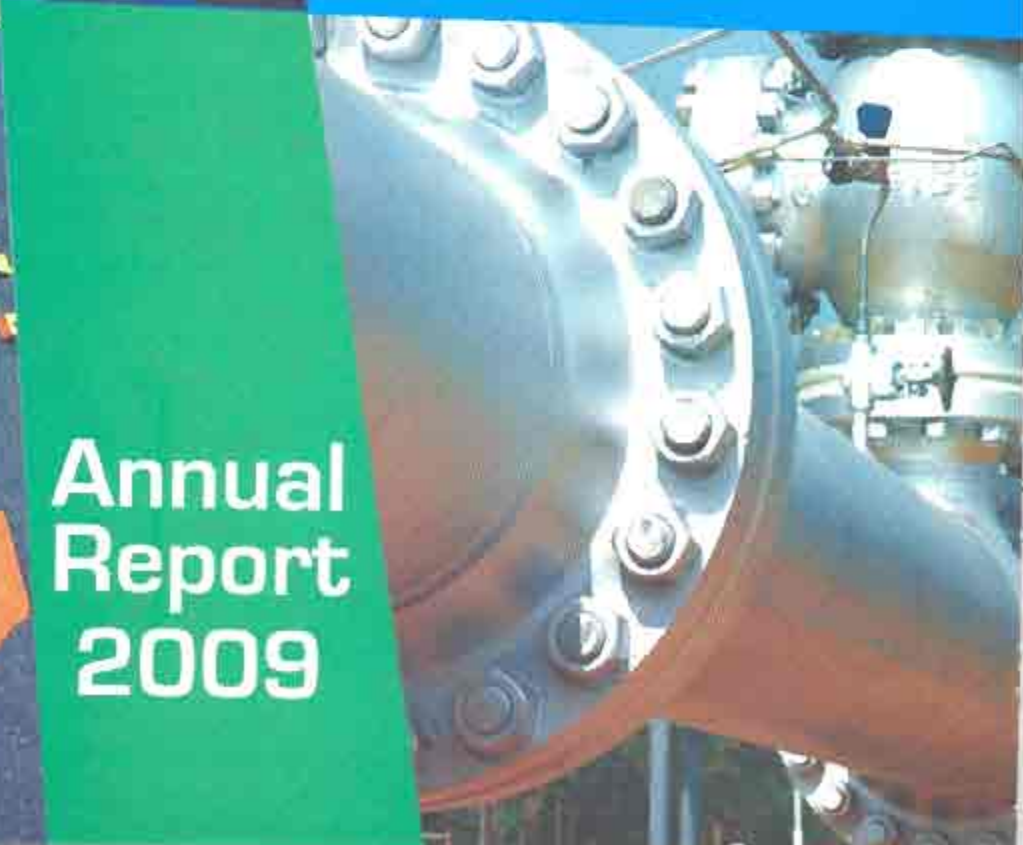




**BERGER**



**Annual  
Report  
2009**



● BERGER

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## **Berger Paints Pakistan Limited**

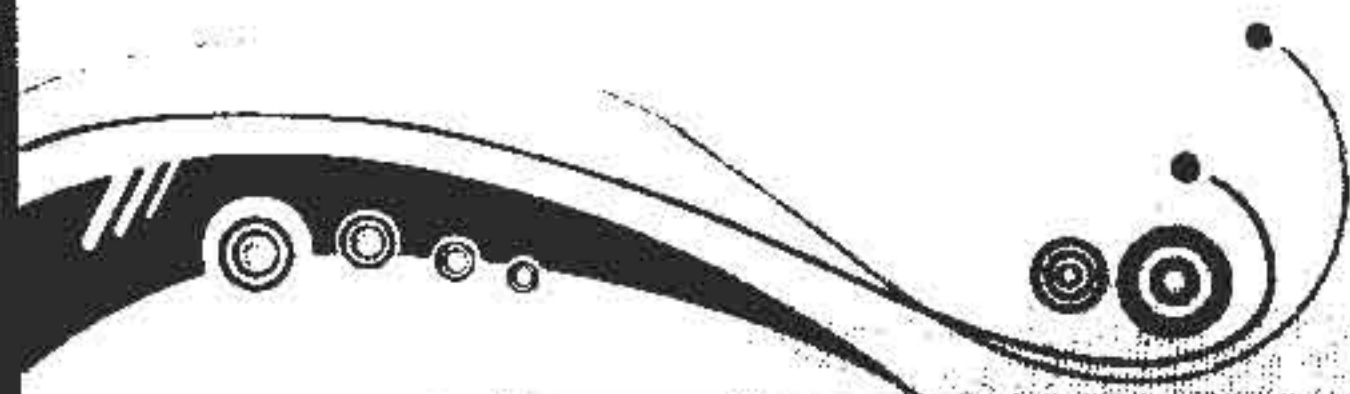
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# Company Information

## Board of Directors

Sikander Dada - Chairman  
Dr. Mahmood Ahmad - Chief Executive  
Maqbool H. H. Rahimtoola  
C. H. Clover  
Ilyas Sharif  
Muhammad Naseem  
- Alternate to C. H. Clover  
Hamid Masood Sohail  
Mohammad Abdul Aleem

## Audit Committee

Hamid Masood Sohail  
Muhammad Naseem  
Maqbool H. H. Rahimtoola  
Mohammad Abdul Aleem

## Company Secretary

Muhammad Musharaf Khan

## Bankers

Habib Bank Limited  
Habib Metropolitan Bank Limited  
Citibank N. A.  
The Royal Bank of Scotland  
United Bank Limited  
MCB Bank Limited  
JS Bank Limited

## Auditors

A. F. Ferguson & Co.  
Chartered Accountants

## Solicitors

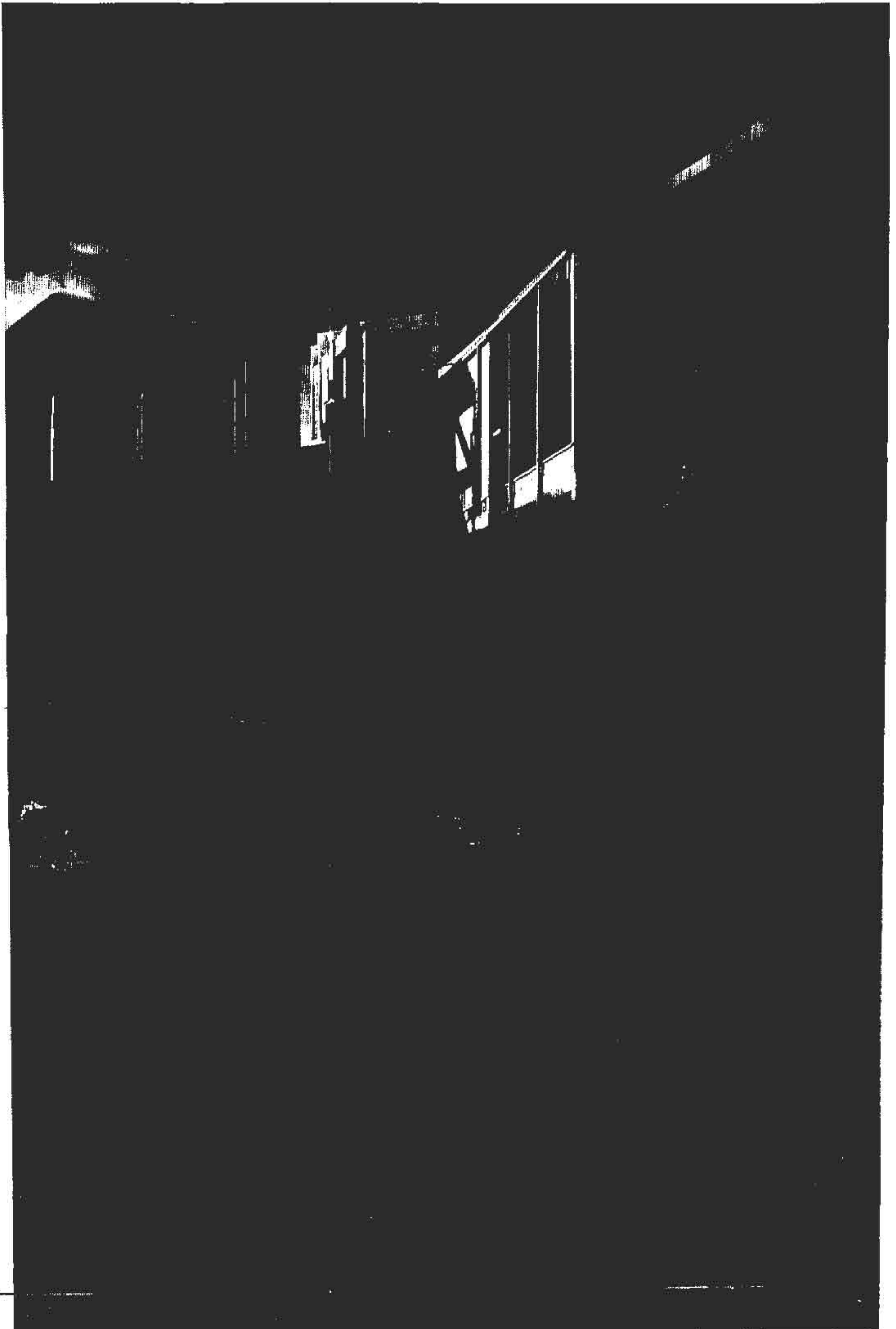
Surr ridge & Beecheno

## Company Registrar

Gangjees Registrar Services (Pvt.) Ltd.



● BERGEN



# Company Profile

BERGER has been manufacturing paints for almost two centuries. BERGER is the pioneer in organized paint manufacturing in Pakistan as it was the first company to introduce premium quality paints at the start of its operations in 1950, when it met market needs by importing paint products from the United Kingdom.

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

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

Consistent quality has always been BERGER's hallmark and has been the driving factor in making it the best known brand name representing the most comprehensive range of paint products in Pakistan.

BERGER PAINTS PAKISTAN LTD. head office is located in Lahore. Here the company's new state-of-the-art manufacturing plant is now in full production. The plant provides BERGER an edge over the competition by enabling it to meet the needs of valued customers all over Pakistan.

The company has entered into a number of technical collaboration arrangements with leading international manufacturers. These include: Nippon Paints, Japan, the largest paint company in Japan, which enables BERGER to develop Automotive, Vehicle Refinishes and Industrial paints conforming to international standards; Nippon Bee Chemicals, Japan, for Bumper Paints; PCS Powders, UK for Powder Coatings; DPI Sendirian Berhad, Malaysia for Road & Runway Markings; Cerachem for Construction Chemicals and Asian Paints for Decorative Paints.

BERGER has recently made important additions to its manufacturing facilities in Lahore, such as the Printing Inks and Powder Coatings businesses.

The company has also commissioned a new Resin manufacturing facility at its Lahore factory. The Resin plant has high production capacity and has enabled Berger to meet its entire resin needs for the manufacture of a wide range of quality paints. This has also made Berger Paints the only paint manufacturer in Pakistan to have its own resin producing facility.

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





# The Mission

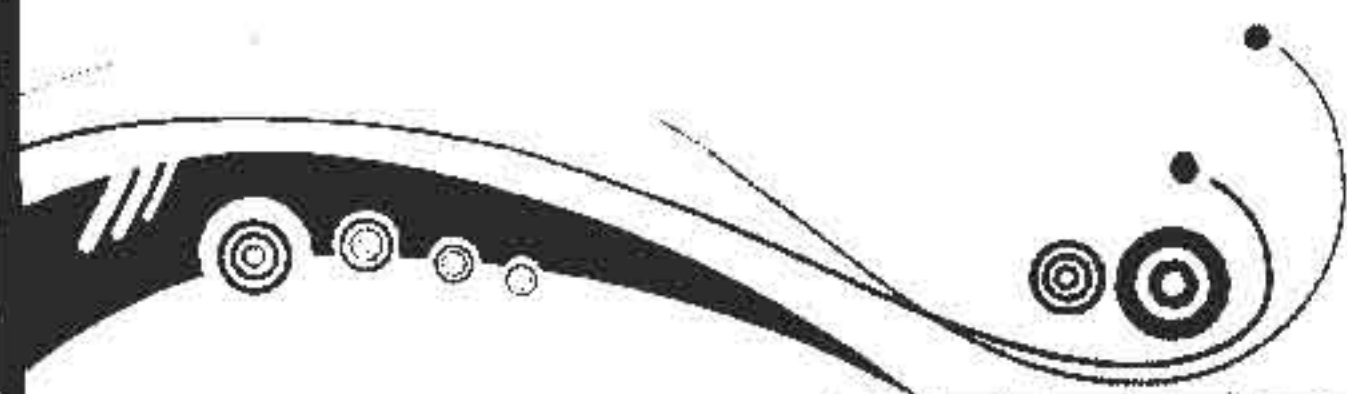


# The Mission

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

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

- We will stay at the forefront of innovation and technological development in the paint industry.
- We will achieve corporate success through an unwavering commitment to provide our customers high quality products to their ultimate satisfaction.
- We will vigorously promote and safeguard the interests of our employees, our shareholders, our suppliers and all business associates.
- We will play our role as a good corporate citizen and serve the community where we do business.



# A Commitment to Excellence



# A Commitment to Excellence

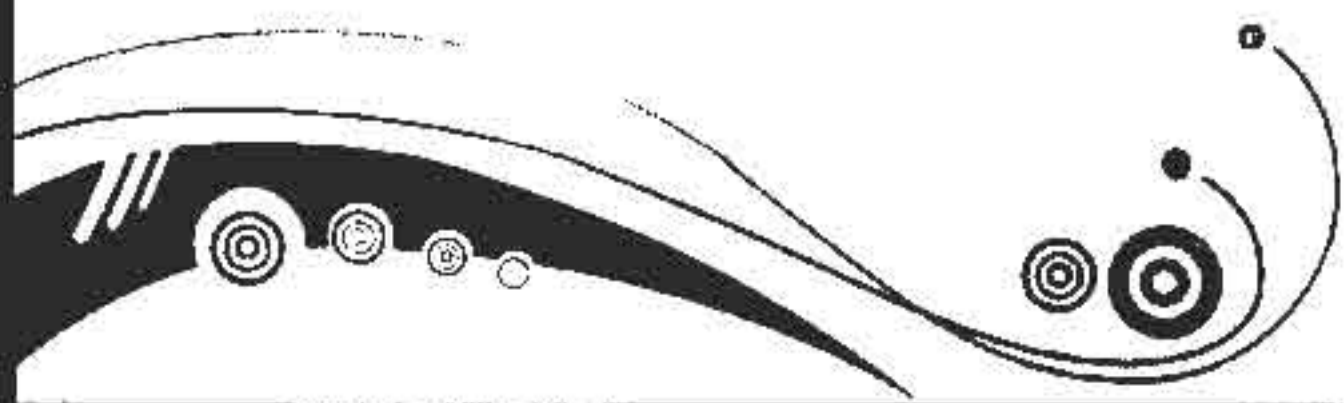
BERGER is the most trusted name in quality paints, coatings and allied products for household, commercial and industrial sectors. The Company has built this proud reputation by not compromising on quality standards.

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

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

An on-going training system is also in place so that the most rigorous testing methods and procedures can be applied at the finished product stage.

A high standard of paints manufacturing is further ensured by using resin produced at BERGER's own plant.



# Customer Service



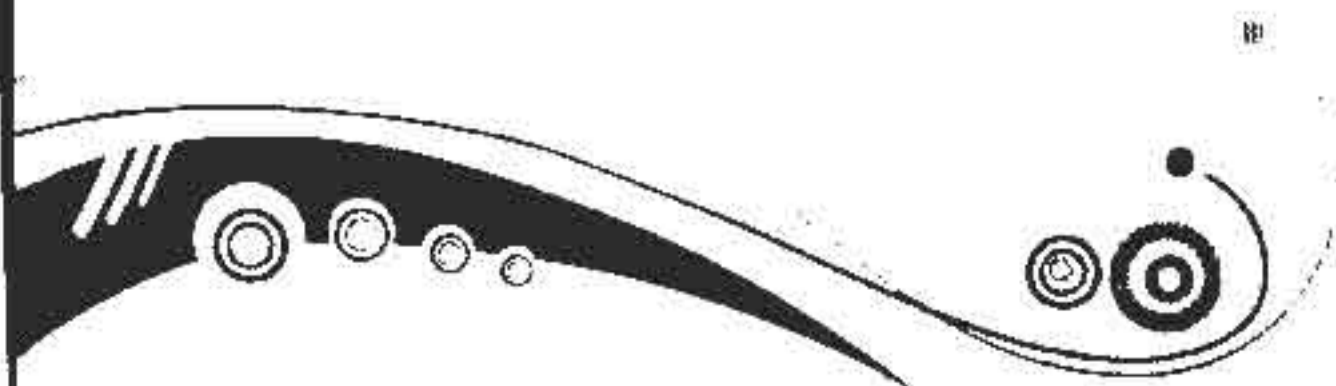
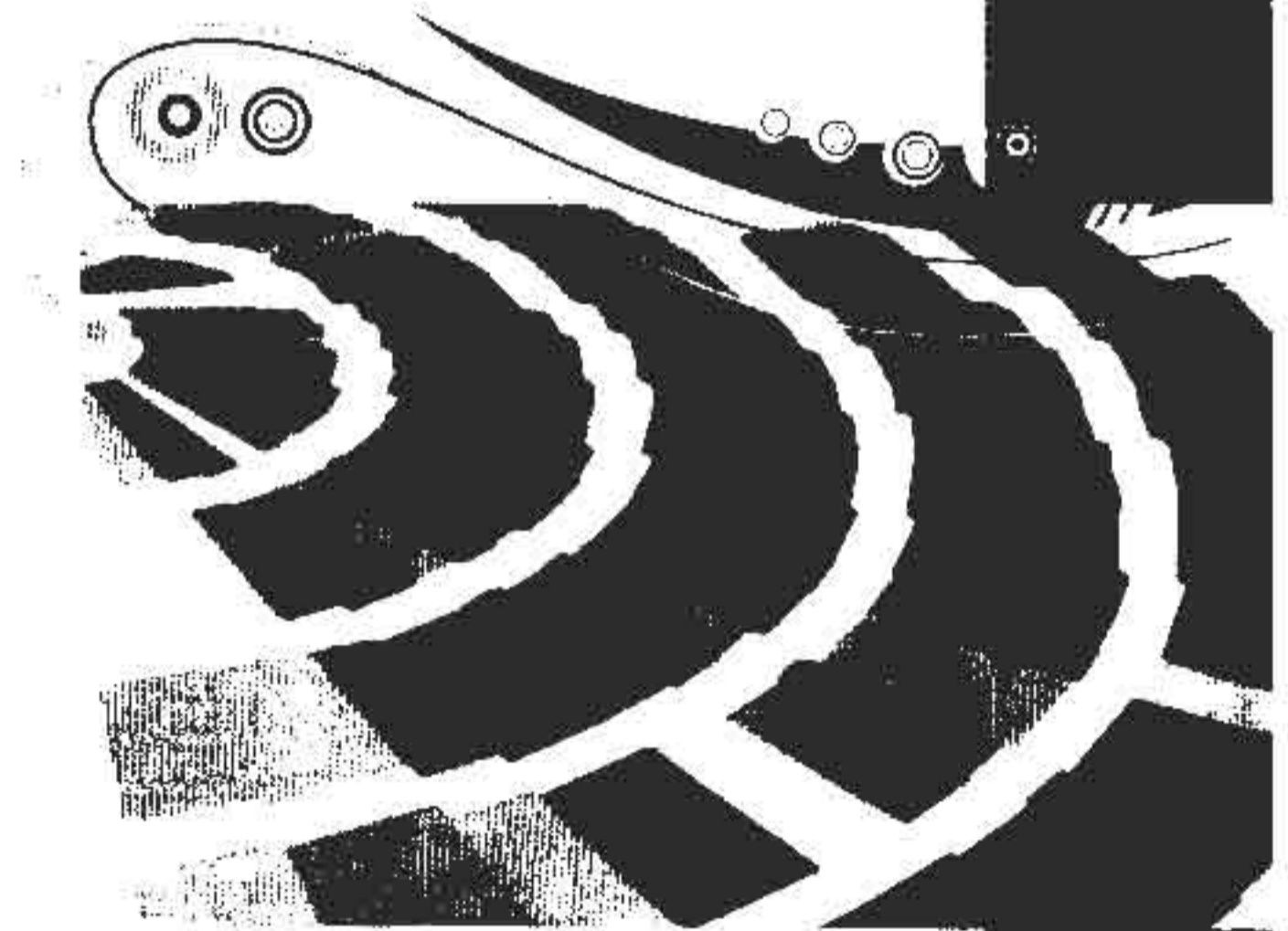
# Customer Service

BERGER does not offer just paint products but a total solution as an extension of these products.

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

BERGER offers professional services to its industrial customers through a highly qualified and experienced Technical Services team. The team consists of Technical Sales Officers holding M.Sc. and B.Sc. degrees in Chemistry.

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



# People



# People

For Berger, development of human resource is of key importance. The company achieves this through continuous and rigorous training programmes conducted all year round. The purpose is to upgrade and improve professional and technical skills of executives and staff.

A number of monthly and annual employee incentive programmes also help in building the motivational focus of the work force and maintaining it at an optimum level. The good work of outstanding employees is duly rewarded.

A number of recreational and entertainment activities are also organized for BERGER employees throughout the year and all staff members participate in these events with enthusiasm and interest.

Useful overseas exposure adds further value to the training of the Technical Services and R&D teams through trips to international events of professional interest.



**BERG**



# Health, Safety & Environment



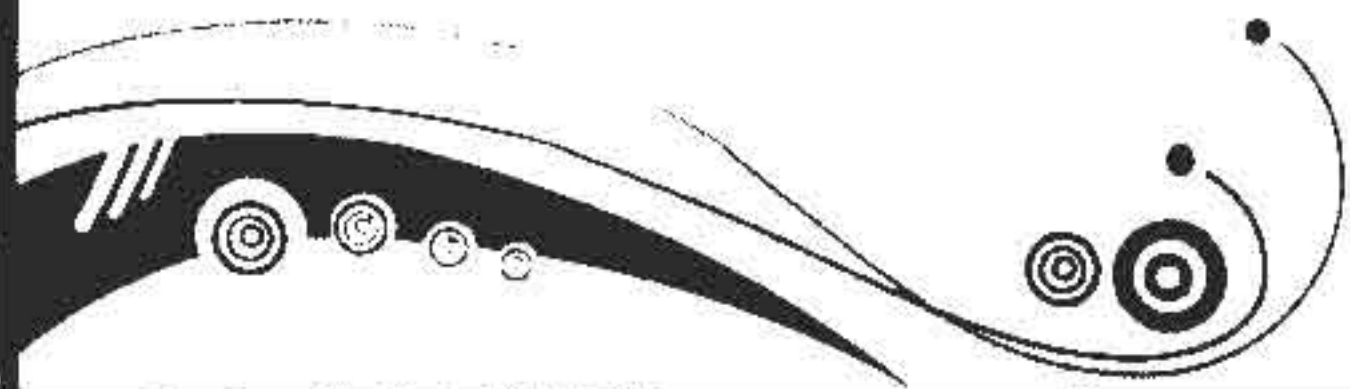
# Health, Safety & Environment

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

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

A clean and pollution-free environment is ensured at the company's manufacturing facilities through a Solvent Recovery Plant, a Dust/Vapour Extraction System and an Oil Recovery System.

The safety standards at Berger have been upgraded at par with international benchmarks. A higher level of focus has been placed in safety & accident prevention systems. Heavy investment has been made in a new, state of the art foam spray system at the Lahore Factory and staff trainings have been conducted by nationally renowned safety experts.



**● BERGE**

# Quality in Diversity



# Quality in Diversity

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

BERGER Decorative paints business offers a wide range of quality interior and exterior finishes for a large variety of applications. Its Industrial/Powder Coatings business caters to the fast growing Consumer Durables and Auto Vendor sectors. The Automotive Paints business is known for its bold initiatives in meeting the needs of OEMs in the automobile sector and manufacturers in the 2-wheeler and 3-wheeler industries.

BERGER's Protective Coatings business keeps in step with the needs of the fast-expanding telecom sector and other key industrial segments. The Vehicle Refinishes business offers a variety of refinish systems, providing high quality products in all segments of the Refinishes business.

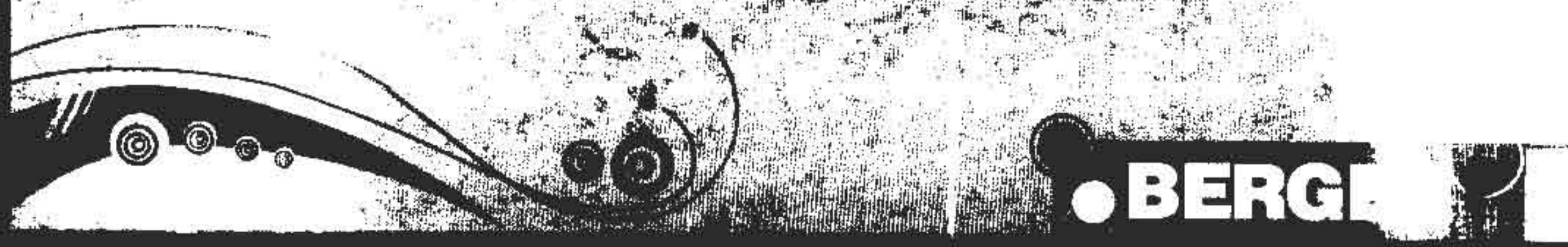
BERGER also continues to lead the way in Road Safety and Runway Markings by pioneering single-source manufacturing and application of road safety products.

The Berdex Construction Chemicals business offers products for a wide range of applications in the buildings, construction and repair industries.

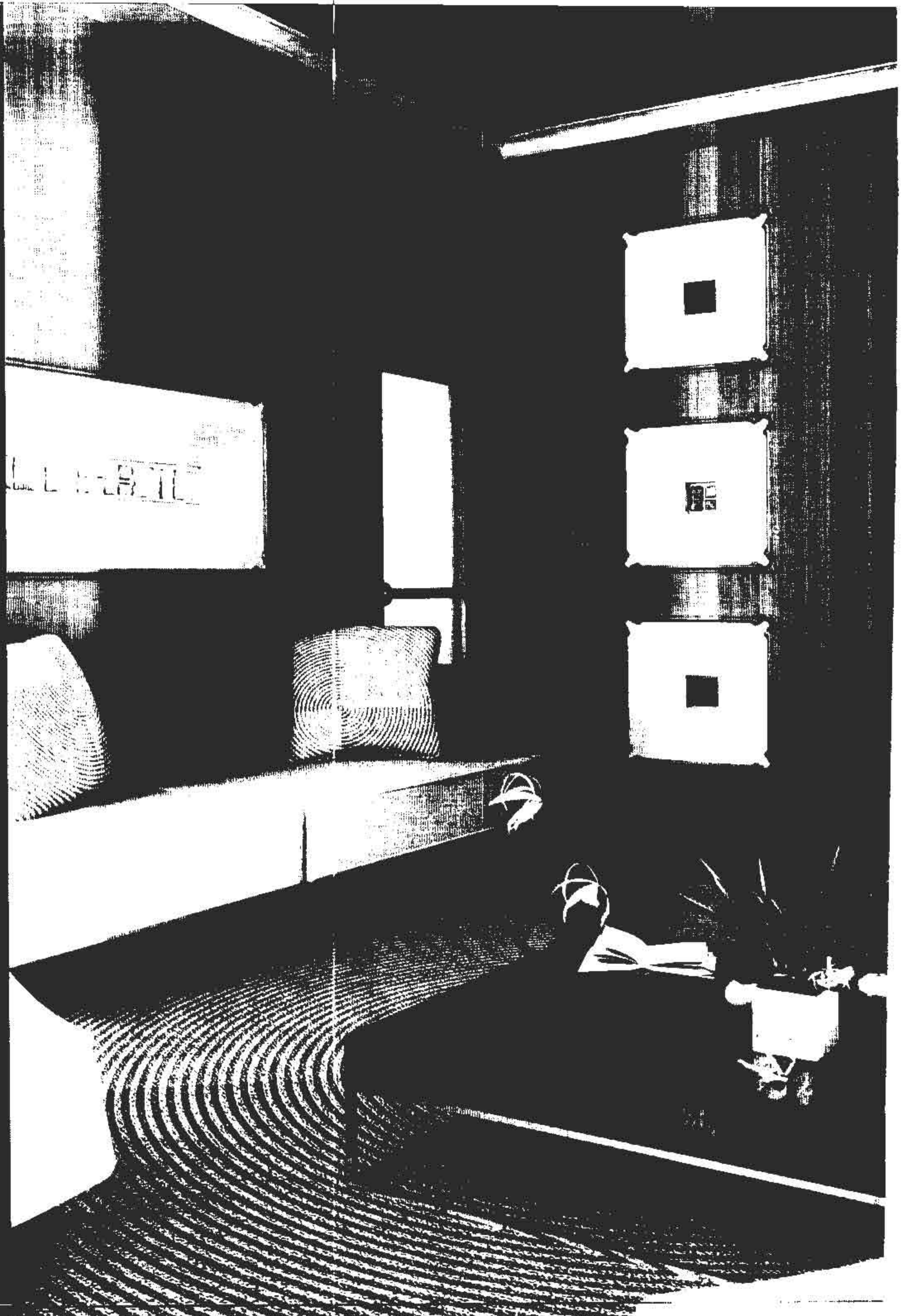
BERGER's Printing Industry and Adhesives businesses are new initiatives that are meeting the needs of their respective segments with some of the world's best brands.

Berger has set up Model Shops in major cities across Pakistan. These shops offer a fresh and colorful outlook with strong corporate branding that instills strong brand loyalty amongst dealers and shopkeepers.

Berger's adherence to international quality standards in all product categories is a continuous pursuit that ensures satisfaction of customers at all times and in all segments.



