

# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the fiftyeighth (58th) Annual General Meeting of Berger Paints Pakistan Limited will be held on Saturday, November 29, 2008 at 11:30 a.m. at Overseas Investors Chamber of Commerce & Industries, Chamber of Commerce Building, Talpur Road, Karachi to transact the following business:

## **ORDINARY BUSINESS**

1. To receive and adopt the Audited Accounts alongwith the Consolidated Financial Statements of the Company for the year ended June 30, 2008 together with and Directors' Auditors' Reports thereon.
2. To appoint Auditors and fix their remuneration for the year ending June 30, 2009.

BY ORDER OF THE BOARD

Karachi: November 7, 2008

**Khurram Nagori**  
**Company Secretary**

## **Registered Office:**

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

## **NOTES:**

[1]The Shares Transfer Books of the Company will remain closed from November 22 to November 29, 2008, both days inclusive.

[2]A member of the Company entitled to attend, speak and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his / her behalf.

[3]CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

### **a. For Attending the Meeting:**

- i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his / her identity by showing his / her National Identity Card (NIC) or original passport at the time of attending the meeting.

- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
- b. For Appointing proxies:**
- i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by two persons whose name, addresses and NIC numbers shall be mentioned.
- iii. Attested copies of the NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his / her original NIC or original passport at the time of meeting.
- v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
- (4) The Form of proxy to be valid must be properly filled-in/executed and received at the Company's Registered Office not later than 48 hours before the time of meeting.
- (5) Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.
- (6) Members who have not yet submitted photocopies of their Computerized National Identity Card (CNIC) are requested to send the same to our Shares Registrar at the earliest.
- (7) Form of Proxy is enclosed herewith.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Berger Paints Pakistan Limited as at June 30, 2008 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 except for the matters stated in paragraph 1 below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

1. As stated in note 2.2 to the annexed financial statements, certain records of the company were destroyed as a result of a fire at the factory premises of the company located in Karachi on January 23, 2008. As a consequence of this situation those records and their supporting documentation in respect of the current year as well as evidence in support of opening balances were not available for our examination. We have been advised by the management that a data gathering exercise was initiated by the company and in this regard duplicate documents have been arranged, wherever possible from other regional offices of the company and the customers / suppliers such as invoices, bank statements, provisional receipts, bill of lading, bill of entry, mixing papers, payment vouchers etc. However, due to the aforementioned situation we were unable to complete certain audit procedures such as verification of original supports, source documentation, manual amendments to those documents and authorisations etc., in respect of the financial information relating to property, plant and equipment, sales and trade debts, stock in trade, sales tax, trade deposits, trade and other payables and sale of scrap items. Further, the sales tax refundable balance as at June 30, 2008 amounts to Rs 71.993 million (note 16) whereas the sales tax refundable balance was stated as Rs 38.285 million in the sales tax return filed by the company for the month of June 2008. We have been advised by the management of the company that the difference represents input sales tax not claimed as the relevant supports were destroyed due to fire. Accordingly, we were unable to verify whether the balance of sales tax refundable as appearing in the enclosed financial statements is stated fairly.
2. As stated in notes 16 and 16.4 to the annexed financial statements, the company has recognised insurance claim receivables of Rs 144.268 million and Rs 70.083 million in respect of items of property, plant and equipment (PPE) and stock in trade respectively as receivables. Out of these receivables an aggregate amount of Rs 23.892 million relating to claim against stock in trade has been received from the insurance company subsequent to June 30, 2008. The claims lodged by the company in respect of PPE of Rs 144.268 million and the balance amount of stock in trade i.e. Rs 46.191 million (difference between Rs 70.083 million and Rs 23.892 million) are under verification and remain to be approved by the insurance company. In our view the subject amounts should not have been recognised as a part of receivables and should have been disclosed as a contingent asset in accordance with the requirements of International Accounting Standard 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Had the company not recognised the aforementioned amounts of claims as a part of its receivables, the other receivables as at June 30, 2008 would have been lower by Rs 190.459 million and the loss after taxation for the year then ended would have been higher by Rs 128.465 million.

3. (a) In our opinion, except for the effects of the matters reported in paragraph 1 above, if any, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us and except for the effects of the adjustments, if any, that might have been determined to be necessary had we been able to satisfy ourselves regarding matters referred to in paragraph 1 above and except for the effects on the financial statements of the matter referred to in paragraph 2 above, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 and of the loss, changes in equity and its 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.
4. The company's financial statements for the year ended June 30, 2007 were audited by another firm of Chartered Accountants whose report dated August 31, 2007 expressed an unqualified opinion thereon.

