

## **Berger Paints Pakistan Limited**

### **Annual Report 1999**

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#### **BOARD OF D/RECTORS:**

KASSIM DADA, Chairman  
DR. MAHMOOD AHMAD, Managing Director  
SIKANDER DADA  
MUHAMMAD ALI KHOJA (Nominee of PICIC )  
V.K. CHADDA  
C.H. CLOVER  
WILLIAM ALFRED MORLEY  
M. ABDUL WAHAB - Alternate to V.K. Chadda  
SYED MOHAMMAD - Alternate to C. H. Clover

#### **SECRETARY**

SYED MOHAMMAD

#### **BANKERS:**

Bank Al-Falah Limited  
Faysal Bank Limited  
Habib Bank Limited  
National Development Finance Corporation

Pak-Kuwait Investment Company (Pvt.) Ltd.

United Bank Ltd.

**AUDITORS:**

A. F. FERGUSON & CO.

**SOLICITORS:**

Surridge & Beecheno

**REGISTERED OFFICE:**

D-31, South Avenue,

S.I.T.E., Karachi

Phone: 2573711-22 (12 Lines)

2560896-8

Tele: 29009 VITON PK

Telefax: (9221) 2561069, 2562090

**Notice of Meeting**

**NOTICE IS HEREBY GIVEN** that the forty-ninth Annual General Meeting of Berger Paints Pakistan Limited will be held on Tuesday, November 23, 1999 at 11:00 a.m. at the Overseas Investors Chamber of Commerce & Industry, Chamber of Commerce Building, Talpur Road, Karachi to transact the following business.

**ORDINARY BUSINESS**

1. To consider the Audited Accounts of the Company for the year ended June 30, 1999 and Directors' and Auditors' Report thereon.
2. To consider and approve dividend at the rate of Rs. 2.50 per share (25%) for the year ended June 30, 1999, as recommended by the Board.
3. To appoint Auditors and fix their remuneration.

September 27, 1999.

**Registered Office:**

D-31, South Avenue,

S.I.T.E.,

Karachi.

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 24, 1999 to October 31, 1999 (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.

**Chairman's Review**

I am pleased in presenting a report on the performance of the Company during the year ended June 30, 1999.

**BY ORDER OF THE BOARD**

**SYED MOHAMMAD**

**Secretary**

## **TRADING RESULTS**

In spite of sluggish business conditions, your Company has been able to maintain almost the same level of sales volume and value as last year. The Industrial and Automotive sectors have registered a substantial increase both in volume and value. This growth has been achieved by improving technical support and meeting customers' demand for quality products. However, the demand for Decorative products remained static during the period under review. The new products especially timber coat & powder coating have been received favourably by the market.

As a result of effective cost control, better sales mix and introduction of new products the Gross Profit margin has shown a significant improvement as compared to last year.

The profit after tax for the year was Rs. 16.9 million and your Board is pleased to recommend a Cash dividend of Rs. 2.50 per share.

## **EXCISE DUTY**

It gives me great pleasure to inform you that pursuant to a decision dated March 19, 1991 of the Supreme Court of Pakistan holding thinners exempt from excise duty, a sum of Rs. 7.35 million has been received and accounted for during the year out of claim of Rs.18.1 million. Efforts are being made for realisation of balance amount of the claim.

## **YEAR 2000 COMPLIANCE**

You will be pleased to know that your Company has satisfactorily achieved the Year 2000 Compliance in respect of operating system.

## **GENERAL**

I am pleased to inform you that the shareholding in Kashmir Paints Limited (Formerly J&N Pakistan Limited) was disposed off during the year, as approved in the Extraordinary General Meeting, at a premium of Rs. 1/- per share.

Industrial relations remained satisfactory during the year and negotiations with CBA are underway for signing of Union agreement for next two years.

## **FUTURE PROSPECTS**

Pakistan's economy is passing through a difficult phase, I believe that we can look forward to future of continuing expansion particularly in the field of Construction and Automotive sector, for which your Company is taking suitable measures to enhance its share in the market. The Company is also continuing its efforts for diversification and acquiring of latest technology.

I take this opportunity to record my deep sense of appreciation for the efforts put in by the staff at all levels during the year.

Karachi, September 27, 1999.

*Chairman*

## **Directors' Report**

The Directors have pleasure in submitting their Report and Audited Accounts of the Company for the year ended June 30, 1999.

*(Rupees in thousand)*

Net Profit for the year before providing  
for taxation but after provision

has been made for depreciation, is		28,241
Less: Taxation		
Current -- for the year	11,000	
-- for prior year	306	
Deferred-for the year	1,324	
--for prior year	(1,289)	11,341
	-----	-----
Profit after tax		16,900
Add: Unappropriated Profit brought forward		9,981
		-----
Amount available for appropriation		26,881
Proposed Dividend @ Rs. 2.50 per share		7,709
Transfer to General Reserve		10,000
		-----
		17,709
		-----
Unappropriated profit carried forward		9,172
		=====

A statement showing the pattern of holding of the shares held by shareholders of Berger Paints Pakistan Limited as at June 30, 1999 appears on Page No. 6.

Consolidated accounts of the company and its subsidiaries are annexed.

The audited accounts of a subsidiary, Berger DPI (Private) Limited for the year ended June 30, 1999 are attached.

The earning per share is Rs. 5.48 for the year (1998: Rs.14.20).

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

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

**ON BEHALF OF THE BOARD**

**MAHMOOD AHMAD**  
Chief Executive

Karachi: September 27, 1999.

**Pattern of Shareholdings  
as at June 30, 1999**

<i>No. of Shareholders</i>		<i>Shareholding</i>			<i>Total shares held</i>
182	Holding from	1	to	100	Shares 6,819
286	"	101	to	500	" 80,274
59	"	501	to	1000	" 33,094
81	"	1001	to	5000	" 167,963
8	"	5001	to	10000	" 64,365
1	"	10001	to	15000	" 10,928
2	"	15001	to	20000	" 34,605
1	"	30001	to	35000	" 30,792
1	"	65001	to	70000	" 135,476
2	"	70001	to	75000	" 143,431

2	"	"	75001	to	80000	"	153,147
2	"	"	85001	to	90000	"	87,206
1	"	"	95001	to	100000	"	95,553
1	"	"	110001	to	115000	"	112,123
1	"	"	175001	to	180000	"	167,040
1	"	"	210001	to	215000	"	212,960
1	"	"	1545001	to	1550000	"	1,547,619
-----							-----
632							3,083,395
=====							=====

**Categories of Shareholding**

<i>Categories of Shareholding</i>	<i>Number of Shareholders</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	618	917,856	29.77%
Investment Companies	1	32,552	1.06%
Insurance Companies	1	78,075	2.53%
Modaraba Companies	1	6,655	0.22%
Joint Stock Companies	1	15,306	0.50%
Others:			
a) Slotrapid Limited U.K.	1	1,547,619	50.19%
b) National Bank of Pakistan	2	176,756	5.73%
c) Pakistan Industrial Credit & Investment Corporation Ltd.	1	212,960	6.90%
d) Companies	6	95,616	3.10%
	-----	-----	-----
	632	3,083,395	100.00%
	=====	=====	=====

**Auditors' Report to the Members**

We have audited the annexed balance sheet of Berger Paints Pakistan Limited as at June 30, 1999 and the related profit and loss account, statement of changes in equity and cash flow statement, 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 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 purposes 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 explana-

tions given to us, the balance sheet, profit and loss account, statement of changes in equity and 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, 1999 and of the profit, changes in equity and the cash flows for the year then ended; and

(d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: October 6, 1999.

**A.F. FERGUSON & CO.**  
**Chartered Accountants**

### Balance Sheet as at June 30, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital			
Authorised			
5,000,000 ordinary shares of Rs 10 each		50,000	50,000
		=====	=====
Issued, subscribed and paid - up	3	30,834	30,834
Reserves	4	125,000	115,000
Unappropriated profit		9,172	9,981
		-----	-----
		165,006	155,815
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	5	43,779	43,779
<b>LONG-TERM FINANCES</b>	6	14,500	48,243
<b>LIABILITIES AGAINST ASSETS SUBJECT TO</b>			
<b>FINANCE LEASES</b>	7	4,792	9,782
<b>DEFERRED TAXATION</b>	8	4,009	3,974
<b>CURRENT LIABILITIES</b>			
Current maturity of long-term finances	6	11,000	19,750
Current maturity of liabilities against assets subject to finance leases	7	7,451	6,965
Short-term finances	9	20,000	35,000
Running finance under mark-up arrangements	10	154,470	56,594
Creditors, accrued expenses and other liabilities	11	141,146	247,039
Unclaimed dividends		401	228
Proposed dividend		7,709	7,709
		-----	-----
		342,177	373,285
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
		-----	-----
		574,263	634,878
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			

Operating fixed assets	13	85,183	84,323
Capital work-in-progress	14	543	438
		-----	-----
		85,726	84,761
<b>LONG-TERM INVESTMENTS</b>	15	2,550	3,500
<b>LONG-TERM LOANS AND ADVANCES</b>	16	5,877	4,542
<b>LONG-TERM DEPOSITS</b>		3,324	3,276
<b>CURRENT ASSETS</b>			
Stores [including items in transit Rs Nil (1998: Rs 0.768 million)]		5,794	5,498
Stocks	17	164,929	149,503
Trade debts	18	181,846	263,741
Loans and advances	19	6,180	4,569
Trade deposits and short - term prepayments	20	4,396	3,625
Other receivables	21	34,913	28,395
Short-term investments	22	5,000	5,000
Income tax refundable		40,537	39,520
Cash and bank balances	23	33,191	38,948
		-----	-----
		476,786	538,799
		-----	-----
		574,263	634,878
		=====	=====

The annexed notes form an integral part of these accounts.