# Decorative Paints

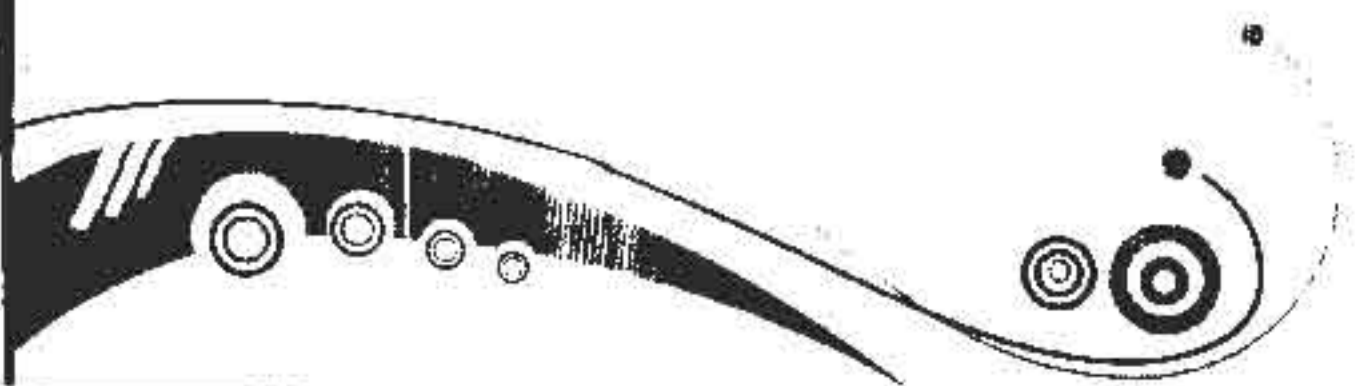
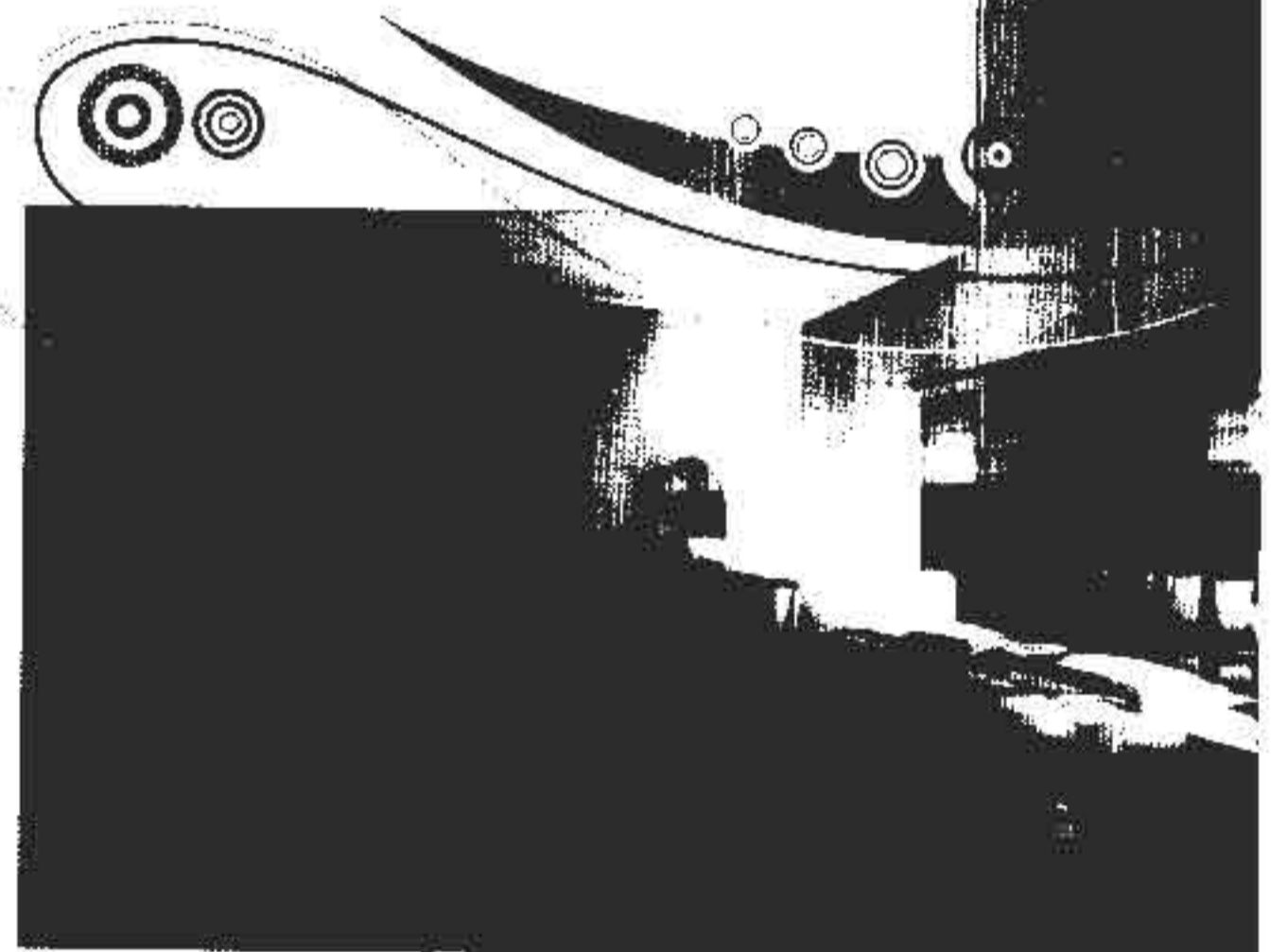


# Decorative Paints

BERGER's Decorative Paints offer a wide range of quality interior and exterior finishes for a large variety of applications.

Continuous endeavour is made to achieve and maintain the high product standards that Berger is renowned for. At the same time, innovative products that meet the needs of a demanding market are also launched on a regular basis. Key Products in the Decorative portfolio include Berger Robbialac Weathercoat, Berger Robbialac Elegance Matt Emulsion & VIP Super Gloss Enamel.

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



**BERGER**

# Industrial Powder Coatings



# Industrial Powder Coatings

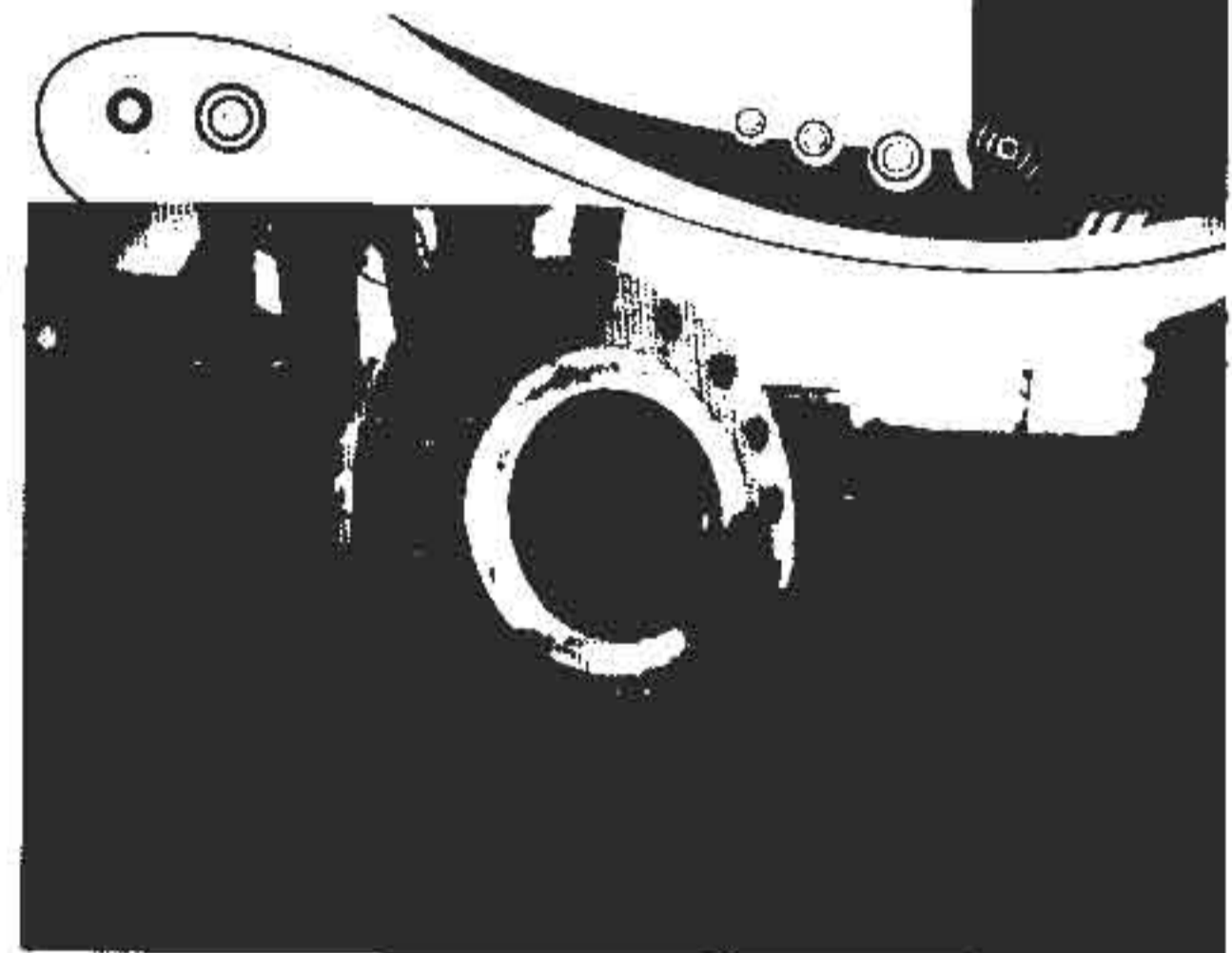
BERGER Paints offers a wide range of paints for diverse industrial applications. The company's proven product quality and relentless focus on meeting customer needs in various specialized categories of paints and allied products continues to drive its success.

There is a growing demand for Industrial/Powder Coatings in Pakistan as a result of business growth in the Consumer Durables and Auto Vendor sectors.

Berger's Industrial/Powder Coatings business meets these needs with a range of quality products. A recent addition to the business is the internationally renowned brand, Oxyplast that meets the needs of individual job coaters, OEMs and general industry. Before this, BERGER had made a technical collaboration arrangement with PCS Powders UK, to drive forward its efforts in other areas of new product development.

The Industrial/Powder Coatings business is greatly bolstered by Berger's customized customer services that cater to the needs of large scale manufacturers in both local and export industries.

Main Customers in this division include Varioline, Waves & PEL.



**BERGER**



# Automotive Paints



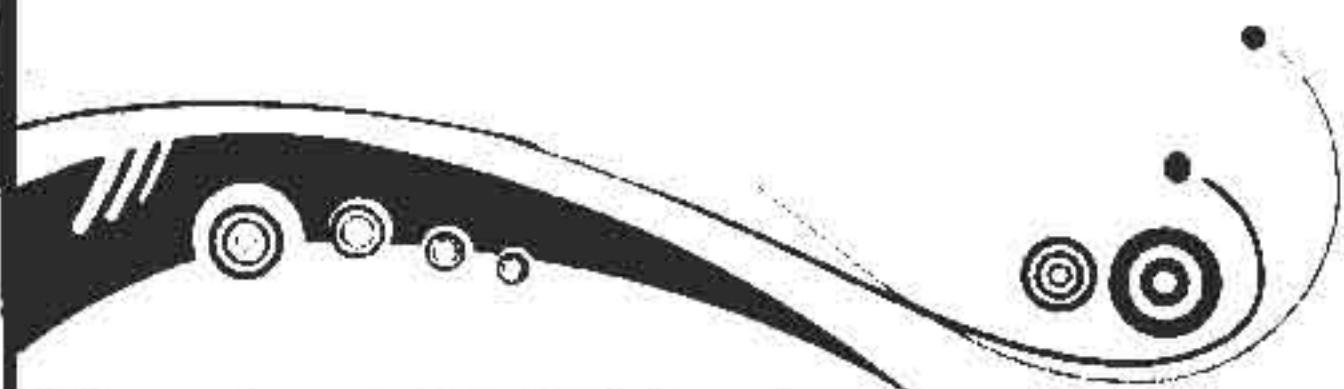
# Automotive Paints

The Automotive Paints business at BERGER supplies paints to all leading local automotive assemblers. These include Honda Atlas Cars Pakistan Limited, Indus Motor Company Limited, Pak Suzuki, Hino Pak Motor Company, Al-Ghazi Tractors Limited, etc.

BERGER also enjoys a very strong position in the two-wheeler industry and provides it strong technical support. It has almost 90% share of the market, comprising leading customers such as Atlas Honda Limited, Dawood Yamaha Limited, Pak Suzuki Motorcycles and more than 25 Chinese assemblers.

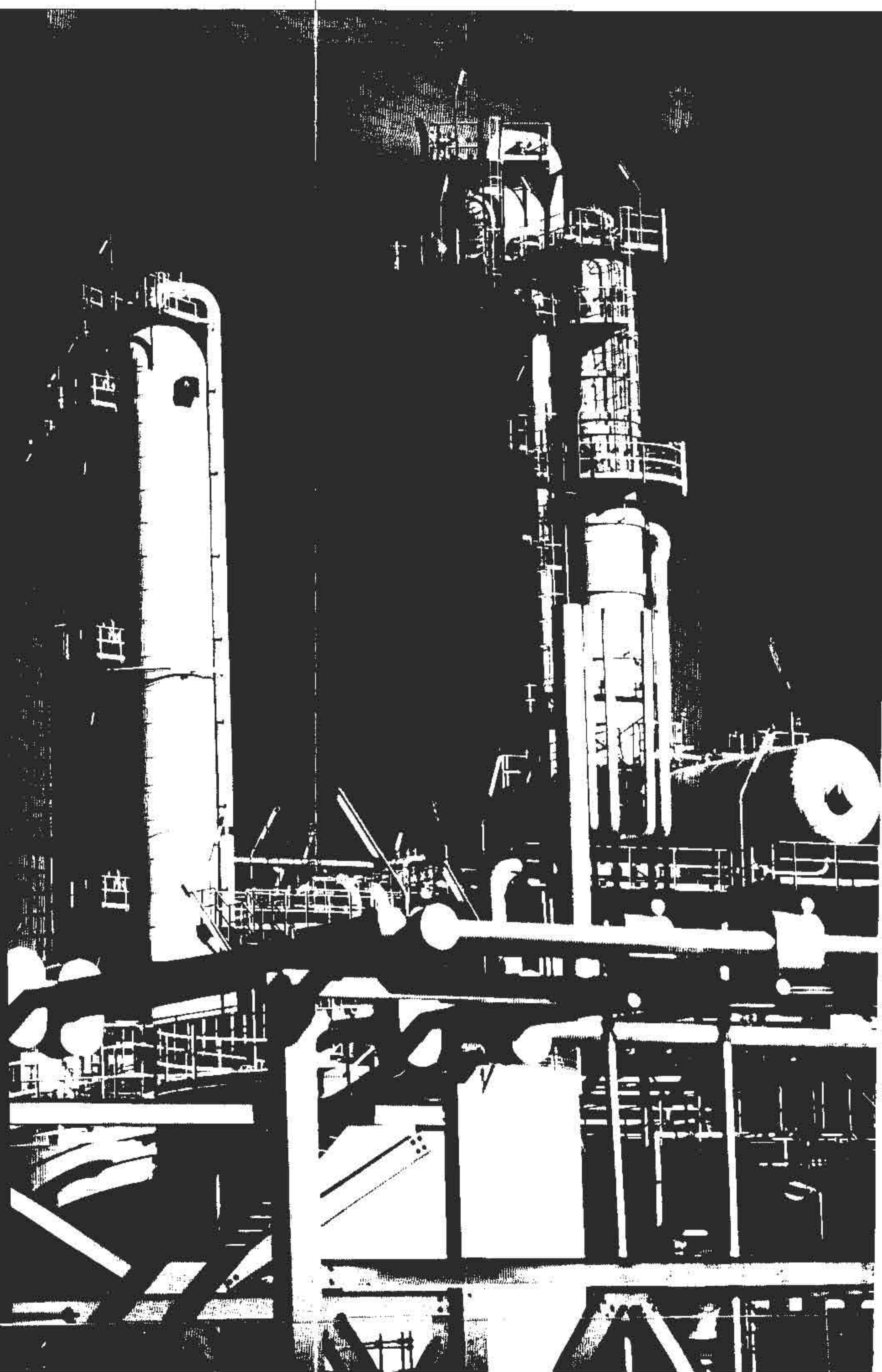
BERGER has been playing a vital role in the development of the Rickshaw Industry as well, and is meeting the complete painting needs of the industry.

Berger has installed a state-of-the-art automatic foam spray system in its Automotive Paints Production area at its Lahore factory. The new system provides added protection against fire hazards.



**BERGER**

# Protective Coatings

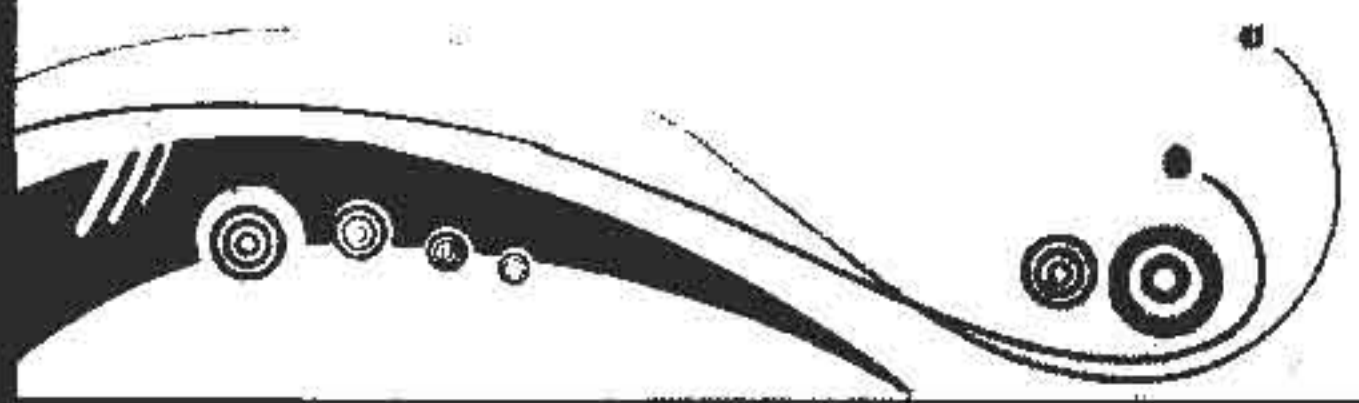
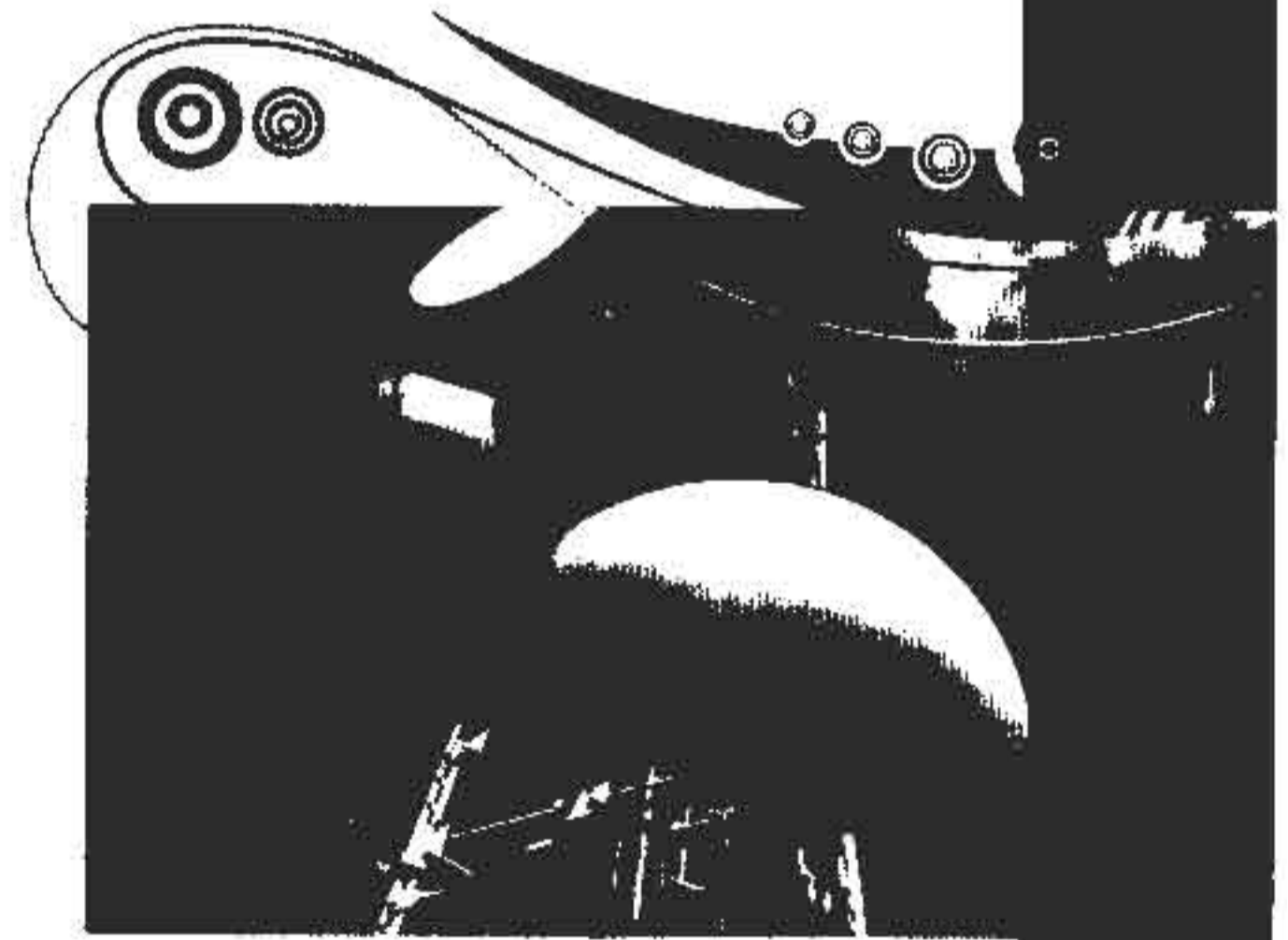


# Protective Coatings

BERGER's Protective Coatings business offers special paints for heavy duty coating requirements.

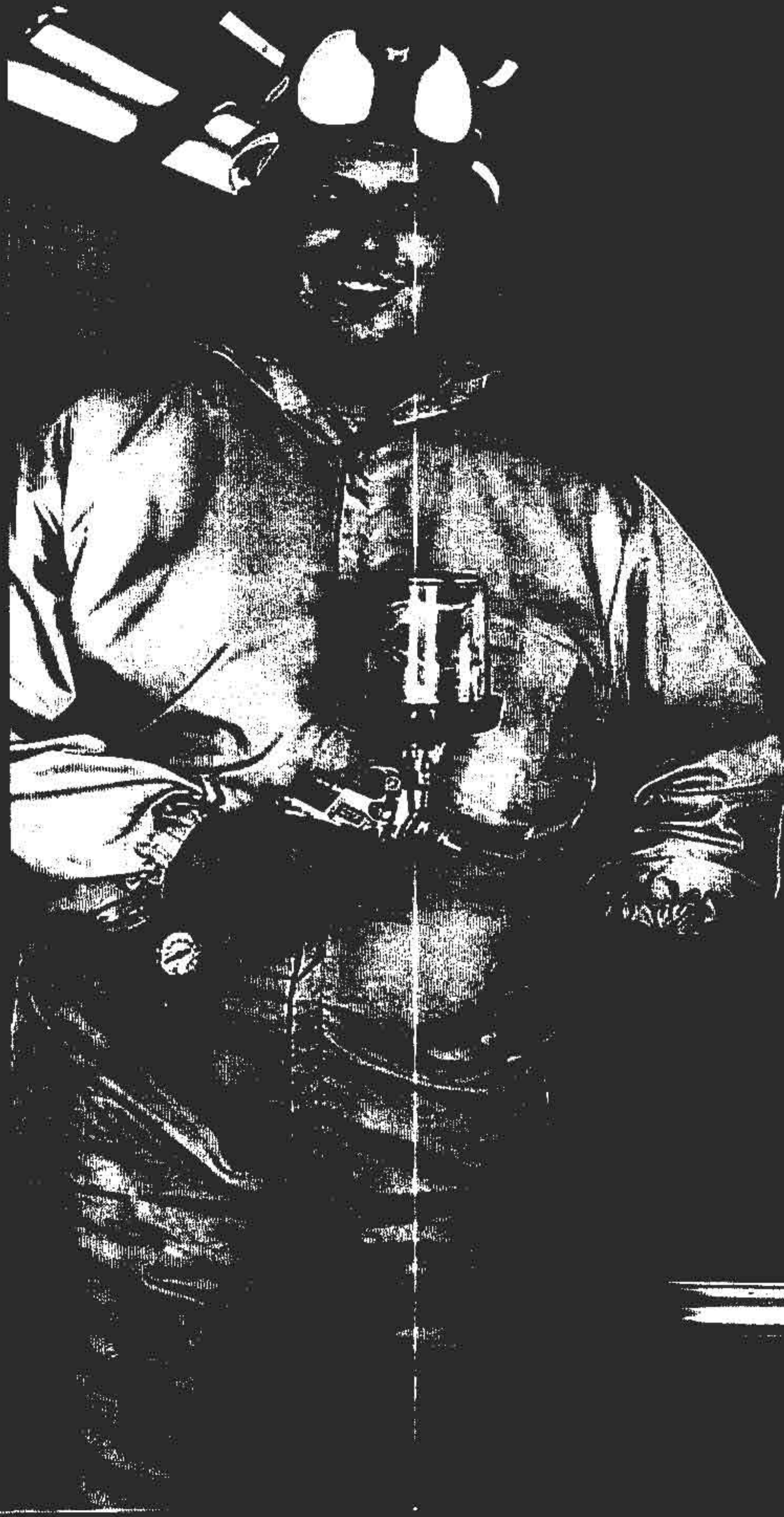
The Protection Division works in close collaboration with telecom companies and other customers and provides a range of customized solutions for reliable protection of towers, buildings and other installations.

BERGER's expertise in Protective Coatings is also in great demand in other important sectors such as Sugar, Cement, Oil, Gas and Chemical industries. Protective maintenance of plant and machinery, besides value addition, is a key requirement in these sectors and BERGER Protective Coatings fulfills these needs admirably. Major projects handled by the division include National Refinery Ltd, Baloki Power Plant, Nishat Chunian, Fauji Cement, Fauji Fertilizer & Muridke Power Plant.



**BERGER**

# Vehicle Refinishes



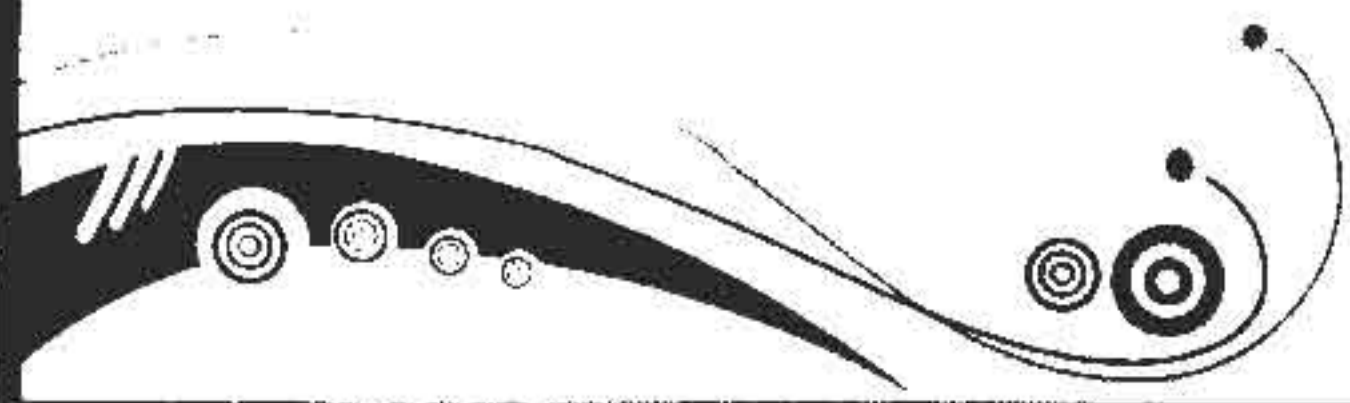
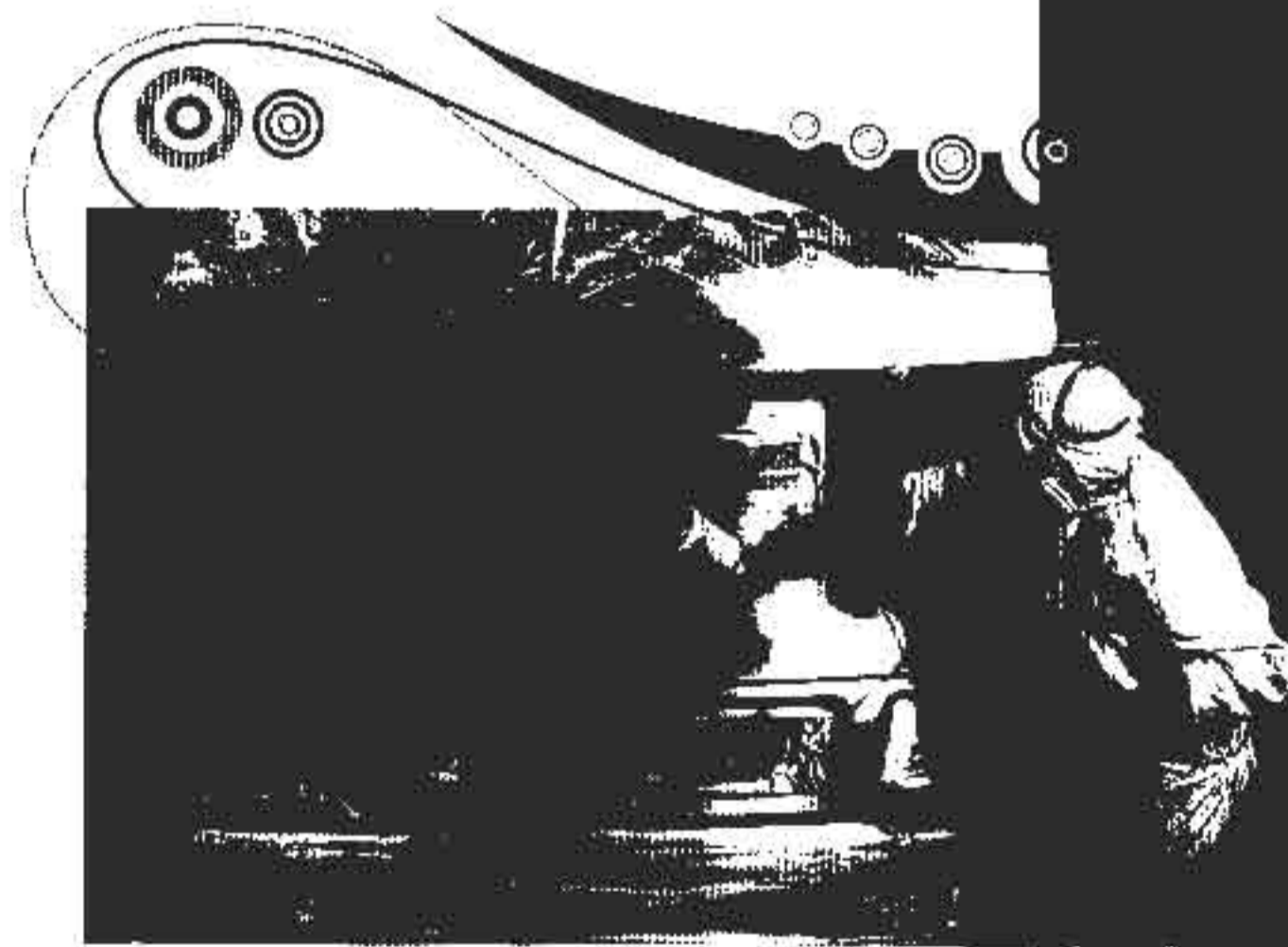
# Vehicle Refinishes

The challenge for BERGER's technical expertise in the Vehicle Refinishes business is to offer touch-up paints that precisely match original automobile color.

