

BERGER PAINTS PAKISTAN LIMITED

1995-96 Report and Accounts

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BOARD OF DIRECTORS

KASSIM DADA, Chairman
DR. MAHMOOD AHMAD, Managing Director
SIKANDER DADA
SHEIKH AZHAR-UL-HAQ (N.I.T. Nominee)
V. K. CHADDA
C.H. CLOVER (Alternate M. Shahid Iqbal)
MUHAMMAD ILYAS

SECRETARY

M. Shahid Iqbal

BANKERS

American Express Bank Ltd.
Banque Indosuez
Faysal Bank Limited
Habib Bank Limited
Habib Credit & Exchange Bank Ltd.
National Development Finance Corporation
Schon Bank Limited

AUDITORS

A.F. Ferguson & Co.

SOLICITORS

Surridge & Beecheno

REGISTERED OFFICE

D-31, South Avenue,
S.I.T.E.,
Karachi.,
Telephone: 2573711-22 (12 Lines)

2560896-8

Telex: 29009 VITON PK

Telefax: (9221) 2561069, 2562090

Notice of Meeting

NOTICE IS HEREBY GIVEN that the forty-sixth Annual General Meeting of Berger Paints Pakistan Limited will be held on Wednesday, October 23, 1996 at 11:00 a.m. at the Institute of Chartered Accountants of Pakistan, G-31/8 Kehkashan, Clifton, Karachi, to transact the following business.

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the eighteen months ended June 30, 1996 and the Directors' and Auditors' Reports thereon.
2. To approve dividend at Rs. 2.50 per share (25%) for the eighteen months ended June 30, 1996.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

1. To approve the issue of bonus shares in the ratio of 1:10.

Statement under Section 160 of the Companies Ordinance, 1984, and Resolution as required under Section 164(1) of the Companies Ordinance, 1984, pertaining to the Special Business referred to above are annexed.

BY ORDER OF THE BOARD

M. SHAHID IQBAL
Secretary

September 19, 1996

Registered Office:
D-31, South Avenue
S.I.T.E.,
Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed from 16th October 1996 to 23rd October, 1996 (both days inclusive).
2. A member of the Company entitled to attend, speak and vote at the 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.

Statement Under Section 160 of

The Companies Ordinance, 1984

Issuance of bonus shares

The Board of Directors in their meeting held on 19th September, 1996 has recommended issuance of bonus shares in the ratio of 1:10 which is required to be approved by the general body of shareholders.

Resolution as per Section 164(1) of the Companies Ordinance 1984

"Resolved that a sum of Rs. 2,548,260 out of the profits available for appropriation be capitalised for issuing fully paid shares of Rs. 10 each as bonus shares to be allotted to those share-holders whose names appear in the register on 15th October, 1996 in the proportion of one share for every ten shares held. The said bonus shares shall rank pari-passu with the existing shares of the Company.

Further, resolved that bonus shares entitlement in fractions be sold by the directors on the Karachi Stock Exchange and the proceeds be distributed to shareholders in accordance with their entitlement.

For the purpose of giving effect to the foregoing, the directors be and are hereby authorised to give such directions as they deem fit to settle any question or any difficulty that may arise in the distribution of the said bonus shares or in payment of the sale proceeds of the fractions."

Chairman's Review

I am pleased in presenting to you my report on the Company's performance for the eighteen months ended June 30, 1996.

Trading:

Signs of improvement in business conditions started appearing during the second half of 1995. As a result sales increased both in terms of volume and value. A new product was successfully launched in the decorative division. After a lean period during 1993 and 1994, sales to the automotive and engineering sectors also improved during the period under review.

Profits have been partly affected due to absorption of a charge amounting to about Rs. 20.5 million incurred on import of certain improper raw materials. Although, all possible legal and other actions were taken against the foreign suppliers but so far there has been no success.

Considering that these accounts are for a period of 18 months, your Board is pleased to recommend an improved payout in the form of cash dividend at 25% and bonus share in the ratio of 1:10.

General:

The subsidiary company at Mirpur, Azad Kashmir (J&N Pakistan Limited) has performed satisfactorily thereby increasing its dividend contribution to Berger.

The pursuit to further strengthen ourselves by having access to the latest technologies continues.

Implementation of withdrawal of fixed tax system for small manufacturers announced in the recent national budget will ultimately prove to be a positive decision for the industry.

High import duty rates ranging upto 65% on raw materials together with Excise Duty @ 10% and Sales Tax @ 18% of the retail selling price have pushed paint selling prices to a very high level without sufficient margins available to the manufacturers. There is an urgent need for the Government to reduce the high incidence of tax on paints.

Despite orders from the Honourable Supreme Court and High Court in 1991 there has been no progress in obtaining the refund of Rs. 18 million due to the Company on account of Excise Duty paid on thinners.

Industrial relations remained cordial and an agreement for a period of two years was signed with the CBA during 1996.

Finally, I would like to thank all employees of the Company for the efforts put in by them at all levels during the period.

Karachi: September 19, 1996

Chairman

Directors' Report

The Directors have pleasure in submitting their Report and Audited Accounts of the Company for the eighteen months ended June 30, 1996.

	Rupees	Rupees (in thousands)
Net Profit for the period before providing for taxation but after provision has been made for depreciation, is		21,403
Less: Provisions		
For Workers' Profit Participation Fund	1,080	
For Workers' Welfare Fund	576	1,656
	-----	19,747
Less: Taxation		
Current	4,450	
Deferred	(2,112)	2,338

Profit After Tax		17,409
Add: Unappropriated Profit Brought Forward		5,878

Amount available for appropriation		23,287
Proposed Dividend @ Rs. 2.50 per share (25%)	6,371	
Transfer to reserve for issue of Bonus Shares and tax thereon	2,803	
Transfer to General Reserve	12,000	21,174
	-----	-----

Unappropriated Profit Carried Forward

2,113

=====

A statement showing the pattern of holding of the shares held by the Shareholders of Berger Paints Pakistan Limited as at June 30, 1996 appears on page No. 6.

The audited accounts of the wholly-owned subsidiary, J&N Pakistan Limited for the eighteen months ended June 30, 1996 are attached.

The earning per share is Rs. 6.83 (1994: Rs. 5.56).

The Company's holding company is Slotrapid Limited which is incorporated in the United Kingdom.

The present auditors, A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

ON BEHALF OF THE BOARD
Chairman

Karachi, September 19, 1996

**Pattern of Shareholdings
as at June 30, 1996**

No. of Shareholders	Holding from	Shareholding	Shares	Total shares held
180	" "	1	to 100	" 6,935
260	" "	101	to 500	" 58,466
47	" "	501	to 1000	" 31,066
77	" "	1001	to 5000	" 152,169
6	" "	5001	to 10000	" 37,702
2	" "	10001	to 15000	" 27,012
1	" "	15001	to 20000	" 15,950
1	" "	25001	to 30000	" 25,103
4	" "	55001	to 60000	" 230,506
2	" "	60001	to 65000	" 126,570
1	" "	70001	to 75000	" 72,072
1	" "	75001	to 80000	" 78,970
1	" "	90001	to 95000	" 92,664
1	" "	310001	to 315000	" 314,050
1	" "	1000001	to 1500000	" 1,279,025
-----				-----
585				2,548,260
=====				=====

Categories of Shareholding Number of Shares

	Shareholders held		Percentage
Individuals			
Investment Companies	574	760,854	29.85
Insurance Companies	1	25,103	0.99
Modaraba Companies	1	64,526	2.53
Joint Stock Companies	1	5,500	0.22
Others:	4	90,996	3.57
a) Slotrapid Limited U.K.	1	1,279,025	50.19
b) Punjabi Saudagar	1	176	0.01
c) National Bank of Pakistan	2	322,080	12.64

	585	2,548,260	100.00
	=====		

Auditors' Report to the Members

We have audited the annexed balance sheet of Berger Paints Pakistan Limited as at June 30, 1996 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the eighteen months period 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 and, after due verification thereof, 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 period 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 and the cash flow statement together with the notes forming part thereof, 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 June 30, 1996 and of the profit and the cash flows for the year then ended; and