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

**Profit and Loss Account  
for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Sales	24	709,886	732,687
Cost of goods sold	25	538,164	598,275
		-----	-----
		171,722	134,412
Selling and administration expenses	26	124,483	118,452
		-----	-----
		47,239	15,960
Other income	27	19,285	78,652
		-----	-----
		66,524	94,612
		-----	-----
Financial charges	28	36,205	36,057
Other charges	29	2,078	4,728
		-----	-----
		38,283	40,785
		-----	-----
Profit before taxation		28,241	53,827





The annexed notes form an integral part of these accounts.

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

**Cash Flow Statement**  
**for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
<b>Cash flow from operating activities</b>			
Cash generated from/(utilised for) operations	31	23,282	(45,824)
Financial charges paid		(34,086)	(35,699)
Taxes paid [including Rs Nil (1998: Rs 0.255 million ) being adjustment of tax on bonus shares issued during the year ended June 30, 1997]		(12,323)	(14,829)
Long-term loans and advances (net)		(1,335)	(402)
Long-term deposits (net)		(48)	(1,401)
		-----	-----
Net cash (outflow) from operating activities		(24,510)	(98,155)
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(10,816)	(8,119)
Sale proceeds on disposal of fixed assets		2,651	1,796
Long term investments		--	(2,550)
Sale proceeds on disposal of long term investment		1,045	--
Income from investments received		62	63
Dividends received		--	100,000
		-----	-----
Net cash (outflow)/inflow from investing activities		(7,058)	91,190
<b>Cash flow from financing activities</b>			
Long-term finances less repayments		(42,493)	27,293
Repayments of liabilities under finance leases (net)		(7,036)	(9,438)
Repayment of short-term finances (net)		(15,000)	--
Dividends paid		(7,536)	(2,781)
		-----	-----
Net cash (outflow)/inflow from financing activities		(72,065)	15,074
		-----	-----
Net (decrease)/increase in cash and cash equivalents		(103,633)	8,109
Cash and cash equivalents at the beginning of the year		(17,646)	(25,755)
		-----	-----
Cash and cash equivalents at the end of the year	32	(121,279)	(17,646)
		=====	=====

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 year ended June 30, 1999

### 1. INTRODUCTION

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

### 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, 1996 on the basis of the 'projected unit credit method'. As of December 31, 1996, the liability for past services was Rs 6.492 million against which the market value of the fund's assets was Rs 5.963 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 5.25% 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, 1996 by the actuary are:

- Expected rate of growth in future salaries: 8% per annum
- Expected rate of return on fund: i0% 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 respectively at rates of 5% and 2% of basic salaries of the employees which rates are in excess of the minimum contribution rates recommended by the actuary of 1% and 2.5% respectively. The last actuarial valuation of this fund was carried out as of December 31, 1997 on the basis of the 'projected unit credit method'. As of December 31, 1997 the liability for past services was Rs 8.061 million against which the market value of the fund's assets was Rs 13.934 million. The principal actuarial assumptions used in the valuation of the scheme as of December 31, 1997 by the actuary are:

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

#### 2.3 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, 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 amounts. Additions subsequent to that date and all other operating assets are stated at cost less accumulated depreciation. 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 year's depreciation is charged on additions, while no depreciation is charged on items disposed off during the year. Freehold 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 Fixed assets acquired on finance leases**

The Company accounts for fixed assets acquired under finance leases by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Consistent with prior years financial charges are allocated to the accounting period using the sum of year digit method. Depreciation is charged to income applying the straight line method at the rates stated in note 13.1 below.

### **2.6 Stores**

Stores are valued at actual cost.

### **2.7 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.

### **2.8 Trade debts**

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

### **2.9 Investments**

Investments are stated at cost.

### **2.10 Foreign currency translations**

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in which case the rates contracted for are used. Exchange gains and losses are included in income currently.

### **2.11 Revenue recognition**

Sales are recorded when goods are despatched 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

Ordinary shares of Rs 10 each

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
887,028 Shares fully paid in cash	8,870	8,870
2,196,367 Shares issued as fully paid bonus shares	21,964	21,964
-----	-----	-----
3,083,395 (1998: 3,083,395)	30,834	30,834
=====	=====	=====

At June 30, 1999 Slotrapid Limited U.K., and their nominees held 1,547,626 (1998: 1,547,626) ordinary shares.

### 4. RESERVES

General reserve

At the beginning of the year  
Transfer from profit and loss account

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
At the beginning of the year	115,000	85,000
Transfer from profit and loss account	10,000	30,000
	-----	-----
	125,000	115,000
<b>Reserve for issue of bonus shares</b>		
At the beginning of the year	--	3,058
Bonus shares issued during the year	--	(2,803)
Tax @ 10% on bonus shares issued during the year ended June 30, 1997 adjusted during the year ended June 30, 1998	--	(255)
	-----	-----
	--	(3,058)
	-----	-----
	--	--
	-----	-----
	125,000	115,000
	=====	=====

### 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 the general reserve.

### 6. LONG-TERM FINANCES

Secured

From a bank

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
	5,500	6,500

From a development financial institution	6.2	--	19,493
From a bank	6.3	--	25,000
From a non-banking financial institution	6.4	20,000	17,000
		-----	-----
		25,500	67,993
Current maturity shown under current liabilities			
Secured		11,000	19,750
		-----	-----
		14,500	48,243
		=====	=====

6.1 The Company has arranged a term finance facility from a bank of Rs 8 million. The facility is secured by a mortgage over the Company's leasehold lands. The rate of mark-up on the facility is 12% per annum and amount is to be repaid by the year 2004 in semi-annual instalments commencing March 31 1997.

6.2 The Company has arranged a term finance facility aggregating Rs 25 million under a mark-up arrangement with a DFI. The facility is secured by hypothecation of stocks of raw material, work-in-process (semi-processed goods), finished goods, stores and spares, book debts and pledge on short-term investments. The rate of mark-up on the facility was 21% per annum upto August 30, 1998 and 20.075% per annum for the remaining period of the facility. This facility was valid upto November 30, 1999, however, the Company has repaid the amount outstanding against this facility during the year.

6.3 The Company had arranged a term finance facility from a bank of Rs 25 million. The facility was secured by a first charge on stocks and book debts, ranking pari passu with other creditors. The rate of mark-up was 19% per annum and the amount 'gas to be repaid in four equal quarterly installments commencing December 9, 1998. However, the Company has repaid the amount outstanding against this facility during the year.

6.4 The Company has arranged a term finance facility from a non-banking financial institution of Rs 20 million. The facility is secured by a first charge on stocks and book debts, ranking pari passu with other creditors. The rate of mark-up on the facility is 19% per annum. Of the total amount Rs 17 million is to be repaid by December 30, 2000 and Rs 3 million is to be repaid by April 9, 2001

## 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The Company entered into finance lease agreements with leasing companies and modarabas for laboratory equipment, electric fittings, computers, office machines, delivery trucks and motor cars.

The periodic lease payments include built in rates of mark-up ranging between 18.00 to 22.25 percent per annum which are used as discounting factors.

The amount of future payments for the lease and the period in which the lease payments will become due are:

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Year to June 30, 1999		--	8,988
Year to June 30, 2000		8,621	7,225
Year to June 30, 2001		3,910	3,363

Year to June 30, 2002	934	170
Year to June 30, 2003	397	--
	-----	-----
	13,862	19,746
Less: Finance charge not due	1,619	2,999
	-----	-----
	12,243	16,747
Less: Current maturity shown under current liabilities	7,451	6,965
	-----	-----
	4,792	9,782
	=====	=====

### 8. DEFERRED TAXATION

Credit/(debit) balance arising in respect of ·

· Provision for doubtful debts	(2,098)	(2,084)
· Accelerated tax depreciation	2,668	3,809
· Finance leases	3,439	2,290
· Others	--	(41)
	-----	-----
	4,009	3,974
	=====	=====

### 9. SHORT TERM FINANCES

From a bank	9.1	20,000	35,000
		=====	=====

9.1 The Company has arranged a short term finance of Rs 35 million under Morahaba LPO (Local Purchase Order) facility with a bank. The rate of mark-up on the facility is 18% per annum. The facility is secured by pari passu charge by way of hypothecation of stocks and trade debts.

*Note*                      **1999**                      **1998**  
*(Rupees in thousand)*

### 10. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

From banks	10.1	154,470	56,594
		=====	=====

10.1 The Company has arranged short term running finance facilities from banks on mark-up basis to the extent of Rs 165 million (1998: Rs 62.1 million). Mark-up on such arrangements ranges from 14.00 to 17.16 percent per annum and is payable between August 31 1999 to December 31, 1999.