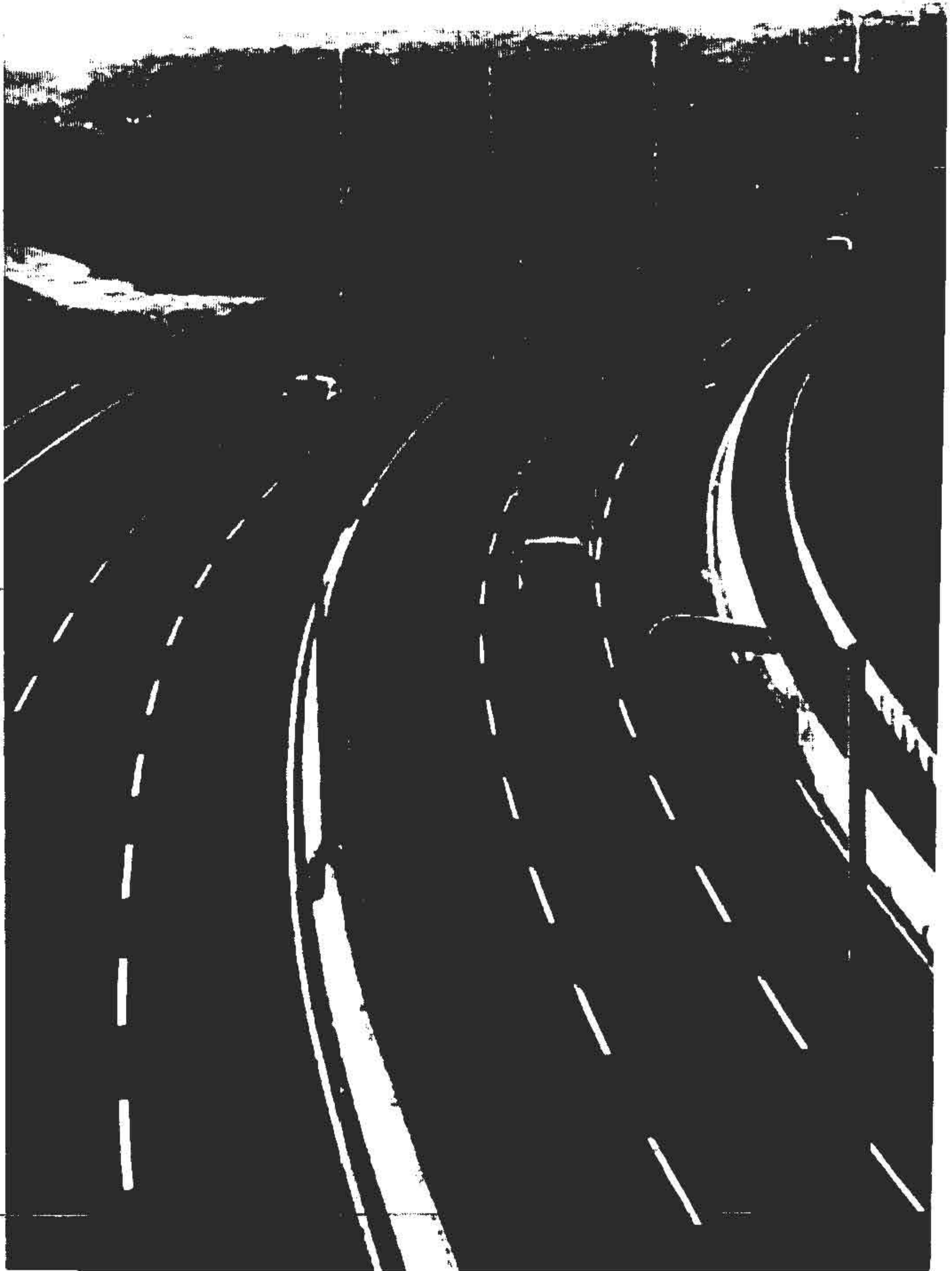
The business achieves this through three different refinish systems designed to enable application for high gloss, durable, quick-drying and precisely matching finishes without heat treatment. A range of ancillary products such as primer, putty and all kinds of thinners and COB Lacquer provide support to these refinishes.

The Economy Nitrocellulose finish range that was launched by the Vehicle Refinishes business in 2006 has also been very successful. It is based on international trends and offers a complete painting solution, comprising putty, surfacer and finish. It offers 22 shades, combining fast drying and polishing properties with excellent gloss.

Vehicle refinish products are also increasingly used by high quality furniture industry to achieve a pleasant and durable finish.



**BERGER**



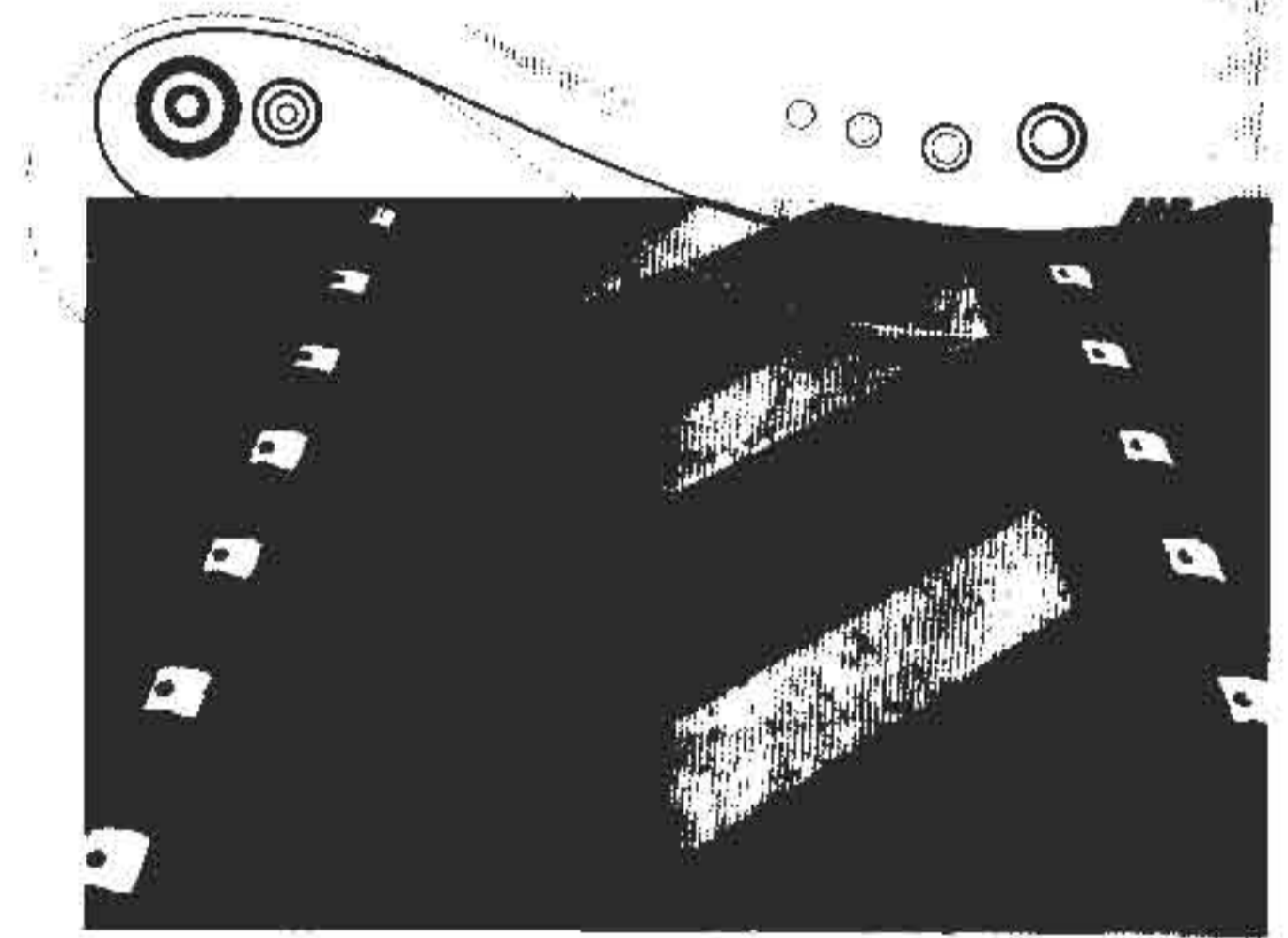
# Road Safety

The motto of the BERGER Road Safety business is 'Leading the Way to a Safe Journey.'

BERGER pioneered the concept of single-source manufacturing and application of road marking products in Pakistan.

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

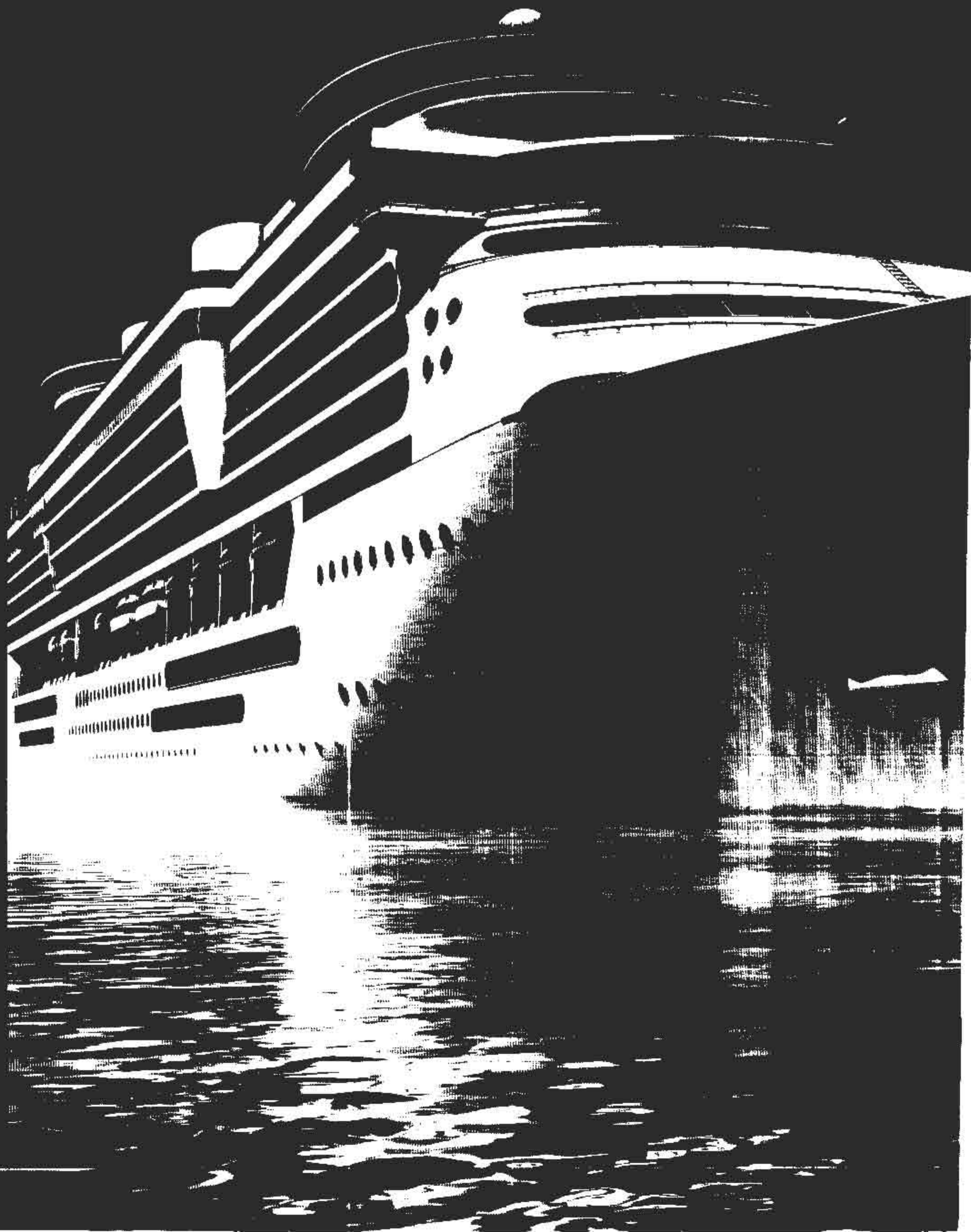
Application services are provided through trained personnel. Customers include CDGK, CDA, National Highways Authority, CAA, FWO, China Yunan Corporation, Astaldi Italy, Lahore Municipal Corporation, etc



**BERGER**



# Govt. & Marine



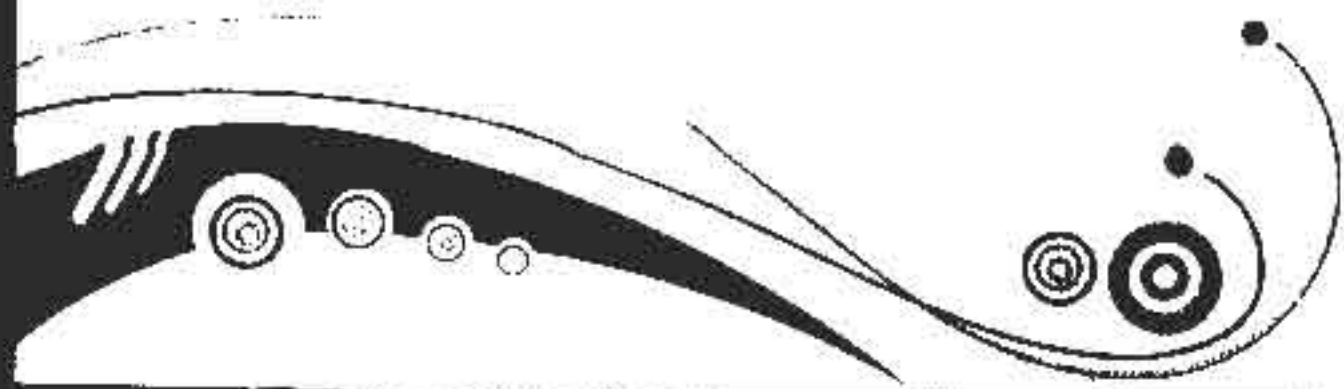
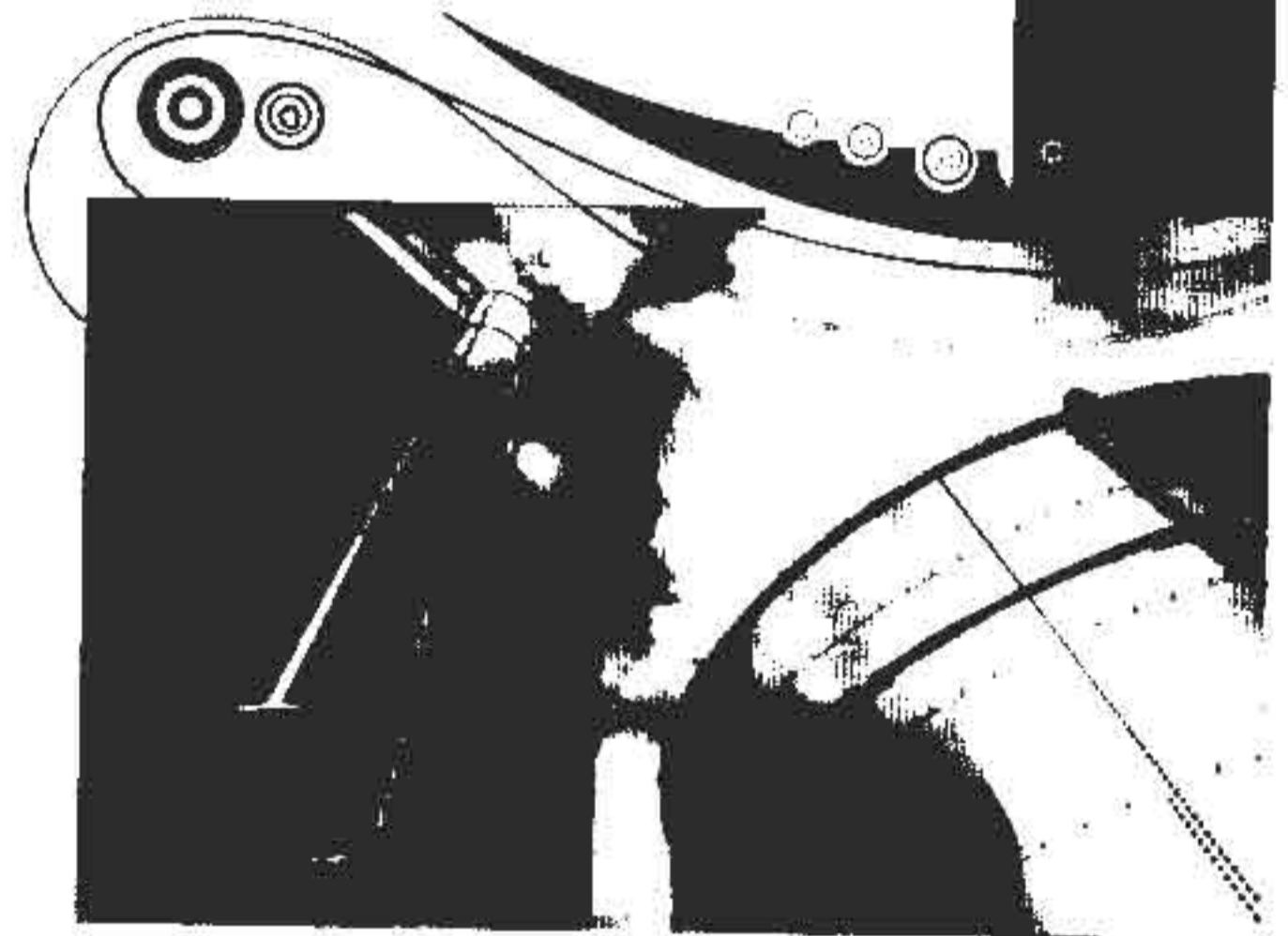
# Govt. & Marine

As Pakistan is endowed with a long coastal belt, it needs reliable protection for its sea-bound craft as well as off-shore and on-shore installations.

BERGER's Government & Marine business meets this need with a wide range of products comprising specialized coatings for ships, aircraft, fuel storage tanks, warehouses, arms and ammunition depots, etc.

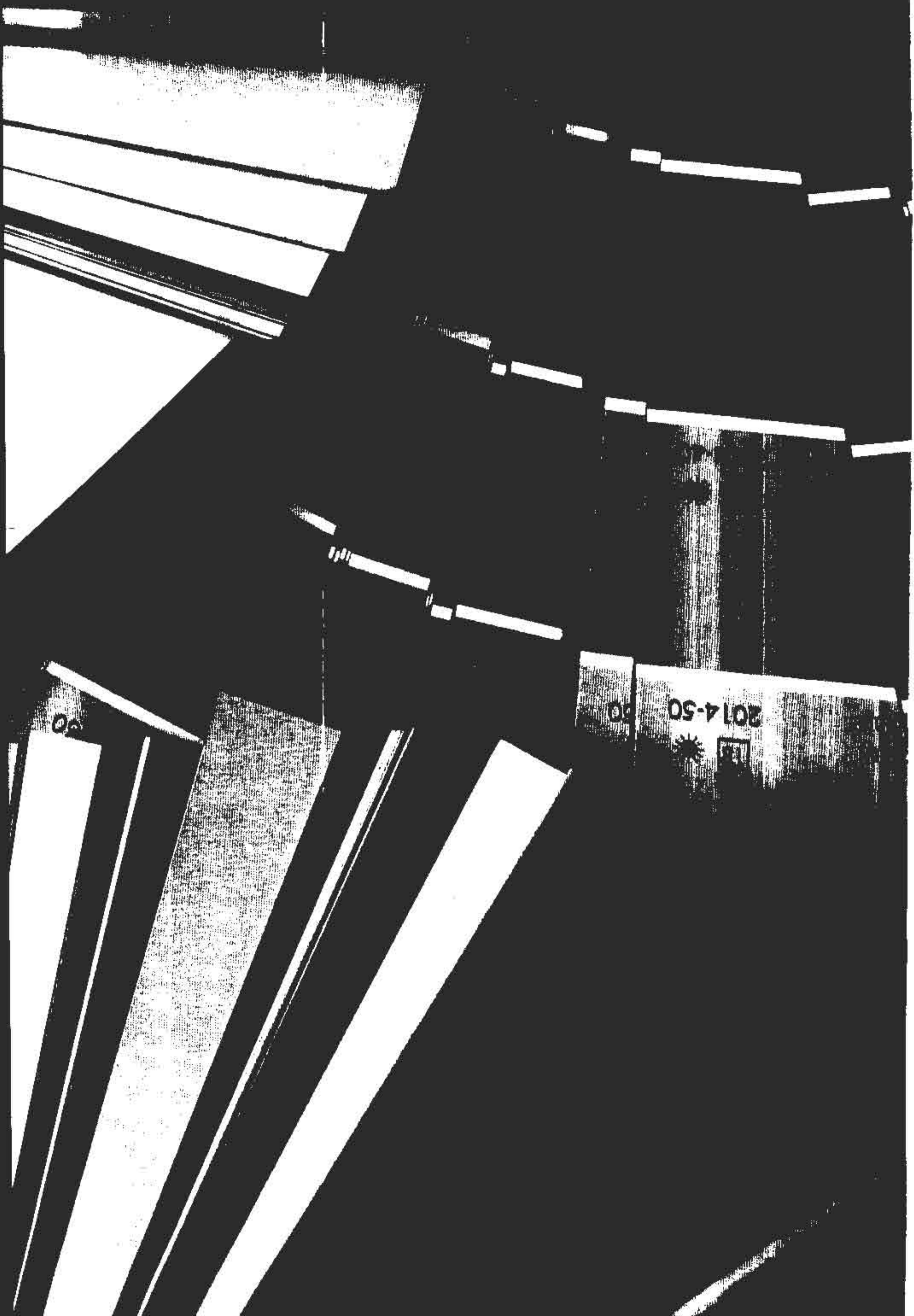
The paints and coatings are especially in demand by the defence industry, aviation sector, utility corporations, ports and shipping sector, military engineering services, research and development organizations, educational institutions and the health sector. Some projects include the Creek City, DHA Golf Club, Armed Forces Hospitals, Armed Forces Colleges, etc.

Over the years, the business has grown manifold and plans are in hand to introduce a more innovative range of coatings in the near future.



**BERGE**

# Printing Inks



# Printing Inks

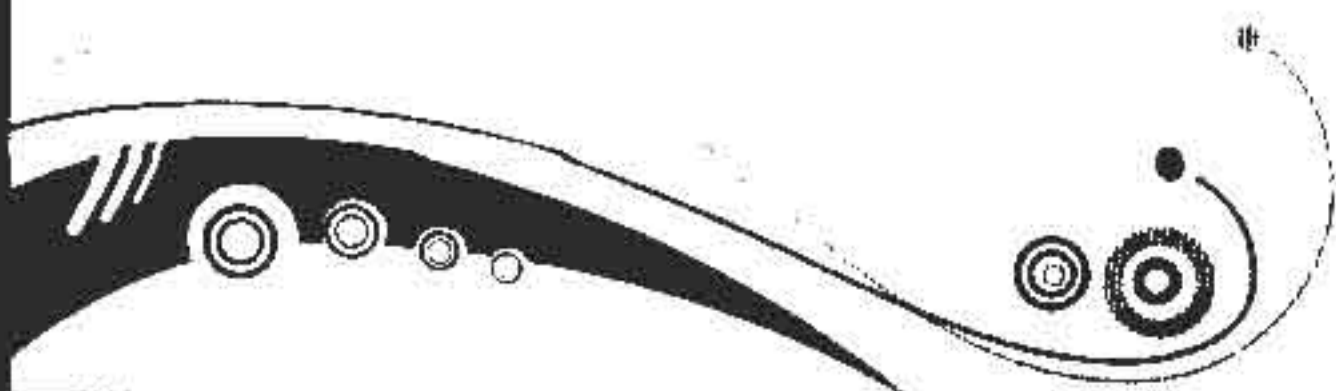
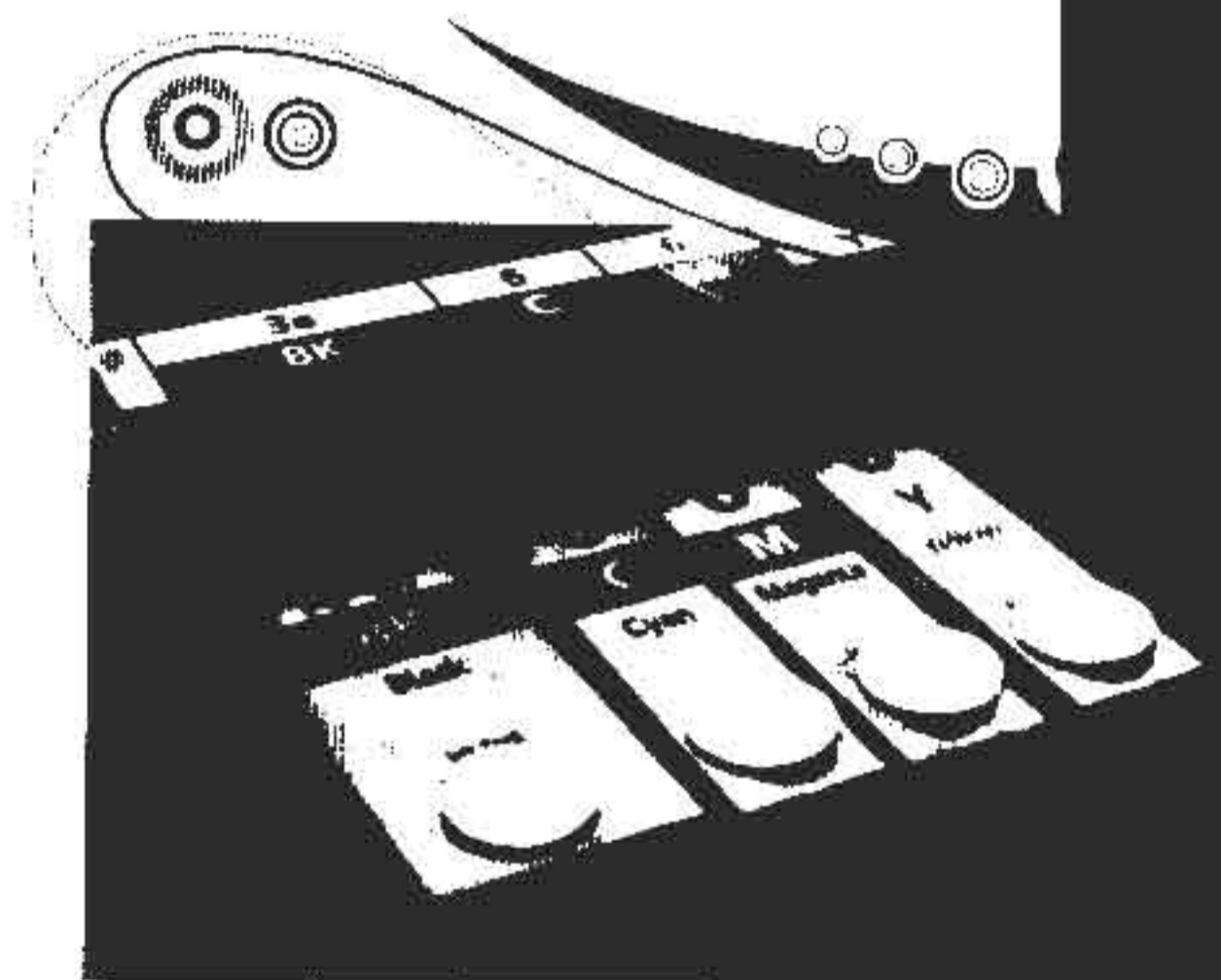
Berger Paints has commenced manufacture of industrial inks at its state-of-the-art Lahore factory. This is a part of the new initiatives that Berger has taken to broaden its product spectrum.

The facility uses internationally-renowned technology to produce high quality gravure and offsets inks for the local industrial and paper printing sectors.

This is a part of Berger's continuous efforts to meet growing market demand for quality brands in a wide range of categories.

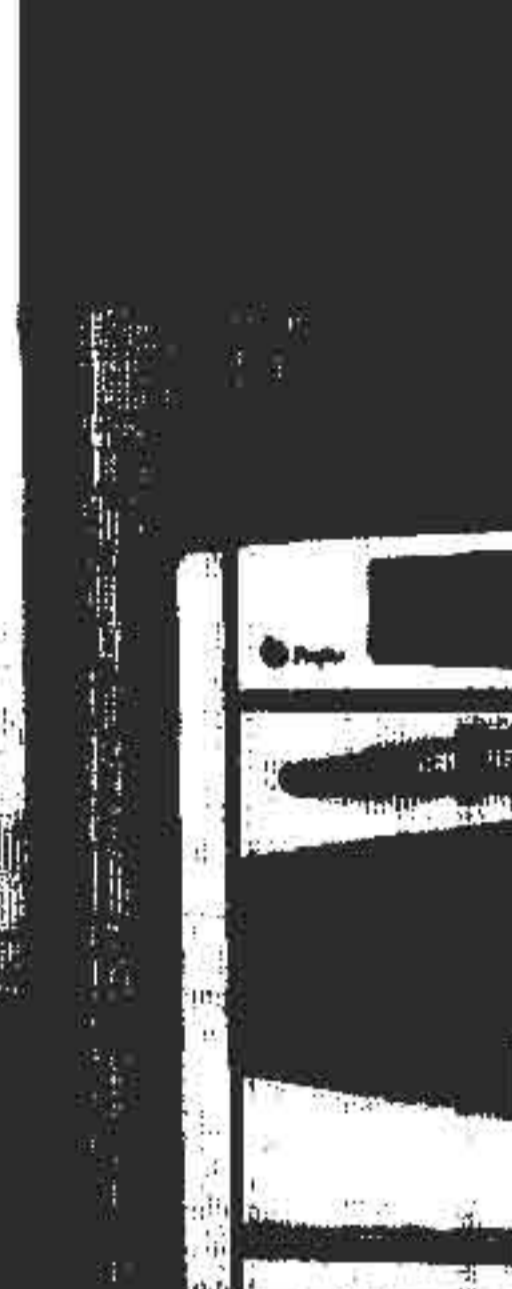
It has always been Berger's objective to provide the best products to its customers. The addition of inks portfolio has enabled it to offer maximum benefits to customers, especially in the domain of copper-free cyan alternatives for water-based Flexo inks.