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

A.F. FERGUSON & CO.
Chartered Accountants

Karachi: September 30, 1996

Balance Sheet as at

	Note	June 30, 1996	December 31, 1994
(Rupees in thousand)			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
5,000,000 ordinary shares of Rs. 10 each		50,000	50,000
		=====	=====
Issued, subscribed and paid-up	3	25,483	23,166
Reserves	4	72,803	60,317
Unappropriated profit		2,113	5,878
		-----	-----
		100,399	89,361
SURPLUS ON REVALUATION OF FIXED ASSETS	5	43,779	43,779
LONG-TERM FINANCE	6	9,700	--
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	7	8,953	8,855
CURRENT LIABILITIES			
Current maturity of long-term finance	6	2,900	1,500
Current maturity of liabilities against assets subject to finance leases	7	5,499	3,965
Short-term finances	8	43,670	40,670
Running finance under mark-up arrangements	9	32,065	35,659
Creditors, accrued expenses and other liabilities	10	271,721	141,425
Unclaimed dividends		166	169
Proposed dividend		6,371	--
		-----	-----
		362,392	223,388
CONTINGENCIES AND COMMITMENTS	11		
		-----	-----
		525,223	365,383
		=====	=====
TANGIBLE FIXED ASSETS			
Operating fixed assets	12	69,250	65,817
Capital work-in-progress	13	1,338	98
		-----	-----
		70,588	65,915
LONG-TERM INVESTMENTS	14	950	950

LONG-TERM LOANS AND ADVANCES	15	3,097	2,139
LONG-TERM DEPOSITS		1,938	2,141
DEFERRED TAXATION	16	3,107	995
CURRENT ASSETS			
Stores		3,614	3,061
Stocks	17	147,516	117,868
Trade debts	18	165,004	106,303
Loans and advances	19	5,510	4,104
Trade deposits and short-term prepayments	20	3,202	2,036
Other receivables	21	68,855	32,546
Short-term investments	22	5,000	5,000
income tax refundable		17,310	7,243
Cash and bank balances	23	29,532	15,082
		-----	-----
		445,543	293,243
		-----	-----
		525,223	365,383
		=====	=====

The annexed notes form an integral part of these accounts.

MAHMOOD AHMAD
Chief Executive

SIKANDER DADA
Director

**Profit and Loss Account for the eighteen
months period ended June 30, 1996**

	Note	Eighteen months ended June 30, 1996	Year ended December 31, 1994
(Rupees in thousand)			
Sales	24	944,244	446,261
Cost of goods sold	25	823,318	377,891
		-----	-----
		120,926	68,370
Selling and administration expenses	26	117,454	64,179
		-----	-----
		3,472	4,191
Other income	27	86,996	37,990
		-----	-----

		90,468	42,181
Financial charges	28	48,554	26,470
Other charges	30	22,167	947
		-----	-----
		70,721	27,417
		-----	-----
Profit before taxation		19,747	14,764
Taxation			
Current	- for the year	4,622	2,376
	- for prior year	(172)	-
Deferred	- for the year	(2,112)	(454)
	- for prior years	-	(39)
		-----	-----
		2,338	1,883
		-----	-----
Profit after taxation		17,409	12,881
Unappropriated profit brought forward		5,878	219
		-----	-----
		23,287	13,100
Appropriations			
	Transfer to general reserve	12,000	4,905
	Transfer to reserve for issue of bonus shares	2,548	2,317
	Tax thereon @ 10%	255	-
		-----	-----
		2,803	2,317
		-----	-----
Proposed final dividend Rs. 2.50 per share (1994: Rs. Nil)		6,371	-
		-----	-----
		21,174	7,222
		-----	-----
Unappropriated profit carried forward		2,113	5,878
		=====	=====

The annexed notes form an integral part of these accounts.

SIKANDER DADA

Director

MAHMOOD AHMAD

Chief Executive

**Cash Flow Statement for the eighteen months
period ended June 30, 1996**

		June 30, 1996	December 31, 1994
Cash flow from operating activities	Note	(Rupees in thousand)	

Cash generated from operations	33	8,583	27,552
Financial charges paid		(48,830)	(24,243)
Taxes paid		(14,517)	(7,187)
Long-term loans and advances (net)		(958)	(657)
Long-term deposits (net)		203	1,079
		-----	-----
Net cash (outflow) from operating activities		(55,519)	(3,456)
Cash flow from investing activities			
Fixed capital expenditure		(15,893)	(4,743)
Sale proceeds on disposal of fixed assets		7,060	3,211
Income from investments received		187	205
Dividends received		72,500	25,413
		-----	-----
Net cash inflow from investing activities		63,854	24,086
Cash flow from financing activities			
Long-term finance less repayments		11,100	(3,250)
Repayment of liabilities under finance leases		(4,388)	(4,222)
Short-term finance less repayments		3,000	(1,510)
Dividends paid		(3)	(6,921)
		-----	-----
Net cash inflow/(outflow) from financing activities		9,709	(15,903)
		-----	-----
Net increase in cash and cash equivalents		18,044	4,727
Cash and cash equivalents at the beginning of the year		(20,577)	(25,304)
		-----	-----
Cash and cash equivalents at the end of the year	34	(2,533)	(20,577)
		=====	=====

The annexed notes form an integral part of these accounts.

MAHMOOD AHMAD

Chief Executive

SIKANDER DADA

Director

**Notes to and forming part of the Accounts
for the eighteen months period ended June 30, 1996**

**1. LEGAL STATUS, OPERATIONS AND REASON
FOR PREPARING THESE ACCOUNTS**

The Company was incorporated in Pakistan on March 25, 1950 as a public limited company and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges. The Company is engaged in manufacturing of paints, varnishes and other related items.

1.2 The Finance Act, 1995 has stipulated that the income year for the purpose of submitting

the income tax return must end on June 30. Accordingly the company has decided to change its accounting year end from December 31 to June 30, with effect from June 30, 1996 and has prepared these financial statements for a period of eighteen months from January 1, 1995 to June 30, 1996, whereas the comparative figures are for the year ended December 31, 1994.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at a revaluation as referred to in note 2.4 below.

2.2 Staff retirement benefits

(a) Gratuity

The Company operates a funded gratuity scheme in respect of all permanent employees and payments to the fund are made in accordance with the Income Tax Rules, 1982. The last actuarial valuation was carried out as of December 31, 1992 on the basis of the 'Attained Age Method'. As of December 31, 1992, the liability for past services was Rs. 4.853 million against which the market value of the fund's assets was Rs. 3.589 million. The International Accounting Standard No. 19 'Retirement Benefit Costs' requires that the deficit should be spread over the working lives of existing members. Accordingly, the actuary has recommended that contributions at the current rate of 6.35% of the annual basic payroll should be made in the future which will be sufficient to absorb the deficit. The principal actuarial assumptions used in the valuation of the scheme as of December 31, 1992 by the actuary are:

- Expected rate of growth in future salaries: 9% per annum
- Expected rate of return on fund: 11% per annum

(b) Pension

The company has established a pension fund scheme for all executives. Contributions are payable to the fund on a monthly basis by the company and employees according to actuarial recommendations at a rate of 4.5% and 2.5% of basic salaries of the employees respectively. The last actuarial valuation of this fund was carried out as of December 31, 1994 on the basis of the 'aggregate method'. As of December 31, 1994 the liability for past services was Rs. 2.749 million against which the market value of the fund's assets was Rs. 7.679 million. The principal actuarial assumptions used in the valuation of the scheme as of December 31, 1994 by the actuary are:

- Expected rate of growth in future salaries: 8% per annum
- Expected rate of return on fund: 10% per annum

2.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into accounts tax credit and tax rebates available, if any or minimum tax at 0.5% of turnover, whichever is higher.

Deferred

The Company accounts for deferred taxation on all material timing differences using the liability method.