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

The facility for opening letters of credits and guarantees as at June 30, 1999 amounts to Rs 129.575 million (1998: Rs 113.075 million) of which the amount remaining un-utilised at the year end was Rs 39.966 million (1998: Rs 33.530 million).

*Note*                      **1999**                      **1998**  
*(Rupees in thousand)*

### 11. CREDITORS, ACCRUED EXPENSES

**AND OTHER LIABILITIES**

Creditors	11.1	55,968	148,405
Accrued liabilities		11,030	13,810
Bills payable		45,669	42,177
		-----	-----
Mark-up on long-term finances		1,920	2,636
Mark-up on short-term finances		994	1,646
Mark-up on running finance		4,805	1,698
		-----	-----
		7,719	5,980
Advances from customers		5,405	5,211
Sales tax payable		28	1,814
Workers' profits participation fund	11.2	3,307	4,125
Workers' welfare fund		3,128	2,873
Others	11.3	8,892	22,644
		-----	-----
		141,146	247,039
		=====	=====

11.1 Included in the above are amounts due to an associated undertaking aggregating Rs Nil (1998: Rs 96.150 million).

**1999**                      **1998**  
*(Rupees in thousand)*

**11.2 Workers' profits participation fund**

Balance at July 1		4,125	2,767
Allocation for the year		1,548	2,941
		-----	-----
		5,673	5,708
Interest on fund utilised in the Company's business		638	258
		-----	-----
		6,311	5,966
Less: Amount paid to:			
--Workers on behalf of the fund		627	802
--The government (workers' welfare fund)		2,377	1,039
		-----	-----
		3,004	1,841
		-----	-----
Balance at June 30		3,307	4,125
		=====	=====

11.3 Included in 'Others' are amounts due to associated undertakings aggregating Rs Nil (1998: Rs 11.063 million).

**12. CONTINGENCIES AND COMMITMENTS**

12.1 Guarantee of Rs 0.348 million (1998: Rs 18.75 million) has been given to a bank on behalf of an associated undertaking of the Company.

12.2 Commitments in respect of capital expenditure contracted for as at June 30, 1999 amount- ed to Rs 0.604 million (1998: Rs 0.055 million).

12.3 Commitments for rentals under operating lease agreements as at June 30, 1999 amount- ed to Rs Nil (1998: Rs 0.068 million).

**13. OPERATING FIXED ASSETS****13.1 The following is a statement of operating fixed assets:**

	<i>Cost and revaluation to July 1, 1998</i>	<i>Additions, reclassifica- tions*/ (disposals)</i>	<i>Cost and revaluation to June 30, 1999</i>	<i>Accumulated depreciation as at July 1, 1998</i>	<i>Depreciation charge for the year/reclassifica- tions*/ (depreciation on disposals)</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Net book value as at June 30, 1999</i>	<i>Annual rate of depreciation</i>
<i>(Rupees in thousand)</i>								
Freehold land	2,405	--	2,405	--	--	--	2,405	--
Leasehold lands	18,657	--	18,657	2862	264	3,126	15,531	1.45 and 1.5
Building on freehold land	4,157	365	4,522	364	113	477	4045.00	2.5
Buildings on leasehold land	40,149	589	40,738	15,574	1,018	16,592	24,146	2.5
Plant and machinery	42,508	4,997	49,078	28,580	3,226	32,853	16,225	10 and 20
		2,542*			1,144*			
		(969)			(97)			
Laboratory equipment	3,297	317	6,179	1,477	528	3,159	3,020	10
Electric fittings	5,645	259	5,879	2,910	357	3,264	2,615	10
		(25)			(3)			
Computers	4,833	3,885	8,614	4,231	1,187	5,392	3,222	25
		(104)			(26)			
Office machines	1,200	183	1,383	859	93	952	431	10
Furniture and fixtures	4,577	116	4,693	3,521	275	3,796	897	10
Delivery trucks	489	--	489	489	--	489	--	20
Motor cars	1,388	--	1,173	699	189	709	464	20
		(215)			(179)			
Balance carried forward	129,305	10,711	143,810	61,566	7,250	70,809	73,001	
		5,107*			2,298*			
		(1,313)			(305)			
Balance brought forward	129,305	10,711	143,810	61,566	7,250	70,809	73,001	
		5,107*			2,298*			
		(1,313)			(305)			
Assets held under finance leases:								
Plant and machinery	11,704	--	9,162	3,469	919	3,244	5,918	10 and 20
		(2,542)*			(1,144)*			
Laboratory equipment	3,508	--	943	1,398	95	339	604	10
		(2,565)*			(1,154)*			
Electric fittings	217	--	217	68	23	91	126	10
Computers	1,738	--	1,738	1,388	174	1,562	176	25
Office machines	698	--	698	141	69	210	488	10
Delivery trucks	2,093	--	2,093	419	419	838	1,255	20
Motor cars-note 13.5	7,072	2,532	8,968	3,563	1,917	5,353	3,615	20
		(636)			(127)			
1999	156,335	13,243	167,629	72,012	10,866	82,446	85,183	
		(1,949)			(432)			



1998	144,790	13,120 (1,575)	156,335	63,453	9,557 (998)	72,012	84,323
	=====	=====	=====	=====	=====	=====	=====

13.2 The depreciation charge for the year has been allocated as follows:

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Cost of goods sold	7,396	6,269
Selling and administration expenses	3,470	3,288
	-----	-----
	10,866	9,557
	=====	=====

13.3 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:

	<i>Cost to June 30, 1999</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Net book value as at June 30, 1999</i>
	<i>(Rupees in thousand)</i>		
Freehold land	2,405	--	2,405
Leasehold lands	1,261	346	915
Building on freehold land	4,522	477	4,045
Buildings on leasehold land	20,373	10,722	9,651
Plant and machinery	43,062	21,043	22,019
Laboratory equipment	6,179	3,159	3,020
Electric fittings	5,879	3,264	2,615
Computers	8,614	5,392	3,222
Office machines	1,383	952	431
Furniture and fixtures	4,693	3,796	897
Delivery trucks	489	489	--
Motor cars	1,173	709	464

Assets held under finance leases:

Plant and machinery	9,162	3,244	5,918
Laboratory equipment	943	339	604
Electric fittings	217	91	126
Computers	1,738	1,562	176
Office machines	698	210	488
Delivery trucks	2,093	838	1,255
Motor cars	8,968	5,353	3,615
	-----	-----	-----
	123,852	61,986	61,866
	=====	=====	=====

13.4 Following are the details of fixed assets disposed off:

<i>Cost or revaluation</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>	<i>Sale proceeds</i>	<i>Mode of sale</i>	<i>Particulars of buyers</i>
--------------------------------	-------------------------------------	---------------------------	--------------------------	---------------------	------------------------------

*(Rupees in thousand)*

Plant and machinery	150	15	135	250	Negotiation	United Paints, Tariq Road, Karachi
	150	15	135	225	---do---	Al-Mushtaq Paints Gizri, Karachi.
	150	15	135	240	---do---	Sarwar Paints Jamshed Road, Karachi.
	519	52	467	467	Insurance claim	Adamjee Insurance Company Limited
Electric fittings	25	3	22	20	Negotiation	Mumtaz A. Piracha (Former-employee)
Computers	27	7	20	50	---do---	United Paints, Tariq Road, Karachi
	27	7	20	50	---do---	AI-Mushtaq Paints Gizri, Karachi.
	50	12	38	60	---do---	Sarwar Paints Jamshed Road, Karachi.
Motor cars	120	109	11	126	Tender	Mir Mohammad Akram Mohallah Kalrah, Gujrat
	60	42	18	326	---do---	Mohammad Arif B-198, Khudadad Colony, Karachi.
	19	17	2	148	---do---	Saleemullah Khan H.No. 1133 PIB Colony, Karachi.
	16	11	5	169	---do---	Asad 192-C, Block No.2 PECHS, Karachi.
Motor car held under finance lease	636	127	509	520	Insurance claim	Muslim Insurance Company Limited
	1,949	432	1,517	2,651		

13.5 Motors cars held under finance leases include a car having a net book value of Rs 0.044 million which is in use of a customer of the Company.

*Note*

**1999**                      **1998**  
*(Rupees in thousand)*

**14. CAPITAL WORK-IN-PROGRESS**

Building on freehold land	--	63
Plant and machinery	543	355
Laboratory equipment	--	20
	543	438

**15. LONG-TERM INVESTMENTS**

-- Unquoted, in a wholly owned subsidiary company

Nil (1998: 95,000) fully paid ordinary shares of

Rs 10 each in Kashmir Paints Limited

(formerly J & N Pakistan Limited).

15.1

--

950

-- Unquoted, in a subsidiary company 255,000

(1998: advance payment for 255,000 shares)

fully paid ordinary shares of Rs 10 each in

Berger DPI (Private) Limited.

2,550

2,550

Break up value of the share at

June 30, 1999 is Rs 13.66.

The name of the company's chief executive is

Dr. Mahmood Ahmad.

-- Unquoted, in an associated company 46,550

(1998: 46,550) fully paid ordinary shares in

Canadian Metal Containers (Private)Limited.

Break-up value of the share at June 30, 1999

is Rs Nil. The company holds 49% of the

investee's total equity.