Berger's Inks Division already provides ink products for simultaneous wet on wet printing or wet on dry printing on various types of coated and uncoated board and paper through the use of high performance pigments and varnishes.



**BERGER**

# Adhesives

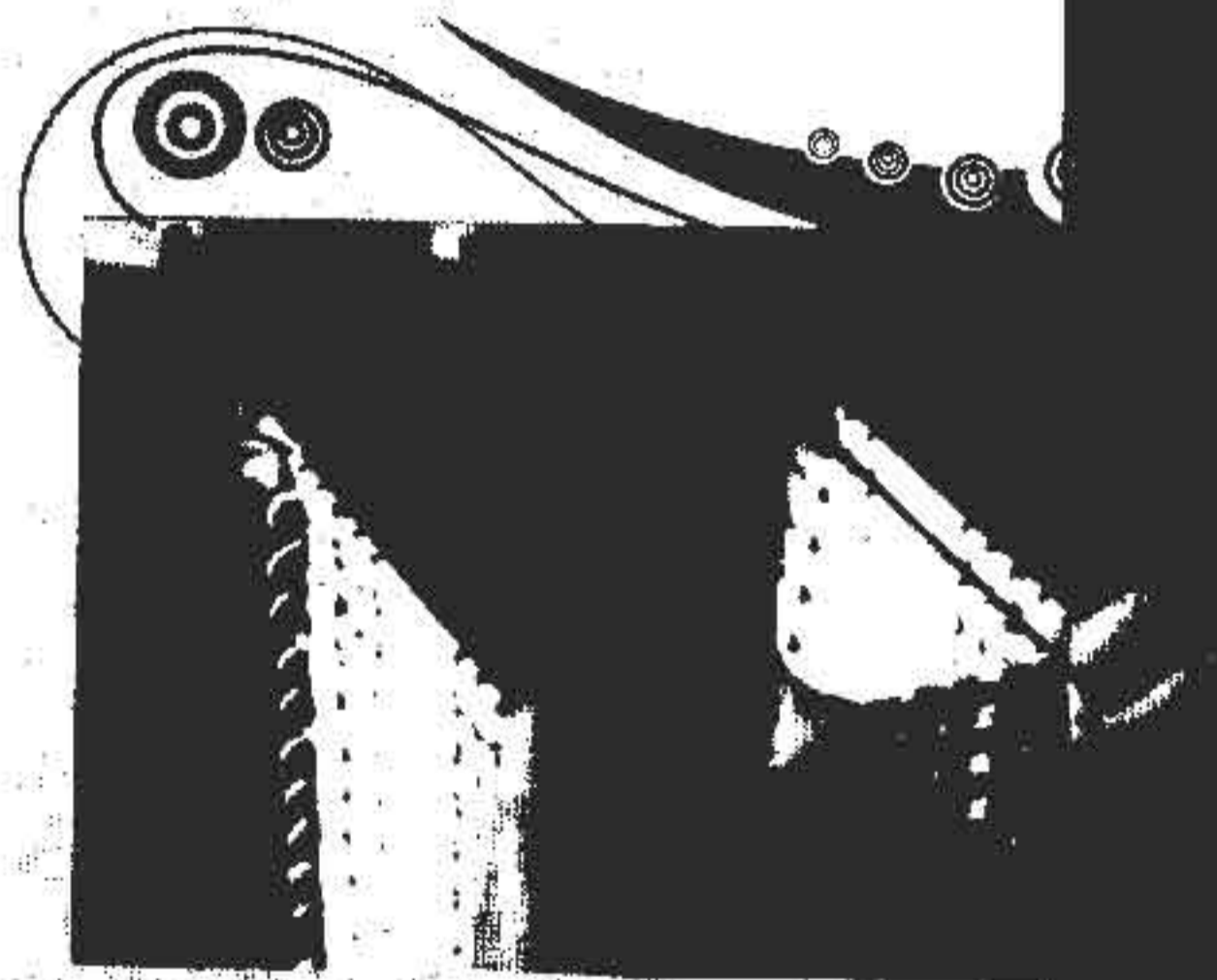


# Adhesives

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

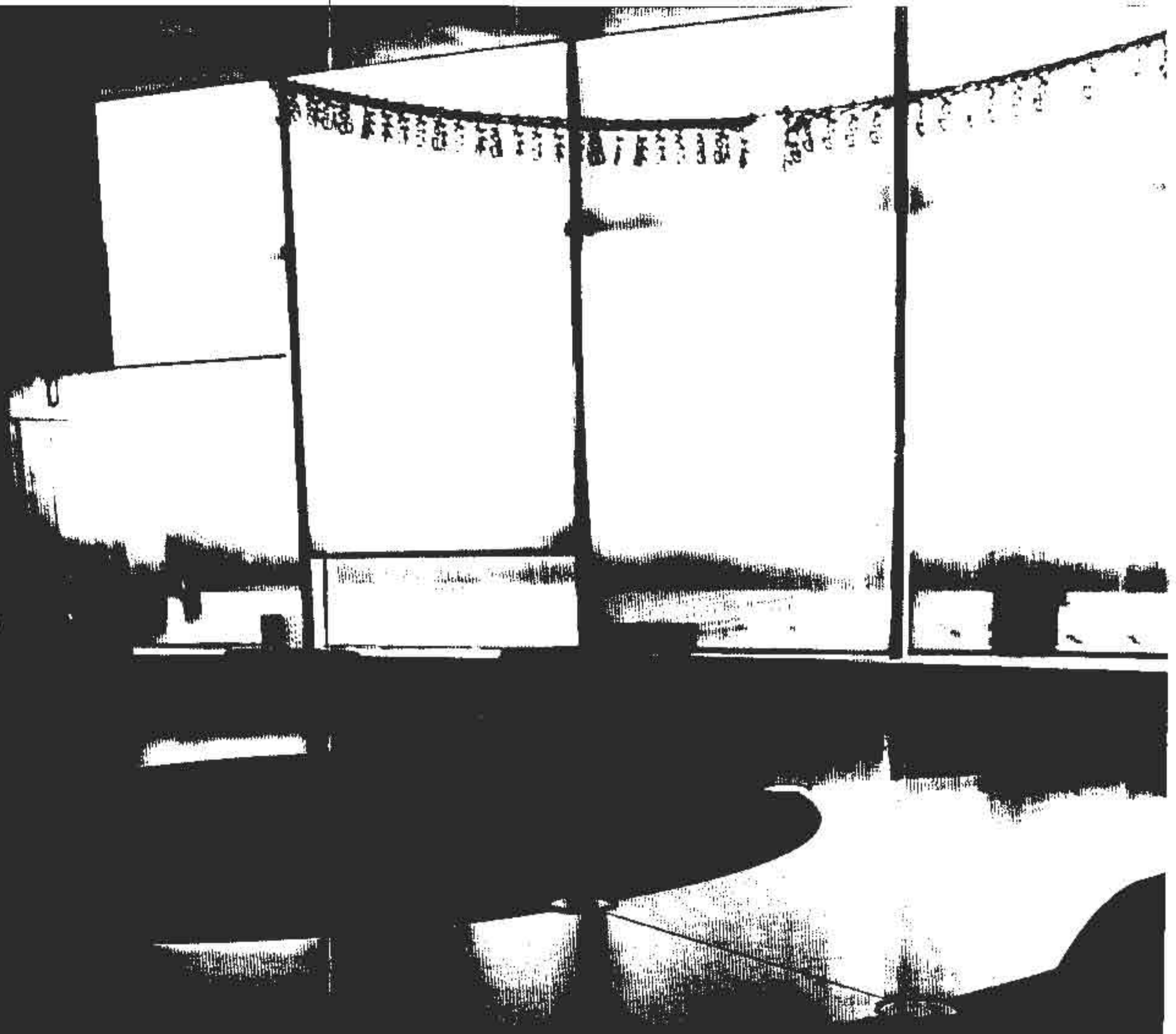
Because of its plastic resin, Berlith is the first choice for use in kitchen cabinets and counters. Berlith also serves as a suitable pasting material for labels on plastic, glass, cartons, etc.

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



● BERGEN

# Board of Directors



# Bo



**Sikander Dada**  
Chairman



**Dr. Mahmood Ahmad**  
Chief Executive



**Muhammad Naseem**  
Alternate to C. H. Clover



**Maqbool H. H. Rahimtoola**  
Director



**Ilyas Sharif**  
Director



**C. H. Clover**  
Director



**Hamid Masood Sohail**  
Director



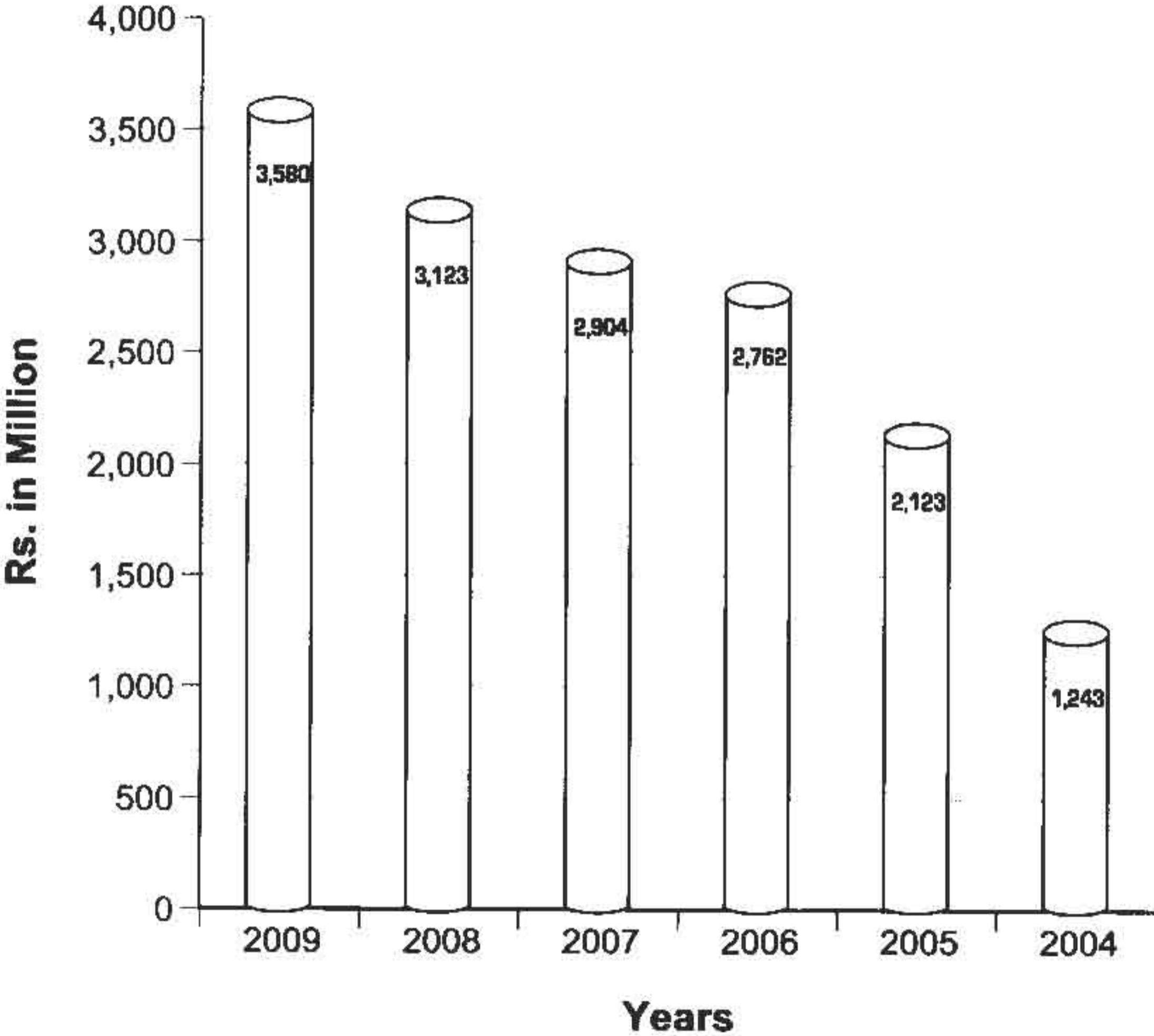
**Mohammad Abdul Aleem**  
Director



# Financial Highlights

	Year Ended June 30,					
	2009	2008 Restated	2007	2006	2005	2004
(Rupees in thousand)						
<b>NET ASSETS</b>						
Fixed Assets	1,052,460	614,447	625,723	560,800	426,852	301,038
Goodwill	40,750	52,350	-	-	-	-
Long Term Investments	13,849	13,849	13,849	17,947	17,947	15,473
Long Term Loans and Deposits	29,253	22,072	23,046	17,170	16,292	13,172
Deferred Taxation	80,146	99,647	-	-	-	-
Net Current Assets	(443,157)	(364,172)	(58,321)	(28,673)	44,835	146,986
<b>Total</b>	<b>773,301</b>	<b>438,193</b>	<b>604,297</b>	<b>567,244</b>	<b>505,926</b>	<b>476,669</b>
<b>FINANCED BY</b>						
Share Capital	81,864	81,864	69,376	57,813	46,251	30,834
Reserves	114,787	84,919	315,657	309,356	257,318	244,207
Surplus on Revaluation of Fixed Assets	526,650	154,744	173,697	180,788	186,642	191,249
	723,301	321,527	558,730	547,957	490,211	466,290
Long Term and Deferred Liabilities	50,000	116,666	45,567	19,287	15,715	10,379
<b>Total</b>	<b>773,301</b>	<b>438,193</b>	<b>604,297</b>	<b>567,244</b>	<b>505,926</b>	<b>476,669</b>
<b>TURNOVER AND PROFITS</b>						
Turnover	3,580,302	3,123,311	2,904,050	2,761,711	2,122,500	1,243,486
Profit/ (Loss) before tax	47,296	(425,647)	100,752	141,473	95,399	61,551
Taxation	20,160	(122,900)	51,673	54,006	38,387	27,844
Profit / (loss) after tax	27,136	(302,747)	49,079	87,467	57,012	33,707
Dividend	-	-	27,749	40,469	27,750	20,042
Reserves for the issues of bonus shares	-	-	-	11,563	11,563	15,417
Transfer to General Reserves	-	-	80,000	-	-	-
<b>EARNING &amp; DIVIDENDS</b>						
Earning / Loss per share	3.31	(43.62)	7.07	15.13	9.86	7.29
Dividend per share	-	-	4.00	7.00	6.00	6.50
- Cash	-	-	-	-	-	-
- Bonus	-	-	-	1.50	1.40	1.20

### Sales Value



# Directors' Report

The Directors are presenting their report along with audited accounts of the Company for the year ended June 30, 2009.

## OPERATING PERFORMANCE

Given the tragic fire incident last year and the resulting difficulties thereafter, the operational performance of the company during the year has been encouraging. The company has achieved Rs 100.952 million as operating profits as compared with the last year loss of Rs 98.864 million. The sales have increased and profit margins have also improved taking credit of the operational profitability though an abnormal increase in the administrative expenses in the current period have diluted this figure to certain extent. The reason for this increase in administrative expenses is attributable to subsequent ad-hoc costs following up the fire incident and the transfer of factory premises and management from Karachi to Lahore, the events which have led to different non-routine expenditures.

As regards net profit, it is important to mention here that although the company has presented an overall profit before tax of Rs 47 296 million in the financial statements, on scrutiny of the figures it is evident that if the effect of insurance claim of Rs 212.174 million, [being an abnormal item representing the effect of last year losses] recognized during the period is taken out of effect, the resultant figure would show an overall loss. This is because of massive increase in finance costs in the current period. The increase is mainly due to increase in KIBOR rates and to some extent to additional financing availed in the current period to support investment in working capital and fixed assets.

Financial results for the year are given below:

	2009 (Rupees in thousand)	2008 Restated
<b>Operating profit/ (loss) for the year</b>	<b>100,952</b>	<b>[98,864]</b>
Other Income other than insurance claim	54,701	37,162
Finance and other charges	<b>(320,531)</b>	<b>[173,486]</b>
<b>Loss before insurance claim</b>	<b>[164,878]</b>	<b>[235,188]</b>
Insurance claim/ (Loss due to fire)	<b>212,174</b>	<b>[190,459]</b>
<b>Profit/ (Loss) before tax for the year</b>	<b>47,296</b>	<b>[425,647]</b>
Taxation	<b>[20,160]</b>	<b>122,900</b>
<b>Profit/ (Loss) after tax</b>	<b>27,136</b>	<b>[302,747]</b>

## INSURANCE CLAIM

In the half yearly accounts ended December 31, 2008, the company has recognized the insurance claim of Rs 240.00 million as income. The position was taken on the judgment of the then Management and the understanding [albeit verbal] of insurance consultant.

The auditors had asked for written acknowledgement from the insurance company which the company was unable to obtain as the insurance company had referred the matter to its own consultants. Subsequently the insurance claim could not be fully realized and settled at Rs 73.32 million. Accordingly in the accounts ended June 30, 2009, a reversal of income in the amount of Rs 166.68 million has been made.

As far as claims of PKR 144.268 million and PKR 70.083 million which were recognized as receivable from the Insurance Company against Property, plant & equipment and Stocks in trade respectively in the financial year ended June 2008, the updated status is given hereunder.

The net book value of items of property, plant & equipment fully destroyed due to fire in 2008 aggregated to PKR 144.268 million. Out of which claim of plant & machinery has been settled at PKR 98.162 million against the net book value of PKR 99.132 million and claim of Building has been settled at PKR 40.684 million against net book value of PKR 22.137 million. Rest of the claim representing lab equipment, furniture & fixture, computers and other electrical equipments, which was recognized in the financial statements for the year ended June 30, 2008 has been reversed till the settlement of the claim with the Insurance Company as referred at note 2 to the financial statements.

An amount of PKR 24 million has been received against the Stock in trade from the insurance company whereas PKR 46 million claimed against SICPA Ink Stock loss is under verification by the Insurer as yet. The said un-settled claim which was recognized in the financial statements for the year ended June 30, 2008 has been reversed till the settlement with the Insurance Company.

### **ASSOCIATED COMPANY - FIRE INCIDENCE**

During the month of April 2009, a fire occurred at the factory premises of Buxly Paints, which destroyed its entire manufacturing facility. The Company holds almost 19% in the share capital of Buxly Paints, which was carrying out the toll manufacturing on behalf of the Company.

### **SAFETY, HEALTH & ENVIRONMENT**

Directors were concerned on the safety environment, lately, the Company appointed an independent Safety Consultant who submitted his report in last July. Consultant's recommendations are being implemented to supplement the Management's efforts upgrading safety environment in the Company. The Board will continue to monitor the progress.

### **QUALIFICATION IN AUDITORS OPINION TO THE MEMBERS**

Auditors have qualified there opinion on the ground that they were unable to verify the opening balances as the Company's record were destroyed in the fire which occurred in January 2008.

### **BOARD OF DIRECTORS**

During the year, 10 meetings of Board of Directors were held and attendance of each director was as follows:

Mr. Zahid Zaheer [Resigned on May 11, 2009]	8
Dr. Mahmood Ahmad	10
Mr. Sikander Dada	7
Mr. Maqbool H.H Rahimtoola	8
Mr. Gul Nawaz [Resigned on July 05, 2008]	2
Mr. Muhammad Abdul Aleem [Joined on April 24, 2009]	3
Mr. Hamid Masood Sohail [Joined on June 01, 2009]	1
Mr. Muhammad Naseem alternate director of C.H Clover	9
Mr. Asad Ullah Khan and Khalid Mansoor alternate director of Mr. Ilyas Sharif	7

Leaves of absence were granted to those directors who could not attend meetings of the Board.



During the period Mr. Zahid Zaheer and Mr. Gul Nawaz vacated the office of directorship and Mr. Hamid Masood Sohail and Mr. Mohammad Abdul Aleem were appointed as directors.

Mr. Sikander Dada was elected as Chairman of the Board on June 01, 2009 after resignation of Mr. Zahid Zaheer.

#### **AUDIT COMMITTEE**

During the year 4 meetings of Audit Committee were held.

#### **CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **HOLDING COMPANY**

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

#### **EARNING PER SHARE**

The Earnings/ (Loss) per share for the year is Rs. 3.31 (2008 Restated: Rs (43.62))

#### **AUDITORS**

The present auditors, M/s A.F. Ferguson & Co. Chartered Accountants being eligible have offered themselves for reappointment for the year ending June 30, 2010 at the 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. Audit Committee of the Board has recommended their reappointment to the Board.

#### **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.

#### **REASONS FOR NOT DECLARING DIVIDENDS**

Due to the accumulated losses during the year, Directors do not recommend any appropriation of profit.

#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as on June 30, 2009 and its disclosure, as required by the Code of Corporate Governance appears on Page 43.

#### **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 accounts have been maintained by the company.

- iii. Appropriate accounting policies have been consistently applied in the 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 except for the period from January to June when the previous internal auditor had resigned and the Audit Committee was finalizing the outsourcing of internal audit.
- 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. Outstanding statutory payments on account of taxes have been mentioned on the face of the balance sheet.
- x. The value of investments of provident, gratuity and pension funds were as follows as at December 31, 2008:

**Rupees in thousand**

Berger Paints Executive Staff Pension Fund	18,932/-
Berger Paints Gratuity Fund	500/-
Berger Paints Provident Fund	76,565/-

- 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.

**ON BEHALF OF THE BOARD**

**Dr. Mahmood Ahmad**  
Chief Executive

**Sikander Dada**  
Director



# Pattern of Shareholding

As at June 30, 2009

Number of Shareholders	From	To	Total No. of Shares
314	1	100	13,538
301	101	500	79,388
157	501	1000	114,432
177	1001	5000	385,424
26	5001	10000	175,375
5	10001	15000	61,845
2	15001	20000	38,000
1	20001	25000	24,200
3	25001	30000	83,330
1	35001	40000	36,580
1	60001	65000	61,491
1	195001	200000	199,316
1	205001	210000	206,500
1	210001	215000	210,040
1	215001	220000	219,480
1	220001	225000	224,543
1	255001	260000	259,600
1	270001	275000	274,940
1	275001	280000	278,378
1	285001	290000	286,754
1	350001	355000	354,000
1	445001	450000	447,160
1	4150001	4155000	4,152,068
<u>1000</u>			<u>8,186,382</u>

Categories of Shareholding	Number of Shareholders	Number of Share Held	Percentage
INDIVIDUALS	973	2,545,290	31.09%
INVESTMENT COMPANIES	1	590	0.007%
INSURANCE COMPANIES	1	224,543	2.743%
JOINT STOCK COMPANIES	16	245,224	2.996%
FINANCIAL INSTITUTIONS	5	1,013,841	12.384%
CO-OPERATIVE SOCIETIES	1	476	0.006%
ASSOCIATED	1	4,152,068	50.719%
OTHERS	2	4,350	0.053%
	<u>1000</u>	<u>8,186,382</u>	<u>100.00%</u>

# 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 listed 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 practice of corporate governance. The company has applied the principles contained in the Code in the following manners:

1. The company encourages representation of independent non-executive directors and directors representing minority instead on its Board of Directors. At present the Board includes six independent non-executive directors and none representing minority interest 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 exchange of Pakistan.
4. All the resident directors of the company are registered as taxpayers and non of them has defaulted in payment of any loan to an banking company, a DFI or an NBF. None of the director is a member of a stock exchange.
5. Two casual vacancies occurred during the period and were filled within the legal time frame.
6. The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors, senior management and employees of the company.
7. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the company.
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. The Board met at least once in every quarter during the year ended June 30, 2009. Written notices of the Board meetings along with the agenda and working papers, were circulated 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 share 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 four members, all of them are non-executive directors including the chairman of the committee.
15. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and approved by the Board and advised to the committee for compliance.
16. Due to the accumulated losses, 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 experience 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, except for the period from January to June 2009 when the previous internal auditor had resigned and the audit committee was finalizing the outsourcing of internal audit.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of 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.

Lahore: October 06, 2009

Dr. Mahmood Ahmad  
Chief Executive





## **Review Report to the Members On Statement of Compliance with best practices of Code of Corporate Governance**

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
505-509, 5th Floor, Alfalah Building  
P.O.Box 39, Shahrah-e-Quaid-e-Azam  
Lahore, Pakistan  
Telephone: (042) 36285078-85  
Fax: (042) 36285088  
E-mail: ferguson@brain.net.pk

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Berger Paints Pakistan Limited ('the company') to comply with the Listing Regulation No. 35, 35 and 36 of the Karachi and Islamabad Stock Exchanges, respectively, where the company is listed.

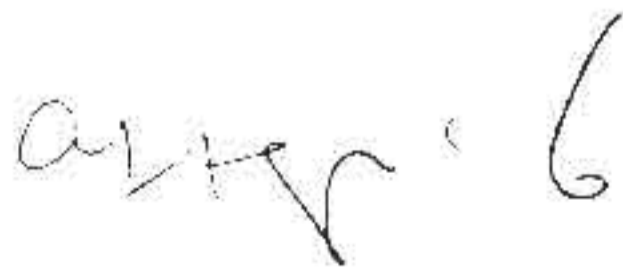
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2009.



**Lahore, October 06, 2009**

**Name of audit engagement partner: Imran Farooq Mian**

## Auditors' Report to the Members

We have audited the annexed balance sheet of Berger Paints Pakistan Limited as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that except for the matters stated in the paragraph 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.

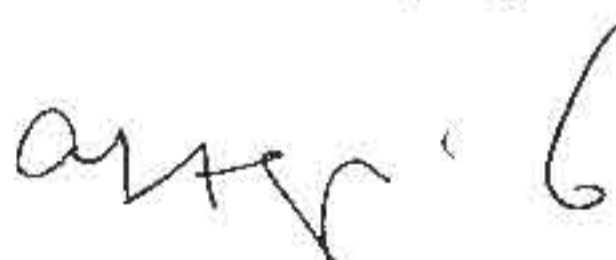
We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, 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:

During the audit of the financial statements for the year ended June 30, 2008, we were unable to complete certain audit procedures in respect of balances relating to property, plant and equipment, trade debts, stock in trade, sales tax refundable, trade deposits, trade and other payables as at June 30, 2008 as certain records of the company were destroyed as a result of fire at the factory premises in Karachi in January 2008. Our audit report on the financial statements for the year ended June 30, 2008 was qualified accordingly. As the opening balances as at July 1, 2008 have been considered for determining the results of the operations for the period under audit, therefore, we are unable to determine whether any adjustments are necessary to the results of operations for the year ended June 30, 2009 consequential to the aforementioned qualification to the audit report for the year ended June 30, 2008.

- (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984.
- (b) In our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us and except for the effects of the adjustments, if any, that might have been determined to be necessary had we being able to satisfy ourselves regarding the matter referred to in the paragraph above, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 [XVIII of 1980], was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



Chartered Accountant

Lahore, October 06, 2009

Name of audit engagement partner: Imran Farooq Mian



# Balance Sheet

As at June 30, 2009

	Note	2009	2008 Restated
(Rupees in thousand)			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	1,052,460	614,447
Goodwill	7	40,750	52,350
Long term investments (subsidiaries and an associate)	8	13,849	13,849
Long term loans	9	13,916	14,034
Long term deposits		15,337	8,038
Deferred taxation	10	80,146	99,647
		<b>1,216,458</b>	<b>802,365</b>
<b>CURRENT ASSETS</b>			
Stores	11	7,109	6,028
Stock in trade	12	1,021,979	873,297
Trade debts	13	552,117	569,402
Loans and advances	14	60,918	84,686
Trade deposits and short term prepayments	15	24,526	18,171
Other receivables	16	102,898	201,386
Taxation - net		75,772	40,096
Cash and bank balances	17	170,875	192,281
		<b>2,016,194</b>	<b>1,985,347</b>
		<b>3,232,652</b>	<b>2,787,712</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	18	81,864	81,864
Reserves	19	114,787	84,919
		<b>196,651</b>	<b>166,783</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX</b>			
	20	526,650	154,744
<b>NON-CURRENT LIABILITY</b>			
Long-term financing	21	50,000	116,666
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	894,303	989,484
Accrued mark-up	23	50,785	43,524
Current maturity of long-term financing	21	50,000	66,667
Short term borrowings	24	1,464,263	1,249,844
		<b>2,459,351</b>	<b>2,349,519</b>
<b>TOTAL LIABILITIES</b>			
		<b>2,509,351</b>	<b>2,466,185</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	25	<b>3,232,652</b>	<b>2,787,712</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

**Muhammad Musharaf Khan**  
Chief Financial Officer

**Dr. Mahmood Ahmad**  
Chief Executive

**Sikander Dada**  
Director

# Profit and Loss Account

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008 Restated
Net sales	26	3,580,302	3,123,311
Cost of sales	27	2,745,755	2,519,880
Gross profit		834,547	603,431
Distribution cost	28	594,941	609,415
Administrative expenses	29	138,654	92,880
		733,595	702,295
Operating profit/ (loss)		100,952	(98,864)
Other operating income	30	266,875	37,162
		367,827	(61,702)
Other charges	31	66,625	225,688
Finance cost	32	253,906	138,257
		320,531	363,945
Profit/ (loss) before taxation		47,296	(425,647)
Taxation	33	20,160	(122,900)
Profit/ (loss) after taxation		27,136	(302,747)
		<b>Rupees</b>	<b>Rupees</b>
Earnings/ (loss) per share - basic and diluted	34	3.31	(43.62)

The annexed notes 1 to 45 form an integral part of these financial statements.