*A.F. Ferguson & Co.*  
Chartered Accountants  
Karachi, November 7, 2008

# Chairman's Review

I welcome you to the fifty-eighth Annual General Meeting of the Company, and to review issues relating to the operations and financial results of your Company for the year ended June 30, 2008, which have not been satisfactory.

## GENERAL REVIEW

The year under review was challenging on all fronts, especially after the damage caused by the fire. We are thankful to Almighty Allah who has given us the courage to face the challenges and convert them into opportunities.

## FIRE INCIDENT

The company's performance was severely effected due to an unforeseen fire hazard on January 23, 2008. Management together with all the dedicated employees strived hard in the difficult situation to bring on track. Management immediately put up a Disaster Recovery Plan within a week of the fire incident. Some of the salient features of the plan are as follows:

- Capacity of Lahore plant was expanded to cater for maximum demand of Decorative Paint.
- Shareholders subscribed-in Rs 70 million in the form of right issue.
- Arranged toll manufacturing with Buxly Paints Limited to meet production needs of Non-Retail and Ink customers.
- Import finished goods for sale to avoid disruption in supply.
- Adequate marketing and sales strategies were put in place to maintain customer confidence in Berger.
- Collections have exceeded their targets ever since January 2008.
- Continued Powder Coating business by acquiring Oxyplast.
- Immediately rented a new Godown for Raw Material and Finished Goods in Karachi.
- Obtained withholding tax exemption certificates on imports and supply of goods.
- Online connectivity setup among Lahore, Karachi Head Office and Buxly Factory.

It was devastating time and a challenging task to put the wheel rolling again. We are grateful for the support and understanding of all stakeholders and the program of rehabilitation is continuing.

## AUDIT COMMITTEE

The Audit Committee is comprised of five non-executive members. The Audit Committee held 4 meetings during the period as per requirement of the Code of Corporate Governance.

The Audit Committee performs according to the terms of reference determined by the Board of Directors of the company which conform the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

## **SAFETY, HEALTH AND ENVIRONMENT**

Berger has taken a number of steps to minimize environmental effects and ensure safety of its workers and assets. The company has a separate department that ensures proper implementation of programs to meet EHS objectives of the company. Berger has invested heavily in fire fighting and safety equipment. Lahore factory has automatic fire fighting system consisting of fire pumps, network of fire hydrants installed throughout the factory to cover all areas backed by foam for solvent areas and fire extinguishers for class C fires. An automatic fire alarm system that consisting of 24 zones panel, hooters, smoke detectors and call points. An automatic foam fire sprinkler system being installed in Auto paint manufacturing facility that fulfils (National Fire Protection Agency) NFPA 16 requirements.

On environmental issues the company has a very good history of taking cleaner production initiatives. It has been among the earliest volunteers of self monitoring program started by federal EPA. Berger also participated in the ETPI (Environmental Technology Program for Industries) later CCPI (Cleaner Production Program for Industries) launched by federal EPA with the help of Dutch government. Being one of the active participants of the program Berger implemented a number of cleaner production solutions that included solvent recovery plant, solid recovery system from water base paints, water usage reduction, re-use of process water.

## **ACQUISITIONS**

Keeping in view the changing trends and market conditions, the company decided to go into diversification. During the year two new businesses were acquired and added their products into the exiting product lines.

The company acquired the gravure, water-based, flexo and offset ink business from a multi-national manufacturer SICPA, with an annual turnover of Rs 250 million. This acquisition has cost to the company amounting to Rs 254.494 million and has an expected payback period of four years.

We also acquired assets from multinational powder coating company – Oxyplast. Products of Oxyplast have been added to our existing product range. Total sales value expected in 2009 from this business is in excess of Rs 350 million a 125% increase in our Powder Coating line.

The company has been striving hard to get the wheel rolling again after the fire incidence and these acquisitions are evidence of company's commitment to cope with all the challenges and avail opportunities.

We expect that with the additions of these new product lines, the company would be better placed in the market.

## **POLITICAL AND ECONOMICAL CONDITIONS**

Political uncertainty due to elections and financial crisis have slowdown overall economic activity. Further, inflationary pressure and rising price trends in solvents and other raw material inputs have added pressure on product margins, forcing price increase in most of our products while we still strive to maintain product affordability for our consumers.