15.2

--

--

-----  
2,550

-----  
3,500

=====

=====

15.1 The Company has fully disposed off its shareholding in Kashmir Paints Limited (formerly J&N Pakistan Limited) at a premium of Re 1 per share during the year.

15.2 The value of the Company's holding in Canadian Metal Containers (Private) Limited (CMC) has been fully written off as CMC has ceased to operate since August 23, 1993. Mr. Iqbal Surti was the chief executive of CMC on August 23, 1993.

**1999**                      **1998**

*(Rupees in thousand)*

## 16. LONG-TERM LOANS AND ADVANCES

Considered good

· due from executives

2,591

1,470

· due from employees

3,286

3,072

-----  
5,877

-----  
4,542

=====

=====

Outstanding for more than three years

1,655

867

Others

4,222

3,675

-----  
5,877

-----  
4,542

=====

=====

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 eight years.

The maximum amount of loans and advances due from executives of the Company at the end of any month Rs 4.025 million (1998: Rs 2.507 million).

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
<b>17. STOCKS</b>			
Raw and packing materials [including items in transit Rs 29.193 million; (1998: Rs 19.598 million)]	17.1	85,854	84,497
Semi-processed goods		14,158	11,768
Finished goods [including items in transit Rs 8.077 million (1998: Rs 2.95 million)]	17.1	64,917	53,238
		-----	-----
		164,929	149,503
		=====	=====

17.1 Included in raw and packing materials and finished goods are stocks held by third parties amounting to Rs 8.130 million (1998: Rs 10.213 million) and Rs 2.176 million (1998: Rs 1.732 million) respectively.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
<b>18. TRADE DEBTS</b>			
Unsecured			
Considered good			
· due from associated undertakings	18.1	--	93,155
· due from others	18.2	181,846	170,586
		-----	-----
		181,846	263,741
Considered doubtful			
· due from others		6,358	6,315
		-----	-----
		188,204	270,056
Less: Provision for doubtful debts		6,358	6,315
		-----	-----
		181,846	263,741
		=====	=====

18.1 The maximum amount due from associated undertakings at the end of any month amounted to Rs 1.803 million (1998: Rs 93.155 million).

18.2 On termination of a distribution agreement, a suit against an ex-distributor for recovery of Rs 8.8 million is pending with the 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.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
<b>19. LOANS AND ADVANCES</b>			
Considered good			
Loans to:			
· Executives		1,134	656
· Other employees		1,039	1,050
		-----	-----
		2,173	1,706
Advances to:			
· Executives	19.1	725	564
· Other employees		831	592
· Suppliers		2,451	1,707
		-----	-----
		4,007	2,863
		-----	-----
		6,180	4,569
		=====	=====

19.1 The maximum amount of advances due from executives of the Company at the end of any month during the year was Rs 0.821 million (1998: Rs 0.747 million).

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
<b>20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Security deposits		1,561	305
Prepayments		2,835	3,320
		-----	-----
		4,396	3,625
		=====	=====

**21. OTHER RECEIVABLES**

Considered good

Income accrued on investments		10,325	7,862
Excise duty		260	597
Claims receivable		313	920
Due from an associated undertaking	21.1	1,764	--
Receivable on behalf of an associated undertaking		1,175	6,634
Others		21,076	12,382
		-----	-----
		34,913	28,395
		=====	=====

21.1 The maximum amount due from associated undertakings at the end of any month amounted to Rs 9.875 million (1998: Rs 4.641 million).

*1999*                      *1998*  
*(Rupees in thousand)*

**22. SHORT-TERM INVESTMENTS**

Defence savings 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 6.2 above, under lien with a development financial institution.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
<b>23. CASH AND BANK BALANCES</b>			
With banks			
* on foreign currency deposit account	23.1	1,833	1,558
* on current and collection accounts	23.2	8,905	22,106
Cash and cheques in hand		19,217	4,462
Remittances in transit		3,236	10,822
		-----	-----
		33,191	38,948
		=====	=====

23.1 This balance is under lien with a bank.

23.2 This includes US\$ 2,638.79 being balance in a foreign currency current account as at June 30, 1999.

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
<b>24. SALES</b>		
Local- Paints	735,270	738,333
Less: Discounts allowed	39,905	42,419
	-----	-----
	695,365	695,914
Resin	14,488	31,313
Containers	33	5,460
	-----	-----
	709,886	732,687
	=====	=====

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
<b>25. COST OF GOODS SOLD</b>		
Opening stock of semi-processed goods	11,768	12,697
Raw and packing materials		
Opening stock	84,497	84,348
Purchases	377,883	298,941
	-----	-----
	462,380	383,289

Less: Closing stock	85,854	84,497
	-----	-----
	376,526	298,792
Production expenses		
Consumable stores	2,795	4,483
Salaries, wages and benefits	25,950	25,195
Gratuity	817	722
Provident fund	591	519
Pension	143	112
Travelling and conveyance	2,677	2,253
Fuel, water and power	7,339	6,450
Legal and professional	681	522
Rent, rates and taxes	217	228
Insurance	103	443
Repairs and maintenance	2,913	2,859
Depreciation	7,396	6,269
Printing and stationery	377	174
Communication	503	418
Other expenses	1,797	1,535
	-----	-----
	54,299	52,182
Less: Closing stock of semi-processed goods	14,158	11,768
	-----	-----
Cost of goods manufactured	428,435	351,903
Opening stock of finished goods	53,238	64,816
Purchases of finished goods	44,634	177,724
Excise duty	76,201	56,693
Sales tax	573	377
	-----	-----
	603,081	651,513
Less: Closing stock of finished goods	64,917	53,238
	-----	-----
	538,164	598,275
	=====	=====

*Note*                      **1999**                      **1998**  
**(Rupees in thousand)**

**26. SELLING AND ADMINISTRATION EXPENSES**

Salaries, wages and benefits		36,810	34,932
Gratuity		817	722
Provident fund		1,019	1,003
Pension		266	267
Travelling and conveyance		13,543	9,753
Operating lease rentals		102	356
Rent, rates and taxes		2,212	2,199
Insurance		3,909	3,109
Auditors' remuneration	26.1	1,027	587
Fuel, water and power		1,533	1,350
Advertising and sales promotion		23,859	30,304
Technical services fee		3,693	3,053
Freight and handling		19,797	13,707

Repairs and maintenance	1,483	1,604
Depreciation	3,470	3,288
Provision for doubtful debts	506	312
Printing and stationery	2,014	1,282
Legal and professional	2,658	993
Communication	3,350	3,188
Other expenses	2,415	6,443
	-----	-----
	124,483	118,452
	=====	=====

#### 26.1 Auditors' remuneration

Audit fee	275	200
Taxation	478	255
Special reports and other services	157	73
Out of pocket expenses	117	59
	-----	-----
	1,027	587
	=====	=====

*Note*                      **1999**                      **1998**  
**(Rupees in thousand)**

#### 27. OTHER INCOME

Sale of scrap		3,604	4,036
Profit on disposal of fixed assets		1,134	1,219
Profit on disposal of long term investment		95	
Insurance commission		554	113
Income from investments		2,525	1,925
Mark-up, rental income and other services charged to an associated undertaking		2,097	969
Exchange gain		256	203
Excise duty refund	27.1	7,353	--
Others		1,667	5,187
		-----	-----
		19,285	13,652
Dividend from a subsidiary company		--	65,000
		-----	-----
		19,285	78,652
		=====	=====

27.1 Pursuant to a decision dated March 19, 1991 of the Supreme Court of Pakistan holding thinners exempt from excise duty, a sum of Rs 7.353 million has been received and accounted for during the year, out of claim lodged for Rs 18.1 million with Excise Department for refund of excise duty paid on thinners during 1983 to 1986.

**1999**                      **1998**  
**(Rupees in thousand)**

#### 28. FINANCIAL CHARGES

Interest on workers' profits participation fund		638	258
Mark-up on long-term finances		9,028	8,988
Mark-up on short-term finances		5,800	6,117
Mark-up on running finances		16,657	8,696
Mark-up on finance leases		2,305	3,549
Mark-up charged by an associated undertaking		363	6,418



Bank charges	1,327	2,031
Excise duty	87	--
	-----	-----
	36,205	36,057
	=====	=====

**29. OTHER CHARGES**

Workers' profits participation fund	1,548	2,941
Workers' welfare fund	530	1,787
	-----	-----
	2,078	4,728
	=====	=====

*Note*                      **1999**                      **1998**  
**(Rupees in thousand)**

**30. BASIC EARNINGS PER SHARE**

Profit after taxation	16,900	43,773
	=====	=====
Number of shares 3,083,395 (1998: 3,083,395)		
Basic earnings per share	Rs 5.48	Rs 14.20
	=====	=====

**31. CASH GENERATED FROM/(UTILISED FOR) OPERATIONS**

Profit before taxation	28,241	53,827
Adjustments for non-cash charges and other items:		
Depreciation	10,866	9,557
Profit on disposal of fixed assets	(1,134)	(1,219)
Dividend income	--	(65,000)
Income from investments	(2,525)	(1,925)
Profit on disposal of long term investment	(95)	--
Financial charges	36,205	36,057
Working capital changes	31.1 (48,276)	(77,121)
	-----	-----
	23,282	(45,824)
	=====	=====