2.4 Tangible fixed assets and depreciation

Leasehold land, buildings thereon and plant and machinery as at March 31, 1988 have been revalued by an independent valuer as of that date and are shown at net revalued figures, additions subsequent to that date are stated at cost. All other assets including capital work-in-progress are stated at cost.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. A full period's/year's depreciation is charged on additions, while no depreciation is charged on items disposed off during the period/year. Freehold leasehold land is stated at cost. Leasehold land is amortised over the period of the lease.

Maintenance and normal repairs are charged to income as and when incurred.

Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Profit or loss on disposal of assets is recognised in income currently.

2.5 Stores'

Stores are valued at actual cost.

2.6 Stocks

Stocks of raw and packing materials, except those in transit, and semi-processed and finished goods are valued at the lower of average cost and net realisable value. Average cost in relation to finished goods represents prime cost and appropriate portion of manufacturing expenses, and excise duty paid thereon. Semi-processed goods are valued at direct materials cost only.

Items in transit are stated at cost comprising invoice values plus other charges paid thereon.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs necessarily to be incurred for its sale.

2.7 Trade debts

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.8 Investments

Investments are stated at cost.

2.9 Foreign currency translations

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange which approximate to those prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

2.10 Revenue recognition

Sales are recorded when goods are dispatched and invoiced.

Income from investments is accounted for in accordance with the rules under which such investments are made.

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	June 30, 1996	December 31, 1994
	(Rupees in thousand)	
Ordinary shares of Rs. 10 each		
887,028 shares fully paid in cash	8,870	8,870
1,661,232 shares issued as fully paid bonus shares	16,613	14,296
-----	-----	-----
2,548,260	25,483	23,166
=====	=====	=====

At June 30, 1996 Slotrapid Limited U.K. and their nominees held 1,279,030 (1994: 1,162,755) ordinary shares.

4. RESERVES

	June 30, 1996	December 31, 1994
	(Rupees in thousand)	
General reserve		
At the beginning of the period/year	58,000	53,000
Transfer from profit and loss account	12,000	4,905
Transfer from surplus on revaluation of fixed assets	-	95
	-----	-----
	70,000	58,000
Reserve for issue of bonus shares		
At the beginning of the period/year	2,317	-
Transfer from profit and loss account	2,548	-
Tax @ 10% thereon	255	2,317
	-----	-----
	2,803	2,317
	-----	-----
	5,120	2,317
Bonus shares issued during the period/year	2,317	-
	-----	-----
	2,803	2,317
	-----	-----
	72,803	60,317
	=====	=====

5. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluation of fixed assets at March 31, 1988, adjusted by surplus realised on disposal of revalued assets transferred to General Reserve.

6. LONG-TERM FINANCE

	June 30, 1996	December 31, 1994
Note	(Rupees in thousand)	

Secured			
From a bank	6.1	4,600	1,500
Unsecured			
From a bank	6.2	8,000	1,500
		-----	-----
		12,600	1,500
Current maturity shown under current liabilities			
Secured		2,400	1,500
Unsecured		500	-
		2,900	1,500
		-----	-----
		9,700	-
		=====	=====

6.1 The Company has arranged a term finance facility from a bank of Rs. 6 million. The facility is secured by a joint hypothecation/pledge of raw materials and specified movable properties. The rate of mark up on the facility is 17.52% per annum and the amount is to be repaid by 1998 in thirty equal monthly instalments commencing December 31, 1995.

6.2 The company has arranged a term finance facility from a bank of Rs. 8 million. The rate of mark up on the facility is 12% per annum and amount is to be repaid by 2004 in sixteen semi-annual instalments commencing March 31, 1997.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	June 30, 1996	December 31, 1994
	(Rupees in thousand)	
Minimum lease payments outstanding	17,940	16,537
Less: Finance charge not due	3,488	3,717
	-----	-----
	14,452	12,820
Less: Current maturity shown under current liabilities	5,499	3,965
	-----	-----
	8,953	8,855
	=====	=====

This represents finance leases entered into with leasing companies and a modaraba for building on leasehold land, plant and machinery, laboratory equipment, electric fittings, computers and office machines. The balance of the liability is payable over a period from July 1996 to April 2000 in periodic instalments.

The periodic lease payments include built in rates of mark-up ranging between 15.25 to 21.74% per annum which are used as a discounting factors.

SHORT-TERM FINANCE

	Note	June 30, 1996	December 31, 1994
(Rupees in thousand)			
From a development financial institution (DFI)	8.1	23,670	20,670
From a bank	8.2	20,000	20,000
		-----	-----
		43,670	40,670
		=====	=====

8.1 The Company has arranged short term finance facility aggregating Rs. 24 million under mark-up arrangement with a DFI. The rate of mark-up on this facility is Rs. 0.60 per Rs. 1,000 per diem. The purchase price and mark-up was repayable by June 1, 1996. The facility is secured by way of a second charge on the company's assets, pledge on short term investments and a guarantee given by a bank. The renewal of the facility is in process.

8.2 The company has arranged a short-term finance of Rs. 20 million under Morahaba LPO (local purchase order) facility with a bank. The rate of mark-up on the facility is 16% per annum. The facility is secured by pari passu charge by way of hypothecation of stocks and trade debts.

**RUNNING FINANCE UNDER MARK-UP
ARRANGEMENTS**

	June 30, 1996	December 31, 1994
(Rupees in thousand)		
From banks	32,065	35,659
	=====	=====

The Company has arranged short term running finance facilities from various banks on mark-up basis to the extent of Rs. 48.6 million (1994: Rs. 48.6-million). Mark-up on such arrangements ranges from 16% to 19% per annum and is payable between July 31, 1996 to March 31, 1997.

The arrangements are secured by joint hypothecation of the Company's stocks, trade debts, and movable assets.

The facility for opening letters of credits and guarantees as at June 30, 1996 amounts to Rs. 100.871 million (1994: Rs. 91.535 million) of which the amount remaining un-utilised at the period end was Rs. 23.963 million (1994: Rs. 50.338 million).

**CREDITORS, ACCRUED EXPENSES AND
OTHER LIABILITIES**

	Note	June 30, 1996	December 31, 1994
(Rupees in thousand)			
Creditors	10.1	192,697	83,907
Accrued liabilities		13,444	11,978
Payable to a modaraba	10.2	83	7,900
Bills payable		37,037	22,998
		-----	-----

Mark-up on long-term finance		858	54
Mark-up on short-term finance		377	1,182
Mark-up on running finance		2,554	1,257
Mark-up on finance leases		-	224
Other financial charges		-	663

3,789 3,380

Advances from customers	10.3	17,558	2,121
Sales tax payable		2,114	773
Workers' profits participation fund	10.4	1,974	1,495
Workers' welfare fund		941	388
Others	10.1	2,084	6,485

271,721 141,425

=====

10.1 Included in the above are amounts due to an associated undertaking aggregating Rs. 139.18 million (1994: Rs. 56.70 million).

10.2 The Company has made an arrangement with a modaraba where the said modaraba shall firstly acquire with title the goods that the Company requires it to acquire and then sell the same to the company at a modaraba sales price.

10.3 Included in advances from customers is an amount of Rs. 15.0 million (1994: Rs. Nil) which represents discounted advances received against supplies of goods to a modaraba. Under this arrangement the company will sell goods to the modaraba which will sell those goods to an associated undertaking of the company. This arrangement is secured by a pari passu charge over present and future assets of the company and corporate guarantees issued by the company and the aforementioned associated undertaking.

10.4 WORKERS' PROFIT PARTICIPATION

FUND	June 30, 1996	December 31, 1994
	(Rupees in thousand)	
Balance at January 1	1,495	1,429
Allocation for the period/year	1,080	800
	-----	-----
	2,575	2,229
Interest on fund utilised in the Company's business	206	282
	-----	-----
	2,781	2,511
Less: Amount paid to:		
-- workers on behalf of the fund	425	924
-- The government	382	92
	-----	-----
Balance as at June 30/December 31	807	1,016
	-----	-----
	1,974	1,495
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

(a) Guarantees aggregating Rs. 11.123 million (1994: Rs. 11.123 million) have been given to two banks for securing a lease finance and a running finance of an associated undertaking of the company. Further, the company has also given a corporate guarantee of Rs. 20.0 million (1994: Rs. Nil) to a modaraba for a discounted advance received against supply of goods as explained in note 10.3 above.