Muhammad Musharaf Khan  
Chief Financial Officer

Dr. Mahmood Ahmad  
Chief Executive

Sikander Dada  
Director



# Cash Flow Statement

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008 Restated
<b>Cash flows from operating activities</b>			
Cash generated from / (utilised) in operations	36	281,457	(287,919)
Finance cost paid		(246,645)	[115,515]
Income tax paid		(36,335)	(30,265)
Long term loans		118	473
Long term deposits		(7,299)	501
<b>Net cash outflow from operating activities</b>		<b>(8,704)</b>	<b>(432,725)</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(151,263)	(172,916)
Goodwill on business combination		-	(58,000)
Sale proceeds on disposal of property, plant and equipment		7,203	2,242
Dividend received		274	1,594
<b>Net cash outflow from investing activities</b>		<b>(143,786)</b>	<b>(227,080)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital (right shares)		-	12,488
Premium received on issue of right shares		-	56,819
Short term borrowings - net		185,000	(150,000)
Long term financing		(83,333)	183,333
Dividend paid		(2)	(10,371)
<b>Net cash inflow from financing activities</b>		<b>101,665</b>	<b>92,269</b>
Net decrease in cash and cash equivalents		(50,825)	(567,536)
Cash and cash equivalents as at July 1		(857,563)	(290,027)
<b>Cash and cash equivalents as at June 30</b>	37	<b>(908,388)</b>	<b>(857,563)</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

**Muhammad Musharaf Khan**  
Chief Financial Officer

**Dr. Mahmood Ahmad**  
Chief Executive

**Sikander Dada**  
Director

# Statement of Changes in Equity

For the Year Ended June 30, 2009

	Issued, Subscribed and paid-up share capital	Capital Reserves		Revenue Reserves		Total
		Share premium	Reserve for issue of bonuse shares	General reserve	Unappropriated profit/ (accumulated loss)	
(Rupees in thousand)						
Balance as at July 1, 2007	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 - restated	-	-	-	-	(302,747)	(302,747)
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 - restated</b>	<b>81,864</b>	<b>56,819</b>	<b>-</b>	<b>285,000</b>	<b>(256,900)</b>	<b>166,783</b>
<b>Balance as at July 1, 2008 - restated</b>	<b>81,864</b>	<b>56,819</b>	<b>-</b>	<b>285,000</b>	<b>(256,900)</b>	<b>166,783</b>
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	-	2,732	2,732
Profit after taxation for the year ended June 30, 2009	-	-	-	-	27,136	27,136
<b>Balance as at June 30, 2009</b>	<b>81,864</b>	<b>56,819</b>	<b>-</b>	<b>285,000</b>	<b>(227,032)</b>	<b>196,651</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

Muhammad Musharaf Khan  
Chief Financial Officer

Dr. Mahmood Ahmad  
Chief Executive

Sikander Dada  
Director



# Notes to the Financial Statements

For the Year Ended June 30, 2009

## 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 matter

In the previous year the company had recognised insurance claims receivable of Rs 144.268 million and Rs 46.191 million in respect of items of property, plant and equipment and stock in trade destroyed during the fire incident in the Karachi factory in January 2008. Such claims had been recognised, though, these had not been approved and were under verification by the insurance company as at the date of authorisation for issue of financial statements by the Board of Directors of the company. The auditor's report on the financial statements for the year ended June 30, 2008 had been modified as in the auditor's view "the subject amounts should not have been recognised as 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".

In this regard the financial statements for the year ended June 30, 2008 have been restated by the company in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to correct this error and comply with the requirements of IAS 37. The effect of the restatement on those financial statements is summarised below.

	Rs. in million
Increase in other charges	190.459
Decrease in tax charge	(61.929)
Increase in loss for the year	<u>128.530</u>
Decrease in other receivables	(190.459)
Increase in income tax payable	<u>61.929</u>
Decrease in equity	<u>(128.530)</u>

## 3. Basis of preparation

### 3.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Ordinance. However, the requirements of the Ordinance or directives issued by the SECP have been followed in case where their requirements are not consistent with the requirements of the approved accounting standards.

### 3.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

#### 3.2.1 Amendments to published standards effective in current year

During the year ended June 30, 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in note 40 to these financial statements.

Further, interpretations of accounting standards, namely IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programmes" and IFRIC 14 "IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction" also became effective during the year. However, these interpretations do not affect the Company's financial statements.

### 3.2.2 Amendments and interpretations to published standards applicable to the company not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IAS 1 [Revised], 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

- IAS 39 [Amendment], 'Financial Instruments: Recognition and Measurement' - Reclassification of Financial Assets (effective from July 1, 2009). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The management is in the process of assessing the impact of its adoption on the Company's financial statements.

- IFRS 7 [Amendment], 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Company's financial statements and have therefore not been analyzed in detail.

- IAS 38 [Amendment], 'Intangible Assets' (effective from July 1, 2009). The amended standard states that a prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

### 3.2.3 Standards and interpretations to existing standards that are not applicable to the company and not yet effective

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 4 Insurance Contracts	January 01, 2009
IFRS 8 Operating Segments	January 01, 2009
IFRIC 15 Accounting for Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 Hedge of Net Investment in a Foreign Operation	July 01, 2009
IFRIC 17 Distribution of Non-cash Assets to Owners	July 01, 2009
IAS 23 Borrowing Costs [Revised]	January 01, 2009
IAS 27 Consolidated and Separate Financial Statements	January 01, 2009
IAS 32 Financial Instruments, Presentation - Amendments regarding puttable Financial Instruments	January 01, 2009
IFRS 2 Share Based Payments - Amendments Regarding Vesting Conditions and Cancellation	January 01, 2009
IFRS 3 Business Combinations - [Revised]	July 01, 2009
IFRIC 18 Transfer of Assets of Customers	July 01, 2009
IFAS 2 Ijarah	January 01, 2009

## 4. Summary of significant accounting policies

### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 4.2 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 4.15 at present value.

### 4.2 Property, plant and equipment

Consistent with prior years, items of property, plant and equipment are stated at cost less accumulated depreciation, except for freehold and leasehold land, buildings thereon and plant and machinery, which are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.



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

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

Depreciation on additions is charged from the month in which the asset is put to use while depreciation on assets disposed of is charged upto the month preceding the disposal at the rates stated in note 6.1.1 to these financial statements.

No depreciation is charged if the asset's residual value exceeds its carrying amount.

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

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

Major renewals and improvements are capitalised.

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

### **4.3 Investments**

Consistent with prior years, the management determines the classification of its investments in accordance with the requirements of IAS-39 'Financial Instruments: Recognition and Measurement', at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification at each financial year end. Investments are either classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale investments or investment in subsidiary and associated companies, as appropriate. When investments are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction cost.

Investment in subsidiaries and associate are stated at cost less any accumulated impairment losses, determined on the basis of excess of carrying amount over their recoverable amount. The profit and loss account reflects income from the investments only to the extent that the company receives distributions from accumulated net profit of such companies.

### **4.4 Business Combinations**

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

### **4.5 Long term deposits**

Long term deposits are stated at cost.

### **4.6 Stores**

Consistent with prior years, stores are valued at actual cost and are charged to income over a period of four years commencing from the year of purchase. General stores, spares and loose tools are charged to profit and loss currently. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Provision, if any, for obsolete items is based on management's judgments.

### **4.7 Stocks in trade**

Consistent with prior years, stocks of raw materials are valued at moving average cost. Finished goods are valued at the lower of moving average cost and Net Realisable Value (NRV). Semi-processed goods are valued at moving average cost.

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

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

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

#### **4.8 Trade debts and other receivables**

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

#### **4.9 Cash and cash equivalents**

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

#### **4.10 Borrowings and their cost**

Borrowings are recorded at the proceeds received. Borrowing costs are charged to income as and when incurred.

#### **4.11 Trade and other payables**

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

#### **4.12 Provisions**

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

#### **4.13 Contingent assets**

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

#### **4.14 Contingent liabilities**

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

#### **4.15 Staff retirement benefits**

##### **4.15.1 Defined benefit schemes**

The company operates the following defined benefit schemes:

- a) An approved and funded pension scheme for all executives.
- b) An approved and funded gratuity scheme for all its permanent employees. Contribution is made to this scheme on the basis of actuarial valuation.

The actuarial valuation is carried out using the Project Unit Credit Method.

Actuarial gains and losses are recognised as income or expense in the same accounting period.

##### **4.15.2 Defined contribution plan**

###### **4.15.2.1 Provident fund**

The company also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 8.33 percent of basic salary and cost of living allowance for unionised staff and 10 percent of basic salary for executive and non-executive staff.



#### **4.15.2.2 Employee compensated absences**

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

#### **4.16 Taxation**

##### **Current**

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

##### **Deferred**

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

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

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

#### **4.17 Foreign currency transactions and translation**

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

#### **4.18 Revenue recognition**

- Revenue from sale of goods is recorded when goods are dispatched and invoiced.
- Interest / markup is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- Dividend income is recognised when the company's right to receive payment is established.
- Other revenues are recorded on accrual basis.

#### **4.19 Financial Instruments**

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

#### **4.20 Off setting of financial assets and liabilities**

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

#### **4.21 Surplus on revaluation of fixed assets**

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

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

#### **4.22 Dividends and appropriation to general reserve**

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

#### **4.23 Impairment**

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

### **5. Critical accounting estimates and judgements**

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

- (a) Assumption and estimation in recognition deferred tax [note 10].
- (b) Assumptions and estimations used in writing down items of stock in trade to their net realisable value [note 12].
- (c) Assumptions and estimations used in calculating the provision for doubtful debts [note 13].
- (d) Assumption and estimation in accounting for staff retirement benefits [note 35].

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

6.	Property, plant and equipment	Note	2009 (Rupees in thousand)	2008
	Operating fixed assets	6.1	1,052,460	577,344
	Capital work-in-progress	6.2	-	37,103
			<u>1,052,460</u>	<u>614,447</u>

### 6.1. Operating fixed assets

#### 6.1.1. The following is a statement of operating fixed assets:

(Rupees in thousand)												
	Cost/revalued amount as at July 1, 2008	Additions/ (deletions) Inter transfer*	Elimination of depreciation on Revaluation	Surplus on Revaluation	Deficit on Revaluation	Cost/revalued amount as at June 30, 2009	Accumulated depreciation as at July 1, 2008	Depreciation charge/ (deletions) for the year	Elimination of depreciation on revaluation	Accumulated depreciation as at June 30, 2009	Book value as at June 30, 2009	Annual depreciation rate %
Freehold land	78,211	-	-	81,859	-	160,070	-	-	-	-	160,070	-
Leasehold land	171,267	-	(18,814)	282,947	-	445,400	15,680	3,134	(18,814)	-	445,400	1.5 & 1.85
Buildings on freehold land	101,405	75,729	(17,269)	-	(21,587)	150,267	9,598	7,767	(17,269)	-	150,267	5
		11,989 *						(96)				
Buildings on leasehold land	70,333	(11,989)	(13,273)	-	(3,601)	41,470	10,258	2,919	(13,273)	-	41,470	5
		-						96				
Plant and machinery	164,918	64,698	-	-	-	229,496	19,578	19,470	-	39,034	130,462	10
		(120)	-	-	-	-	-	(14)	-	-	-	-
Laboratory equipment	3,783	8,555	-	-	-	12,338	2,666	758	-	3,424	8,914	10
Electric fittings	13,557	8,923	-	-	-	18,564	4,346	1,649	-	5,423	13,141	10
		(1,916)	-	-	-	-	-	(572)	-	-	-	-
Computers and related accessories	4,693	1,633	-	-	-	6,301	2,679	1,440	-	4,109	2,192	25
		(25)	-	-	-	-	-	(10)	-	-	-	-
Office machines	1,966	252	-	-	-	2,218	958	208	-	1,166	1,052	10
Furniture and fixtures	4,546	6,554	-	-	-	11,100	1,476	820	-	2,296	8,804	10
Delivery trucks	2,582	-	-	-	-	2,582	2,582	-	-	2,582	-	20
Motor Vehicles	44,493	14,835	-	-	-	51,669	14,589	11,154	-	20,381	30,688	20
		(7,659)	-	-	-	-	-	(4,762)	-	-	-	-
<b>2009</b>	<b>661,754</b>	<b>179,179</b> <b>(9,720)</b>	<b>(49,356)</b>	<b>374,806</b>	<b>(25,188)</b>	<b>1,131,475</b>	<b>84,410</b>	<b>49,319</b> <b>(5,358)</b>	<b>(49,356)</b>	<b>79,015</b>	<b>1,052,460</b>	

	Cost/revalued amount as at July 1, 2007	Additions/ (deletions) Adjustments*	Destroyed due to fire	Cost/revalued amount as at June 30, 2008	Accumulated depreciation as at July 1, 2007	Depreciation charge/ (deletions) for the year	Accumulated depreciation on assets destroyed due to fire	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008	Annual depreciation rate %
Freehold land	78,211	-	-	78,211	-	-	-	-	78,211	-
Leasehold land	171,267	-	-	171,267	12,544	3,136	-	15,680	155,587	1.5 & 1.85
Buildings on freehold land	18,750	28,313	-	101,405	2,556	3,859	-	9,598	91,807	5
		54,342 *				3,183				
Buildings on leasehold land	143,154	7,018	-	70,333	12,861	3,940	-	10,258	60,075	5
		(54,342) *	(25,497)				(3,360)			
Plant and machinery	199,428	102,376	-	164,918	40,345	16,986	-	19,578	145,340	10
			(136,886)				(37,753)			
Laboratory equipment	23,607	8,647	-	3,783	10,978	1,761	-	2,666	1,117	10
			(28,471)				(10,073)			
Electric fittings	21,442	3,034	-	13,557	11,787	1,723	-	4,346	9,211	10
			(10,919)				(8,164)			
Computers and related accessories	14,914	1,231	-	4,693	12,953	1,043	-	2,679	2,014	25
			(11,452)				(11,317)			
Office machines	3,964	285	-	1,966	2,768	192	-	958	1,006	10
			(2,283)				(2,002)			
Furniture and fixtures	10,331	2,451	-	4,546	6,632	651	-	1,476	3,070	10
			(8,235)				(5,807)			
Delivery trucks	2,582	-	-	2,582	2,582	-	-	2,582	-	20
Motor Vehicles	32,148	15,044	-	44,493	10,656	5,427	-	14,589	29,904	20
		(2,699)				(1,493)				
<b>2008</b>	<b>719,798</b>	<b>168,399</b> <b>(2,699)</b>	<b>(223,744)</b>	<b>661,754</b>	<b>126,661</b>	<b>38,718</b> <b>(1,493)</b>	<b>(79,476)</b>	<b>84,410</b>	<b>577,344</b>	

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

As on June 30, 2009, the company has revalued all its freehold and leasehold land, buildings on freehold land and leasehold land. This revaluation resulted in a surplus of Rs 374.806 million on freehold land and leasehold land and a deficit of Rs 25.188 million on buildings on freehold land and leasehold land over their respective net book values.

The company's plant in Karachi and Islamabad warehouse have been revalued by Iqbal A. Nanjee and Co., Valuation Consultants while Lahore plant and Kot Lakhpat warehouse have been revalued by Hamid Mukhtar and Co., Valuation Consultants.

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

	Note	2009 (Rupees in thousand)	2008
Freehold land		70,856	70,856
Leasehold land		2,508	3,644
Buildings on freehold land		159,492	90,592
Buildings on leasehold land		59,137	60,075
Plant and machinery		190,462	145,340
		<b>482,455</b>	<b>370,507</b>

**6.1.4.** Depreciation charge for the year has been allocated as follows:

Cost of sales	27.1	32,370	29,019
Distribution cost	28	10,759	5,620
Administrative expenses	29	6,190	4,079
		<b>49,319</b>	<b>38,718</b>

## 6.2. Capital work-in-progress

Buildings on leasehold land	-	996
Buildings on freehold land	-	21,300
Plant and machinery	-	13,057
Laboratory equipment	-	288
Motor vehicles	-	1,462
	-	<b>37,103</b>

## 7. Goodwill

Packaging Ink Business			
Opening balance		22,350	-
Amount recognised as goodwill arising upon business combination		-	28,000
Less: Impairment loss recognised		(5,600)	(5,650)
		<b>16,750</b>	<b>22,350</b>
Powder Coating Business			
Opening balance		30,000	-
Amount recognised as goodwill arising upon business combination		-	30,000
Less: Impairment loss recognised		(6,000)	-
		<b>24,000</b>	<b>30,000</b>
		<b>40,750</b>	<b>52,350</b>



**B. Long term investments in related parties - at cost (Subsidiaries and an associate)**

No. of shares - ordinary		Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2009	2008
2009	2008						(Rupees in thousand)	
<b>(i) Subsidiary companies - unlisted</b>								
765,000	765,000	Berger DPI (Private) Limited	Pakistan	June 30, 2009	51	10	2,550	2,550
676,020	676,020	Berdex Construction Chemicals (Private) Limited	Pakistan	June 30, 2009	51.96	10	5,510	5,510
		Less: accumulated impairment losses					(4,608)	(4,608)
							902	902
							3,452	3,452
<b>(ii) Associate - listed</b>								
273,600	273,600	Buxy Paints Limited	Pakistan	June 30, 2009	19	10	10,397	10,397
							13,849	13,849

**9. Long term loans**

Considered good- secured  
Due from employees

Less: Current portion shown under current assets

Note	2009	2008
	(Rupees in thousand)	
9.1	17,507	17,832
	17,507	17,832
14	(3,591)	(3,798)
	13,916	14,034

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

**10. Deferred taxation**

Debit / (credit) balances arising from:

	2009	2008
	Restated (Rupees in thousand)	
Accelerated tax depreciation	(68,992)	(48,086)
Surplus on revaluation of fixed assets	-	(73)
Provision for doubtful debts	18,580	10,107
Provision against slow moving stocks	682	1,862
Provision for infrastructure cess	10,154	6,947
Minimum tax paid	8,045	8,045
Unassessed tax loss carried forward	111,677	120,845
Deferred tax asset	80,146	99,647

	Note	2009 (Rupees in thousand)	2008
<b>11. Stores</b>			
Stores in hand		7,109	5,269
Stores in transit		-	759
		<u>7,109</u>	<u>6,028</u>
<b>12. Stock in trade</b>			
Raw and packing materials			
- in hand		460,176	479,717
- in transit		127,348	122,612
		<u>587,524</u>	<u>602,329</u>
Semi processed goods		121,607	79,970
Finished goods			
- in hand		314,796	195,190
- in transit		-	1,527
	12.1	<u>314,796</u>	<u>196,717</u>
		<u>1,023,927</u>	<u>879,016</u>
Provision for slow moving and obsolete stocks - finished goods		(1,948)	(5,719)
		<u>1,021,979</u>	<u>873,297</u>

**12.1.** Finished goods carried at net realisable value amounted to Rs 24.451 million (2008: Rs 28.162 million) at the end of the year. The amount charged to profit and loss account on account of write down of finished goods to net realisable value amounted to Rs 7.640 million (2008 : Rs 7.576 million).

### 13. Trade debts

	Note	2009 (Rupees in thousand)	2008
Unsecured			
Considered good			
- from related parties	13.1	60,812	70,236
- others		491,305	499,166
		<u>552,117</u>	<u>569,402</u>
Considered doubtful - others		52,124	38,121
		<u>604,241</u>	<u>607,523</u>
Less: Provision for doubtful debts	13.2	(52,124)	(38,121)
		<u>552,117</u>	<u>569,402</u>

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

Berdex Construction Chemicals (Private) Limited - a subsidiary	117	9,734
Dadex Eternit Limited - an associated undertaking	424	154
Buxly Paints Limited - an associated undertaking	60,271	60,348
	<u>60,812</u>	<u>70,236</u>

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

Balance at the beginning of the year		38,121	30,904
Provision for the year	28	14,143	4,478
Provision in respect of trade debts acquired in a business combination		-	7,071
Bad debt written off against provision		(140)	(4,332)
Balance at the end of the year		<u>52,124</u>	<u>38,121</u>



<b>14. Loans and advances</b>	<b>Note</b>	<b>2009</b> <b>(Rupees in thousand)</b>	<b>2008</b>
Current portion of long-term loans - considered good			
Due from employees	9	3,591	3,798
		<u>3,591</u>	<u>3,798</u>
Advances - unsecured, considered good			
Executives	14.1	20	832
Employees		558	1,040
Suppliers	14.2	56,749	79,016
		<u>57,327</u>	<u>80,888</u>
		<u>60,918</u>	<u>84,686</u>

**14.1.** The maximum amount of advances due from executives of the company at the end of any month during the year was Rs 0.628 million (2008: Rs 1.724 million).

**14.2. Advances to suppliers - unsecured**

Advances to suppliers - considered good		56,749	79,016
- considered doubtful	14.3	963	-
		<u>57,712</u>	<u>79,016</u>
Less: Provision for doubtful advances		[963]	-
		<u>56,749</u>	<u>79,016</u>

**14.3.** The movement in provision for doubtful advances for the year is as follows:

Balance at the beginning of the year	-	-
Provision for the year	963	-
Bad debt written off against provision	-	-
Balance at the end of the year	<u>963</u>	<u>-</u>

**15. Trade deposits and short term prepayments**

Trade deposits - security deposits	15,981	15,335
Short term prepayments		
- Rent	4,022	2,072
- Insurance	4,506	416
- Others	17	348
	<u>8,545</u>	<u>2,836</u>
	<u>24,526</u>	<u>18,171</u>

<b>16. Other receivables</b>	<b>Note</b>	<b>2009</b> <b>(Rupees in thousand)</b>	<b>2008</b> <b>Restated</b>
Insurance claim receivable (other than due to the January incident)		347	447
Insurance claim receivable due to the January incident	16.1	57,174	23,892
Current accounts with related parties	16.2	35,703	26,980
Margin against letters of guarantee		4,880	26,422
Margin against letters of credit		1,158	40,901
Sales tax		-	71,993
Receivable from Gratuity Fund		-	3,375
Accrued income		1,407	2,625
Receivable from outgoing employees		-	2,019
Others		2,229	2,732
		<u>102,898</u>	<u>201,386</u>

	Note	2009	2008 Restated
(Rupees in thousand)			
<b>16.1.</b> This includes receivable against insurance claim on account of the following:			
Stock in trade		-	23,892
Interruption of business		57,174	-
		<u>57,174</u>	<u>23,892</u>

	Note	2009	2008
(Rupees in thousand)			
<b>16.2.</b> This includes amount due from the following:			
Berger DPI (Private) Limited - a subsidiary		10,474	5,611
Berdex Construction Chemicals (Private) Limited - a subsidiary		11,334	10,116
Buxly Paints Limited - an associated undertaking		13,895	11,253
		<u>35,703</u>	<u>26,980</u>

## 17. Cash and bank balances

With banks:

- In current accounts			
Local currency		138,892	191,818
Foreign currency		100	83
		138,992	191,901
- In deposit accounts			
Local currency	17.1	30,476	355
Cash in hand		1,407	25
		<u>170,875</u>	<u>192,281</u>

**17.1.** This balance is under lien with commercial banks against letter of credit and letter of guarantee, carrying mark-up rate at the rate ranging 2.75 to 14 percent per annum (2008: 2.75 percent per annum).

## 18. Share capital

2009 (Number of shares)	2008		2009 (Rupees in thousand)	2008
25,000,000	25,000,000	<b>Authorised share capital</b>	250,000	250,000
		Ordinary shares of Rs 10 each		
2,135,798	2,135,798	<b>Issued, subscribed and paid-up share capital</b>		
		Ordinary shares of Rs 10 each fully paid up in cash, including Nil (2008: 1,248,770) shares issued through rights issue during the year	21,358	21,358
6,050,611	6,050,611	Ordinary share of Rs 10 each issued as fully paid bonus shares	60,506	60,506
<u>8,186,409</u>	<u>8,186,409</u>		<u>81,864</u>	<u>81,864</u>

18.1. A summary of the movement in ordinary share capital is given below:

	2009		2008		2007	
	Number	Amount Rs '000	Number	Amount Rs '000	Number	Amount Rs '000
<b>Issued, subscribed and paid-up share capital</b>						
As at July 1	8,186,409	81,864	6,937,639	69,376	5,781,366	57,813
Ordinary shares of Rs 10 each issued as fully paid bonus shares during the year ended June 30, 2007	-	-	-	-	1,156,273	11,563
Ordinary shares of Rs 10 each issued as right shares during the year ended June 30, 2008	-	-	1,248,770	12,488	-	-
As at June 30	<u>8,186,409</u>	<u>81,864</u>	<u>8,186,409</u>	<u>81,864</u>	<u>6,937,639</u>	<u>69,376</u>

18.2. Slotrapid Limited B. V. I. (the holding company) and their nominees held 4,152,608 (2008: 4,152,608) ordinary shares of Rs 10 each representing 50.72 percent (2008: 50.72 percent) of the ordinary paid up capital of the company.

19. Reserves	Note	2009	2008
		Restated (Rupees in thousand)	
Capital reserve			
Share premium reserve	19.1	56,819	56,819
Revenue reserve			
General reserve		285,000	285,000
[Accumulated loss] / unappropriated profit		(227,032)	(256,900)
		57,968	28,100
		<u>114,787</u>	<u>84,919</u>

19.1. Share premium reserve represents premium of Rs Nil (2008: Rs 45.50) per share received upon issue of Nil (2008: 1,248,770) right shares during the year.

20. Surplus on revaluation of fixed asset - net of tax	2009	2008
	[Rupees in thousand]	
Gross surplus		
As at July 1	154,817	180,413
Surplus on revaluation of property, plant and equipment recognised during the year	374,806	-
Surplus on revaluation of property, plant and equipment realised on disposal of related assets during the year	-	(21,855)
Deficit on revaluation on land and building charged against previous surplus	(258)	-
Transfer to unappropriated profit as a result of incremental depreciation charged during the current year	(4,203)	(3,741)
	525,162	154,817
Related deferred tax liability		
As at July 1	(73)	(6,718)
On deficit on revaluation on land and building charged against previous surplus	90	-
On transfer to unappropriated profit as a result of incremental depreciation charged during the current year	1,471	-
Reversal of deferred tax liability on account of surplus realised on disposal of related assets during the year	-	6,338
Reversal of deferred tax liability on account of incremental depreciation charged during the current year	-	305
	1,488	(73)
As at June 30	<u>526,650</u>	<u>154,744</u>

	Note	2009 (Rupees in thousand)	2008
<b>21. Long term financing</b>			
Secured - From a commercial bank	21.1	100,000	183,333
Less: Current maturity shown under current liabilities		(50,000)	(66,667)
		<u>50,000</u>	<u>116,666</u>

**21.1.** The company obtained a long term loan from a commercial bank of Rs 200 million to finance the acquisition of the company's plant and machinery. This facility is secured against pari passu hypothecation charge over plant and machinery. Mark-up is charged at the rate of three month's KIBOR plus 85 bps per annum. The loan is repayable in twelve equal quarterly installments of Rs 16.667 million each, which commenced from April 2008.

## 22. Trade and other payables

Trade payables	22.1	423,999	435,693
Bills payable		295,864	333,534
Accrued expenses		4,751	22,733
Employees' Pension Fund	35.2	2,888	7,980
Employees' Gratuity Fund	35.2	16,633	9,682
Accumulating compensated absences		4,720	-
Unclaimed dividend		2,312	2,314
Provision for infrastructure cess	22.2	29,011	21,342
Advances from customers	22.3	18,541	22,508
Workers' Profits Participation Fund	22.4	3,932	2,320
Workers' Welfare Fund		9,338	8,322
Sales tax		31,820	-
Royalty payable		26,082	21,978
Payable to Sicpa Inks Pakistan (Private) Limited		-	41,462
Payable to Oxyplast Pakistan (Private) Limited		-	50,130
Others		24,412	9,486
		<u>894,303</u>	<u>989,484</u>

**22.1.** This includes amounts due to Dadex Eternit Limited (an associated undertaking) amounting to Rs 0.046 million (2008 : Rs 0.092 million).

**22.2.** The movement in provision for infrastructure cess for the year is as follows:

Opening balance	21,342	14,751
Provision during the year	7,669	6,591
Closing balance	<u>29,011</u>	<u>21,342</u>

This represents infrastructure cess imposed under the provisions of the Sindh Finance (second amendment) Ordinance, 2001 to meet the cost of additional burden placed on the province's infrastructure by heavy import and export consignments. The company's purchases include heavy imports, which fall under the said provisions, consequently a duty at the rate ranging 0.8 to 0.85 percent (2008: 0.5 percent) on the cost and freight value of imports is levied. The company, in alliance with other companies, filed an appeal before the High Court of Sindh challenging the competence of provincial government to impose such cess under the constitution. The Court thereafter, issued a stay order and directed the plaintiffs to submit bank guarantees of the equivalent amount against the abovementioned cess for clearance of goods from custom authorities. The company has adhered to the said order by placing hundred percent cash margin with the bank. Further, provision is being made for the cess in the financial statements of the company.

**22.3.** This includes an advance of Rs Nil (2008: Rs 5.608 million) received from Berger DPI (Private) Limited.

	Note	2009 (Rupees in thousand)	2008
<b>22.4. Workers' Profits Participation Fund</b>			
Balance at July 1		2,320	6,812
Allocation for the year	31	2,543	-
		4,863	6,812
Interest on funds utilised in the company's business	32	246	2,044
		5,109	8,856
Less: Payments made during the year			
Amount paid to workers on behalf of the Fund		(1,177)	(6,536)
Amount deposited with the Workers' Welfare Fund		-	-
		(1,177)	(6,536)
Balance at June 30		3,932	2,320
<b>23. Accrued markup</b>			
Mark-up accrued on secured			
Long term financing		3,963	4,921
Short term financing		11,624	6,431
Short term running finances		35,198	32,172
		50,785	43,524
<b>24. Short term borrowings</b>			
Short term financing	24.1	385,000	200,000
Short term running finances	24.2	1,079,263	1,049,844
		1,464,263	1,249,844

#### 24.1. Short term financing - secured

The facilities for short-term financing has been arranged from a commercial bank, which are secured against registered charge over stock in trade, book debts and demand promissory note. The rate of mark-up ranges between 14.17% and 16.50% [June 30, 2008: 10.25% and 10.85%] per annum, payable quarterly. These facilities are expiring between August 2009 and January 2010.

#### 24.2. Short term running finances - secured

The company has arranged facilities for short-term running finance from various banks on mark-up basis to the extent of Rs 1,295 million [June 30, 2008: Rs 1,225 million]. These arrangements are secured against first hypothecation charge over the company's stocks, trade debts and movable assets of the company. The above facilities carry mark-up ranging between 14.47 % and 16.11 % [June 30, 2008: 10.64 % and 13.56 %] per annum, payable quarterly. The finances are repayable on various dates, latest by December 31, 2009.

#### 24.3. Unavailed credit facilities

The facilities for opening of letters of credits and guarantees as at June 30, 2009 amounted to Rs 892.33 million [2008: Rs 900 million] of which the remaining unutilised amount as of that date was Rs 360.134 million [2008: Rs 642.247 million].

### 25. Contingencies and commitments

#### 25.1. Contingencies

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

**25.1.2.** A case has been filed by an insurance company in the court of First Senior Civil Judge, Karachi (the court) against the company for recovery of Rs 1.369 million on account of outstanding premium of the fire policy. The company has also filed a counter claim of Rs 3 million alongwith markup at the rate of 18 percent per annum on account of insurance claim lodged by the company with that insurance company for the damage sustained due to fire incident at warrish factory in May 1997. As the management of the company, based on the advice of its legal counsel handling the case, is confident that the outcome of this suit will be decided in the favour of the company, therefore no provision has been made in this respect in these financial statements.

## 25.2. Commitments

**25.2.1.** Commitments in respect of capital expenditure contracted for, as at June 30, 2009, amounted to Rs Nil [2008: Rs 10.236 million].

**25.2.2.** Outstanding letters of credit as at June 30, 2009 amounted to Rs 173.287 million [2008: Rs 216.749 million].

**25.2.3.** Outstanding letters of guarantees as at June 30, 2009 amounted to Rs 43.265 million [2008: Rs 41.004 million].