Business environment during the year remained difficult; energy deficits, increase in energy and input prices, growing current account deficit, declining industrial growth, depreciation of Pak Rupee against major currencies and law & order issue impacted the business environment.

Under the above circumstances, maintaining margins had been a challenging task and these could only be achieved by bringing in price rationalization, production efficiencies and improvement in operations.

## **BUSINESS RISK AND CHALLENGES**

Management has taken cognizance of the fact that there is expected launch of well-known foreign brands which will give the consumers a wider choice of select. Therefore, all possible steps are being taken to maintain our competitive edge.

We are also working on continuous basis to get the best technical know-how from where ever it can be obtained at an affordable price, to improve the range and quality of our products to seize new market opportunities.

## **FUTURE PROSPECTS**

The company won Export Brand of the Year Award for 2006-2007 in Paints Category in recognition of its exports of over Rs 100 million in the year 2006-07.

The start of Lahore factory has enhanced the production capacity and with aggressive launch of the new products, we expect to be able to bring better results for the company in the coming year. Our Lahore Plant would be more efficient and capable of producing all product lines under one roof. The real benefit of diversified operations will help us face the future challenges.

On information side, we have decided to strengthen our information system to obtain the right information at the right time for the right decision making. The company has purchased one of the best ERP solutions and will be implementing within the next few months. This will not only increase our efficiency and reliability of data processing but will also provide help in tweaking our business process to the best practices.

Berger has technical collaborations with Nippon Paints Japan, Nippon Bee Chemicals Japan, PCS Powders UK, DPI Sendirian Berhad Malaysia, Cerachem and

Asian Paints for its different Business Lines. We always endure to obtain best technical know-how at each Business Lines in order to be the best in market place.

Rising inflation, higher interest rates, rupee/foreign currency exchange rates and increasing fuel charges are increasing cost of production for businesses. Under these circumstances, maintaining margins is becoming extremely challenging.

We are looking forward to a better future for our company. The company has set aggressive targets for the forthcoming year and management together with employees are geared up in achieving the targets. The results of our first quarter ended September 30, 2008 evidence some of improvement.

#### **ACKNOWLEDGMENT**

The company's success rests with the commitment and dedication of employees. The Directors of your Board would like to place on record their sincere appreciation for the hard work and dedication shown by the management and employees of the company throughout the year, despite of the adverse circumstances.

On behalf of the Board of Directors, we also express our gratitude to all our valued distributors, dealers, customers and bankers for their enduring relationship and continued support towards rehabilitating the company.

We seek blessings of Almighty Allah for success of the Company.

ZAHID ZAHEER  
CHAIRMAN

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Berger Paints Pakistan Limited ( the holding company) and its subsidiary companies as at June 30, 2008 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. We have also expressed separate opinions on the financial statements of Berger Paints Pakistan Limited and its subsidiary Berger DPI (Private) Limited. The results of another subsidiary Berdex Construction Chemicals (Private) Limited have been incorporated from its unaudited financial statements for the year ended June 30, 2008. 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 audit.

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

1. As stated in note 2.2 to the annexed consolidated financial statements, certain records of the holding company were destroyed as a result of a fire at the factory premises of the holding company located in Karachi on January 23, 2008. As a consequence of this situation those records and their supporting documentation in respect of the current year as well as evidence in support of opening balances were not available for our examination. We have been advised by the management that a data gathering exercise was initiated by the management and in this regard duplicate documents have been arranged, wherever possible from other regional offices of the company and the customers / suppliers such as invoices, bank statements, provisional receipts, bill of lading, bill of entry, mixing papers, payment vouchers etc. However, due to the aforementioned situation we were unable to complete certain audit procedures such as verification of original supports, source documentation, manual amendments to those documents and authorisations etc., in respect of the financial information relating to property, plant and equipment, sales and trade debts, stock in trade, sales tax, trade deposits, trade and other payables and sale of scrap items. Further, the sales tax refundable balance as at June 30, 2008 amounts to Rs 71.993 million (note 16) whereas the sales tax refundable balance was stated as Rs 38.285 million in the sales tax return filed by the holding company for the month of June 2008. We have been advised by the management of the holding company that the difference represents input sales tax not claimed as the relevant records were destroyed due to fire. Accordingly, we were unable to verify whether the balance of sales tax refundable as appearing in the enclosed consolidated financial statements is stated fairly.