(b) Commitments in respect of capital expenditure contracted for as at June 30, 1996 amounted to Rs. 4.08 million (1994: Rs. 0.098 million)

(b) Commitments for rentals under operating lease agreement as at June 30, 1996 amounted to Rs. 1.357 million (1994: Rs. 3.024 million) payable over the next four years as follows:

Year	June 30, 1996 (Rupees in thousand)	December 31, 1994
December 31, 1995	--	1,525
1996-97/December 31, 1996	895	852
1997-98/December 31, 1997	394	647
1998-99/December 31, 1998	68	--

12. OPERATING FIXED ASSETS

(a) The following is a statement of operating fixed assets:

	Cost and revalua- tion to January 1, 1995	Additions/ (disposal)/ *re-classic- fications **(adjust- ments)	Cost and revalua- tion to June 30, 1996	Accumu- lated depre- ciation as at January 1, 1995	Depreciation charge for the period/ (depreciation on dele- tions)/ *re-classi- fications	Accumu- lated depre- ciation as at June 30, 1996	Net Book value at June 30, 1996	Annual rate of depre- ciation %
Freehold land	--	2,405	2,405	--	--	--	2,405	--
Leasehold lands	18,657	--	18,657	1,938	396	2,334	16,323	1.40 & 1.45
Building on freehold land	--	4,157	4,157	--	156	156	4,001	2.50
Buildings on leasehold land	32,165	--	32,165	11,918	1,206	13,124	19,041	2.50
Plant and machinery	26,167	1,351 (1,170) **(292) *2,500	28,556	16,682	3,506 '1,250	21,438	7,118	10
Laboratory equipment	1,016	10	1,026	915	18	933	93	10
Electric fittings	2,950	1,779 (170)	4,559	1,544	540	2,084	2,475	10

Computers	1,135	1,256	3,506	751	639	3,316	190	25
		(1,170)			(131)			
Office machines	868	** (57)			' 2,057			
Furniture and fixtures	3,465	* 2,342						
Delivery vans	747	--	868	504	69	573	295	10
		634	4,099	2,346	513	2,859	1,240	10
Motor cars	2,867	--	489	468	23	439	50	20
		(258)			(52)			
		3,410	1,922	1,797	551	1,046	876	20
		(4,355)			(1,302)			
Assets held under finance leases:								
Building on leasehold land	4,000	--	4,000	300	150	450	3,550	2.50
Plant and machinery	10,514	1,170	9,184	3,110	1,475	3,335	5,849	10-20
		*(2,500)			*(1,250)			
Laboratory equipment	3,126	--	3,126	424	469	893	2,233	10
Motor cars	--	3,641	3,641	--	1,092	1,092	2,549	20
Electric fittings	350	170	520	70	78	148	372	10
Computers	2,735	1,039	1,416	2,353	679	963	453	25
		(16)			(12)			
		*(2,342)			*(2,057)			
Office machines	250	--	250	75	38	113	137	10

	111,012	21,022	124,546	45,195	11,598	55,296	69,250	
		(7,139)			(1,497)			
		** (349)						
=====								
1994	99,820	14,159	111,012	38,785	6,693	45,195	65,817	
	(2,967)				(283)			
=====								

(b) The above represents values of fixed assets arising from revaluation on March 31, 1988 with additions thereafter stated at cost. Had there been no revaluation on that date the figures of fixed assets, after considering the reassessed useful lives of the revalued assets, would have been as follows:

	Cost to June 30, 1996	Accumulated Depreciation	Net Book value at June 30, 1996
	(Rupees in thousand)		
Freehold land	2,405	--	2,405
Leasehold lands	1,261	292	969
Building on freehold land	4,157	156	4,001
Buildings on leasehold la	11,800	8,874	2,926
Plant and machinery	22,540	15,337	7,203
Laboratory equipment	1,026	933	93
Electric fittings	4,559	2,084	2,475
Computers	3,504	3,316	188
Office machines	868	573	295

Furniture and fixtures	4,10	2,859	1,240
Delivery vans	489	439	50
Motor cars	1,922	1,046	876
Assets held under finance leases:			
Building on leasehold land	4,000	450	3,550
Plant and machinery	9,184	3,335	5,849
Laboratory equipment	3,126	893	2,233
Motor cars	3,641	1,092	2,549
Electrical fittings	520	148	372
Computers	1,416	963	453
Office machines	250	113	137
	-----	-----	-----
	80,767	42,903	37,864
	=====	=====	=====

(c) Following are the details of fixed assets disposed off:

	Cost or revaluation	Accumulated depreciation	Net Book value	Sale proceeds	Mode of sale	Particulars of buyers
	(Rupees in		thousand)			
Plant and machinery	1,170 --		1,170	1,170	Sale and leaseback	National Development Leasing Corporation (NDLC), 10th Floor, NIC Building Abbasi Shaheed Road Karachi.
Electric fittings	170 --		170	170	Sale and leaseback	N.D.L.C. 10th Floor NIC Building Abbasi Shaheed Road Karachi.
Computers	131	131	--	75	Exchange	Associated Electrical Engineering Corporation, 307, Rafi Mansion, Shahra-e-Liaquat, Karachi.
Balance c/f	1,471	131	1,340	1,415		
Balance F/B	1,471	131	1,340	1,415		
Computers	1,039	--	1,039	1,039	Sale and leaseback	N.D.L.C. 10th Floor NIC Building Abbasi Shaheed Road Karachi.
	16	12	4	15	Insurance claim	Commercial Union Assurance Company plc. 74/1-A, Lalazar,

					M.T. Khan Road, Karachi.
Motor cars	2,556	--	2,556	2,556	Sale and leaseback Orix Leasing Pakistan Ltd. Overseas Investors Chamber of Commerce and Industry Building, Talpur Road, Karachi
	229	110	119	392	Tender Mr. Shoaib Chaudhry A-279, Block 2, Gulshan-e-lqbal, Karachi.
	10	10	--	35	Tender Mr. Obaid ur Rehman A-279, Block 2, Gulshan-e-lqbal, Karachi.
	210	189	21	178	Tender Mr. M. Saleem, House No. 18/2, Orangabad, Nazimabad, Karachi.
	137	123	14	126	Tender Mr. M. Saeed Rehmani, D-3, Block 7, Police Office Residence, Clifton, Karachi.
	1,077	816	261	979	Tender Mr. Asim Mirza, Apartment No. 202, Mehran Residency, Civil Lines, Karachi.
	136	54	82	118	Negotiation Company employees
Delivery vans	258	52	206	207	Tender Ittefaq Distributors, 5-Saman Arcade, Firdous Market, Gulberg Ill, Lahore
	7,139	1,497	5,642	7,060	

13 CAPITAL WORK-IN-PROGRESS

	Note	June 30, 1996	December 31, 1994
Plant and machinery		1,338	--
Furniture and fixtures		--	98

(Rupees in thousand)

 1,338 98
 =====

14. LONG-TERM INVESTMENTS

- Unquoted, in a wholly owned subsidiary company
 95,000 (1994: 95,000) fully paid ordinary shares of
 Rs. 10 each in J & N Pakistan Limited.

Break up value of the share at June 30, 1996
 is Rs. 207.29 (1994: Rs. 161.23). The name of the
 company's chief executive is Mr. Javed Akram Malik

	14.1	950	950
--	------	-----	-----

- Unquoted, in an associated company 46,550
 (1994: 46,550) fully paid ordinary shares in Candian
 Metal Containers (Private) Limited.
 Break up value of the share at June 30, 1996 is
 Rs. Nil. The company holds 49% of the investee's
 total equity. The name of the company's chief executive
 is Mr. Iqbal Surti

	14.2	--	--
		950	950

 =====

14.1 The accounts of the subsidiary company for the eighteen months period ended June 30, 1996 are annexed.

14.2 The value of the company's holding in Candian Metal Containers (Private) Limited has been fully written off as the company has ceased to operate since August 23, 1993.