**31.1 Working capital changes**

(Increase)/decrease in current assets		
Stores	(296)	(2,917)
Stocks	(15,426)	12,358
Trade debts	81,895	(84,819)
Loans and advances	(1,611)	(434)
Trade deposits and short-term prepayments	(771)	1,749
Other receivables	(4,055)	34,790
	-----	-----
	59,736	(39,273)
(Decrease) in current liabilities		
Creditors, accrued expenses and other liabilities	(108,012)	(37,848)
	-----	-----
	(48,276)	(77,121)
	=====	=====

**32. CASH AND CASH EQUIVALENTS**

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

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Cash and bank balances	33,191	38,948
Running finance under mark-up arrangements	(154,470)	(56,594)
	-----	-----
	(121,279)	(17,646)
	=====	=====

**33. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES**

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

	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>			
	<i>Chief Executive</i>		<i>Executives</i>	
Managerial remuneration	1,002	876	8,951	9,536
Pension, gratuity and provident fund	461	191	1,671	1,478
Housing	546	491	3,961	4,278
Utilities	57	79	880	951
Medical expenses	65	78	631	742
Leave passage	130	105	1,067	1,096
Conservancy	22	15	--	--
	-----	-----	-----	-----
	2,283	1,835	17,161	18,081
	=====	=====	=====	=====
Number of persons	1	1	40	43
	=====	=====	=====	=====

33.2 Three (1998: two) non-executive directors were paid fees aggregating Rs 3,000 (1998: Rs 2,500).

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

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	

**34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Purchase of goods and services	--	164,937
Sale of goods	10,422	34,162
Mark-up charged by an associated undertaking	363	6,418
Dividend income	--	65,000
Investment in Berger DPI (Private) Limited	--	2,550
Mark up, rental income and other services		

charged to an associated undertaking

2,097

969

**35. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 1999**

	<i>Interest/mark-up bearing</i>			<i>Non-interest bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
<b>Financial assets</b>							
Investments	5,000	--	5,000	--	--	--	5,000
Loans to employees	--	--	--	2,173	5,877	8,050	8,050
Deposits	--	--	--	1,561	3,324	4,885	4,885
Trade debts	--	--	--	181,846	--	181,846	181,846
Other receivables	--	--	--	28,088	--	28,088	28,088
Cash and bank balances	--	--	--	33,191	--	33,191	33,191
	-----	-----	-----	-----	-----	-----	-----
	5,000	--	5,000	246,859	9,201	256,060	261,060
	=====	=====	=====	=====	=====	=====	=====
<b>Financial liabilities</b>							
Long-term finances	11,000	14,500	25,500	--	--	--	25,500
Short-term finances	20,000	--	20,000	--	--	--	20,000
Running finances	154,470	--	154,470	--	--	--	154,470
Liabilities against assets subject to finance leases	7,451	4,792	12,243	--	--	--	12,243
Creditors, accrued expenses and other liabilities	--	--	--	125,161	--	125,161	125,161
Unclaimed dividends	--	--	--	401	--	401	401
Proposed dividend	--	--	--	7,709	--	7,709	7,709
	-----	-----	-----	-----	-----	-----	-----
	192,921	19,292	212,213	133,271	--	133,271	345,484
	=====	=====	=====	=====	=====	=====	=====

**36. CONCENTRATION OF CREDIT RISK**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 261.060 million, the financial assets which are subject to credit risk amount to Rs 209.934 million. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.

**37. FOREIGN EXCHANGE RISK MANAGEMENT**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings, especially group companies. Payables exposed to foreign currency risks are covered through forward foreign exchange contracts.

**38. 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.

**39. PRODUCTION CAPACITY**

1999

1998

(Litres in thousand)

Actual production	6,266	4,384
	=====	=====

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

#### 40. CORRESPONDING FIGURES

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

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

#### Ten Years at a Glance

	Year Ended June 30,		1/1/1995 To 30/6/96 (18 months)		Year Ended December 31,					(Rupees in thousand)
	1999	1998	1997		1994	1993	1992	1991	1990	1989
<b>NET ASSETS</b>										
Fixed Assets (Net)	85,726	84,761	83,448	70,588	65,915	64,892	63,771	58,407	58,554	56,029
Long Term Investment	2,550	3,500	950	950	950	950	466	--	--	--
Long Term Loans & Deposits	9,201	7,818	6,015	5,035	4,280	4,702	3,620	3,417	3,650	2,733
Net Current Assets	134,609	165,514	127,175	86,258	70,850	57,122	54,747	48,635	32,700	32,762
<b>Total</b>	232,086	261,593	217,588	162,831	141,995	127,666	122,604	110,459	94,904	91,524
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>FINANCED BY</b>										
Share Capital	30,834	30,834	28,031	25,483	23,166	23,166	23,166	23,166	23,166	23,166
Reserves	134,172	124,981	91,975	74,916	66,195	53,219	44,944	36,316	16,147	14,470
Surplus Revaluation of Fixed Assets	43,779	43,779	43,779	43,779	43,779	43,874	43,909	43,960	43,960	43,960
	208,785	199,594	163,785	144,178	133,140	120,259	112,019	103,442	83,273	81,596
Long-Term & Deferred Liabilities	23,301	61,999	53,803	18,653	8,855	7,407	10,585	7,017	11,631	9,928
<b>Total</b>	232,086	261,593	217,588	162,831	141,995	127,666	122,604	110,459	94,904	91,524
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
<b>TURNOVER &amp; PROFITS</b>										
Turnover	709,886	732,687	715,862	944,244	446,261	346,862	385,034	344,292	319,662	299,804
Profit/(Loss) before tax	28,241	53,827	29,330	19,747	14,764	17,491	24,947	27,236	10,781	8,621
Taxation	11,341	10,054	6,920	2,338	1,883	2,301	10,579	12,589	5,629	8,823
Profit/(Loss) after tax	16,900	43,773	22,410	17,409	12,881	15,190	14,368	14,647	5,152	(202)
Dividend	7,709	7,709	2,803	6,371	--	6,950	5,791	5,791	3,475	2,317
Transfer to General Reserve	10,000	30,000	15,000	12,000	4,905	8,465	8,449	20,000	1,564	--
<b>Earning &amp; Dividend</b>										
Earning per Rs. 10 share Rs.	5.48	14.20	7.99	6.83	5.56	6.56	6.20	6.32	2.22	(0.09)
Dividend Per Share - Cash Rs.	2.50	2.5	1.00	2.50	--	3.00	2.50	2.50	1.50	1.00
--Bonus	--	--	1:10	1:10	1:10	--	--	--	--	--

**STATEMENT UNDER SUB-SECTION (1) (e)(f) & (g) of  
The Companies Ordinance, 1984**

	<i>June 30, 1999</i>	<i>June 30 1998</i>
a) Extent of the interest of the holding Company (Berger Paints Pakistan Limited) in the equity of its subsidiary company as at June 30, 1999.		
i) Kashmir Paints Limited (Formerly J & N Pakistan Limited)	--	100%
ii) Berger DPI (Pvt.) Limited	51%	51%

*(Rupees in thousand)*

b) The net aggregate amount of revenue profits less losses, of the subsidiary companies so far as it concern members of the holding Company and has not been dealt within the accounts of the holding company, for the year ended June 30, 1999 are:

i) Kashmir Paints Limited (Formerly J & N Pakistan Limited)	--	112
ii) Berger DPI (Pvt.) Limited	1,825	(35)

bb) For the previous years, but subsequent to the acquisition of the controlling interest by the holding company.

i) Kashmir Paints Limited (Formerly J & N Pakistan Limited)	--	12,136
ii) Berger DPI (Pvt.) Limited	1,790	--

c) The net aggregate amount of profits less losses, of the subsidiary companies so far as it has been dealt with or provision made for losses in the accounts of the holding Company for the year ended June 30, 1999 are:

i) Kashmir Paints Limited (Formerly J & N Pakistan Limited)	--	65,000
ii) Berger DPI (Pvt.) Limited	--	--

cc) For the previous years but subsequent to the acquisition of the controlling interest of the holding Company.

i) Kashmir Paints Limited (Formerly J & N Pakistan Limited)	--	163,913
ii) Berger DPI (Pvt.) Limited	--	--

d) Change in the interest of the holding Company in the equity of its subsidiary companies between the last financial year of the subsidiary and at the end of the holding Company's financial year.

i) Kashmir Paints Limited (Formerly J & N Pakistan Limited)	(100%)	Nil
ii) Berger DPI (Pvt.) Limited	Nil	Nil

**STATEMENT UNDER SUB-SECTION (1) (f) & (g)**

i) Kashmir Paints Limited (Formerly J & N Pakistan Limited)	N/A	N/A
ii) Berger DPI (Pvt.) Limited	N/A	N/A

**MAHMOOD AHMAD**  
*Chief Executive*

**SIKANDER DADA**  
*Director*

## BERGER DPI (PVT) LIMITED

### 1998-99 Report and Accounts

**BOARD OF DIRECTORS:**

CHOY MUI SENG, Chairman  
 CHAI CHING NEE  
 DR. MAHMOOD AHMAD  
 SIKANDER DADA  
 SYED MOHAMMAD

**CHIEF EXECUTIVE:**

DR. MAHMOOD AHMAD

**COMPANY SECRETARY:**

M. ABDUL WAHAB

**BANKERS:**

Askari Commercial Bank Limited

**AUDITORS:**

A. F. FERGUSON & CO.

**SOLICITORS:**

Mohsin Tayyabaly & Co.

