 Financial instruments by category

	Loans and receivables	
	2013	2012
	(Rupees in thousand)	
Financial assets as per balance sheet		
Loans to employees	32,867	20,180
Long term deposits	22,440	24,130
Trade debts	997,558	803,459
Trade deposits	6,300	10,483
Other receivables	26,360	31,337
Short term investments	18,883	20,080
Cash and bank balances	222,943	148,128
	1,327,351	1,057,797

	Other financial liabilities	
	2013	2012
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term financing	115,000	220,000
Trade and other payables	961,348	1,100,698
Accrued finance cost	37,481	41,008
Short term borrowings	1,215,798	1,000,696
	2,329,627	2,362,402

41.4 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders or issue new shares.

The group monitors capital on the basis of the debt-to-equity ratio-calculated as a ratio of total debt to equity.

The gearing ratios as at 30 June 2013 and 2012 were as follows:

	2013	2012
	(Rupees in thousand)	
Total debt	1,330,798	1,220,696
Total equity	479,041	414,942
Total debt and equity	1,809,839	1,635,638
Gearing ratio	73.53%	74.63%

42. PRODUCTION CAPACITY

	2013	2012
Actual production	22,016	28,429

The capacity of the plant is indeterminable because it is a multi product plant involving varying processes of manufacturing. Actual production includes resin production of Rs 5.880 million liters (2012: 6.449 million liters) which is used in the manufacture of the final product.

43. OPERATING SEGMENTS

43.1 These financial statements have been prepared on the basis of single reportable segment.

43.2 Revenue from sale of paints represents 100% (2012: 100%) of the total revenue of the Company.

43.3 95.84% (2012: 95.76%) sales of the Company relates to customers in Pakistan.

43.4 All non-current assets of the group as at 30 June 2013 are located in Pakistan.

44. EVENT AFTER BALANCE SHEET DATE

Dividend declared by the parent company after the balance sheet date amounts to Rs. 9,093,205 (Rs. 0.50 per share [2012: Nil]).

45. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison and better presentation as per reporting framework however, no significant re-arrangements have been made.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 20 September 2013 by the Board of Directors of the group.

47. GENERAL

Figures have been rounded off to the nearest thousand of rupee unless otherwise stated.

Chief Financial Officer **Chief Executive** **Director**

Notes

Form of Proxy

The Secretary
Berger Paints Pakistan Limited
X-3, Manghopir Road, S.I.T.E., Karachi.

I/We ____

____

of ____

____

being a member of Berger Paints Pakistan Limited and a holder of ______________________

(No. of shares) ____

ordinary shares as per folio number ____

____

hereby appoint ____

____

of ____

____

on my/our behalf at the Annual General Meeting of the Company to be held on 29 October 2013 and at any adjournment thereof.

Signed this ____________________ day of ________________ 2013.

Signature on
Rs.5.00
Revenue
Stamp

NOTES:

1. The Share Transfer Book of the Company will remain closed from 23 October 2013 to 29 October 2013 (both days inclusive).
2. A member of the Company entitled to attend, speak and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. The completed proxy form must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. Any individual beneficial owner of CDC, entitled to vote at this meeting must bring his/her original CNIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.