15. LONG-TERM LOANS AND ADVANCES

	June 30, 1996	December 31, 1994 (Rupees in thousand)
Considered good		
- due from executives	1,379	1,049
- due from employees	1,718	1,090
	-----	-----
	3,097	2,139
	=====	=====
Outstanding for more than three years	707	129
Others	2,390	2,010
	-----	-----
	3,097	2,139
	=====	=====

Loans have been provided to employees of the Company under a scheme to facilitate purchase of motor vehicles and are repayable over a period of three to five years.
 The maximum amount of loans and advances due from executives of the Company at the end of any month during the period was Rs. 1.916 million (1994: Rs. 1.049 million).

16 DEFERRED TAXATION	Note	June 30, 1996	December 31, 1994
(Rupees in thousand)			
Debit/(credit) balance arising in respect of:			
Provision for doubtful debts		2,219	2,022
Accelerated tax depreciation		1,425	(147)
Others		(537)	(880)
		-----	-----
		3,107	995
		=====	

17. STOCKS			
Raw and packing materials [including items in transit Rs. 29.238 million; (1994:29.433 million)]			
		68,241	68,249
Semi-processed goods		11,295	8,085
Finished goods		67,980	41,534
		-----	-----
		147,516	117,868
		=====	

TRADE DEBTS			
unsecured			
Considered good			
-- due from associated undertakings		61,404	24,365
-- due from others	18.2	103,600	81,938
		-----	-----
		165,004	106,303
Considered doubtful			
-- due from others		6,167	5,618
		-----	-----
		171,171	111,921
Provision for doubtful debts		6,167	5,618
		-----	-----
		165,004	106,303
		=====	

18.1 The maximum amount due from associated undertakings at the end of any month amounted to Rs. 30.568 million (1993:Rs.18.835 million).

18.2 On termination of distribution agreement, a suit against an ex-distributor for recovery of Rs. 8.8 million is pending with High Court of Sindh. The distributor has also filed a counter claim of Rs. 78.2 million against the Company in the High Court of Sindh on account of damages/compensation.

No provision has been made in respect of the above as the Company and its lawyers are confident that the ultimate decision will be in favour of the Company.

19 LOANS AND ADVANCES	June 30, 1996	December 31, 1994
(Rupees in thousand)		

Considered good
Loans to:

-- Execitives	533	521
-- Other employees	439	493
	-----	-----
	972	1,014
Advances to:		
Executives	374	140
Employees	941	560
Suppliers	3,223	2,390
	-----	-----
	4,538	3,090
	-----	-----
	5,510	4,104
	=====	=====

19.1 The maximum amount of advances due from executives of the Company at the end of any month during the period was Rs. 0.475 million (1994: Rs. 0.435 million).

20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	June 30, 1996	December 31, 1994
	(Rupees in thousand)	
Deposits		
-- Security deposits	1,286	766
-- Excise duty	226	278
	-----	-----
	1,512	1,044
Prepayments	1,690	992
	-----	-----
	3,202	2,036
	=====	=====

21. OTHER RECEIVABLES

Considered good		
Income accrued on investments	4,680	2,280
Claims receivable	255	705
Dividend receivable	20,000	22,500
Others	43,920	7,061
	-----	-----
	68,855	32,546
	=====	=====

22. SHORT-TERM INVESTMENTS

	June 30, 1996	December 31, 1994
	(Rupees in thousand)	
Defence Saving Certificates	4,000	4,000
Wapda Bonds	1,000	1,000
	-----	-----
	5,000	5,000
	=====	=====

22.1 These short term investments are, as stated in note 8.1 above, under lien with NDFC.

23. CASH AND BANK BALANCES

	June 30, 1996	December 31, 1994
	(Rupees in thousand)	
With banks		
- on deposit account	1,091	--
- on current and collection accounts	26,803	11,027
Cash and cheques in hand	1,638	3,321
Remittances in-transit	--	734
	-----	-----
	29,532	15,082
	=====	=====

Eighteen

months ended June 30, 1996	Year ended December 31, 1994
-------------------------------------	---------------------------------------

(Rupees in thousand)

24. SALES

Local- Paints	935,547	454,434
Less: Discounts allowed	43,764	28,995
	-----	-----
	891,783	425,439
Resin	40,541	15,241
Containers	11,920	5,581
	-----	-----
	944,244	446,261
	=====	=====

25. COST OF GOODS SOLD

Eighteen months ended June 30, 1996	Year ended December 31, 1994
---	---------------------------------------

(Rupees in thousand)

Opening stock of semi-processed goods	8,085	7,911
Raw and packing materials		
Opening stock	68,249	59,011
Purchases	390,535	185,457
Closing stock	(68,241)	(68,249)
	-----	-----
	390,543	176,219
Production expenses		
Consumable stores	4,543	1,991
Salaries, wages and benefits	25,027	13,688
Gratuity	838	479
Provident fund	673	406
Pension	175	125

Fuel, water and power	6,014	3,151
Lease rentals	293	182
Legal and professional	69	
Rent, rates and taxes	159	103
Insurance	1,156	788
Repairs and maintenance	3,874	2,058
Depreciation	7,619	5,114
Printing and stationery	85	23
Communication	413	376
Other expenses	2,413	4,353
	-----	-----
	53,351	32,837
Closing stock of semi-processed goods	(11,295)	(8,085)
	-----	-----
Cost of goods manufactured	440,684	208,882
Opening stock of finished goods	41,534	31,836
Purchase of finished goods	345,098	143,049
Excise duty	63,543	34,540
Sales tax	439	1,118
	-----	-----
	891,298	419,425
Closing stock of finished products	(67,980)	(41,534)
	-----	-----
	823,318	377,891
	=====	=====

Eighteen
 months
 ended
 June 30,
 1996

Year
 ended
 December
 31, 1994

(Rupees in thousand)

26. SELLING AND ADMINISTRATION EXPENSES

Note

Salaries, wages and benefits	34,597	19,548
Gratuity	838	479
Provident fund	1,193	705
Pension	374	271
Travelling and conveyance	11,967	7,230
Operating lease rentals	1,933	1,304
Rent, rates and taxes	3,035	2,272
Insurance	2,459	430
Auditor's remuneration	26.1 790	359
Fuel, water and power	1,466	821
Advertising and sales promotion	26,329	16,009
Technical services fee	4,128	365
Freight and handling	14,280	6,625
Repairs and maintenance	1,681	1,055
Depreciation	3,978	1,579
Provision for doubtful debts	549	1,109

Printing and stationery	1,095	688
Legal and professional	327	345
Communication	3,108	1,535
Other expenses	26.2	3,327
	-----	-----
	117,454	64,179
	=====	=====

26.1. AUDITOR'S REMUNERATION

Audit fee	140	140
Taxation services	330	133
Special reports, employees' funds audits and certifications for various government agencies, lenders and sundry advisory services	249	66
Central excise duty	15	--
	56	20
Out of pocket expenses	-----	-----
	790	359
	=====	=====

26.2 Donations of Rs. 19 thousand (1994: Rs. 150 thousand) are included in other expenses.
None of these donations were given to an organisation in which any director or his spouse had any interest.

27. OTHER INCOME

Eighteen	Year
months	ended
ended	ended
June 30,	December
1996	31, 1994

(Rupees in thousand)

Sale of scrap	6,450	2,057
Profit on disposal of fixed assets	1,418	527
Insurance commission	978	414
Income from investments	2,587	822
Sundries	5,563	1,220
	-----	-----
	16,996	5,040
Dividend from a subsidiary company	70,000	32,950
	-----	-----
	86,996	37,990
	=====	=====

28. FINANCIAL CHARGES

Interest on workers' profits participation fund	206	282
Mark-up on long-term finance	1,078	487
Mark-up on short-term finances	6,853	4,608
Mark-up on running finances	15,276	8,713
Mark-up on finance leases	4,471	2,145
Mark-up charged by an associated undertaking	10,905	4,523

Discounting charges	3,153	3,025
Bank charges	2,155	606
Excise duty	1,462	975
Others	3,367	1,889
	-----	-----
	48,926	27,253
Less: Mark-up charged to an associated undertaking	-	758
Other financial income	372	25
	-----	-----
	372	783
	-----	-----
	48,554	26,470
	=====	=====

29. EXCISE DUTY REFUND

Pursuant to a decision dated March 19, 1991 of the Supreme Court of Pakistan holding thinners exempt from excise duty, the Company has lodged a claim for approximately Rs. 18 million with the excise department for refund of excise duty paid on thinners during the period 1983 to 1986. This refund will be accounted for in the books when settlement is reached with the excise authorities.