2. As stated in notes 16 and 16.4 to the annexed consolidated financial statements, the holding company has recognised insurance claim receivables of Rs 144.268 million and Rs 70.083 million in respect of items of property, plant and equipment (PPE) and stock in trade respectively as receivables. Out of these receivables an aggregate amount of Rs 23.892 million relating to claim against stock in trade has been received from the insurance company subsequent to June 30, 2008. The claims lodged by the holding company in respect of PPE of Rs 144.268 million and the balance amount of stock in trade i.e. Rs 46.191 million (difference between Rs 70.083 million and Rs 23.892 million) are under verification and remain to be approved by the insurance company. In our view the subject amounts should not have been recognised as a part of receivables and should have been disclosed as a contingent asset in accordance with the requirements of International Accounting Standard 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Had the holding company not recognised the aforementioned amounts of claims as a part of its receivables, the other receivables as at June 30, 2008 would have been lower by Rs 190.459 million and the consolidated loss after taxation for the year then ended would have been higher by Rs 128.465 million.

3. In our opinion, except for the effects, if any, of the matter stated in paragraph 1 above and except for the effect on the financial statements of the matter referred to in paragraph 2 above, the consolidated financial statements present fairly the financial position of Berger Paints Pakistan and its subsidiary companies as at June 30, 2008 and the results of their operations for the year then ended.



Chartered Accountants  
 Karachi: November 7, 2008



Berger & Its Subsidiaries  
Consolidated Balance Sheet  
As At June 30, 2008

**NON-CURRENT ASSETS**

Property, plant and equipment  
Goodwill  
Investment in associates  
Long-term loans  
Long-term deposits  
Deferred taxation

**CURRENT ASSETS**

Stores  
Stock in trade  
Trade debts  
Loans and advances  
Trade deposits and short-term prepayments  
Other receivables  
Taxation - net  
Cash and bank balances

Note	2008 (Rupees '000)	2007
6	618,845	630,026
7	52,350	-
8	6,388	5,198
9	14,420	14,927
10	37,718	-
	<b>738,951</b>	<b>659,922</b>
11	6,028	4,848
12	873,297	570,944
13	595,674	632,880
14	97,006	40,213
15	18,238	17,844
16	383,234	40,882
	<b>37,284</b>	<b>21,086</b>
17	209,730	154,161
	<b>2,220,491</b>	<b>1,482,858</b>
	<b>2,959,442</b>	<b>2,142,780</b>

Continued.

# Directors' Report On Consolidated Financial Statements

The Directors of the holding company present their Report together with the Audited Consolidated Financial Statements for the year ended June 30, 2008.

Loss before tax for the year	Rs '000
Taxation	(231,379)
Loss after tax	56,411
Minority interest	(174,968)
Net loss for the year attributable to the holding company	<u>(173,180)</u>

## FINANCIAL STATEMENTS

The Audited Accounts of the holding company for the year ended June 30, 2008 are annexed. The accounts of, one of the subsidiary Berdex Construction Chemicals (Private) Limited have been consolidated on the basis of unaudited accounts for which field audit work was completed.

## PATTERN OF SHAREHOLDING

Statement showing the pattern of shareholding of the holding company appears on page 47.

## HOLDING COMPANY

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

## EARNINGS PER SHARE

Basic and diluted (loss) / earnings per share is Rs (25.21) for the year (2007: Rs 9.02).

## AUDITORS

The present auditors, M/s A. F. Ferguson & Co., Chartered Accountants being eligible have offered themselves for re-appointment for the year ending June 30, 2009.

## CORPORATE GOVERNANCE

A Statement of Corporate and Financial Reporting Framework appears in the Directors' Report of the holding company on page 43 .

## OTHER INFORMATION

All other information is already disclosed in Director's report of the Holding Company.

## ON BEHALF OF THE BOARD

**Bashir Ahmed**  
Chief Executive

**Dr. Mahmood Ahmad**  
Director

Karachi: November 7, 2008.

# Directors' Report

The Directors present their report along with the audited accounts of the Company for the year ended June 30, 2008.

## OPERATING PERFORMANCE

The performance during the year under review has been adversely affected due to the catastrophic fire incident. Company took immediate measures to handle the situation and **got back on track** by the grace of Almighty Allah and with the help and support of dedicated employees and all other stakeholders.