**REGISTERED OFFICE:**

D-31, South Avenue,  
 S. I. T. E.,  
 Karachi-75700.

### Directors' Report

The Directors have pleasure in submitting their Report and Audited Accounts of the Company for the year ended June 30, 1999.

*(Rupees in thousand)*

Net Profit for the year before providing for taxation but after provision has been made for depreciation, is		4,378
Less: Taxation		
Current -- for the year	1,900	
--for prior year	311	
Deferred-- for the year	342	2,553
	-----	-----
Profit after tax		1,825
Add: Unappropriated profit/(loss) brought forward		(35)
		-----
Unappropriated profit carried forward		1,790
		=====

The Company's holding company is Berger Paints Pakistan Limited which alongwith its nominees hold 255,000 shares (1998:255,000 shares) of Rs. 10/- each.

The earning per share is Rs. 3.65 for the year {1998: Rs (0.07)}

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

***ON BEHALF OF THE BOARD***

***MAHMOOD AHMAD***

***Chief Executive***

Karachi, September 27, 1999.

***Auditors' Report to the Members***

We have audited the annexed balance sheet of Berger DPI (Private) Limited as at June 30, 1999 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year ended June 30, 1999 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 purposes 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 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, 1999 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: October 6, 1999.

**Balance Sheet as at June 30, 1999**

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	

**SHARE CAPITAL**

Authorised

1,500,000 ordinary shares of Rs 10 each		15,000	15,000
		=====	=====
Issued, subscribed and paid-up	3	5,000	--
Advances against issue of share capital	4	41	5,041
Unappropriated profit/(loss)		1,790	(35)
		-----	-----
		6,831	5,006
<b>DEFERRED TAXATION</b>	5	355	13
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES</b>	6	1,140	632
<b>CURRENT LIABILITIES</b>			
Current maturity of liabilities against assets subject to finance leases	6	347	122
Creditors, accrued expenses and other liabilities	7	5,900	7,303
Taxation		1,556	52
		-----	-----
		7,803	7,477
		-----	-----
		16,129	13,128
		=====	=====

The annexed notes form an integral part of these accounts.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	8	5,297	3,156
<b>LONG - TERM LOAN</b>	9	170	--
<b>CURRENT ASSETS</b>			
Stocks	10	442	7
Contract work-in-progress		443	--
Trade debts	11	8,516	4,755
Loan and advances	12	69	--
Deposits and short - term prepayments	13	141	110
Other receivable		8	8
Cash and bank balances	14	1,043	5,092
		-----	-----
		10,662	9,972
		-----	-----
		16,129	13,128
		=====	=====

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

**Profit and Loss Account  
for the year ended June 30, 1999**

*Year ended*      *For the period*



	<i>Note</i>	<i>June 30, 1999</i>	<i>December 9, 1997 to June 30, 1998</i>
		<i>(Rupees in thousand)</i>	
Turnover	15	27,435	10,356
Cost of turnover	16	12,971	7,563
		-----	-----
Gross profit		14,464	2,793
Selling and administration expenses	17	8,430	2,320
		-----	-----
		6,034	473
		-----	-----
Financial charges	18	1,332	441
Other charges	19	324	2
		-----	-----
		1,656	443
		-----	-----
Profit before taxation		4,378	30
Taxation			
Current - for the year		1,900	52
- for prior year		311	--
Deferred - for the year		342	13
		-----	-----
		2,553	65
		-----	-----
Profit/(Loss) for the year		1,825	(35)
		-----	-----
Unappropriated (loss) brought forward		(35)	--
		-----	-----
Unappropriated profit/(loss) carried forward		1,790	(35)
		=====	=====

The annexed notes form an integral part of these accounts.

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

**Cash Flow Statement**  
**for the year ended June 30, 1999**

	<i>Note</i>	<i>Year ended June 30, 1999</i>	<i>For the period December 9, 1997 to June 30, 1998</i>
		<i>(Rupees in thousand)</i>	
<b>Cash flow from operating activities</b>			
Cash generated from operations	20	404	3,340
Financial charges paid		(1,332)	(441)
Taxes paid		(707)	--
Long term loan - staff		(170)	--
		-----	-----

Net cash (outflow)/inflow from operating activities	(1,805)	2,899
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(2,053)	(2,813)
<b>Cash flow from financing activities</b>		
Advances received against issue of share capital	--	5,041
Repayment of liabilities under finance leases (net)	(191)	(35)
	-----	-----
Cash inflow from financing activities	(191)	5,006
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(4,049)	5,092
Cash and cash equivalents at the beginning of the year	5,092	--
	-----	-----
Cash and cash equivalents at the end of the year	14 1,043	5,092
	=====	=====

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 year ended June 30, 1999

### 1. INTRODUCTION

1.1 The Company was incorporated in Pakistan as a private limited company on December 9, 1997. The Company is principally engaged in selling road marking paints and executing contracts for application of road marking paints.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Taxation

##### Current

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

##### Deferred

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

#### 2.3 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. 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 depreciation is charged on acquisitions, while no depreciation is charged on items disposed during the period. Maintenance and normal repairs are charged to income as and when incurred.

#### 2.4 Fixed assets acquired on finance lease

The company accounts for fixed assets acquired under finance leases by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Consistent with prior period financial charges are allocated to the accounting period on the sum of year digit method. Depreciation is charged to income applying the straight-line method at the rates stated in the note 8 below.

#### 2.5 Stocks

Stocks of finished goods are valued at the lower of cost and net realisable value.

#### 2.6 Contract work in progress

Contract work-in-progress comprises of cost of stocks and direct expenses incurred on contracts for road marking paints for which work completion has not been achieved.

#### 2.7 Revenue recognition

Sales of finished goods (road marking paints) and traffic signs are recorded when goods are despatched and invoiced.

For services rendered under contracts for application of road marking paints, revenue is recognized on the basis of percentage of completion, measured by reference to the percentage of the road surface covered for each contract.

### 3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
500,000 ordinary shares of Rs 10 each	5,000	--
	=====	=====

At June 30, 1999 Berger Paints Pakistan Limited and their nominees held 255,000 ordinary shares of Rs 10 each.

### 4. ADVANCES AGAINST ISSUE OF SHARE CAPITAL

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Berger Paints Pakistan Limited	--	2,550
Dynamic Progressive Industries, Malaysia	41	2,491
	-----	-----
	41	5,041
	=====	=====

### 5. DEFERRED TAXATION

Credit/(debit) balances arising in respect of:

Accelerated tax depreciation	475	299
Finance leases	(120)	(53)
Tax loss for the period December 9, 1997 to June 30, 1998	--	(233)
	-----	-----
	355	13

=====

**6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES**

The company has entered into finance lease arrangements with leasing companies for vehicles.

The periodic lease payments include built in rates of mark-up of 21.41% and 19.75% which are used as discounting factors.

The amount of future payments for the lease and the period in which the lease payments will become due are:

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
Year to June 30, 1999	--	266
Year to June 30, 2000	593	276
Year to June 30, 2001	593	276
Year to June 30, 2002	540	246
Year to June 30, 2003	229	--
	-----	-----
	1,064	1,955
Less: Financial charge not yet due	310	468
	-----	-----
	754	1,487
Less: Current maturity shown under current liabilities	122	347
	-----	-----
	1,140	632
	=====	=====

**7. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES**

Trade creditors	7.1	2,917	6,941
Accrued liabilities		1,407	360
Advances from customers	7.2	1,091	--
Workers' profits participation fund		237	2
Workers' welfare fund		89	--
Others		159	--
		-----	-----
		5,900	7,303
		=====	=====

7.1 Included in the above are amounts due to an associated undertaking aggregating Rs 1.871 million (1998: Rs Nil).

7.2 Advances from customers include Rs 1.068 million (1998: Rs Nil) which have been received by an associated undertaking on behalf of the company.