## 26. Net Sales

	Note	2009 (Rupees in thousand)	2008
Gross sales			
Paints			
- Local		4,241,434	3,717,992
- Export		84,458	86,717
		4,335,892	3,804,709
Resin		35,818	27,735
Containers		4,785	2,561
Others		118,858	79,699
		4,495,352	3,914,704
Less: Discounts		(282,380)	(263,066)
Sales tax		(585,454)	(495,424)
Special excise duty		(37,216)	(32,903)
		3,580,302	3,123,311

## 27. Cost of sales

Opening stock of finished goods		198,717	239,030
Cost of goods manufactured	27.1	2,817,921	2,828,421
Purchases		45,913	193,738
[Reversal] / provision against slowing moving finished goods		-	(509)
Less: Stock in trade destroyed due to fire		-	(544,083)
Less: Closing stock of finished goods		(314,796)	(196,717)
Cost of sales		2,745,755	2,519,880

### 27.1. Cost of goods manufactured

Raw and packing materials consumed	27.2	2,628,528	2,634,734
Stores consumed		18,014	20,486
Salaries, wages and other benefits	27.3	118,533	103,471
Travelling and conveyance		8,472	6,188
Fuel, water and power		27,125	25,833
Technical service fee		-	2,779
Legal and professional fee		925	40
Rent, rates and taxes		771	1,438
Insurance		4,425	525
Repairs and maintenance		15,134	24,293
Depreciation	8.1.4	32,370	29,019
Printing and stationery		1,158	787
Communication		784	1,377
Other expenses		7,343	8,704
		2,858,558	2,859,674
Opening stock of semi-processed goods		79,970	48,717
Closing stock of semi-processed goods		(121,807)	(79,970)
Cost of goods manufactured		2,817,921	2,828,421



	Note	2009 (Rupees in thousand)	2008
<b>27.2. Raw and packing materials consumed</b>			
Opening stock		602,329	293,950
Purchases		2,615,492	2,947,638
Reversal against slow moving raw and packing materials		(3,771)	(4,525)
Closing stock		(587,524)	(602,329)
		<u>2,626,526</u>	<u>2,634,734</u>
<b>27.3. Salaries, wages and other benefits</b>			
Salaries, wages and benefits		115,321	98,734
Provident fund contribution		1,676	1,776
Provision for retirement benefits:			
Pension	35.7	(1,427)	1,753
Gratuity	35.7	963	1,208
		<u>116,533</u>	<u>103,471</u>
<b>28. Distribution costs</b>			
Salaries, wages and other benefits	28.1	120,163	111,051
Travelling and conveyance		24,814	28,054
Rent, rates and taxes		5,587	4,635
Insurance		3,647	3,610
Fuel, water and power		12,230	2,823
Advertising and sales promotion		264,549	311,679
Technical services and royalty fee		28,471	26,763
Freight and handling		83,055	91,984
Repairs and maintenance		908	1,329
Depreciation	6.1.4	10,759	5,620
Provision for doubtful debts	13.2	14,143	4,478
Bad debts directly written off		8,073	6,846
Printing and stationery		1,666	2,234
Legal and professional		2,704	495
Communication		5,939	4,842
Other expenses		8,233	2,972
		<u>594,941</u>	<u>609,415</u>
<b>28.1. Salaries, wages and other benefits</b>			
Salaries, wages and benefits		118,142	103,399
Provident fund contribution		2,802	2,673
Provision for retirement benefits:			
Pension	35.7	(2,400)	2,946
Gratuity	35.7	1,619	2,031
		<u>120,163</u>	<u>111,051</u>

	Note	2009 (Rupees in thousand)	2008
<b>29. Administrative expenses</b>			
Salaries, wages and other benefits	29.1	60,053	55,327
Travelling and conveyance		8,363	6,619
Rent, rates and taxes		2,017	2,303
Insurance		4,870	4,493
Auditors' remuneration	29.2	2,089	1,809
Fuel, water and power		2,219	1,109
Advertising expense		2,109	2,644
Freight and handling		320	310
Repairs and maintenance		5,034	3,498
Depreciation	6.1.4	6,190	4,079
Printing and stationery		1,357	1,635
Legal and professional		5,265	1,533
Communication		3,427	1,322
Other expenses		11,547	6,199
Advances written off		22,831	-
Provision for doubtful advances		963	-
		<b>138,654</b>	<b>92,880</b>

### 29.1. Salaries, wages and other benefits

Salaries, wages and benefits		59,429	51,752
Provident fund contributions		1,036	952
Provision for retirement benefits			
Pension	35.7	(1,265)	1,553
Gratuity	35.7	853	1,070
		<b>60,053</b>	<b>55,327</b>

### 29.2. Auditors' remuneration

Audit fee		850	750
Special certifications, half yearly review and taxation services		1,002	1,044
Out of pocket expenses		237	15
		<b>2,089</b>	<b>1,809</b>

### 30. Other operating income

Sale of scrap		29,504	17,105
Gain on disposal of fixed assets		2,841	1,036
Dividend income		274	-
Markup, rental income and other services charged to associated undertakings		11,441	13,085
Toll manufacturing income		2,425	1,782
Export rebate		-	798
Liabilities no longer payable written back		6,693	-
Insurance claim on account of January 2008 fire incident	30.1	212,174	-
Others		1,523	3,356
		<b>286,875</b>	<b>37,162</b>

### 30.1. This includes income on account of the following insurance claims:

Buildings		40,684	-
Plant and machinery		98,162	-
Interruption of business	30.2	73,328	-
		<b>212,174</b>	<b>-</b>

**30.2.** During the year, the company booked an insurance claim receivable on account of interruption of business amounting to Rs 240 million. This claim was settled at Rs 73.328 million with the insurance company. The remaining balance of the claim has been reversed after settlement with the insurance company.





	Note	2009	2008 Restated
<b>31. Other charges</b>		(Rupees in thousand)	
Exchange loss		20,893	29,579
Impairment in goodwill	7	11,600	5,650
Loss due to fire		-	190,459
Workers profit participation fund	22.4	2,543	-
Workers welfare fund		1,017	-
Deficit on revaluation of buildings		25,020	-
Other		5,552	-
		<u>66,625</u>	<u>225,688</u>

	Note	2009	2008
<b>32. Finance cost</b>		(Rupees in thousand)	
Mark up on:			
Long-term financing		21,411	10,282
Short-term financing		52,463	32,598
Short-term running finances		174,264	90,073
Interest on WPPF	22.4	246	2,044
Bank charges		5,522	3,260
		<u>253,906</u>	<u>138,257</u>

	2009	2008 Restated
<b>33. Taxation</b>	(Rupees in thousand)	
Current		
- For the year	659	15,671
- For prior years	-	-
	659	15,671
Deferred		
- For current years	19,501	(138,571)
	<u>20,160</u>	<u>(122,900)</u>

### 33.1. Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate	2009 %
Applicable tax rate	35.00
Items not deductible for tax purposes	8.00
Items at reduced rate	(0.40)
Effective tax rate	<u>42.60</u>

	2009	2008 Restated
<b>34. Earnings per share</b>	(Rupees in thousand)	
Profit/ (loss) after taxation	<u>27,136</u>	<u>(302,747)</u>
	Number of shares	Number of shares
Weighted average number of shares outstanding during the year	<u>8,186,409</u>	<u>6,941,031</u>
	(Rupees)	(Rupees)
Earnings/ (loss) per share	<u>3.31</u>	<u>[43.62]</u>

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

	Note	2009 (Rupees in thousand)	2008
<b>35. Staff retirement benefits and other obligations</b>			
<b>Defined benefit plan</b>			
Staff Pension	35.2	2,888	7,980
Staff Gratuity	35.2	16,633	9,682
		19,521	17,662
<b>Other long term employee benefits</b>			
Accumulating compensated absences		4,720	-
		<u>24,241</u>	<u>17,662</u>

#### Defined benefit plan

As mentioned in note 4.15, the company operates an approved funded gratuity and pension schemes for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at June 30, 2009. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2009	2008
	Percent per annum	
Valuation discount rate	12.00	13.25
Expected rate of increase in salary level	11.00	11.09
Rate of return on plan assets	12.00	13.25

**35.1.** The disclosures made in notes 35.2 to 35.6 and 35.8 to 35.12 are based on the information included in the actuarial valuation as of June 30, 2009.

	2009		2008	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
<b>35.2. Balance sheet reconciliation</b>				
Present value of defined benefit obligation	31,725	21,346	36,762	26,337
Fair value of plan assets	(28,837)	(4,713)	(28,782)	(16,655)
Recognised liability - note 22	<u>2,888</u>	<u>16,633</u>	<u>7,980</u>	<u>9,682</u>

#### 35.3. Movement in the fair value of plan assets is as follows:

	2009		2008	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
Fair value as at July 1	28,782	16,655	28,187	15,067
Expected return on plan assets	4,258	2,438	3,092	1,540
Actuarial (losses) / gains	(2,855)	484	(2,331)	2,239
Company's contribution	-	-	-	-
Employee contribution	701	-	635	-
Benefits paid	(2,049)	(11,348)	(801)	(2,191)
Payments made to the Company	-	(3,516)	-	-
Fair value as at June 30	<u>28,837</u>	<u>4,713</u>	<u>28,782</u>	<u>16,655</u>

#### 35.4. Movement in defined benefit obligation is as follows:

	2009		2008	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
Obligation as at July 01	36,762	26,337	29,913	20,440
Service cost	2,545	3,006	2,331	2,415
Interest cost	4,871	3,489	3,248	2,131
Benefits paid	(2,049)	(11,348)	(801)	(2,191)
Actuarial (gain) / loss	(10,404)	(138)	2,071	3,542
Obligation as at June 30	<u>31,725</u>	<u>21,346</u>	<u>36,762</u>	<u>26,337</u>

	2009		2008	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			
<b>35.5. Charge for the year</b>				
Current service cost	2,545	3,006	2,331	2,415
Interest cost	4,871	3,489	3,248	2,131
Expected return on plan assets	(4,258)	(2,438)	(3,092)	(1,540)
Recognition of actuarial [gains]/ loss	(7,549)	[622]	4,402	1,303
Employee contribution	(701)	-	(635)	-
(Income)/ Expenses	<u>(5,092)</u>	<u>3,435</u>	<u>6,254</u>	<u>4,309</u>
Actual return on plan assets	<u>1,403</u>	<u>2,922</u>	<u>761</u>	<u>3,779</u>

**35.6. Movement in net liability in the balance sheet is as follows:**

Opening balance of net liability / (asset)	7,980	9,682	1,726	5,373
Charge for the year	(5,092)	3,435	6,254	4,309
Payments made to the company during the year	-	3,518	-	-
Closing balance of net liability	<u>2,888</u>	<u>16,633</u>	<u>7,980</u>	<u>9,682</u>

**35.7. The charge for the year has been allocated as follows:**

Cost of sales - note 27.3	(1,427)	963	1,753	1,208
Distribution costs - note 28.1	(2,400)	1,619	2,948	2,031
Administrative expenses - note 29.1	(1,265)	853	1,553	1,070
	<u>(5,092)</u>	<u>3,435</u>	<u>6,254</u>	<u>4,309</u>

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

	2009	2008	2007	2006	2005
As at June 30	(Rupees in thousand)				
Present value of defined benefit obligation	53,071	63,099	50,353	44,791	40,380
Fair value of plan assets	(33,550)	(45,437)	(43,254)	(44,432)	(38,364)
Deficit / (surplus)	<u>19,521</u>	<u>17,662</u>	<u>7,099</u>	<u>359</u>	<u>2,016</u>
<b>Experience adjustment:</b>					
Loss on obligations	(10,542)	5,613	-	1,783	-
(Loss) / gain on plan assets	(2,371)	(92)	-	4,283	-

	2009	2008
<b>35.9. Plan assets comprise the following:</b>	(Rupees in thousand)	
Defence Saving Certificates	7,332	4,569
Term deposits	8,840	20,785
Cash	4,866	21,217
Term Finance Certificate	12,512	-
Creditors	-	(1,134)
	<u>33,550</u>	<u>45,437</u>

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

**35.11.** Expected contribution to post-employment benefit plans for the year ending June 30, 2010 is Rs 13.219 million.

	Note	2009	2008 Restated
<b>36. Cash generated from operations</b>			
Profit/ (loss) before taxation		47,296	(425,647)
Adjustments for non cash charges and other items:			
Depreciation		49,319	38,718
Gain on disposal of fixed assets		(2,841)	(1,036)
(Reversal) / provision against slow moving stock		(3,771)	(5,034)
Impairment in goodwill		11,600	5,650
Dividend income		(274)	-
Finance costs		253,908	138,257
Advances written off		9,187	-
Deficit on revaluation on building		25,020	-
Working capital changes	36.1	(107,985)	(38,827)
		<b>281,457</b>	<b>(287,919)</b>

### 36.1. Working capital changes

(Increase) / decrease in current assets:

Stores and spares		(1,081)	(1,180)
Stock-in-trade		(144,911)	(297,319)
Trade debts		17,285	30,380
Loans and advances		23,768	(46,516)
Trade deposits and short-term prepayments		(6,355)	(494)
Other receivables		98,488	(21,351)
		<b>(12,806)</b>	<b>(336,480)</b>
Increase in current liabilities:			
Trade and other payables		(95,179)	297,653
		<b>(107,985)</b>	<b>(38,827)</b>

### 37. Cash and cash equivalents

Cash and bank balances		170,875	192,281
Short-term running finance		(1,079,263)	(1,049,844)
		<b>(908,388)</b>	<b>(857,563)</b>

	2009		2008	
	Chief Executive	Executive	Chief Executive	Executive
<b>38. Remuneration of chief executive, and executives</b>				
Managerial remuneration (including bonus)	5,679	29,349	4,709	20,105
Retirement benefits	473	2,505	561	2,627
Housing	2,556	10,726	1,956	7,943
Utilities	568	2,384	435	1,765
Medical expenses	227	876	111	1,032
	<b>9,503</b>	<b>45,840</b>	<b>7,772</b>	<b>33,472</b>
Number of persons	<b>1</b>	<b>34</b>	<b>1</b>	<b>17</b>

**38.1.** Six [2008: Seven] non-executive directors were paid fee aggregating to Rs 564,126 [2008: Rs 360,000].

**38.2.** The chief executive and certain executives of the company are also provided with free use of cars.



### 39. Transactions with related parties

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

There have been no guarantees provided or received for any related party receivables or payables. For the year ended June 30, 2009, the company has not made any provision for doubtful debts relating to amounts owed by related parties (2008: Nil). Other material transactions with related parties are given below:

Relation with undertaking	Nature of transaction	2009 (Rupees in thousand)	2008
Holding company			
- Slotrapid Limited B.V.I.	Dividend paid	-	5,279
	Royalty expense	20,516	18,747
Subsidiary			
- Berger DPI (Private) Limited	Sales	42,692	30,626
	Rental income and other services charged	9,058	4,206
- Berdex Construction Chemicals (Private) Limited	Sales	18,985	53,100
	Rental income and other services charged	6,053	7,920
Associated undertaking			
- Buxly Paints Limited	Sales	63,761	91,095
	Purchases	-	9,172
	Rental income and other services charged	960	959
	Toll manufacturing expense	-	2,631
	Toll manufacturing income	490	1,782
	Dividend income	274	-
	Royalty expense	1,453	1,625
- Dadex Eternit Limited	Sales	1,621	857
	Purchases	46	-
	Rental income and other services charged-	-	-

Remuneration of key management personnel See note 38

The related party status of outstanding balances as at June 30, 2009 are included in trade debts [note 13.1], other receivables [note 16.2] and trade and other payables [note 22.1] respectively.

### 40. Financial risk management

#### 40.1 Financial risk factors

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

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

#### (a) Market risk

##### (i) Currency risk

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

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

	2009 (Rupees in thousand)	2008
Trade and other payables - Euro	(22)	(73)
Net exposure - Euro	(22)	(73)
Trade and other payables - SFR	(35)	(115)
Net exposure - SFR	(35)	(115)
Trade and other payables - UKP	(15)	(1)
Net exposure - UKP	(15)	(1)
Trade and other payables - USD Deposits	(3,158) 1,230	(3,932) 1,231
Net exposure - USD	(1,928)	(2,701)
Trade and other payables - JPY	(39,933)	(77,434)
Net exposure - JPY	(39,933)	(77,434)

The following significant exchange rates were applied during the year:

<b>Rupees per Euro</b>		
Average rate	107.99	93.32
Reporting date rate	114.82	107.62
<b>Rupees per SFR</b>		
Average rate	64.98	56.67
Reporting date rate	75.26	66.91
<b>Rupees per UKP</b>		
Average rate	126.55	126.18
Reporting date rate	135.38	135.94
<b>Rupees per USD</b>		
Average rate	79.92	62.55
Reporting date rate	81.30	68.20
<b>Rupees per JPY</b>		
Average rate	0.81	0.58
Reporting date rate	0.85	0.64

If the functional currency, at reporting date, had fluctuated by 5% against the Euro, SFR, UKP, USD and JPY with all other variables held constant, the impact on profit after taxation for the year would have been Rs 9.89 million (2008: Rs 12.47 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

#### (ii) Other price risk

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

### (iii) Interest rate risk

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

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

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

	2009	2008
	(Rupees in thousand)	
<b>Financial assets</b>		
<b>Fixed rate instruments</b>		
Bank balances - deposit accounts	30,476	355
<b>Total exposure</b>	<u>30,476</u>	<u>355</u>
<b>Financial liabilities</b>		
<b>Floating rate instruments</b>		
Long-term financing	100,000	183,333
Short-term financing	385,000	200,000
Short-term running finance	1,079,263	1,049,844
	<u>1,564,263</u>	<u>1,433,177</u>

#### Fair value sensitivity analysis for fixed rate instruments

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

#### Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term financing, at the year end rate, fluctuate by 1% higher / lower with all the other variables held constant, profit after taxation for the year would have been Rs 1 million [2008: Rs 1.83 million] higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

### (b) Credit risk

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

#### (i) Exposure to credit risk

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

	2009	2008
	(Rupees in thousand)	
Long term investments	13,849	13,849
Loans to employees	17,507	17,832
Long term deposits	15,337	8,038
Trade debts	552,117	569,402
Trade deposits	15,981	15,335
Other receivables	102,898	109,369
Cash and bank balances	169,468	192,256
	<u>887,157</u>	<u>926,081</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of trade debtors.

## (ii) Credit quality of major financial assets

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

	Rating		Rating Agency	2009	2008
	Short term	Long term		(Rupees in thousand)	
NIB Bank Limited	A1+	AA-	PACRA	89	89
Bank Alfalah Limited	A1+	AA	PACRA	39	40
Oman International Bank Limited	A-2	BBB	JCR-VIS	400	393
Faysal Bank Limited	A-1+	AA	PACRA & JCR	109	319
Royal Bank of Scotland	A1+	AA	PACRA	118	843
Bank Al Habib Limited	A1+	AA	PACRA	31,811	2,861
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,270	1,145
United Bank Limited	A-1+	AA+	JCR-VIS	13	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	130,521	186,422
MCB Bank Limited	A1+	AA+	PACRA	98	-
National Bank of Pakistan Limited	A-1+	AAA	JCR-VIS	-	144
				<u>169,468</u>	<u>192,256</u>

## (c) Liquidity risk

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

The company manages liquidity risk by maintaining funding through an adequate amount of committed credit facilities. At June 30, 2009, the company had Rs 1,564.263 million available borrowing limits from financial institutions and Rs 170.875 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2009:

	Carrying amount	Less than one year	One to five years	More than five years
Long term financing	100,000	50,000	50,000	-
Trade and other payables	894,303	894,303	-	-
Accrued markup	50,785	50,785	-	-
Short term borrowings	1,464,263	1,464,263	-	-
	<u>2,509,351</u>	<u>2,459,351</u>	<u>50,000</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at June 30, 2008:

Long term financing	183,333	66,667	116,666	-
Trade and other payables	932,678	932,678	-	-
Accrued markup	43,524	43,524	-	-
Short term borrowings	1,249,844	1,249,844	-	-
	<u>2,409,379</u>	<u>2,292,713</u>	<u>116,666</u>	<u>-</u>

## 40.2 Fair values of financial assets and liabilities

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



#### 40.3. Financial instruments by category

##### Financial assets as per balance sheet

	Loans and receivables	
	2009	2008
	[Rupees in thousand]	
Long term investments	-	-
Loans to employees	17,507	17,832
Long term deposits	15,337	8,038
Trade debts	552,117	569,402
Trade deposits and short term prepayments	15,981	15,335
Other receivables	102,898	109,369
Cash and bank balances	169,468	192,256
	<b>873,308</b>	<b>912,232</b>

##### Financial liabilities as per balance sheet

	Other financial liabilities	
	2009	2008
	[Rupees in thousand]	
Long term financing	100,000	183,333
Trade and other payables	894,303	932,678
Accrued markup	50,785	43,524
Short term borrowings	1,464,263	1,249,844
	<b>2,509,351</b>	<b>2,409,379</b>

#### 40.4. Capital risk management

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

For this purpose, the company calculates gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as the aggregate of share capital and reserves as shown in the balance sheet plus net debt.

The gearing ratios as at June 30, 2009 and 2008 were as follows:

	2009	2008
	[Rupees in thousand]	
Total borrowings	1,564,263	1,433,177
Net debt	1,564,263	1,433,177
Total equity	196,651	166,783
Total capital	1,760,914	1,599,960
Gearing ratio	88.83%	89.58%

#### 41. Production capacity

	2009	2008
	[Litres in thousand]	
Actual production	33,312	28,775

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

## 42. Details of operating fixed assets disposed off

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
				(Rupees)		
<b>Plant and machinery</b>						
- Generator	Saqib Razzaq - employee	60,000	7,000	53,000	41,250	Company policy
- Generator	Tanveer Ahmad - employee	60,000	7,000	53,000	47,500	-do-
<b>Electrical fittings</b>						
- Transformer	Adamjee Insurance Co. Ltd	1,341,000	475,778	865,222	404,500	Insurance claim
- Spilt A/C	Saqib Razzaq - employee	25,000	3,333	21,667	19,942	Company policy
- Generator	Imran Tahir - employee	60,000	9,000	51,000	37,500	-do-
- Spilt A/C	Aziz A. Khan - employee	25,000	6,667	18,333	13,843	-do-
- Generator	Aziz A. Khan - employee	60,000	7,500	52,500	41,250	-do-
- Spilt A/C	Khawaja Monis - employee	25,000	8,958	16,042	11,709	-do-
- Generator	Khawaja Monis - employee	60,000	7,500	52,500	45,000	-do-
- Generator	Yasir Mumtaz - employee	110,000	23,583	86,417	54,375	-do-
- Generator	Fahim A Khan - employee	110,000	13,583	96,417	76,281	-do-
- Home appliances	Khurram Nagori - employee	100,000	16,667	83,333	66,667	-do-
<b>Computer and related accessories</b>						
Personal computer	Irtiza Ali - employee	25,000	10,417	14,583	17,385	Company policy
<b>Motor vehicles</b>						
- Suzuki Cultus	Iftikhar Ahmad	560,000	560,000	-	408,000	Tender
- Toyota Corolla	Waseem Mirza	969,000	565,250	403,750	792,000	-do-
- Hyundai Shahzore	Mirza Muzafar Baig	589,000	589,000	-	398,000	-do-
- Suzuki Cultus	Muhammad Iftikhar - employee	560,000	532,000	28,000	399,000	-do-
- Suzuki Cultus	Atif Bashir	662,000	110,333	551,667	661,786	-do-
- Suzuki Alto	Waseem Mirza	469,000	195,417	273,583	400,424	-do-
- Honda City	Waseem Mirza	836,000	501,600	334,400	681,111	-do-
- Suzuki Alto	Rehan Mithani	469,000	469,000	-	453,900	-do-
- Suzuki Cultus	Argosy Enterprises Lahore	662,000	110,333	551,667	632,000	-do-
- Honda City	Waseem Mirza	886,000	472,533	413,467	851,111	-do-
- Suzuki Mehran	Syed Rehan Shah	350,000	140,000	210,000	320,000	-do-
- Mazda Van	Ali Zaiqumain	495,000	495,000	-	247,500	-do-
- Rickshaw	Zeeshan Lodhi	137,000	18,267	118,733	57,000	-do-
- Honda Motorcycle	Liaqat Ali - employee	15,260	3,561	11,699	23,000	Company policy
<b>Total</b>		<b>9,720,260</b>	<b>5,359,280</b>	<b>4,360,980</b>	<b>7,202,034</b>	

## 43. Corresponding figures

43.1. Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of comparison. However no significant reclassifications have been made during the year.

## 44. Date of authorisation for issue

These financial statements were authorised for issue on October 06, 2009 by the Board of Directors of the company.

## 45. General

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

Muhammad Musharaf Khan  
Chief Financial Officer

Dr. Mahmood Ahmad  
Chief Executive

Sikander Dada  
Director



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the fifty ninth [59<sup>th</sup>] Annual General Meeting of Berger Paints Pakistan Limited will be held on Friday October 30, 2009 at 09:30 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 along with the Consolidated Financial Statements of the Company for the year ended June 30, 2009 together with Directors' and Auditors' Report thereon.
2. To appoint Auditors and fix their remuneration for the year ending June 30, 2010.

BY THE ORDER OF BOARD

Karachi: October 06, 2009

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 October 22, 2009 to 30 October, 2009, 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 at 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 the meeting.
  - b. For Appointing proxies:
    - i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account at their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
    - 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 proxy shall be furnished with the proxy form.
    - iv. The proxy shall produce his/ her original NIC or original passport at the time of the meeting.
    - v. In case of corporate entity, the Board of Directors, resolution/ power of attorney with specimen signatures shall be submitted [unless it has been provided earlier] along with proxy form to the Company.
- 4) The Form of proxy to be valid must be properly filled-in/ executed and received at the Company's Registered Office not later than 48 hours before the time of meeting.
- 5) Members are requested to notify the Shares Registrar of the Company promptly of any change in their address.
- 6) Members who have not yet submitted photocopies of their Computerized National Identity Card (CNIC) are requested to submit the same to our Shares Registrar at the earliest.
- 7) Form of Proxy enclosed herewith.

# **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2009**



**HOLDING COMPANY**  
**BERGER PAINTS**  
**PAKISTAN LIMITED**

**SUBSIDIARY**  
**COMPANIES**

**BERGER DPI (PRIVATE) LIMITED**

**BERDEX CONSTRUCTION**  
**CHEMICALS (PRIVATE) LIMITED**

# 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, 2009.

	Rupees in thousand
Profit before taxation	39,910
Taxation	[27,621]
Profit after tax	12,289
Minority interest	[7,165]
Net profit for the year attributable to the holding company	19,454

### FINANCIAL STATEMENTS

The Audited Accounts of the holding company for the year ended June 30, 2009 are annexed.

### PATTERN OF SHAREHOLDING

Statement showing the pattern of shareholding of the holding company appears on page 43.

### 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 Profit/ (loss) per share is Rs 1.50 for the year [2008 restated: (43.73)]

### AUDITORS

The present auditors, M/s A.F. Ferguson & Co. Chartered Accountants being eligible have offered themselves for reappointment for the year ending June 30, 2010 at the 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. Audit Committee of the Board has recommended their reappointment to the Board.

### CORPORATE GOVERNANCE

A Statement of Corporate and Financial Reporting Framework appears in the Directors' Report of the holding company on page 41.

### OTHER INFORMATION

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

### ON BEHALF OF THE BOARD

**Dr. Mahmood Ahmad**  
Chief Executive

**Sikander Dada**  
Director



**A. F. FERGUSON & Co.**

A member firm of

**PRICEWATERHOUSECOOPERS** 

**A. F. Ferguson & Co.**  
Chartered Accountants  
505-509, 5th Floor, Alfalah Building  
P.O. Box 39, Shahrah-e-Quaid-e-Azam  
Lahore, Pakistan  
Telephone: (042) 36285078-85  
Fax: (042) 36285088  
E-mail: ferguson@brain.net.pk

## 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, 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Berger Paints Pakistan Limited. The results of subsidiaries Berger DPI (Private) Limited and Berdex Construction Chemicals (Private) Limited have been incorporated from its unaudited financial statements for the year ended June 30, 2009. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these 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 consider necessary in the circumstances and we report that:

During the audit of the financial statements of the holding company for the year ended June 30, 2008, we were unable to complete certain audit procedures in respect of balances relating to property, plant and equipment, trade debts, stock in trade, sales tax refundable, trade deposits, trade and other payables as at June 30, 2008 as certain records of the company were destroyed as a result of fire at the factory premises in Karachi in January 2008. Our audit report on the consolidated financial statements for the year ended June 30, 2008 was qualified accordingly. As the opening balances as at July 1, 2008 have been considered for determining the results of the operations of the holding company for the year under audit, therefore, we are unable to determine whether any adjustments are necessary to the results of operations for the year ended June 30, 2009 consequential to the aforementioned qualification to the audit report for the year ended June 30, 2008.

In our opinion, except for the effects, if any, of the matter stated in paragraphs above, the consolidated financial statements present fairly the financial position of the Berger Paints Pakistan Limited and its subsidiary companies as at June 30, 2009 and the results of their operations for the year then ended.



**Chartered Accountants**

**Lahore**

**Name of audit engagement partner: Imran Farooq Mian**

# Berger & Its Subsidiaries

## Consolidated Balance Sheet

As At June 30, 2009

	Note	2009	2008 Restated
[Rupees in thousand]			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	1,055,888	618,845
Goodwill	7	40,750	52,350
Investment in associate	8	6,388	6,388
Long term loans	9	14,398	14,420
Long term deposits		16,752	9,230
Deferred taxation	10	80,146	99,647
		<b>1,214,322</b>	<b>800,880</b>
<b>CURRENT ASSETS</b>			
Stores	11	7,109	6,028
Stock in trade	12	1,021,979	873,297
Trade debts	13	581,277	595,674
Loans and advances	14	66,514	97,006
Trade deposits and short term prepayments	15	24,693	18,238
Other receivables	16	89,476	192,775
Taxation - net		77,249	37,284
Cash and bank balances	17	173,297	209,730
		<b>2,041,594</b>	<b>2,030,032</b>
		<b>3,255,916</b>	<b>2,830,912</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	18	81,864	81,864
Reserves	19	121,678	99,492
		<b>203,542</b>	<b>181,356</b>
<b>MINORITY INTEREST</b>			
Advance against issue of share capital of the subsidiary company		13,863	21,028
		41	41
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX</b>			
	20	526,650	154,744
<b>NON-CURRENT LIABILITY</b>			
Long-term financing	21	50,000	116,666
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	896,772	997,042
Accrued mark-up	23	50,785	43,524
Current maturity of long-term financing	21	50,000	66,667
Short term borrowings	24	1,464,263	1,249,844
		<b>2,461,820</b>	<b>2,357,077</b>
<b>TOTAL LIABILITIES</b>		<b>2,511,820</b>	<b>2,473,743</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	25		
		<b>3,255,916</b>	<b>2,830,912</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

Muhammad Musharaf Khan  
Chief Financial Officer

Dr. Mahmood Ahmad  
Chief Executive

Sikander Dada  
Director





# Berger & Its Subsidiaries

## Consolidated Profit & Loss Account

For the year ended June 30, 2009

	Note	2009	2008 Restated
		(Rupees in thousand)	
Net sales	26	3,627,378	3,186,825
Cost of sales	27	2,763,728	2,543,668
Gross profit		863,650	643,157
Distribution cost	28	607,279	622,021
Administrative expenses	29	153,102	104,760
		760,381	726,781
Operating profit/ [loss]		103,269	(83,624)
Other operating income	30	257,219	25,100
		360,488	(58,524)
Profit from associate		-	1,112
		360,488	(57,412)
Other charges	31	66,625	225,814
Finance cost	32	253,953	138,612
		320,578	364,426
Profit/ [loss] before taxation		39,910	(421,838)
Taxation	33	27,621	(118,340)
Profit/[loss] after taxation		12,289	(303,498)
Minority interest		(7,165)	1,788
Net profit/[loss] for the year attributable to the holding company		19,454	(301,710)
		<b>Rupees</b>	<b>Rupees</b>
Earnings/ [loss] per share - basic and diluted	34	1.50	(43.73)

The annexed notes 1 to 45 form an integral part of these financial statements.