Financial results for the year are given below:

	(Rupees' 000)
Loss before tax for the year	(235,188)
Taxation	60,971
Loss after tax	<u>(174,217)</u>
Add: Unappropriated profit brought forward	30,657
Accumulated loss	<u><u>(143,560)</u></u>

We have obtained a cover for consequential loss for a period of 6 months from the date business was affected due to fire.

## DELAY IN SUBMISSION OF ANNUAL REPORT

Due to the destruction caused by fire, the company was unable to prepare and submit our financial statements for the year ended June 30, 2008 within the stipulated time. We have now been able to collect all the relevant information to prepare our financial statements with available supporting documents.

Auditors were unable to get reasonable assurance to their satisfaction on the limited documentation left with us after the fire incidence which they have highlighted in their opinion. However, we have provided all electronic copies of the relevant documents together with photocopies wherever possible.

## MATERIAL INFORMATION

During the incident of January 23, 2008 the Company had lost the building, plant and machinery, stocks, tools and equipment at Karachi. The Company filed a

claim for the said losses of Rs 1,059 million. So far we have received an amount of Rs 558 million and the verification and assessment of loss by the Insurance Surveyors is still underway and we expect to recover the amount in due course.

Auditors have considered an amount of Rs 190.459 million as contingent asset since the claim is not yet processed. Since we have lodged the claim with all the necessary requirements, we expect a satisfactory resolution of the claim; and have recognized this under 'other receivables'.

### BOARD OF DIRECTORS

During the year, six meetings of Board of Directors were held and attendance by each director was as follows:

	Number of meetings attended
Zahid Zaheer	5
Bashir Ahmed	6
Dr. Mahmood Ahmad	6
Sikander Dada	2
Maqbool H.H. Rahimtoola	6
Gul Nawaz	6
C. H. Clover or Muhammad Naseem as an alternate director	5
M. Ilyas Sharif or Khalid Mansoor as alternate director	6

Leave of absences were granted to those directors who could not attend meetings of the Board.

No casual vacancy of any director occurred during the year.

### AUDIT COMMITTEE

During the year four meetings of Audit Committee held. However there was no meeting held during third quarter of the year due to fire incident.

## **CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated financial statements of the company and its subsidiaries, Berger DPI (Private) Limited and Berdex Constructions Chemical (Private) Limited are annexed.

## **EARNINGS PER SHARE**

The (loss) / earnings per share for the year is Rs (25.10) (2007: Rs 7.07).

## **HOLDING COMPANY**

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

## **AUDITORS**

The present auditors, M/s A. F. Ferguson & Co., Chartered Accountants being eligible have offered themselves for re-appointment for the year ending June 30, 2009 at a fee to be mutually agreed. The Auditors have been given satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan.

## **CHAIRMAN'S REVIEW**

The accompanied Chairman's review deals with the performance of the company during the year and future outlook. The directors of the company endorse the contents of the review.

## **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING**

The company has fully complied with the best practices on transfer pricing as contained in the Listing Regulation of the Stock Exchanges.

## **REASON FOR NOT DECLARING DIVIDEND**

Due to the fire incident and the consequent losses during the year; Directors do not recommend any appropriation of profit.

## **PATTERN OF SHAREHOLDING**

The pattern of shareholding as on June 30, 2008 and its disclosure, as required by the Code of Corporate Governance appears on page 47.

**CORPORATE GOVERNANCE**

**Statement of Corporate and Financial Reporting Framework**

- i. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ii. Proper books of account have been maintained by the Company except those destroyed in the fire incident.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the company's ability to continue as a going concern.
- vii. There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.
- viii. Key operating and financial data of the last six years is summarized on page 37.
- ix. A brief description of outstanding statutory payments on account of taxes, duties, and levies is given in note to the accounts.
- x. The value of investments of provident, gratuity and pension funds as per latest audited accounts as of December 31, 2007, were as follows:

	Rupees '000
Berger Paints Executive Staff Pension Fund	23,298
Berger Paints Gratuity Fund	19,157
Berger Paints Provident Fund	30,530

xi. The directors, CEO, CFO/Company Secretary and their spouses and minor children did not carry out any trade in the shares of the company other than that disclosed in the pattern of shareholding on page 47.