	Eighteen	
	months	Year
	ended	ended
	June 30,	December
	1996	31, 1994

30. OTHER CHARGES

(Rupees in thousand)

Workers profits' participation fund	1,080	800
Workers welfare fund	576	147
Losses incurred on shipments (imports) of improper materials		
Import cost	17,661	-
-- legal and professional charges	2,241	-
-- financial charges	609	-
	-----	-----
	20,511	-
	-----	-----
	22,167	947
	=====	=====

31. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

31.1 The aggregate amounts charged in the accounts of the year for remuneration including certain benefits to the chief executive and other executives of the Company were as follows:

Chief executive	Executives
-----------------	------------

	Eighteen months ended June 30, 1996	Year ended Decem- ber 31, 1994	Eighteen months ended June 30, 1996	Year ended Decem- ber 31, 1994
--	---	--	---	--

(Rupees in thousand)

Managerial remuneration	879	513	9,023	4,489
Pension , gratuity and provident fund	294	90	2,173	1,004
Housing	556	239	4,061	2,020
Utilities	91	39	902	449
Medical expenses	23	59	783	263
Leave passage	139	60	1,480	446
Conservancy	12	6	--	--
	-----	-----	-----	-----
	1,994	1,006	18,422	8,671
	=====	=====	=====	=====
Number of persons	1	1	32	26
	=====	=====	=====	=====

31.2 Three (1994: three) non-executive directors were paid fees aggregating to Rs.6,000 (1994: Rs. 3,500).

31.3 The chief executive and certain executives of the Company are also provided with free use of cars.

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
	(Rupees in thousand)	
32. TRANSACTIONS WITH ASSOCIATED UNDERTAKING	Note	
Purchase of goods and services	290,373	147,572
Sale of goods and services	159,516	105,270
Rebate/discount on sales	8,040	7,349
Mark-up charged by an associated undertaking	10,905	1,204
Mark-up charged to an associated undertaking	--	758
Miscellaneous income charged to an associated undertaking	1,140	--

33. CASH GENERATED FROM OPERATIONS

Profit before taxation	19,747	14,764
Adjustments for non cash charges and other items:		
Depreciation	11,598	6,693
Profit on disposal of fixed assets	(1,418)	(527)
Dividend income	(70,000)	(32,950)
Income from investments	(2,587)	(822)

Financial charges		49,163	26,470
Working capital changes	33.1	2,080	13,924
		-----	-----
		8,583	27,552
		=====	=====

33.1 Working capital changes

(Increase)/decrease in current assets

Stores		(553)	(348)
Stocks		(29,648)	(19,110)
Trade debts		(58,701)	(56,650)
Loans and advances		(1,406)	7,979
Trade deposits and short-term prepayments		(1,166)	136
Other receivables		(36,409)	2,407
		-----	-----

Increase/(decrease) in current liabilities

Creditors, accrued expenses and other liabilities		129,963	79,510
		-----	-----
		2,080	13,924
		=====	=====

34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

	June 30, 1996	December 31, 1994
	(Rupees in thousand)	
Cash and bank balances	29,532	15,082
Running finance under mark-up arrangements	(32,065)	(35,659)
	-----	-----
	(2,533)	(20,577)
	=====	=====

Eighteen months ended June 30, 1996	Year ended December 31, 1994
---	---------------------------------------

35. PRODUCTION CAPACITY

(Litres 'in thousand)

Actual production	5,344	3,218
-------------------	-------	-------

The capacity of the plant is indeterminable because it is a multi-product plant involving varying processes of manufacturing.

36. COMPARATIVE FIGURES

Previous year's figures have been reclassified, wherever necessary, for the purposes of

comparison.

MAHMOOD AHMAD

Chief Executive

SIKANDER DADA

Director

**Statement Under Section 237(1) (e), (f) & (g) of
The Companies Ordinance, 1984**

STATEMENT UNDER SUB-SECTION (1) (e)

	Eighteen Months ended June 30, 1996	Year ended December 31, 1994
a) Extent of the interest of the holding company (Berger Paints Pakistan Limited) in the equity of its subsidiary Company (J & N Pakistan Ltd.) as at June 30, 1996	100%	100%
	Rupees (ooo)	
b) The net aggregate amount of revenue profits less losses, of the subsidiary company so far as it concern members of the holding company and has not been dealt within the accounts of the holding company, for the eighteen months ended June 30, 1996 are:		
(i) for the eighteen months ended June 30, 1996	4,376	6,367
(ii) for the previous years, but subsequent to the acquisition of the controlling interest by the holding company.	6,367	8,186
c) The net aggregate amount of profits less losses, of the subsidiary company so far as it has been dealt with or provision made for losses in the accounts of the holding company for the eighteen months ended June 30, 1996 are:		
(i) for the eighteen months ended June 30, 1996	70,000	32,950
(ii) for the previous years, but subsequent to the acquisition of the controlling interest of the holding company.	32,950	14,963
d) Change in the interest of the holding company in the equity of its subsidiary company between		

the last financial year of the subsidiary and
the end of the holding company's
financial year.

Nil

Nil

STATEMENT UNDER SUB-SECTION (i) (f) & (g)

N/A

N/A

MAHMOOD AHMED

Chief Executive

SIKANDER DADA

Director

J & N PAKISTAN LIMITED

1995-96 Repo .J&N

BOARD OF DIRECTORS

KASSIM DADA, Chairman

DR. MAHMOOD AHMAD

SIKANDER DADA

MOHAMMAD SHABBIR

M. SHAHID IQBAL

MUHAMMAD ILYAS

SAEED M. SHEIKH

CHIEF EXECUTIVE

JAVED AKRAM MALIK

COMPANY SECRETARY

M. SHAHID IQBAL

BANKERS

Habib Bank Limited

Faysal Bank Ltd.

Schon Bank Limited

AUDITORS

A.F. Ferguson & Co.

REGISTERED OFFICE

D-31, South Avenue,

S.I.T.E.,

Karachi 75700

FACTORY

90B-92B, Industrial Estate

Mirpur

Directors' Report

The Directors have pleasure in submitting their Report and Audited Accounts of the Company for the eighteen months ended June 30, 1996.

	Rupees (in thousands)
Net Profit for the period before providing for taxation but after provision has been made for depreciation, is	75,965
Less: Taxation	1,589

Profit After Tax	74,376
Add: Unappropriated Profit Brought Forward	6,367

Amount available for appropriations	80,743
1st Interim Dividend @ Rs. 273.68 per share	26,000
2nd Interim Dividend @ Rs. 252.63 per share	24,000
3rd Interim Dividend @ Rs. 210.52 per share	20,000

	70,000

	10,743
	=====

Un-appropriated Profit Carried Forward

The Company's holding Company is Berger Paints Pakistan Limited which alongwith its nominees hold 95,000 Ordinary Shares of Rs. 10/- each.

Earning per share is Rs. 782.90 (1994 Rs. 411.91).

The present Auditors, M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

The Company is a wholly-owned subsidiary of Berger Paints Pakistan Limited.