Muhammad Musharaf Khan  
Chief Financial Officer

Dr. Mahmood Ahmad  
Chief Executive

Sikander Dada  
Director

# Berger & Its Subsidiaries

## Consolidated Cash Flow Statement

For the year ended June 30, 2009

	Note	2009	2008 Restated
[Rupees in thousand]			
<b>Cash flows from operating activities</b>			
Cash generated from / (utilised) in operations	36	278,549	(362,503)
Finance cost paid		(246,692)	(20,782)
Income tax paid		(48,085)	(30,265)
Long term loans		22	87
Long term deposits		(7,522)	501
<b>Net cash outflow from operating activities</b>		<b>(23,728)</b>	<b>(412,962)</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(151,265)	(172,916)
Goodwill on business combination		-	(58,000)
Sale proceeds on disposal of property, plant and equipment		7,203	2,242
Dividend received		274	1,594
<b>Net cash outflow from investing activities</b>		<b>(143,788)</b>	<b>(227,080)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital (right shares)		-	12,488
Premium received on issue of right shares		-	56,819
Short term borrowings - net		185,000	(150,000)
Long term financing		(83,333)	183,333
Dividend paid		(3)	(12,685)
<b>Net cash inflow from financing activities</b>		<b>101,664</b>	<b>89,955</b>
Net decrease in cash and cash equivalents		(65,852)	(550,087)
Cash and cash equivalents as at July 1		(840,114)	(290,027)
<b>Cash and cash equivalents as at June 30</b>	37	<b>(905,966)</b>	<b>(840,114)</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

Muhammad Musharaf Khan  
Chief Financial Officer

Dr. Mahmood Ahmad  
Chief Executive

Sikander Dada  
Director



# Berger & Its Subsidiaries

## Consolidated Statement Of Change in Equity

### For the year ended June 30, 2009

	Issued, Subscribed and paid-up share capital	Capital Reserves		Revenue Reserves		Minority	Total
		Share	Reserve for Issue of bonuse shares	General reserve	Accumulated loss		
(Rupees in thousand)							
<b>Balance as at July 1, 2007</b>	69,376	-	-	285,000	44,116	22,816	421,308
Surplus on revaluation of property, plant and equipment realised on destroyed assets	-	-	-	-	21,855	-	21,855
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
Share of items recognised directly in associate's equity	-	-	-	-	78	-	78
Final cash dividend for the year ended June 30, 2007 [Rs 1.5 per ordinary share]	-	-	-	-	[10,407]	-	[10,407]
Issue of 1,248,770 right shares at a premium of Rs 45.5 per share	12,488	56,819	-	-	-	-	69,307
Loss after taxation for the year ended June 30, 2008 - restated	-	-	-	-	[301,710]	[1,788]	[303,498]
<b>Balance as at June 30, 2008</b> - restated	<b>81,864</b>	<b>56,819</b>	<b>-</b>	<b>285,000</b>	<b>[242,327]</b>	<b>21,028</b>	<b>202,384</b>
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	-	2,732	-	2,732
Profit after taxation for the year ended June 30, 2009	-	-	-	-	19,454	[7,165]	12,289
<b>Balance as at June 30, 2009</b>	<b>81,864</b>	<b>56,819</b>	<b>-</b>	<b>285,000</b>	<b>[220,141]</b>	<b>13,863</b>	<b>217,405</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

**Muhammad Musharaf Khan**  
Chief Financial Officer

**Dr. Mahmood Ahmad**  
Chief Executive

**Sikander Dada**  
Director

# Berger & Its Subsidiaries

## Notes To The Consolidated Financial Statements

For the year ended June 30, 2009

### 1. The Group and its operations

Berger Paints Pakistan Limited (the company) was incorporated in Pakistan on March 25, 1950 as a private limited company under the provisions of 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 and its subsidiary companies (the group) are principally engaged in manufacturing of paints, varnishes and other related items, selling paints, executing contracts for application of road marking paints and merchandising construction chemicals. The group's registered office is situated at D-31, South Avenue, S.I.T.E., Karachi and the production facilities of the group are at Karachi and Lahore.

#### 1.1. The group consists of:

##### Holding company

- Berger Paints Pakistan Limited

##### Subsidiary companies

- Berger DPI (Private) Limited
- Berdex Construction Chemicals (Private) Limited

##### Associate company

- Buxly paints Limited

The group owns 51 percent of the share capital of Berger DPI (Private) Limited and 51.96 percent of the share capital of Berdex Construction Chemicals (Private) Limited. Berger Road Safety (Private) Limited is a dormant subsidiary of Berger DPI (Private) Limited.

The group is a subsidiary of Slotrapid Limited B.V.I.

#### 1.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of the holding company and its subsidiary companies as at June 30, 2009.

##### (a) Subsidiaries

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

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

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

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

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

##### (b) Transactions and minority interests

Minority interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the holding company. Minority interest is presented as a separate item in the consolidated financial statements. Consistent with prior year, the group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group and are recorded in the income statement.



### **(c) Associates**

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

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

### **2. Significant matter**

In the previous year the holding company, Berger Paints Pakistan Limited had recognised insurance claims receivable of Rs 144.268 million and Rs 46.191 million in respect of items of property, plant and equipment and stock in trade destroyed during the fire incident in the Karachi factory in January 2008. Such claims had been recognised, though, these had not been approved and were under verification by the insurance company as at the date of authorisation for issue of financial statements by the Board of Directors of the company. The auditor's report on the financial statements of the holding company for the year ended June 30, 2008 had been modified as in the auditor's view "the subject amounts should not have been recognised as 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"".

In this regard the financial statements of the holding company for the year ended June 30, 2008 have been restated by the company in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to correct this error and comply with the requirements of IAS 37. The effect of the restatement on those financial statements is summarised below.

	Rs. in million
Increase in other charges	190.459
Decrease in tax charge	(61.929)
Increase in loss for the year	128.530
Decrease in other receivables	(190.459)
Increase in income tax payable	61.929
Decrease in equity	(128.530)

### **3. Basis of preparation**

#### **3.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as are notified under the provisions of the Ordinance. However, the requirements of the Ordinance or directives issued by the SECP have been followed in case where their requirements are not consistent with the requirements of the approved accounting standards.

#### **3.2 Standards, interpretations and amendments to published approved accounting standards**

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

##### **3.2.1 Amendments to published standards effective in current year**

During the year ended June 30, 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in note 40 to these financial statements.

Further, interpretations of accounting standards, namely IFRIC 12 "Service Concession Arrangements", IFRIC 13 "Customer Loyalty Programmes" and IFRIC 14 "IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction" also become effective during the year. However, these interpretations do not affect the Company's financial statements.

### 3.2.2 Amendments and interpretations to published standards applicable to the company not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

- IAS 1 [Revised], 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' - Reclassification of Financial Assets (effective from July 1, 2009). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The management is in the process of assessing the impact of its adoption on the Company's financial statements.

- IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Company's financial statements and have therefore not been analyzed in detail.

- IAS 38 (Amendment), 'Intangible Assets' (effective from July 1, 2009). The amended standard states that a prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

### 3.2.3 Standards and interpretations to existing standards that are not applicable to the company and not yet effective

Standards or Interpretation	Effective date (accounting periods beginning on or after)	
IFRS 4	Insurance Contracts	January 01, 2009
IFRS 8	Operating Segments	January 01, 2009
IFRIC 15	Accounting for Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16	Hedge of Net Investment in a Foreign Operation	July 01, 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	July 01, 2009
IAS 23	Borrowing Costs (Revised)	January 01, 2009
IAS 27	Consolidated and Separate Financial Statements	January 01, 2009
IAS 32	Financial Instruments: Presentation - Amendments regarding puttable Financial Instruments	January 01, 2009
IFRS 2	Share Based Payments - Amendments Regarding Vesting Conditions and Cancellation	January 01, 2009
IFRS 3	Business Combinations - (Revised)	July 01, 2009
IFRIC 18	Transfer of Assets of Customers	July 01, 2009
IFAS 2	Ijarah	January 01, 2009

## 4. Summary of significant accounting policies

### 4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 4.2 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 4.15 at present value.

### 4.2 Property, plant and equipment

Consistent with prior years, items of property, plant and equipment are stated at cost less accumulated depreciation, except for freehold and leasehold land, buildings thereon and plant and machinery, which are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.



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

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

Depreciation on additions is charged from the month in which the asset is put to use while depreciation on assets disposed of is charged upto the month preceding the disposal at the rates stated in note B.1.1 to these financial statements.

No depreciation is charged if the asset's residual value exceeds its carrying amount.

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

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

Major renewals and improvements are capitalised.

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

### **4.3 Investments**

Consistent with prior years, the management determines the classification of its investments in accordance with the requirements of IAS-39 'Financial Instruments: Recognition and Measurement', at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification at each financial year end. Investments are either classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale investments or investment in subsidiary and associated companies, as appropriate. When investments are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction cost.

Investment in subsidiaries and associate are stated at cost less any accumulated impairment losses, determined on the basis of excess of carrying amount over their recoverable amount. The profit and loss account reflects income from the investments only to the extent that the company receives distributions from accumulated net profit of such companies.

### **4.4 Business Combinations**

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

### **4.5 Long term deposits**

Long term deposits are stated at cost.

### **4.6 Stores**

Consistent with prior years, stores are valued at actual cost and are charged to income over a period of four years commencing from the year of purchase. General stores, spares and loose tools are charged to profit and loss currently. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Provision, if any, for obsolete items is based on management's judgments.

### **4.7 Stocks in trade**

Consistent with prior years, stocks of raw materials are valued at moving average cost. Finished goods are valued at the lower of moving average cost and Net Realisable Value (NRV). Semi-processed goods are valued at moving average cost.

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

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

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

#### **4.8 Trade debts and other receivables**

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

#### **4.9 Cash and cash equivalents**

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

#### **4.10 Borrowings and their cost**

Borrowings are recorded at the proceeds received. Borrowing costs are charged to income as and when incurred.

#### **4.11 Trade and other payable**

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

#### **4.12 Provisions**

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

#### **4.13 Contingent assets**

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

#### **4.14 Contingent liabilities**

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

#### **4.15 Staff retirement benefits**

##### **4.15.1 Defined benefit schemes**

The company operates the following defined benefits schemes:

- a) An approved and funded pension scheme for all executives.
- b) An approved and funded gratuity scheme for all its permanent employees. Contribution is made to this scheme on the basis of actuarial valuation.

The actuarial valuation is carried out using the Project Unit Credit Method.

Actuarial gains and losses are recognised as income or expense in the same accounting period.

##### **4.15.2 Defined contribution plan**

###### **4.15.2.1 Provident fund**

The company also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 8.33 percent of basic salary and cost of living allowance for unionised staff and 10 percent of basic salary for executive and non-executive staff.





#### **4.15.2.2 Employee compensated absences**

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

#### **4.16. Taxation**

##### **Current**

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

##### **Deferred**

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

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

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

#### **4.17 Foreign currency transactions and translation**

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

#### **4.18 Revenue recognition**

- Revenue from sale of goods is recorded when goods are dispatched and invoiced.
- Interest / markup is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.
- Dividend income is recognised when the company's right to receive payment is established.
- Other revenues are recorded on accrual basis.

#### **4.19 Financial instruments**

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

#### **4.20 Off setting of financial assets and liabilities**

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

#### **4.21 Surplus on revaluation of fixed assets**

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

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

#### **4.22 Dividends and appropriation to general reserve**

Dividends and appropriation to general reserves are recognised in the financial statements in the period in which these are approved.

#### **4.23 Impairment**

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

### **5. Critical accounting estimates and judgements**

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

- (a) Assumption and estimation in recognition deferred tax (note 10).
- (b) Assumptions and estimations used in writing down items of stock in trade to their net realisable value (note 12).
- (c) Assumptions and estimations used in calculating the provision for doubtful debts (note 13).
- (d) Assumption and estimation in accounting for staff retirement benefits (note 35).

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

6. Property, plant and equipment	Note	2009	2008
		(Rupees in thousand)	
Operating fixed assets	6.1	1,055,888	581,744
Capital work-in-progress	6.2	-	37,101
		<u>1,055,888</u>	<u>618,845</u>

### 6.1. Operating fixed assets

#### 6.1.1. The following is a statement of operating fixed assets:

	(Rupees in thousand)											
	Cost/revalued amount as at July 1, 2008	Additions/ (deletions) Inter transfer*	Elimination of depreciation on Revaluation	Surplus on Revaluation	Deficit on Revaluation	Cost/revalued amount as at June 30, 2008	Accumulated depreciation as at July 1, 2008	Depreciation charge/ (deletions) for the year	Elimination of depreciation on revaluation	Accumulated depreciation as at June 30, 2009	Book value as at June 30, 2009	Annual depreciation rate %
Freehold land	78,211	-	-	81,859	-	160,070	-	-	-	-	160,070	-
Leasehold land	171,267	-	(18,814)	292,947	-	445,400	15,681	3,135	(18,814)	2	445,398	1.5 & 1.85
Buildings on freehold land	101,405	75,729	(17,269)	-	(21,587)	150,267	9,598	7,767	(17,269)	-	150,267	5
	-	11,989 *	-	-	-	-	-	(96)	-	-	-	-
Buildings on leasehold land	70,333	(11,989)	(13,273)	-	(3,601)	41,470	10,258	2,919	(13,273)	-	41,470	5
	-	-	-	-	-	-	-	96	-	-	-	-
Plant and machinery	164,978	64,688	-	-	-	229,558	19,583	19,478	-	39,045	190,511	10
	-	(120)	-	-	-	-	-	(14)	-	-	-	-
Applicators	9,789	-	-	-	-	9,789	6,784	702	-	7,486	2,303	10
Laboratory equipment	4,206	8,555	-	-	-	12,761	2,738	788	-	3,526	9,235	10
Electric fittings	13,557	5,923	-	-	-	18,564	4,346	1,649	-	5,423	13,141	10
	-	(1,916)	-	-	-	-	-	(572)	-	-	-	-
Computers and related accessories	4,724	1,633	-	-	-	6,332	2,751	1,442	-	4,183	2,149	25
	-	(25)	-	-	-	-	-	(10)	-	-	-	-
Office machines	1,975	252	-	-	-	2,227	958	208	-	1,166	1,061	10
Furniture and fixtures	4,583	6,554	-	-	-	11,137	1,479	823	-	2,302	8,835	10
Delivery trucks	2,582	-	-	-	-	2,582	2,582	-	-	2,582	-	20
Motor Vehicles	48,846	14,835	-	-	-	56,022	17,954	11,382	-	24,574	31,448	20
	-	(7,659)	-	-	-	-	-	(4,762)	-	-	-	-
<b>2009</b>	<b>676,456</b>	<b>179,179</b> <b>(9,720)</b>	<b>(49,356)</b>	<b>374,806</b>	<b>(25,188)</b>	<b>1,146,177</b>	<b>94,712</b>	<b>50,291</b> <b>(5,358)</b>	<b>(49,356)</b>	<b>90,289</b>	<b>1,055,888</b>	

	(Rupees in thousand)										
	Cost/revalued amount as at July 1, 2007	Additions/ (deletions) Adjustments*	Destroyed due to fire	Cost/revalued amount as at June 30, 2008	Accumulated depreciation as at July 1, 2007	Depreciation charge/ (deletions) for the year	Accumulated depreciation on assets destroyed due to fire	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008	Annual depreciation rate %	
Freehold land	78,211	-	-	78,211	-	-	-	-	78,211	-	
Leasehold land	171,267	-	-	171,267	12,545	3,136	-	15,681	155,586	1.5 & 1.85	
Buildings on freehold land	18,750	28,313	-	101,405	2,556	3,859	-	9,598	91,807	5	
	-	54,342 *	-	-	-	3,183	-	-	-	-	
Buildings on leasehold land	143,154	7,018	-	70,333	12,861	3,940	-	10,258	60,075	5	
	-	(54,342) *	(25,487)	-	-	(3,183)	(3,360)	-	-	-	
Plant and machinery	189,428	102,436	-	164,978	40,345	16,991	-	19,583	145,395	10	
	-	-	(136,886)	-	-	-	(37,753)	-	-	-	
Applicators	9,749	40	-	9,789	5,806	978	-	6,784	3,005	10	
Laboratory equipment	24,030	8,647	-	4,206	11,016	1,795	-	2,738	1,468	10	
	-	-	(26,471)	-	-	-	(10,073)	-	-	-	
Electric fittings	21,442	3,034	-	13,557	11,787	1,723	-	4,346	9,211	10	
	-	-	(10,919)	-	-	-	(9,164)	-	-	-	
Computers and related accessories	14,945	1,231	-	4,724	13,022	1,046	-	2,751	1,973	25	
	-	-	(11,452)	-	-	-	(11,317)	-	-	-	
Office machines	3,964	294	-	1,975	2,768	192	-	958	1,017	10	
	-	-	(2,283)	-	-	-	(2,002)	-	-	-	
Furniture and fixtures	10,348	2,471	-	4,583	6,633	653	-	1,479	3,104	10	
	-	-	(8,236)	-	-	-	(5,607)	-	-	-	
Delivery trucks	2,582	-	-	2,582	2,582	-	-	2,582	-	20	
Motor Vehicles	35,361	16,184	-	48,846	13,868	5,579	-	17,954	30,892	20	
	-	(2,699)	-	-	-	(1,493)	-	-	-	-	
<b>2008</b>	<b>733,231</b>	<b>169,668</b> <b>(2,699)</b>	<b>(223,744)</b>	<b>676,456</b>	<b>135,789</b>	<b>39,892</b> <b>(1,493)</b>	<b>(79,476)</b>	<b>94,712</b>	<b>581,744</b>		

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

As on June 30, 2009, the Berger Paints Pakistan Limited has revalued all its freehold and leasehold land, buildings on freehold land and leasehold land. This revaluation resulted in a surplus of Rs 374.806 million on freehold land and leasehold land and a deficit of Rs 25.188 million on buildings on freehold land and leasehold land over their respective net book values.

The company's plant in Karachi and Islamabad warehouse have been revalued by Iqbal A. Nanjee and Co., Valuation Consultants while Lahore plant and Kot Lakhpat warehouse have been revalued by Hamid Mukhtar and Co., Valuation Consultants.

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

	Note	2009 (Rupees in thousand)	2008
Freehold land		70,856	70,856
Leasehold land		2,508	3,644
Buildings on freehold land		159,492	90,592
Buildings on leasehold land		59,137	60,075
Plant and machinery		190,462	145,395
		<b>482,455</b>	<b>370,562</b>

**6.1.4.** Depreciation charge for the year has been allocated as follows:

Cost of goods manufactured	27.1	32,370	29,019
Cost of road marking services	27.4	933	1,130
Distribution cost	28	10,759	5,620
Administrative expenses	29	6,229	4,123
		<b>50,291</b>	<b>39,892</b>

## 6.2 Capital work-in-progress

Buildings on leasehold land	-	21,896
Buildings on freehold land	-	400
Plant and machinery	-	13,057
Laboratory equipment	-	288
Motor vehicles	-	1,460
	-	<b>37,101</b>

## 7. Goodwill

<b>Packaging Ink Business</b>			
Opening balance		22,350	-
Amount recognised as goodwill arising upon business combination		-	28,000
Less: Impairment loss recognised		(5,600)	(5,650)
		<b>16,750</b>	<b>22,350</b>
<b>Powder Coating Business</b>			
Opening balance		30,000	-
Amount recognised as goodwill arising upon business combination		-	30,000
Less: Impairment loss recognised		(6,000)	-
		<b>24,000</b>	<b>30,000</b>
		<b>40,750</b>	<b>52,350</b>



	Note	2009 (Rupees in thousand)	2008
<b>8. Investments in associate</b>			
<b>Associated undertaking - listed</b>			
Opening balance		6,388	5,198
Add: Share of profit		-	1,112
Add: Share of items recognised directly in the associate's equity		-	78
Less: Impairment charge		-	-
Closing balance		<u>6,388</u>	<u>6,388</u>

### 9. Long term loans

Considered good- secured			
Due from employees	9.1	18,116	18,517
Less: Current portion shown under current assets	14	(3,718)	(3,925)
Provision against staff loan considered doubtful		-	(172)
		<u>14,398</u>	<u>14,420</u>

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

	Note	2009	2008 Restated
<b>10. Deferred taxation</b>			
Debit / (credit) balances arising from:			
(Rupees in thousand)			
Accelerated tax depreciation		(68,992)	(48,086)
Surplus on revaluation of fixed assets		-	(73)
Provision for doubtful debts		18,580	10,107
Provision against slow moving stocks		682	1,862
Provision for infrastructure cess		10,154	6,947
Minimum tax paid		8,045	8,045
Unassessed tax loss carried forward		111,677	120,845
Deferred tax asset / (liability)		<u>80,146</u>	<u>99,647</u>

	2009	2008
(Rupees in thousand)		
<b>11. Stores</b>		
Stores in hand	7,109	5,269
Stores in transit	-	759
	<u>7,109</u>	<u>6,028</u>

	2009	2008
(Rupees in thousand)		
<b>12. Stock in trade</b>		
Raw and packing materials		
- in hand	460,176	479,717
- in transit	127,348	122,612
	587,524	602,329
Semi processed goods	121,607	79,970
Finished goods		
- in hand	314,796	195,190
- in transit	-	1,527
	314,796	196,717
	1,023,927	879,016
Provision for slow moving and obsolete stocks - finished goods	(1,948)	(5,719)
	<u>1,021,979</u>	<u>873,297</u>

**12.1.** Finished goods carried at net realisable value amounted to Rs 24.451 million (2008: Rs 28.162 million) at the end of the year. The amount charged to profit and loss account on account of write down of finished goods to net realisable value amounted to Rs 7.640 million (2008 : Rs 7.576 million).

<b>13. Trade debts</b>	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>(Rupees in thousand)</b>	
Unsecured			
Considered good			
- from related parties	13.1	<b>60,695</b>	60,502
- others		<b>520,582</b>	535,172
		<b>581,277</b>	595,674
Considered doubtful - others		<b>67,071</b>	50,128
		<b>648,348</b>	645,802
Less: Provision for doubtful debts	13.2	<b>(67,071)</b>	[50,128]
		<b>581,277</b>	595,674

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

Dadex Eternit Limited - an associated undertaking	<b>424</b>	154
Buxly Paints Limited - an associated undertaking	<b>60,271</b>	60,348
	<b>60,695</b>	60,502

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

Balance at the beginning of the year		<b>50,128</b>	44,748
Provision for the year	28	<b>17,083</b>	4,478
Provision in respect of trade debts acquired in a business combination		-	7,071
Bad debt written off against provision		<b>(140)</b>	[6,169]
Balance at the end of the year		<b>67,071</b>	50,128

**14. Loans and advances**

Current portion of long-term loans - considered good			
Due from employees	9	<b>3,718</b>	3,925
Advances - unsecured, considered good			
Executives	14.1	<b>20</b>	832
Employees		<b>808</b>	1,040
Suppliers	14.2	<b>57,979</b>	91,181
Others		<b>3,989</b>	28
		<b>62,796</b>	93,081
		<b>66,514</b>	97,006

**14.1.** The maximum amount of advances due from executives of the company at the end of any month during the year was Rs 0.628 million (2008: Rs 1.724 million).

**14.2. Advances to suppliers - unsecured**

Advances to suppliers - considered good		<b>57,979</b>	91,181
- considered doubtful		<b>963</b>	-
		<b>58,942</b>	91,181
Less: Provision for doubtful advances	14.3	<b>(963)</b>	-
		<b>57,979</b>	91,181



	Note	2009 (Rupees in thousand)	2008
<b>14.3. The movement in provision for doubtful advances for the year is as follows:</b>			
Balance at the beginning of the year		-	-
Provision for the year		963	-
Bad debt written off against provision		-	-
Balance at the end of the year		<u>963</u>	<u>-</u>

#### 15. Trade deposits and short term prepayments

Trade deposits - security deposits		15,981	15,335
Short term prepayments			
- Rent		4,022	2,072
- Insurance		4,559	483
- Others		131	348
		<u>8,712</u>	<u>2,903</u>
		<u>24,693</u>	<u>18,238</u>

	Note	2009	2008 Restated
<b>16. Other receivables</b>			
			(Rupees in thousand)
Insurance claim receivable (other than due to the January incident)		347	447
Insurance claim (receivable due to the January incident)	16.1	57,174	23,892
Current accounts with related parties	16.2	14,850	11,253
Employees' Gratuity Fund		-	3,375
Margin against letters of guarantee		6,423	27,815
Margin against letters of credit		1,158	40,901
Retention money		5,100	5,233
Sales tax		-	71,841
Accrued income		1,407	2,625
Receivable from outgoing employees		-	2,019
Others		3,017	3,374
		<u>89,476</u>	<u>192,775</u>

**16.1.** This includes receivable against insurance claim on account of the following:

Stock in trade		-	23,892
Interruption of business		57,714	-
		<u>57,714</u>	<u>23,892</u>

	Note	2009	2008
<b>16.2.</b> This includes amount due from the following:			
			(Rupees in thousand)
Buxly Paints Limited - an associated undertaking		14,850	11,253
		<u>14,850</u>	<u>11,253</u>

#### 17. Cash and bank balances

With banks:

In current accounts			
Local currency		138,737	207,352
Foreign currency		119	102
		<u>138,856</u>	<u>207,454</u>
In deposit accounts			
Local currency	17.1	30,476	434
Cash in hand		3,965	1,842
		<u>173,297</u>	<u>209,730</u>

**17.1.** This balance is under lien with commercial banks against letter of credit and letter of guarantee, carrying mark-up rate at the rate ranging 2.75 to 14 percent per annum (2008: 2.75 percent per annum).

	Note	2009 (Rupees in thousand)	2008
<b>20. Surplus on revaluation of fixed asset - net of tax</b>			
Net surplus as at July 1		154,744	173,697
Gross surplus			
Surplus on revaluation of property, plant and equipment recognised during the year		374,806	-
Surplus on revaluation of property, plant and equipment realised on disposal of related assets during the year		-	(21,855)
Deficit on revaluation on land and building charged against previous surplus		(258)	-
Transfer to unappropriated profit as a result of incremental depreciation charged during the current year		(2,732)	(3,741)
Related deferred tax liability			
On deficit on revaluation on land and building charged against previous surplus		90	-
On transfer to unappropriated profit as a result of incremental depreciation charged during the current year		-	-
Reversal of deferred tax liability on account of surplus realised on disposal of related assets during the year		-	6,338
Reversal of deferred tax liability on account of incremental depreciation charged during the current year		-	305
Net surplus as at June 30		<u>526,650</u>	<u>154,744</u>

### 21. Long term financing

Secured - From a commercial bank	21.1	100,000	183,333
Less: Current maturity shown under current liabilities		(50,000)	(66,667)
		<u>50,000</u>	<u>116,666</u>

**21.1.** The group obtained a long term loan from a commercial bank of Rs 200 million to finance the acquisition of the company's plant and machinery. This facility is secured against pari passu hypothecation charge over plant and machinery. Mark-up is charged at the rate of three month's KIBOR plus 85 bps per annum. The loan is repayable in twelve equal quarterly installments of Rs 16.667 million each, which commenced from April 2008.

	Note	2009 (Rupees in thousand)	2008
<b>22. Trade and other payables</b>			
Trade creditors	22.1	430,905	441,711
Bills payable		296,969	334,639
Accrued expenses		5,413	23,286
Advances from customers		11,606	19,826
Workers' Welfare Fund		9,338	8,322
Workers' Profits Participation Fund	22.3	4,256	2,645
Sales tax		31,820	-
Royalty payable		-	21,978
Unclaimed dividend		2,312	2,314
Payable to SICPA Inks Pakistan (Private) Limited		-	41,462
Payable to Oxyplast Pakistan (Private) Limited		-	50,130
Provision for infrastructure cess	22.2	29,011	21,342
Employees' Pension Fund	35.2	2,888	7,980
Employees' Gratuity Fund	35.2	16,633	9,682
Accumulating compensated absences		4,720	-
Dividend payable		1,530	1,531
Royalty due to Slotrapid BVI -the parent company		26,082	-
Others		23,289	10,194
		<u>896,772</u>	<u>997,042</u>

**22.1.** This includes amounts due to Dadex Eternit Limited (an associated undertaking) amounting to Rs 0.046 million (2008 : Rs 0.092 million).



## 18. Share capital

2009 (Number of shares)		2008 (Rupees in thousand)	
25,000,000	25,000,000	250,000	250,000
<b>Authorised share capital</b> Ordinary shares of Rs 10 each			
2,135,798	2,135,798	21,358	21,358
<b>Issued, subscribed and paid-up share capital</b> Ordinary shares of Rs 10 each fully paid up in cash, including Nil (2008: 1,248,770) shares issued through rights issue during the year			
6,050,611	6,050,611	60,506	60,506
Ordinary share of Rs 10 each issued as fully paid bonus shares			
<b>8,186,409</b>	<b>8,186,409</b>	<b>81,864</b>	<b>81,864</b>

18.1. A summary of the movement in ordinary share capital is given below:

	2009		2008		2007	
	Number	Amount Rs '000	Number	Amount Rs '000	Number	Amount Rs '000
<b>Issued, subscribed and paid-up share capital</b>						
As at July 1	8,186,409	81,864	6,937,639	69,376	5,781,366	57,813
Ordinary shares of Rs 10 each issued as fully paid bonus shares during the year ended June 30, 2007	-	-	-	-	1,156,273	11,563
Ordinary shares of Rs 10 each issued as right shares during the year ended June 30, 2008	-	-	1,248,770	12,488	-	-
As at June 30	<b>8,186,409</b>	<b>81,864</b>	<b>8,186,409</b>	<b>81,864</b>	<b>6,937,639</b>	<b>69,376</b>

18.2. Slotrapid Limited B. V. I. (the holding company) and their nominees held 4,152,608 (2008: 4,152,608) ordinary shares of Rs 10 each representing 50.72 percent (2008: 50.72 percent) of the ordinary paid up capital of the holding company.