**ON BEHALF OF THE BOARD**

Bashir Ahmed  
Chief Executive

Dr. Mahmood Ahmad  
Director

# Financial Highlights

	Year Ended June 30,					
	2008	2007	2006	2005	2004	2003
	( Rupees in thousand )					
<b>NET ASSETS</b>						
Fixed Assets(Net)	614,447	625,723	560,800	426,852	301,038	118,505
Good will	52,350	-	-	-	-	-
Long Term Investment	13,849	13,849	17,947	17,947	15,473	17,947
Long Term Loans & Deposits	22,072	23,046	17,170	16,292	13,172	11,931
Deferred Taxation	37,718	-	-	-	-	-
Net Current Assets	(173,713)	(58,321)	(28,673)	44,835	146,986	115,805
<b>Total</b>	<b>566,723</b>	<b>604,297</b>	<b>567,244</b>	<b>505,926</b>	<b>476,669</b>	<b>264,188</b>
<b>FINANCED BY</b>						
Share Capital	81,864	69,376	57,813	46,251	30,834	30,834
Reserves	213,449	315,657	309,356	257,318	244,207	207,427
Surplus on Revaluation of Fixed Assets	154,744	173,697	180,788	186,642	191,249	18,576
	450,057	558,730	547,957	490,211	466,290	256,837
Long Term & Deferred Liabilities	116,666	45,567	19,287	15,715	10,379	7,351
<b>Total</b>	<b>566,723</b>	<b>604,297</b>	<b>567,244</b>	<b>505,926</b>	<b>476,669</b>	<b>264,188</b>
<b>TURNOVER &amp; PROFITS</b>						
Turnover	3,123,311	2,904,050	2,761,711	2,122,500	1,243,486	987,452
(Loss) / Profit before tax	(235,188)	100,752	141,473	95,399	61,551	38,051
Taxation	(60,971)	51,673	54,006	38,387	27,844	16,794
(Loss) / Profit after tax	(174,217)	49,079	87,467	57,012	33,707	21,257
Dividend	-	27,749	40,469	27,750	20,042	12,334
Reserve for the issue of bonus shares	-	-	11,563	11,563	15,417	-
Transfer to General Reserve	-	80,000	-	-	-	30,000
<b>Earnings &amp; Dividend</b>						
(Loss) / Earnings per share Rs.	(25.10)	7.07	15.13	9.86	7.29	6.89
Dividend per share - Cash Rs.	-	4.00	7.00	6.00	6.50	4.00
- Bonus	-	-	1:5	1:4	1:2	-





# Balance Sheet

As at June 30, 2008

## NON-CURRENT ASSETS

Property, plant and equipment
Goodwill
Long-term investments (subsidiaries and an associate)
Long-term loans
Long-term deposits
Deferred taxation

## CURRENT ASSETS

Stores
Stock in trade
Trade debts
Loans and advances
Trade deposits and short-term prepayments
Other receivables
Taxation - net
Cash and bank balances

Note	2008 (Rupees '000)	2007
6	614,447	625,723
7	52,350	-
8	13,849	13,849
9	14,034	14,507
	8,038	8,539
10	37,718	-
	<b>740,436</b>	<b>662,618</b>
11	6,028	4,848
12	873,297	570,944
13	569,402	599,782
14	84,686	38,170
15	18,171	17,677
16	391,845	37,361
	40,096	25,502
17	192,281	143,167
	<b>2,175,806</b>	<b>1,437,451</b>
	<b>2,916,242</b>	<b>2,100,069</b>

Continued.

#### SHARE CAPITAL AND RESERVES

Share capital  
Reserves

#### SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX

#### NON-CURRENT LIABILITY

Deferred taxation  
Long-term financing

#### CURRENT LIABILITIES

Trade and other payables  
Accrued mark-up  
Current maturity of long-term financing  
Short-term borrowings

#### TOTAL LIABILITIES

#### CONTINGENCIES AND COMMITMENTS

Note	2008 (Rupees '000)	2007
18	81,864	69,376
19	213,449	315,657
	<b>295,313</b>	<b>385,033</b>
20	154,744	173,697
10	-	45,567
21	116,666	-
22	989,484	691,796
23	43,524	20,782
21	66,667	-
24	1,249,844	783,194
	<b>2,349,519</b>	<b>1,495,772</b>
	<b>2,466,185</b>	<b>1,541,339</b>
25		
	<b>2,916,242</b>	<b>2,100,069</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