**8. OPERATING FIXED ASSETS**

The following is a statement of operating fixed assets:

<i>Cost as at July 1, 1998</i>	<i>Additions</i>	<i>Cost as at June 30, 1999</i>	<i>Accumulated depreciation as at July</i>	<i>Depreciation charge for the year</i>	<i>Accumulated depreciation as at June</i>	<i>Net book value as at June</i>	<i>Rate of depreciation</i>
--	------------------	---	--	---	--	--	---------------------------------

	1, 1998		30, 1999		30, 1999			
	<i>(Rupees in thousand)</i>							%
Plant and machinery	2,766	2,053	4,819	276	482	758	4,061	10
Computer	47	--	47	12	12	24	23	25
Assets held under finance leases								
Motor vehicles	789	924	1,713	158	342	500	1,213	20
	-----	-----	-----	-----	-----	-----	-----	
1999	3,602	2,977	6,579	446	836	1,282	5,297	
	=====	=====	=====	=====	=====	=====	=====	
1998	--	3,602	3,602	--	446	446	3,156	
	=====	=====	=====	=====	=====	=====	=====	

8.1 The depreciation charge for the year has been allocated as follows:

	<i>Year ended June 30, 1999</i>	<i>For the period December 9, 1997 to June 30, 1998</i>
	<i>(Rupees in thousand)</i>	
Cost of turnover	666	276
Selling and administration expenses	170	170
	-----	-----
	836	446
	=====	=====

## 9. LONG TERM LOAN

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
To staff	200	--
Receivable within one year included in loan and advances	(30)	--
	-----	-----
	170	--
	=====	=====

## 10. STOCKS

Finished goods	442	7
	=====	=====

## 11. TRADE DEBTS

Unsecured

Considered good

- due from an associated undertaking on account of customers
- due from others

	<i>1999</i>	<i>1998</i>
	<i>(Rupees in thousand)</i>	
	1,175	4,331
	7,341	424
	-----	-----
	8,516	4,755
	=====	=====

## 12. LOAN AND ADVANCES

Considered good		
Loan to an employee	30	--
Advances to		
· Supplier	5	--
· Others	34	--
	-----	-----
	39	--
	-----	-----
	69	--
	=====	=====

## 13. DEPOSITS AND SHORT-TERM PREPAYMENTS

Security deposits	112	40
Prepayments	29	70
	-----	-----
	141	110
	=====	=====

## 14. CASH AND BANK BALANCES

With bank - on current account	879	5,051
-in a foreign currency current account	26	--
Cash in hand	127	41
Remittance in transit	11	--
	-----	-----
	1,043	5,092
	=====	=====

*Year ended*      *For the period*  
*June 30,*      *December 9, 1997*  
*1999*      *to June 30, 1998*  
*(Rupees in thousand)*

## 15. TURNOVER

Revenue under contracts for application of road marking paints	18,550	6,837
Sales of finished goods	8,014	3,519
Sales of traffic signs	871	--
	-----	-----
	27,435	10,356
	=====	=====

## 16. COST OF TURNOVER

Contracts for road marking services		
Opening stock	7	--
Add: Purchases	6,727	4,287
	-----	-----
	6,734	4,287
Less: Closing stock	442	7
	-----	-----
	6,292	4,280

Salaries, wages and benefits	318	68
Application charges	703	355
Fuel	257	39
Depreciation	666	276
Cartage and freight	215	89
Travelling and conveyance	198	29
Communication	13	8
Repairs and maintenance	99	2
Insurance	32	--
Others	366	17
	-----	-----
	2,867	883
Less: Closing contract work-in-progress	443	--
	-----	-----
	8,716	5,163
	-----	-----
Cost of finished goods sold	3,695	2,400
Cost of traffic signs sold	560	--
	-----	-----
	4,255	2,400
	-----	-----
	12,971	7,563
	=====	=====

*Year ended*      *For the period*  
*June 30,*      *December 9, 1997*  
*1999*      *to June 30, 1998*  
*(Rupees in thousand)*

#### 17. SELLING AND ADMINISTRATION EXPENSES

Salaries, wages and benefits	2,900	663
Rent	150	84
Service and distribution charges	635	353
Travelling and conveyance	1,020	180
Motor vehicles expenses	366	75
Cartage and freight	412	8
Handling charges	200	134
Printing and stationery	236	95
Communication	109	17
Advertising and sales promotion	1,735	249
Entertainment	36	2
Legal and professional	77	221
Repairs and maintenance	30	7
Depreciation	170	170
Auditors' remuneration	57	50
Bank charges	14	--
Others	283	12
	-----	-----
	8,430	2,320
	=====	=====

17.1 Included in the above is an aggregate amount of Rs 0.984 million (1998: Rs 0.571 million) charged by Berger Paints Pakistan Limited.

*Year ended*      *For the period*  
*June 30,*      *December 9, 1997*

**1999                      to June 30, 1998**  
**(Rupees in thousand)**

**18. FINANCIAL CHARGES**

Mark-up charged by Berger Paints Pakistan Limited	1,113	398
Mark-up on finance leases	219	43
	-----	-----
	1,332	441
	=====	=====

**19. OTHER CHARGES**

Workers' profits participation fund	235	2
Workers' welfare fund	89	--
	-----	-----
	324	2
	=====	=====

**Year ended                      For the period**  
**June 30,                      December 9, 1997**  
**1999                      to June 30, 1998**  
**(Rupees in thousand)**

**20. CASH GENERATED FROM OPERATIONS**

Profit before taxation	4,378	30
Adjustment for non-cash charges and other items:		
Depreciation	836	446
Financial charges	1,332	441
	-----	-----
	6,546	917
Working capital changes - note 20.1	(6,142)	2,423
	-----	-----
	404	3,340
	=====	=====

**20.1 Working capital changes**

(Increase)/decrease in current assets

Stocks	(435)	(7)
Contract work-in-progress	(443)	--
Trade debts	(3,761)	(4,755)
Loan and advances	(69)	--
Deposits and short - term prepayments	(31)	(110)
Other receivable	--	(8)
	-----	-----
	(4,739)	(4,880)

(Decrease)/increase in creditors, accrued expenses and other liabilities

	(1,403)	7,303
	-----	-----
	(6,142)	2,423
	=====	=====

**21. CORRESPONDING FIGURES**



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

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

## **CONSOLIDATED ACCOUNTS OF BERGER AND ITS SUBSIDIARIES**

### **Auditors' Report to the Board of Directors**

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Berger Paints Pakistan Limited (the holding company) and its subsidiary company as at June 30, 1999 and the related consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended which include the results of Kashmir Paints Limited (formerly J & N Pakistan Limited) for the period July 1, 1998 to March 31, 1999 as more fully explained in note 2.2.3 to these consolidated financial statements. We have also expressed separate opinions on the financial statements of Berger Paints Pakistan Limited and Berger DPI (Private) Limited for the year ended June 30, 1999. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with generally accepted auditing guidelines and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Berger Paints Pakistan Limited and its subsidiary company as at June 30, 1999 and the results of their operations for the year ended June 30, 1999 which include the results of operations of Kashmir Paints Limited (formerly J & N Pakistan Limited) for the period July 1, 1998 to March 31, 1999.

Without qualifying our opinion we draw attention towards the contents of note 2.2.3 to the enclosed financial statements.

Karachi: October 6, 1999.

**A. F. FERGUSON & CO.**  
Chartered Accountants

### **Consolidated Balance Sheet as at June 30, 1999**

*1999*                      *1998*  
*(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	30,834	30,834

Reserves	125,000	115,000
Unappropriated profit	9,723	8,754
	-----	-----
	165,557	154,588
<b>ADVANCE AGAINST ISSUE OF SHARE CAPITAL</b>	21	21
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	43,779	43,779
<b>LONG-TERM FINANCES</b>	14,500	48,243
<b>LIABILITIES AGAINST ASSETS SUBJECT TO</b>		
<b>FINANCE LEASES</b>	5,372	10,105
<b>DEFERRED TAXATION</b>	4,190	3,981
<b>CURRENT LIABILITIES</b>		
Current maturity of long-term finances	11,000	19,750
Current maturity of liabilities against		
assets subject to finance leases	7,628	7,185
Short-term finances	20,000	53,750
Running finance under mark-up arrangements	154,470	59,213
Creditors, accrued expenses and other liabilities	142,656	146,704
Unclaimed dividends	401	228
Proposed dividend	7,709	7,709
	-----	-----
	343,864	294,539
	-----	-----
	577,283	555,256
	=====	=====

The annexed notes form an integral part of these accounts.

	<b>1999</b>	<b>1998</b>
	<i>(Rupees in thousand)</i>	
<b>TANGIBLE FIXED ASSETS</b>		
Operating fixed assets	87,885	86,597
Capital work-in-progress	543	438
	-----	-----
	88,428	87,035
<b>LONG-TERM LOANS AND ADVANCES</b>	5,964	4,542
<b>LONG-TERM DEPOSITS</b>	3,324	3,276
<b>CURRENT ASSETS</b>		
Stores [including items in transit Rs Nil (1998: Rs 0.768 million)]	5,794	5,529
Stocks	164,794	150,289
Contract work-in-progress	222	--
Trade debts	185,590	174,187
Loans and advances	6,215	4,907
Trade deposits and short - term prepayments	4,468	3,971
Other receivables	34,017	29,748
Short-term investments	5,000	5,000
Income tax refundable	39,743	44,392
Cash and bank balances	33,724	42,380
	-----	-----

479,567	460,403
-----	-----
577,283	555,256
=====	=====

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

**Consolidated Profit and Loss Account  
for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in thousand)</i>	
Turnover		718,585	707,502
Cost of turnover		538,525	524,897
		-----	-----
		180,060	182,605
Fixed labor and overhead charges of Kashmir Paints Limited		993	--
Selling and administration expenses		129,028	122,058
		-----	-----
		130,021	122,058
		-----	-----
		50,039	60,547
Other income		20,679	13,614
		-----	-----
		70,718	74,161
		-----	-----
Financial charges		36,974	33,436
Other charges		3,211	4,729
		-----	-----
		40,185	38,165
		-----	-----
Profit before taxation		30,533	35,996
Taxation			
Current - for the year		11,969	5,762
- for prior years		5,866	1,440
Deferred - for the year		1,498	3,698
- for prior years		(1,289)	--
		-----	-----
		18,044	10,900
		-----	-----
Profit after taxation		12,489	25,096
Profit on discontinued operations	4	95	--
Profit for the year taken to consolidated statement of changes in equity		-----	-----
		12,584	25,096
		=====	=====
Basic earnings per share	3	Rs 4.08	Rs 8.14
		=====	=====

The annexed notes form an integral part of these accounts.