## 19. Consolidated Reserves

	Note	2009 (Rupees in thousand)	2008 Restated
Capital reserve			
Share premium reserve	19.1	56,819	56,819
Revenue reserve			
General reserve		285,000	285,000
(Accumulated loss) / unappropriated profit		(220,141)	(242,327)
		64,859	42,673
		<b>121,678</b>	<b>99,492</b>

19.1. Share premium reserve represents premium of Rs Nil (2008: Rs 45.50) per share received upon issue of Nil (2008: 1,248,770) right shares during the year.

	2009	2008
	(Rupees in thousand)	
<b>22.2.</b> The movement in provision for infrastructure cess for the year is as follows:		
Opening balance	21,342	14,751
Provision during the year	7,669	6,591
Closing balance	<u>29,011</u>	<u>21,342</u>

This represents infrastructure cess imposed under the provisions of the Sindh Finance [second amendment] Ordinance, 2001 to meet the cost of additional burden placed on the province's infrastructure by heavy import and export consignments. The company's purchases include heavy imports, which fall under the said provisions, consequently a duty at the rate ranging 0.8 to 0.85 percent (2008: 0.5 percent) on the cost and freight value of imports is levied. The company, in alliance with other companies, filed an appeal before the High Court of Sindh challenging the competence of provincial government to impose such cess under the constitution. The Court thereafter, issued a stay order and directed the plaintiffs to submit bank guarantees of the equivalent amount against the abovementioned cess for clearance of goods from custom authorities. The company has adhered to the said order by placing hundred percent cash margin with the bank. Further, provision is being made for the cess in the financial statements of the company.

	Note	2009	2008
		(Rupees in thousand)	
<b>22.3. Workers' Profits Participation Fund</b>			
Balance at July 1		2,645	7,818
Allocation for the year	31	2,543	106
Interest on funds utilised in the company's business	32	5,188	7,924
		246	2,233
		5,434	10,157
Less: Payments made during the year			
Amount paid to workers on behalf of the Fund		(1,178)	(6,785)
Amount deposited with the Workers' Welfare Fund		-	(727)
		(1,178)	(7,512)
Balance at June 30		<u>4,256</u>	<u>2,645</u>

### 23. Accrued markup

Mark-up accrued on secured			
Long term financing		3,963	4,921
Short term financing		11,624	6,431
Short term running finances		35,198	32,172
		<u>50,785</u>	<u>43,524</u>

### 24. Short term borrowings

Short term financing	24.1	385,000	200,000
Short term running finances	24.2	1,079,263	1,049,844
		<u>1,464,263</u>	<u>1,249,844</u>

#### 24.1. Short term financing - secured

The facilities for short-term financing has been arranged from a commercial bank, which are secured against registered charge over stock in trade, book debts and demand promissory note. The rate of mark-up ranges between 14.17% and 16.50% (June 30, 2008: 10.25% and 10.85%) per annum, payable quarterly. These facilities are expiring between August 2009 and January 2010.

#### 24.2. Short term running finances - secured

The company has arranged facilities for short-term running finance from various banks on mark-up basis to the extent of Rs 1,295 million (June 30, 2008: Rs 1,225 million). These arrangements are secured against first hypothecation charge over the company's stocks, trade debts and movable assets of the company. The above facilities carry mark-up ranging between 14.47 % and 16.11 % (June 30, 2008: 10.64 % and 13.56 %) per annum, payable quarterly. The finances are repayable on various dates, latest by December 31, 2009.



### 24.3. Unavailed credit facilities

The facilities for opening of letters of credits and guarantees as at June 30, 2009 amounted to Rs 892.38 million (2008: Rs 900 million) of which the remaining unutilised amount as of that date was Rs 360.134 million (2008: Rs 642.247 million).

### 25. Contingencies and commitments

#### 25.1. Contingencies

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

**25.1.2.** A case has been filed by an insurance company in the court of First Senior Civil Judge, Karachi (the court) against the group for recovery of Rs 1.369 million on account of outstanding premium of the fire policy. The group has also filed a counter claim of Rs 3 million alongwith markup at the rate of 18 percent per annum on account of insurance claim lodged by the group with that insurance company for the damage sustained due to fire incident at warnish factory in May 1997. As the management of the group, based on the advice of its legal counsel handling the case, is confident that the outcome of this suit will be decided in the favour of the group, therefore no provision has been made in this respect in these financial statements.

#### 25.2. Commitments

**25.2.1.** Commitments in respect of capital expenditure contracted for, as at June 30, 2009, amounted to Rs Nil (2008: Rs 10.236 million).

**25.2.2.** Outstanding letters of credit as at June 30, 2009 amounted to Rs 173.287 million (2008: Rs 216.749 million).

**25.2.3.** Outstanding letters of guarantees as at June 30, 2009 amounted to Rs 43.265 million (2008: Rs 41.004 million).

### 26. Net Sales

	Note	2009 (Rupees in thousand)	2008
Gross sales			
Paints			
- Local		4,198,742	3,687,366
- Export		94,458	86,717
		4,293,200	3,774,083
Resin		35,816	27,735
Containers		4,785	2,561
Revenue under contracts for application for road marking products		67,376	67,424
Revenue from sale of construction chemicals		30,336	74,273
Revenue under service contracts		15,495	15,688
Others		99,874	26,599
		4,546,882	3,988,363
Less: Discounts		(282,380)	(263,066)
Sales tax		(599,646)	(504,935)
Special excise duty		(37,478)	(33,537)
		3,627,378	3,186,825

### 27. Cost of sales

Cost of goods manufactured	27.1	2,817,921	2,828,421
Cost of road marking services	27.4	12,140	16,080
		2,830,061	2,844,501
Opening stock of finished goods		196,717	239,030
Purchases of finished goods		46,345	193,894
[Reversal] / provision against slow moving finished goods		-	(509)
Application cost		5,401	7,552
Less: Closing stock of finished goods		(314,796)	(196,717)
Less: Stock in trade destroyed due to fire		-	(544,083)
Cost of sales		2,763,728	2,543,668

	Note	2009 (Rupees in thousand)	2008
<b>27.1. Cost of goods manufactured</b>			
Raw and packing materials consumed	27.2	2,626,526	2,634,734
Stores consumed		18,014	20,486
Salaries, wages and other benefits	27.3	116,533	103,471
Travelling and conveyance		8,472	6,188
Fuel, water and power		27,125	25,833
Technical service fee		-	2,779
Legal and professional fee		925	40
Rent, rates and taxes		771	1,438
Insurance		4,425	525
Repairs and maintenance		15,134	24,293
Depreciation	6.1.4	32,370	29,019
Printing and stationery		1,156	787
Communication		764	1,377
Other expenses		7,343	8,704
		<b>2,859,558</b>	<b>2,859,674</b>
Opening stock of semi-processed goods		79,970	48,717
Closing stock of semi processed goods		(121,607)	(79,970)
Cost of goods manufactured		<b>2,817,921</b>	<b>2,828,421</b>
<b>27.2. Raw and packing materials consumed</b>			
Opening stock		602,329	293,950
Purchases		2,615,492	2,947,638
Reversal against slow moving raw and packing materials		(3,771)	(4,525)
Closing stock		(587,524)	(602,329)
		<b>2,626,526</b>	<b>2,634,734</b>
<b>27.3. Salaries, wages and other benefits</b>			
Salaries, wages and benefits		115,321	98,734
Provident fund contribution		1,676	1,776
Provision for retirement benefits:			
Pension	35.7	(1,427)	1,753
Gratuity	35.7	963	1,208
		<b>116,533</b>	<b>103,471</b>
<b>27.4 Cost of road marking services</b>			
Salaries, wages and other benefits		677	1,066
Application charges		3,017	6,455
Fuel, water and power		594	162
Depreciation	6.1.4	933	1,130
Cartage and freight		-	3
Travelling and conveyance		7	29
Communication		-	3
Repairs and maintenance		75	60
Insurance		69	199
Others		166	1,018
		<b>5,538</b>	<b>10,125</b>
Opening stock		-	-
Purchases		6,602	5,955
Cost of road marking services		<b>12,140</b>	<b>16,080</b>

	Note	2009 (Rupees in thousand)	2008
<b>28. Distribution costs</b>			
Salaries, wages and other benefits	28.1	122,050	111,928
Travelling and conveyance		25,748	28,465
Motor vehicle expenses		178	340
Rent, rates and taxes		5,587	4,635
Insurance		3,647	3,610
Fuel, water and power		12,230	2,823
Advertising and sales promotion		271,011	322,601
Technical services and royalty fee		28,471	26,763
Freight and handling		83,055	91,984
Repairs and maintenance		908	1,385
Depreciation	6.1.4	10,759	5,620
Provision for doubtful debts		17,083	4,478
Bad debts directly written off	13.2	8,073	6,846
Printing and stationery		1,666	2,234
Legal and professional		2,704	495
Communication		5,939	4,842
Other expenses		8,170	2,972
		<u>607,279</u>	<u>622,021</u>
<b>28.1. Salaries, wages and other benefits</b>			
Salaries, wages and benefits		120,029	104,276
Provident fund contribution		2,802	2,673
Provision for retirement benefits:			
Pension	35.7	(2,400)	2,948
Gratuity	35.7	1,619	2,031
		<u>122,050</u>	<u>111,928</u>
<b>29. Administrative expenses</b>			
Salaries, wages and other benefits	29.1	68,178	62,021
Travelling and conveyance		8,363	6,619
Rent, rates and taxes		2,027	2,572
Insurance		4,917	4,608
Auditors' remuneration		2,409	2,009
Fuel, water and power		2,219	1,109
Advertising expenses	29.2	2,109	2,644
Freight and handling		458	1,120
Provision for doubtful advances		963	-
Repairs and maintenance		5,034	3,498
Depreciation	6.1.4	6,229	4,123
Printing and stationery		1,581	1,843
Legal and professional		6,570	4,854
Entertainment		5	5
Communication		3,427	1,323
Security deposits written off		-	92
Other advances written off		22,831	74
Other expenses		15,782	6,246
		<u>153,102</u>	<u>104,760</u>
<b>29.1. Salaries, wages and other benefits</b>			
Salaries, wages and benefits		67,554	58,446
Provident fund contributions		1,036	952
Provision for retirement benefits:			
Pension	35.7	(1,265)	1,553
Gratuity	35.7	853	1,070
		<u>68,178</u>	<u>62,021</u>
<b>29.2. Auditors' remuneration</b>			
Audit fee		850	950
Special certifications, half yearly review and taxation services		1,002	1,044
Out of pocket expenses		557	15
		<u>2,409</u>	<u>2,009</u>

	Note	2009 (Rupees in thousand)	2008
<b>30. Other operating income</b>			
Sale of scrap		29,504	17,105
Gain on disposal of fixed assets		2,841	1,036
Profit on bank deposit		1,099	64
Markup, rental income and other services charged to an associated undertaking		960	959
Toll manufacturing income		2,425	1,782
Export rebate		-	798
Liabilities no longer payable	30.1	6,693	-
Insurance claim		212,174	-
Others		1,523	3,356
		<u>257,219</u>	<u>25,100</u>

**30.1.** This includes income on account of the following insurance claims:

Buildings		40,684	-
Plant and machinery		98,162	-
Interruption of business	30.2	73,328	-
		<u>212,174</u>	<u>-</u>

**30.2.** During the year, the company booked an insurance claim receivable on account of interruption of business amounting to Rs 240 million. This claim was settled at Rs 73.328 million with the insurance company. The remaining balance of the claim has been reversed after settlement with the insurance company.

	Note	2009	2008 Restated
<b>31. Other charges</b>			
			(Rupees in thousand)
Workers' Profit Participation Fund		2,543	106
Workers' Welfare Fund	7	1,017	-
Exchange loss		20,893	29,579
Impairment in goodwill		11,600	5,650
Other receivables written off		-	20
Loss due to fire		-	190,459
Deficit on revaluation of buildings		25,020	-
Other		5,552	-
		<u>66,625</u>	<u>225,814</u>

	Note	2009	2008
<b>32. Finance cost</b>			
			(Rupees in thousand)
Mark up on:			
Long-term financing		21,411	10,282
Short-term financing		52,483	32,598
Short-term running finances		174,264	90,073
Interest on WPPF	22.3	246	2,233
Bank charges		5,569	3,426
		<u>253,953</u>	<u>138,612</u>

	Note	2009	2008 Restated
(Rupees in thousand)			
<b>33. Taxation</b>			
Current:			
- For the year		8,120	20,231
- For prior years		-	-
		8,120	20,231
Deferred:			
- For current years		19,501	(138,571)
		27,621	(118,340)
<b>34. Earnings per share</b>			
Profit / (loss) after taxation		12,289	(303,498)
		<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of shares outstanding during the year		8,186,409	6,941,031
		<b>Rupees</b>	<b>Rupees</b>
Earnings / (loss) per share		1.50	(43.73)

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

### 35. Staff retirement benefits and other obligations

Defined benefit plan			
Staff Pension	35.2	2,888	7,980
Staff Gratuity	35.2	16,633	9,682
		19,521	17,662
Other long term employee benefits			
Accumulating compensated absences		4,720	-
		24,241	17,662

#### Defined benefit plan

As mentioned in note 4.15, the group operates an approved funded gratuity and pension schemes for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at June 30, 2009. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2009	2008
Percent per annum		
Valuation discount rate	12.00	13.25
Expected rate of increase in salary level	11.00	11.09
Rate of return on plan assets	12.00	13.25

**35.1.** The disclosures made in notes 35.2 to 35.6 and 35.8 to 35.12 are based on the information included in the actuarial valuation as of June 30, 2009.

	Note	2009		2008	
		Pension	Gratuity [Rupees in thousand]	Pension	Gratuity
<b>35.2. Balance sheet reconciliation</b>					
Present value of defined benefit obligation		31,725	21,346	36,762	26,337
Fair value of plan assets		(28,837)	(4,713)	(28,782)	(16,655)
Recognised liability - note 22		<u>2,888</u>	<u>16,633</u>	<u>7,980</u>	<u>9,682</u>
<b>35.3. Movement in the fair value of plan assets is as follows:</b>					
Fair value as at July 1		28,782	16,655	28,187	15,067
Expected return on plan assets		4,258	2,438	3,092	1,540
Actuarial [losses] / gains		(2,855)	484	(2,331)	2,239
Company's contribution		-	-	-	-
Employee contribution		701	-	635	-
Benefits paid		(2,049)	(11,348)	(801)	(2,191)
Payments made to the Company		-	(3,516)	-	-
Fair value as at June 30		<u>28,837</u>	<u>4,713</u>	<u>28,782</u>	<u>16,655</u>
<b>35.4. Movement in defined benefit obligation is as follows:</b>					
Obligation as at July 01		36,762	26,337	29,913	20,440
Service cost		2,545	3,006	2,331	2,415
Interest cost		4,871	3,489	3,248	2,131
Benefits paid		(2,049)	(11,348)	(801)	(2,191)
Actuarial [gain] / loss		(10,404)	(138)	2,071	3,542
Obligation as at June 30		<u>31,725</u>	<u>21,346</u>	<u>36,762</u>	<u>26,337</u>
<b>35.5. Charge for the year</b>					
Current service cost		2,545	3,006	2,331	2,415
Interest cost		4,871	3,489	3,248	2,131
Expected return on plan assets		(4,258)	(2,438)	(3,092)	(1,540)
Recognition of actuarial [gains] / loss		(7,549)	(622)	4,402	1,303
Employee contribution		(701)	-	(635)	-
(Income) / Expenses		<u>(5,092)</u>	<u>3,435</u>	<u>6,254</u>	<u>4,309</u>
Actual return on plan assets		<u>1,403</u>	<u>2,922</u>	<u>761</u>	<u>3,779</u>
<b>35.6. Movement in net liability in the balance sheet is as follows:</b>					
Opening balance of net liability		7,980	9,682	1,726	5,373
Charge for the year		(5,092)	3,435	6,254	4,309
Payments made to the Company during the year		-	3,516	-	-
Closing balance of net liability		<u>2,888</u>	<u>16,633</u>	<u>7,980</u>	<u>9,682</u>
<b>35.7. The charge for the year has been allocated as follows:</b>					
Cost of sales	27.3	(1,427)	963	1,753	1,208
Distribution costs	28.1	(2,400)	1,619	2,948	2,031
Administrative expenses	29.1	(1,265)	853	1,553	1,070
		<u>(5,092)</u>	<u>3,435</u>	<u>6,254</u>	<u>4,309</u>



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

	2009	2008	2007	2006	2005
<b>As at June 30</b>	<b>(Rupees in thousand)</b>				
Present value of defined benefit obligation	53,071	63,099	50,353	44,791	40,380
Fair value of plan assets	(33,550)	(45,437)	(43,254)	(44,432)	(38,364)
Deficit / [surplus]	19,521	17,662	7,099	359	2,016
Experience adjustment:					
Loss on obligations	(10,542)	5,613	-	1,783	-
[Loss] / gain on plan assets	(2,371)	(92)	-	4,283	-

	2009	2008
<b>35.9. Plan assets comprise the following:</b>	<b>(Rupees in thousand)</b>	
Defence Saving Certificates	7,332	4,569
Term deposits	8,840	20,785
Cash	4,866	21,217
Term Finance Certificate	12,512	-
Creditors	-	(1,134)
	33,550	45,437

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

35.11. Expected contribution to post-employment benefit plans for the year ending June 30, 2010 is Rs 13.219 million.

	Note	2009	2008
<b>36. Cash generated from operations</b>			<b>Restated</b>
		<b>(Rupees in thousand)</b>	
Profit/ [loss] before taxation		39,910	(421,838)
Adjustments for non cash charges and other items:			
Depreciation		50,291	39,892
Gain on disposal of fixed assets		(2,841)	(1,036)
[Reversal] / provision against slow moving stock		(3,771)	(5,034)
Goodwill impairment		11,600	5,650
Dividend income		(274)	-
Share of profit from investment in associate		-	(1,112)
Finance costs-net		253,953	138,612
Advances written off		9,187	-
Deficit on revaluation on building		25,020	(38,827)
Working capital changes	36.1	(104,526)	(78,810)
		278,549	(362,503)

### 36.1. Working capital changes

<b>(Increase) / decrease in current assets:</b>			
Stores and spares		(1,081)	(1,180)
Stock-in-trade		(144,911)	(297,319)
Trade debts		14,397	37,206
Loans and advances		30,492	(56,793)
Trade deposits and short-term prepayments		(6,455)	(394)
Other receivables		103,299	(59,146)
		(4,259)	(377,626)
<b>Increase in current liabilities:</b>			
Trade and other payables		(100,267)	298,816
		(104,526)	(78,810)

### 37. Cash and cash equivalents

	2009 (Rupees in thousand)	2008
Cash and bank balances	173,297	209,730
Short-term running finance	(1,079,263)	(1,049,844)
	<u>(905,966)</u>	<u>(840,114)</u>

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
(Rupees in thousand)				
<b>38. Remuneration of chief executive and executives</b>				
Managerial remuneration (including bonus)	5,679	29,349	4,709	20,105
Retirement benefits	473	2,505	561	2,627
Housing	2,556	10,726	1,956	7,943
Utilities	568	2,384	435	1,765
Medical expenses	227	876	111	1,032
	<u>9,503</u>	<u>45,840</u>	<u>7,772</u>	<u>33,472</u>
Number of persons	<u>1</u>	<u>34</u>	<u>1</u>	<u>17</u>

**38.1.** Six (2008: Seven) non-executive directors were paid fee aggregating to Rs 564,126 (2008: Rs 360,000).

**38.2.** The chief executive and certain executives of the company are also provided with free use of cars.

### 39. Transactions with related parties

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

Relation with undertaking	Nature of transaction	2009 (Rupees in thousand)	2008
Holding company			
- Slotrapid Limited B.V.I.	Dividend paid	-	5,279
	Royalty expense	20,516	18,747
Associated undertaking			
- Buxly Paints Limited	Sales	63,761	91,095
	Purchases	-	9,172
	Rental income and other services charged	960	959
	Toll manufacturing expense	-	2,631
	Toll manufacturing income	490	1,782
	Dividend income	274	-
	Royalty expense	1,453	1,625
- Dadex Eternit Limited	Sales	1,621	857
	Purchases	46	-
	Rental income and other services charged	-	-
Remuneration of key management personnel	See note 38	-	-

The related party status of outstanding balances as at June 30, 2009 are included in trade debts (note 13.1), other receivables (note 16.2) and trade and other payables (note 22.1) respectively.

## 40. Financial risk management

### 40.1 Financial risk factors

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

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

#### (a) Market risk

#### (b) Currency risk

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

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

	2009	2008
Trade and other payables - Euro	(22)	(73)
Net exposure - Euro	<u>(22)</u>	<u>(73)</u>
Trade and other payables - SFR	(35)	(115)
Net exposure - SFR	<u>(35)</u>	<u>(115)</u>
Trade and other payables - UKP	(15)	(1)
Net exposure - UKP	<u>(15)</u>	<u>(1)</u>
Trade and other payables - USD	(3,158)	(3,932)
Deposits	1,230	1,231
Net exposure - USD	<u>(1,928)</u>	<u>(2,701)</u>
Trade and other payables - JPY	(39,933)	(77,434)
Net exposure - JPY	<u>(39,933)</u>	<u>(77,434)</u>

The following significant exchange rates were applied during the year:

<b>Rupees per Euro</b>		
Average rate	107.99	93.32
Reporting date rate	114.82	107.62
<b>Rupees per SFR</b>		
Average rate	64.98	56.67
Reporting date rate	75.26	66.91
<b>Rupees per UKP</b>		
Average rate	126.55	126.18
Reporting date rate	135.38	135.94
<b>Rupees per USD</b>		
Average rate	79.92	62.55
Reporting date rate	81.30	68.20
<b>Rupees per JPY</b>		
Average rate	0.81	0.58
Reporting date rate	0.85	0.64

If the functional currency, at reporting date, had fluctuated by 5% against the Euro, SFR, UKP, USD and JPY with all other variables held constant, the impact on profit after taxation for the year would have been Rs 9.89 million (2008: Rs 12.47 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

**(ii) Other price risk**

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

**(iii) Interest rate risk**

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

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

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

<b>Financial assets</b>	<b>2009</b>	<b>2008</b>
	<b>(Rupees in thousand)</b>	
Fixed rate instruments		
Bank balances - deposit accounts	30,476	434
Total exposure	<u>30,476</u>	<u>434</u>
<b>Financial liabilities</b>		
<b>Floating rate instruments</b>		
Long-term financing	100,000	183,333
Short-term financing	385,000	200,000
Short-term running finance	1,079,263	1,049,844
	<u>1,564,263</u>	<u>1,433,177</u>

**Fair value sensitivity analysis for fixed rate instruments**

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

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates on long term financing, at the year end rate, fluctuate by 1% higher / lower with all the other variables held constant, profit after taxation for the year would have been Rs 1 million (2008: Rs 1.83 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

**(b) Credit risk**

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

**(i) Exposure to credit risk**

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

	<b>2009</b>	<b>2008</b>
	<b>Restated</b>	
	<b>(Rupees in thousand)</b>	
Loans to employees	18,116	18,218
Long term deposits	16,752	9,230
Trade debts	581,277	595,674
Trade deposits	15,981	15,335
Other receivables	89,476	192,775
Cash and bank balances	169,332	207,888
	<u>890,934</u>	<u>1,039,120</u>



The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of trade debtors.

**(ii) Credit quality of major financial assets**

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

Banks	Rating		Rating Agency	2009 (Rupees in thousand)	2008
	Short term	Long term			
NIB Bank Limited	A1+	AA-	PACRA	89	89
Bank Alfalah Limited	A1+	AA	PACRA	39	40
Oman International Bank Limited	A-2	BBB	JCR-VIS	400	393
Faysal Bank Limited	A-1+	AA	PACRA & JCR	109	319
Royal Bank of Scotland	A1+	AA	PACRA	118	843
Bank Al Habib Limited	A1+	AA	PACRA	31,811	2,861
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,270	1,145
United Bank Limited	A-1+	AA+	JCR-VIS	13	-
Habib Bank Limited	A-1+	AA+	JCR-VIS	130,385	202,054
MCB Bank Limited	A1+	AA+	PACRA	98	-
National Bank of Pakistan Limited	A-1+	AAA	JCR-VIS	-	144
				<u>169,332</u>	<u>207,888</u>

Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.

**(c) Liquidity risk**

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

The company manages liquidity risk by maintaining funding through an adequate amount of committed credit facilities. At June 30, 2009, the company had Rs 1,564.263 million available borrowing limits from financial institutions and Rs 173.297 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at June 30, 2009:

	Carrying amount	Less than one year	One to five years	More than five years
(Rupees in thousand)				
Long term financing	100,000	50,000	50,000	-
Trade and other payables	896,772	896,772	-	-
Accrued markup	50,785	50,785	-	-
Short term borrowings	1,464,263	1,464,263	-	-
	<u>2,511,820</u>	<u>2,461,820</u>	<u>50,000</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at June 30, 2008:

Long term financing	183,333	66,667	116,666	-
Trade and other payables	932,678	932,678	-	-
Accrued markup	43,524	43,524	-	-
Short term borrowings	1,249,844	1,249,844	-	-
	<u>2,409,379</u>	<u>2,292,713</u>	<u>116,666</u>	<u>-</u>

## 40.2 Fair values of financial assets and liabilities

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

## 40.3 Financial instruments by category

### Loans and receivables

2009	2008
	Restated

#### Financial assets as per balance sheet

(Rupees in thousand)

Loans to employees	18,116	18,218
Long term deposits	16,752	9,230
Trade debts	581,277	595,674
Trade deposits and short term prepayments	15,981	15,335
Other receivables	89,476	192,775
Cash and bank balances	169,332	207,888
	<u>890,934</u>	<u>1,039,120</u>

#### Financial liabilities as per balance sheet

### Other financial liabilities

2009	2008
------	------

Long term financing	100,000	183,333
Trade and other payables	894,303	932,678
Accrued markup	50,785	43,524
Short term borrowings	1,464,263	1,249,844
	<u>2,509,351</u>	<u>2,409,379</u>

## 40.4. Capital risk management

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

For this purpose, the company calculates gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as the aggregate of share capital and reserves as shown in the balance sheet plus net debt.

The gearing ratios as at June 30, 2009 and 2008 were as follows:

### 2009

2009	2008
(Rupees in thousand)	

Total borrowings	1,564,263	1,433,177
Net debt	<u>1,564,263</u>	<u>1,433,177</u>
Total equity	203,542	181,356
Total capital	<u>1,767,805</u>	<u>1,614,533</u>
Gearing ratio	88.49%	88.77%

### 2009

2009	2008
(Litres in thousand)	

## 41. Production capacity

Actual production	<u>33,312</u>	<u>28,775</u>
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The capacity of the plant is indeterminable because it is a multi product plant involving varying processes of manufacturing.



#### 42. Details of operating fixed assets disposed off

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
				(Rupees)		
<b>Plant and machinery</b>						
- Generator	Saqib Razzaq - employee	80,000	7,000	53,000	41,250	Company policy
- Generator	Tanveer Ahmad - employee	80,000	7,000	53,000	47,500	-do-
<b>Electrical fittings</b>						
- Transformer	Adamjee Insurance Co. Ltd	1,341,000	475,778	865,222	404,500	Insurance claim
- Split A/C	Saqib Razzaq - employee	25,000	3,333	21,667	19,942	Company policy
- Generator	Imran Tahir - employee	60,000	9,000	51,000	37,500	-do-
- Split A/C	Aziz A. Khan - employee	25,000	6,667	18,333	13,843	-do-
- Generator	Aziz A. Khan - employee	60,000	7,500	52,500	41,250	-do-
- Split A/C	Khawaja Monis - employee	25,000	8,958	16,042	11,709	-do-
- Generator	Khawaja Monis - employee	60,000	7,500	52,500	45,000	-do-
- Generator	Yasir Mumtaz - employee	110,000	23,583	86,417	54,375	-do-
- Generator	Fahim A Khan - employee	110,000	13,583	96,417	76,281	-do-
- Home appliances	Khurram Nagori - employee	100,000	16,667	83,333	66,667	-do-
<b>Computer and related accessories</b>						
Personal computer	Irtiza Ali - employee	25,000	10,417	14,583	17,385	Company policy
<b>Motor vehicles</b>						
- Suzuki Cultus	Iftikhar Ahmad	560,000	560,000	-	408,000	Tender
- Toyota Corolla	Waseem Mirza	969,000	565,250	403,750	792,000	-do-
- Hyundai Shahzore	Mirza Muzafar Baig	589,000	589,000	-	398,000	-do-
- Suzuki Cultus	Muhammad Iftikhar - employee	560,000	532,000	28,000	399,000	-do-
- Suzuki Cultus	Atif Bashir	662,000	110,333	551,667	661,786	-do-
- Suzuki Alto	Waseem Mirza	469,000	195,417	273,583	400,424	-do-
- Honda City	Waseem Mirza	836,000	501,600	334,400	681,111	-do-
- Suzuki Alto	Rehan Mithari	469,000	469,000	-	453,900	-do-
- Suzuki Cultus	Argosy Enterprises Lahore	662,000	110,333	551,667	632,000	-do-
- Honda City	Waseem Mirza	886,000	472,533	413,467	851,111	-do-
- Suzuki Mehran	Syed Rehan Shah	350,000	140,000	210,000	320,000	-do-
- Mazda Van	Ali Zulqurnain	495,000	495,000	-	247,500	-do-
- Rickshaw	Zeeshan Lodhi	137,000	18,267	118,733	57,000	-do-
- Honda Motorcycle	Liaqat Ali - employee	15,260	3,561	11,699	23,000	Company policy
<b>Total</b>		<b>9,720,260</b>	<b>5,359,280</b>	<b>4,360,980</b>	<b>7,202,034</b>	

#### 43. Corresponding figures

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of comparison. However no significant reclassifications have been made during the year.

#### 44. Date of authorisation for issue

These financial statements were authorised for issue on October 06, 2009 by the Board of Directors of the company.

#### 45. General

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

Muhammad Musharaf Khan  
Chief Financial Officer

Dr. Mahmood Ahmad  
Chief Executive

Sikander Dada  
Director

# BERGER

## FORM OF PROXY

The Secretary  
Berger Paints Pakistan Limited  
D-31, South Avenue, S.I.T.E  
Karachi - 75700

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of Berger Paints Pakistan Limited and a holder of \_\_\_\_\_  
[No. of Shares]

Ordinary shares as per folio number \_\_\_\_\_

Hereby appoint \_\_\_\_\_

of \_\_\_\_\_

on my/our behalf at the fifty-ninth (59<sup>th</sup>) Annual General Meeting of the Company to be held on October 30, 2009  
and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

Signature on  
Rs. 5.00  
Revenue Stamp

### NOTES:

1. The share transfer Book of Company will remain closed from October 22 to October 30, 2009 (both days inclusive)
2. The member of the Company is entitled to attend, speak and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. The completed proxy form must be received at Registered Office of the Company not less than 48 hours before the meeting.
3. Any individual beneficial owner of CDC, entitled to vote at this meeting must bring his/her original NIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholder's attested NIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

Shareholders are requested to notify any change in their addresses to the company immediately