Khurram Nagori  
Chief Financial Officer

Bashir Ahmed  
Chief Executive

Dr. Mahmood Ahmad  
Director

# Profit And Loss Account

For the year ended June 30, 2008

**Net sales**

Cost of sales

**Gross profit**

Distribution cost

Administrative expenses

Operating (loss) / profit

Other operating income

Other charges

Finance cost

**(Loss) / profit before taxation**

Taxation

**(Loss) / profit after taxation**

**(Loss) / earnings per share**

Note	2008 (Rupees '000)	2007
26	3,123,311	2,904,050
27	2,519,880	2,161,930
	603,431	742,120
28	609,415	513,322
29	92,880	75,307
	702,295	588,629
	(98,864)	153,491
30	37,162	49,459
	(61,702)	202,950
31	35,229	12,068
32	138,257	90,130
	173,486	102,198
	(235,188)	100,752
33	(60,971)	51,673
	(174,217)	49,079
	Rupees	Rupees
34	(25.10)	7.07

The annexed notes 1 to 46 form an integral part of these financial statements.

**Khurram Nagori**  
Chief Financial Officer

**Bashir Ahmed**  
Chief Executive

**Dr. Mahmood Ahmad**  
Director

# Cash Flow Statement

For the year ended June 30, 2008

## CASH FLOWS FROM OPERATING ACTIVITIES

Cash (utilised) in / generated from operations  
 Finance cost paid  
 Income tax paid  
 Long-term loans  
 Long-term deposits

**Net cash outflow from operating activities**

## CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure  
 Goodwill on business combination  
 Sale proceeds on disposal of property, plant and equipment  
 Long term investment  
 Dividend received  
 Net cash outflow from investing activities

## CASH FLOWS FROM FINANCING ACTIVITIES

Issue of ordinary share capital (right shares)  
 Premium received on issue of right shares  
 Short-term borrowings - net  
 Long-term financing  
 Dividend paid  
 Net cash inflow from financing activities  
 Net decrease in cash and cash equivalents  
 Cash and cash equivalents as at July 1  
 Cash and cash equivalents as at June 30

The annexed notes 1 to 46 form an integral part of these financial statements.

Note	2008 (Rupees '000)	2007
36	(287,919)	75,926
	(115,515)	(83,136)
	(30,265)	(40,353)
	473	(4,399)
	501	(1,477)
	<b>(432,725)</b>	<b>(53,439)</b>
	(172,916)	(99,610)
	(58,000)	-
	2,242	7,622
	-	(510)
	1,594	-
	<b>(227,080)</b>	<b>(92,498)</b>
	12,488	-
	56,819	-
	(150,000)	168,000
	183,333	-
	(10,371)	(39,926)
	<b>92,269</b>	<b>128,074</b>
	<b>(567,536)</b>	<b>(17,863)</b>
	<b>(290,027)</b>	<b>(272,164)</b>
37	<b>(857,563)</b>	<b>(290,027)</b>

**Khurram Nagori**  
 Chief Financial Officer

**Bashir Ahmed**  
 Chief Executive

**Dr. Mahmood Ahmad**  
 Director

# Statement Of Changes In Equity

For the year ended June 30, 2008

	Issued, subscribed and paid-up share capital	Capital Reserves		Revenue Reserves		Total
		Share premium	Reserve for issue of bonus shares	General reserve	Unappropriated profit / (accumulated loss)	
	(Rupees '000)					
<b>Balance as at June 30, 2006</b>	57,813	-	-	205,000	104,356	367,169
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	-	9,254	9,254
Transfer to general reserve	-	-	-	80,000	(80,000)	-
Profit after taxation for the year ended ended June 30, 2007	-	-	-	-	49,079	49,079
Final cash dividend for the year ended June 30, 2006 (Rs 4 per ordinary share)	-	-	-	-	(23,125)	(23,125)
Interim cash dividend for the year ended June 30, 2007 (Rs 2.5 per ordinary share)	-	-	-	-	(17,344)	(17,344)
Transferred to reserve for issue of bonus shares	-	-	11,563	-	(11,563)	-
Issue of bonus shares	11,563	-	(11,563)	-	-	-
<b>Balance as at June 30, 2007</b>	<u>69,376</u>	<u>-</u>	<u>-</u>	<u>285,000</u>	<u>30,657</u>	<u>385,033</u>
<b>Balance as at July 1, 2007</b>	69,376	-	-	285,000	30,657	385,033
Issue of 1,248,770 right shares at par	12,488	-	-	-	-	12,488
Premium on right shares (Rs 45.5 per ordinary share)	-	56,819	-	-	-	56,819
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	-	3,741	3,741
Surplus on revaluation of property, plant and equipment realised on disposal of related assets during the year - net of tax	-	-	-	-	21,855	21,855
Loss after taxation for the year ended June 30, 2008	-	-	-	-	(174,217)	(174,217)
Final cash dividend for the year ended June 30, 2007 (Rs 1.5 per ordinary share)	-	-	-	-	(10,406)	(10,406)
<b>Balance as at June 30, 2008</b>	<u>81,864</u>	<u>56,819</u>	<u>-</u>	<u>285,000</u>	<u>(128,370)</u>	<u>295,313</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