ON BEHALF OF THE BOARD
Chairman

Karachi, September 19, 1996

Auditors' Report to the Members

We have audited the annexed balance sheet of J & N Pakistan Limited as at June 30, 1996 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the eighteen months period 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 and, after due verification thereof, 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 the accounting policies consistently applied;

(ii) the expenditure incurred during the period was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the period 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, the profit and loss account and the cash flow statement together with the notes forming part thereof, 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 June 30, 1996 and of the profit and the cash flows for the eighteen months period then ended; and

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

A.F. FERGUSON & CO.
Chartered Accountants

Karachi: September 30, 1996

Balance Sheet as at	Note	June 30, 1996	December 31, 1994
		(Rupees in thousand)	
SHARE CAPITAL			
Share capital			
Authorised			
500,000 ordinary shares of Rs. 10 each		5,000	5,000
		=====	
Issued, subscribed and paid-up	3	950	950
General reserve		8,000	8,000
Unappropriated profit		10,743	6,367

		19,693	15,317
LIABILITIES AGAINST ASSETS SUBJECT TO			
FINANCE LEASES	4	1,624	5,571
DEFERRED INCOME	5	75	299

CURRENT LIABILITIES

Current maturity of liabilities against assets subject to finance lease	4	3,143	3,023
Short term finance	6	10,000	4,000
Running finances under mark-up arrangements	7	5,084	4,806
Creditors, accrued and other liabilities	8	111,208	45,360
Taxation			867
Unpaid dividend		20,000	22,500

		149,435	80,556

CONTINGENCIES

9	-----	
	170,827	101,743
	=====	

June 30, 1996

	Note	June 30, 1996	December 31, 1994
(Rupees in thousand)			
TANGIBLE FIXED ASSETS			
Operating assets	10	5,836	10,430
Capital work-in-progress--civil works	--	--	584

		5,836	11,014
LONG TERM ADVANCE	--	--	81
LONG-TERM DEPOSITS		660	660
CURRENT ASSETS			
Stores		60	100
Stocks	11	22,432	30,897
Trade debts	12	139,185	52,116
Loans and advances	13	39	140
Tax refundable		245	-
Advances, deposits short term			
prepayments and other receivables	14	2,048	6,452
Cash and bank balances	15	322	283

		164,331	89,988

		170,827	101,743
		=====	

The annexed notes form an integral part of these accounts.

JAVED AKRAM MALIK

Chief Executive

SIKANDER DADA

Director

Profit and Loss Account for the eighteen months period ended June 30, 1996

	Note	Eighteen months ended June 30, 1996 (Rupees in thousand)	Year ended December 31, 1994
Sales		317,722	169,732
Cost of goods sold	16	242,114	127,754

Gross profit		75,608	41,978
Selling and administration expenses	17	6,595	4,406

Operating profit		69,013	37,572
Other income	18	11,379	4,721

		80,392	42,293
Financial charges	19	4,427	2,291

Profit before taxation		75,965	40,002
Taxation - current for the year		1,589	871

Profit after taxation		74,376	39,131
Unappropriated profit brought forward		6,367	186

Profit available for appropriation		80,743	39,317
APPROPRIATION			
Interim dividends		70,000	32,950

Unappropriated profit carried forward		10,743	6,367
		=====	

The annexed notes form an integral part of these accounts.

JAVED AKRAM MALIK

Chief Executive

SIKANDER DADA

Director

Cash Flow Statement for the eighteen months period ended June 30, 1996

		Eighteen months ended June 30, 1996	Year ended December 31, 1994
	Note	(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from operations	20	66,008	11,350
Taxes paid		(2,701)	(354)
Finance charges paid		(4,105)	(1,852)
Long-term advance		81	(81)
Long-term deposits			(20)

Net cash inflow from operating activities		59,283	9,043
Cash flow from investing activities			
Sale proceeds on disposal of a fixed asset		220	-
Fixed capital expenditure		(320)	(730)
Mark-up received		10,905	4,523

Net cash inflow from investing activities		10,805	3,793
Cash flow from financing activities			
Repayment of liabilities under finance leases		(3,827)	(1,476)
Short-term finance less repayments		6,000	4,000
Dividends paid		172,500)	(25,413)

Net cash (outflow) from financing activities		(70,327)	(22,889)

Net (decrease) in cash and cash equivalents		(239)	(10,053)
Cash & cash equivalents at the beginning of the year		(4,523)	5,530

Cash & cash equivalents at the end of the year	21	(4,762)	(4,523)
		=====	

The annexed notes form an integral part of these accounts.

JAVED AKRAM MALIK

Chief Executive

SIKANDER DADA

Director

**Notes to and forming part of the Accounts
for the eighteen months period ended June 30, 1996**

**1. LEGAL STATUS, OPERATIONS AND REASON
FOR PREPARING THESE ACCOUNTS**

1.1 The Company is incorporated in Pakistan as a public limited company. The company is

principally engaged in the manufacture and sale of decorative paints. The company's manufacturing facilities are located in Mirpur, Azad Kashmir.

1.2 The Finance Act, 1995 has stipulated that the income year for the purpose of submitting the income tax return must end on June 30. Accordingly the company has decided to change its accounting year end from December 31 to June 30, with effect from June 30, 1996 and has prepared these financial statements for a period of eighteen months from January 1, 1995 to June 30, 1996, whereas the comparative figures are for the year ended December 31, 1994.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Taxation

The Company is exempted from tax under clause 118(c) of the second schedule to the Income Tax Ordinance, 1979 for a period of eight years from February 4, 1993 i.e. the date of commencement of its business. The company, however, makes provisions for minimum tax at 0.5% of turnover, as required under section 80D of the Income Tax Ordinance, 1979.

2.3 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except for capital work in progress which is stated at cost.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life considering the circumstances in which the company is operating. A full period's/year's depreciation is charged on additions, while no depreciation is charged on items disposed of during the period/year.

Maintenance and normal repairs are charged to income as and when incurred.

Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Profit or loss on disposal of assets, except that arising on sale and leaseback transactions which result in finance leases, is recognised in income currently.

2.4 Stores

Stores are valued at actual cost.

2.5 Stocks

Raw and packing materials, except for goods in transit, semi-processed items and finished goods are valued at the lower of average cost and net realisable value. Average cost in relation to finished goods represents prime cost and appropriate proportion of manufacturing expenses. Semi-processed goods are valued at direct materials cost only.

Goods in transit are stated at cost comprising invoice values plus other charges paid thereon.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs necessarily to be incurred for its sale.

2.6 Foreign currency translations

Assets and liabilities in foreign currencies are either translated into rupees at the rates of exchange which approximate to those prevailing at the balance sheet date or at the forward contract rate. Exchange gains and losses are included in income currently.

2.7 Revenue recognition

Sales are recorded when goods are dispatched and invoiced.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	June 30,	December
	1996	31, 1994
	(Rupees in thousand)	

95,000 ordinary shares of Rs. 10/- each fully paid in cash	950	950
	=====	

At June 30, 1996 Berger Paints Pakistan Limited (BPPL) and its nominees held 95,000 (1994: 95,000) ordinary shares.

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	June 30,	December
	1996	31, 1994
	(Rupees in thousand)	

Minimum lease payments outstanding	5,189	10,487
Less: Finance charge not due	422	1,893

Aggregate liability under finance leases	4,767	8,594
Less: Current maturity shown under current liabilities	3,143	3,023

	1,624	5,571
	=====	

This represents liabilities under finance leases arranged with a bank and a leasing company for plant and machinery and laboratory equipment. The liabilities are payable over the terms of the respective lease agreements i.e: from December 1993 to March 1999 in quarterly instalments.

The periodical lease payments include built in rates of mark-up ranging between 19.14 to 22.08 percent per annum which are used as discounting factors.

5. DEFERRED INCOME

Deferred income represents gain on the sale and leaseback of operating fixed assets in 1993 which, because that arrangement had resulted in a finance lease, is being recognised over the term of that lease agreement.

During the period deferred income aggregating Rs. 224 thousand was credited to the profit and loss account.

6. SHORT TERM FINANCE

	June 30,	December
	1996	31, 1994

(Rupees in thousand)

Secured		
From a bank	10,000	4,000
	=====	

During the period the company has arranged a short term finance of Rs. 10 million under Morahaba LPO (local purchase order) facility with a bank. The rate of mark-up on the facility is 16% per annum. The facility is secured by joint hypothecation of stocks and trade debts

7. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS

June 30, December
1996 31, 1994
(Rupees in thousand)

Secured		
From banks	5,084	4,806
	=====	

The company has arranged short term running finance from two banks on mark-up basis to the extent of Rs. 4.900 million. The rate of mark-up on these facilities ranges from 45 paisa to 52 paisa per Rs. 1,000 per day, subject to prompt payment bonus payable by March 31, 1997. These facilities are secured by a joint hypothecation of stocks and trade debts and guarantee of the holding company (BPPL) given to a bank. The balance at the bank on June 30, 1996 was Rs. 4.802 million.