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

**Consolidated Statement of Changes in Equity  
for the year ended June 30, 1999**

	<i>Note</i>	<i>Issued, subscribed and paid-up share capital</i>	<i>General reserve</i>	<i>Reserve for issue of bonus shares</i>	<i>Unappropriated profit</i>	<i>Total</i>
<i>(Rupees .in thousand).</i>						
<b>Balance as at June 30, 1997</b>		28,031	93,000	3,058	13,367	137,456
Bonus shares issued		2,803		(2,803)		--
Tax @ 10% on bonus shares				(255)		(255)
				(3,058)		
Profit for the year ended June 30, 1998					25,096	25,096
Transfer from general reserve to profit and loss account			(8,000)		8,000	--
Proposed dividend					(7,709)	(7,709)
Transfer to general reserve from profit and loss account			30,000		(30,000)	--
Balance as at June 30, 1998		30,834	115,000	--	8,754	154,588
Profit for the year ended June 30, 1999					12,584	12,584
Accumulated loss of Kashmir Paints Limited as at March 31, 1999	4				6,094	6,094
Proposed dividend					(7,709)	(7,709)
Transfer to general reserve from profit and loss account			10,000		(10,000)	--
<b>Balance as at June 30, 1999</b>		30,834	125,000	--	9,723	165,557

The annexed notes form an integral part of these accounts.

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

**Consolidated Cash Flow Statement  
for the year ended June 30, 1999**

	<i>Note</i>	<i>1999</i>	<i>1998</i>
<i>(Rupees in thousand)</i>			
<b>Cash flow from operating activities</b>			
Cash generated for operations		37,812	56,355

Financial charges paid	(35,761)	(32,395)
Taxes paid [including Rs Nil (1998: Rs 0.255 million) being adjustment of tax on bonus shares issued during the year ended June 30, 1997]	(13,186)	(18,293)
Long-term loans and advances (net)	(1,422)	(402)
Long-term deposits (net)	(48)	(1,241)
	-----	-----
Net cash (outflow)/inflow from operating activities	(12,605)	4,024
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	(11,863)	(9,606)
Sale proceeds on disposal of fixed assets	5,376	1,796
Income from investments received	62	63
Disposal of Kashmir Paints Limited	4	6,189
	-----	-----
Net cash (outflow) from investing activities	(236)	(7,747)
<b>Cash flow from financing activities</b>		
Long-term finances less repayments	(42,493)	27,293
Advance received against issue of share capital	--	21
Repayments of liabilities under finance leases (net)	(7,293)	(10,923)
Repayment of short-term finances (net)	(33,750)	4,000
Dividends paid	(7,536)	(2,781)
	-----	-----
Net cash (outflow)/inflow from financing activities	(91,072)	17,610
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(103,913)	13,887
Cash and cash equivalents at the beginning of the year	(16,833)	(30,720)
Cash and cash equivalents at the end of the year	(120,746)	(16,833)
	=====	=====

The annexed notes form an integral part of these accounts.

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director

## Notes to and forming part of the Consolidated Financial Statements for the year ended June 30, 1999

### 1. INTRODUCTION

Berger Paints Pakistan Limited (the Company) was incorporated in Pakistan on March 25, 1950 as a limited company and was subsequently converted into a public limited company. The Company's shares are quoted on the Karachi and Islamabad stock exchanges. The subsidiaries of the Company are incorporated in Pakistan. The Company and its subsidiaries are primarily engaged in manufacturing of paints, varnishes and other related items and selling paints and executing contracts for application of road marking paints.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain fixed assets have been included at a revaluation.

## 2.2 Basis of consolidation

2.2.1 These are the consolidated financial statements of Berger Paints Pakistan Limited and its subsidiaries. The subsidiaries comprise of Berger DPI (Private) Limited and Kashmir Paints Limited (formerly J & N Pakistan Limited).

2.2.2 Berger DPI (Private) Limited is a jointly controlled entity and has been consolidated on proportional basis as required by International Accounting Standard No. 31 "Financial Reporting of Interest in Joint Ventures". The company holds 51% interest in Berger DPI (Private) Limited.

2.2.3 Kashmir Paints Limited (KPL), a wholly owned subsidiary of the Company was disposed off as of June 4, 1999. KPL had prepared its accounts for the period July 1, 1998 to March 31, 1999 for presentation to the prospective purchasers of the holding company's shareholding. Those accounts, which were prepared on a basis other than being a 'going concern', were audited and an unqualified opinion on those accounts was rendered to the board of directors of KPL. There were no transactions in KPL during the period April 1 to June 4, 1999. Accordingly, these consolidated financial statements include results of operations of KPL for the period July 1, 1998 to March 31, 1999, which have been consolidated in accordance with the requirements of International Accounting Standard No. 27 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries.'

2.2.4 Inter-company balances and transactions have been eliminated.

2.2.5 As significant accounting policies and disclosures specified in schedules four and five of the Companies Ordinance, 1984 are stated in the respective annexed financial statements of Berger Paints Pakistan Limited and Berger DPI (Private) Limited, these are not reproduced in the consolidated financial statements.

**1999**                      **1998**  
*(Rupees in thousand)*

### 3. BASIC EARNINGS PER SHARE

Profit for the year	12,584	25,096
	=====	=====
Number of shares 3,083,395 (1998: 3,083,395)		
Basic earnings per share	Rs 4.08	Rs 8.14
	=====	=====

### 4. PROFIT ON DISCONTINUED OPERATIONS

On June 4, 1999 Berger Paints Pakistan Limited sold its entire shareholding in Kashmir Paints Limited (KPL) (formerly J & N Pakistan Limited) resulting in a profit of Rs 0.095 million which has been ascertained as set forth below:

*(Rupees in thousand)*

Unappropriated profit of KPL as at July 1, 1998		112
Loss for the period July 1, 1998 to March 31, 1999		(6,206)
		-----
Less:		(6,094)

Excess of liabilities over assets as at March 31, 1999 (net of cash and cash equivalents of Rs 0.088 million)	5,232
Sale proceed on disposal of investment (net of cash and cash equivalents of Rs 0.088 million)	957
	-----
	6,189
	-----
	95
	=====

#### 5. INTEREST IN JOINTLY CONTROLLED ENTITY

The following aggregate amounts of Berger DPI (Private) Limited, the jointly controlled entity, are included in these consolidated financial statements, in accordance with the requirements of International Accounting Standard No. 31 "Financial Reporting of Interest in Joint Ventures".

	<i>1999</i>	<i>1998</i>	1998
	<i>(Rupees in thousand)</i>		
Long term assets	2,789	1,610	
Current assets	4,037	2,637	
Long term liabilities	782	351	
Current liabilities	4,687	378	
Turnover	13,992	5,280	
Cost of turnover	1,310	447	
Expenses	4,075	916	
Taxation	1,302	32	

#### 6. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 1999

In accordance with the requirements of International Accounting Standard No. 32 "Financial Instruments' Disclosure and Presentation" the information regarding financial assets and liabilities as on June 30, 1999 is presented below:

Interest/mark-up      Non-interest bearing

	<i>Interest/mark-up bearing</i>			<i>Non-interest bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
	<i>Rupees in thousand</i>						
<b>Financial assets</b>							
Investments	5,000	--	5,000	--	--	--	5,000
Loans to employees	--	--	--	2,188	5,964	8,152	8,152
Deposits	--	--	--	1,618	3,324	4,942	4,942
Trade debts	--	--	--	185,590	--	185,590	185,590
Other receivables	--	--	--	27,192	--	27,192	27,192
Cash and bank balances	--	--	--	33,724	--	33,724	33,724
	-----	-----	-----	-----	-----	-----	-----
	5,000	--	5,000	250,312	9,288	259,600	264,600
	=====	=====	=====	=====	=====	=====	=====

**Financial liabilities**

Advance against issue of share capital	--	--	--	--	21	21	21
Long-term finances	11,000	14,500	25,500	--	--	--	25,500
Short-term finances	20,000	--	20,000	--	--	--	20,000
Running finances	154,470	--	154,470	--	--	--	154,470
Liabilities against assets subject to finance leases	7,628	5,372	13,000	--	--	--	13,000
Creditors, accrued expenses and other liabilities	--	--	--	126,493	--	126,493	126,493
Unclaimed dividends	--	--	--	401	--	401	401
Proposed dividend	--	--	--	7,709	--	7,709	7,709
	-----	-----	-----	-----	-----	-----	-----
	193,098	19,872	212,970	134,603	21	134,624	347,594
	=====	=====	=====	=====	=====	=====	=====

**6.1 Concentration of credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 264.600 million, the financial assets which are subject to credit risk amount to Rs 212.782 million. The Company and its subsidiary believe that they are not exposed to major concentration of credit risk. To manage exposure to credit risk, credit limits are applied to the customers.

**6.2 Foreign exchange risk management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered through forward foreign exchange contracts.

**6.3 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.

**7. CORRESPONDING FIGURES**

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

**MAHMOOD AHMAD**  
Chief Executive

**SIKANDER DADA**  
Director