**Khurram Nagori**  
Chief Financial Officer

**Bashir Ahmed**  
Chief Executive

**Dr. Mahmood Ahmad**  
Director

# Notes To And Forming Part Of The Financial Statements

For the year ended June 30, 2008

## 1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan on March 25, 1950 as a private limited company under the Companies Act, 1913 and was subsequently converted into a public limited company. The company is listed on the Karachi and Islamabad stock exchanges. The company is engaged in the manufacturing of paints, varnishes and other related items. Slotrapid Limited, based in British Virgin Island is the holding company.

The registered office of the company is situated at D-31, South Avenue, S.I.T.E., Karachi and the production facilities of the company are located in Karachi and Lahore.

## 2. SIGNIFICANT EVENTS DURING THE YEAR

### 2.1 ACQUISITION OF PACKAGING INK BUSINESS

During the current year the company has acquired assets of the Packaging Inks business unit of an ink manufacturing company (the seller) through a sale purchase agreement dated October 2, 2007 (the Agreement). The assets acquired include items of plant, machinery and equipment, stock in trade (including stores and spares) and trade debts.

In accordance with paragraph 62 of the International Financial Reporting Standard No. 3 'Business Combinations' (IFRS 3), the company had accounted for the transaction by using provisional values of the aforementioned assets aggregating Rs 259.731 million as appearing in the books of account of the seller. The values of these assets have been finally determined through a mutual agreement between the company and the seller and have accordingly been incorporated in these financial statements. The fair value of the assets acquired aggregated Rs 226.494 million. The details of these assets are as follows:

	Provisional values (Rupees '000)	Fair values
Stock in trade (including stores and spares)	127,752	110,703
Plant, machinery and equipment	26,079	24,123
Trade debts	116,865	98,739
Less : Provision for doubtful debts	(10,965)	(7,071)
	105,900	91,668
Value of assets acquired	<b>259,731</b>	<b>226,494</b>
Purchase consideration		254,494
Goodwill on acquisition of business		28,000

The goodwill is attributable to gaining access to an established customer base. Further, certain stock in trade acquired in the aforementioned business combination was destroyed during the January incident, an insurance claim against which has been filed with the insurance company (see note 12.3).

The company has acquired control over the aforementioned assets with effect from October 31, 2007 i.e. the acquisition date as stipulated in the Agreement. The aggregate amount of profit before taxation earned by the company since the acquisition date from this business included in the company's loss for the year ended June 30, 2008 is Rs 17.099 million.

# Statement Of Compliance With The Code Of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of stock exchanges for the purpose of establishing a framework of good governance whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes seven independent non-executive directors and none representing minority interests as no minority shareholder offered himself / herself for election.
2. The directors of the company have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the directors have given declaration that they are aware of their duties and powers under the relevant laws and the company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.
4. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the director is a member of a stock exchange.
5. No casual vacancy occurred during the year ended June 30, 2008.
6. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.
7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer (CEO) have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman, except for one meeting which he could not attend. The said meeting was chaired by Mr. Maqbool H.H. Rahimtoola. The Board met at least once in every quarter during the year ended June 30, 2008. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of five members, of whom four are non-executive directors including the chairman of the committee.
15. The meetings of the audit committee were held at least once every quarter except for the third quarter, prior to approval of interim and final results of the company and as required by the code. There was no meeting in the third quarter due to fire incident. The terms of reference of the committee have been formed and approved by the Board and advised to the committee for compliance.

16. Due to the fire incident and the consequent losses during the year, Directors do not recommend any appropriation of profit.
17. The Board has set-up an effective internal audit function for the Company managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the Internal Audit function on a full time basis.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

Karachi: November 7, 2008

Bashir Ahmed  
Chief Executive