7.1 The facility for opening letters of credit and guarantees as at June 30, 1996 amounts to Rs. 19.50 million (1994: Rs. 18.0 million) of which the amount remaining unutilised at the period end was Rs. 17.143 million (1994: Rs. 8.570 million).

8. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

June 30, December
1996 31, 1994
(Rupees in thousand)

Creditors	99,271	29,228
Payable to a modaraba	--	7,828
Bills payable	3,915	4,319
Accrued liabilities	2,465	371
Accrued finance charges	761	439
Advances from customers	--	2,480
Due to an associated undertaking	4,700	--
Security deposit	75	--
Others	21	695

	111,208	45,360
	=====	

9. CONTINGENCIES

The company has given a corporate guarantee to a bank for Rs. 27.5 million (1994: Rs. Nil) on behalf of an associated undertaking for a running finance facility. Further, the company has also given a corporate guarantee to a modaraba for Rs. 20.0 million (1994: Rs. Nil) in respect of an advance received by an associated undertaking against supply of goods to that modaraba which will eventually be sold to the company.

10. OPERATING FIXED ASSETS

(a) The following is a statement of operating fixed assets:

	Cost as at January 1, 1995	Additions/ (disposal)/	Cost as at June 30, 1996	Accumu- fated depre- ciation as at June 30, 1996	Net Book value as at June 30, 1996	Depreciation charge for the period	Annual rate of depre- ciation %
(Rupees in thousands)							
Leasehold land	1,147 -		1,147	803	344	344	20
Buildings on leasehold land	4,147	725	4,872	3,113	1,759	1,462	20
Plant and machinery	276	142	418	181	237	125	20
Electric fittings	117	32	149	89	60	44	20
Computers	29 -		29	16	13	9	20
Furniture and fittings	96	5	101	67	34	30	20
Office equipment	113 -		113	75	38	34	20
Motor cars	667	(331)	336	235	101	101	20
Assets held under finance leases:							
Plant and machinery	10,299 -		10,299	7,109	3,190	3,090	20
Laboratory equipment	201 -		201	141	60	60	20
	-----		-----	-----	-----	-----	
1996	17,092	904	17,665	11,829	5,836	5,299	
		(331)					
	=====	=====	=====	=====	=====	=====	
1994	16,217	875	17,092	6,662	10,430	3,418	
	=====	=====	=====	=====	=====	=====	

10.1 The depreciation charge for the year has been allocated as follows

	June 30, 1996	December 31, 1994
(Rupees in thousand)		
Cost of goods sold	5,176	3,264
Selling and administration expenses	123	114
Charged to BPPL	--	40
	-----	-----
	5,299	3,418
	=====	=====

11. STOCKS

	June 30, 1996	December 31, 1994
(Rupees in thousand)		

Raw and packing materials (including items in transit Rs.4.540 million) (1994: Rs. 6.359 million)	18,112	20,849
Semi processed goods	721	5
Finished goods	3,599	10,043
	-----	-----
	22,432	30,897
	=====	=====

12. TRADE DEBTS

Unsecured and considered good - from an associated undertaking	139,185	52,116
	=====	=====

13. LOANS AND ADVANCES

Considered good		
Loan to the chief executive	21	122
Advance to an associated undertaking	18	18
	-----	-----
	39	140
	=====	=====

**14. ADVANCES, DEPOSITS, SHORT TERM
PREPAYMENTS AND OTHER RECEIVABLES**

Advances to suppliers	788	520
Security deposits	93	--
Short term prepayments	255	50
Receivables from an associated undertaking	--	5,828
Others	912	54
	-----	-----
	2,048	6,452
	=====	=====

CASH AND BANK BALANCES

With banks on current and collection accounts	124	192
Cash and cheques in hand	21	91
Cash in transit	177	--
	-----	-----
	322	283
	=====	=====

16. COST OF GOODS SOLD

Eighteen
 months
 ended
 June 30,
 1996

Year
 ended
 December
 31, 1994

(Rupees in thousand)

Opening stock of semi processed goods	5	81
---------------------------------------	---	----

Raw and packing materials

Opening stock	20,849	14,845
Purchases	214,366	96,488
Closing stock	(18,112)	(20,849)
	-----	-----
	217,103	90,484
Production expenses		
Stores consumed	86	27
Salaries, wages and benefits (note 16.1)	4,319	2,475
Fuel, water and power	1,466	799
Rent, rates and taxes	29	26
Insurance	260	126
Repairs and maintenance	430	290
Depreciation	5,176	3,264
Communication	141	38
Travelling and conveyance	640	72
Other expenses	431	294
	-----	-----
	12,978	7,411
Closing stock of semi processed goods	(721)	(5)
	-----	-----
Cost of goods manufactured	229,365	97,971
Opening stock of finished goods	10,043	7,268
Finished goods purchased	6,305	32,558
Closing stock of finished goods	(3,599)	(10,043)
	-----	-----
	12,749	29,783
	-----	-----
Cost of good sold	242,114	127,754
	=====	=====

16.1 Remuneration to a director

Included in salaries, wages and benefits is an aggregate amount of Rs. 724,373 (1994: Rs. 451,488) paid to the chief executive.

17. SELLING AND ADMINISTRATION EXPENSES

	Eighteen months ended June 30, 1996	Year ended December 31,1994
--	---	--------------------------------------

(Rupees in thousand)

Salaries, wages and benefits	2,544	2,046
Travelling and conveyance	213	116
Rent, rates and taxes	247	103
Audit fee	75	75
Fuel, water and power	23	1
Freight and handling	2,335	1,603

Repairs and maintenance	6	4
Depreciation	123	114
Printing and stationery	67	40
Legal and professional	391	92
Communication	171	97
Other expenses	400	115

6,595 4,406
=====

18. OTHER INCOME

	218	49
Sale of scrap	224	149
Deferred income credited during the period (note 5)	21	--
Profit on disposal of a fixed asset	10905	4,523
Mark-up charged to an associated undertaking		

Miscellaneous income	11	--

	11,379	4,721
	=====	

19. FINANCIAL CHARGES

Mark-up on short term finance	861	353
Mark-up on running finances	1,384	326
Mark-up on finance leases	2,124	1,551
Bank charges	58	61

4,427 2,291
=====

20. CASH GENERATED FROM OPERATIONS

Eighteen
months
ended
June 30,
1996 Year
ended
December
31, 1994
(Rupees in thousand)

Profit before taxation	75,965	40,002
Adjustment for non cash charges and other items:		
Depreciation	5,299	3,418
Deferred income credited to profit and loss account	(224)	(149)
Mark-up charged to an associated undertaking	(10,905)	(4,523)
Financial charges	4,427	2,291
Profit on disposal of a fixed asset	(21)	--
Working capital changes - note 20.1	(8,533)	(29,689)

66,008 11,350
=====

20.1 Working capital changes
(Increase)/decrease in current assets

Stores	40	(42)
Stocks	8,465	(8,703)
Trade debts	(87,069)	(18,592)
Loans and advances	101	(82)
Advances, deposits, short-term prepayments and other receivables	4,404	(5,828)

	(74,059)	(33,247)
Increase in current liabilities		
Creditors, accrued and other liabilities	65,526	3,558

	(8,533)	(29,689)
	=====	

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

Cash and bank balances	322	283
Running finances under mark-up arrangements	(5,084)	(4,806)

	(4,762)	(4,523)
	=====	

22. COMPARATIVE FIGURES

Previous year's figures have been reclassified, wherever necessary, for the purposes of comparison.

JAVED AKRAM MALIK

Chief Executive

SIKANDER DADA

Director