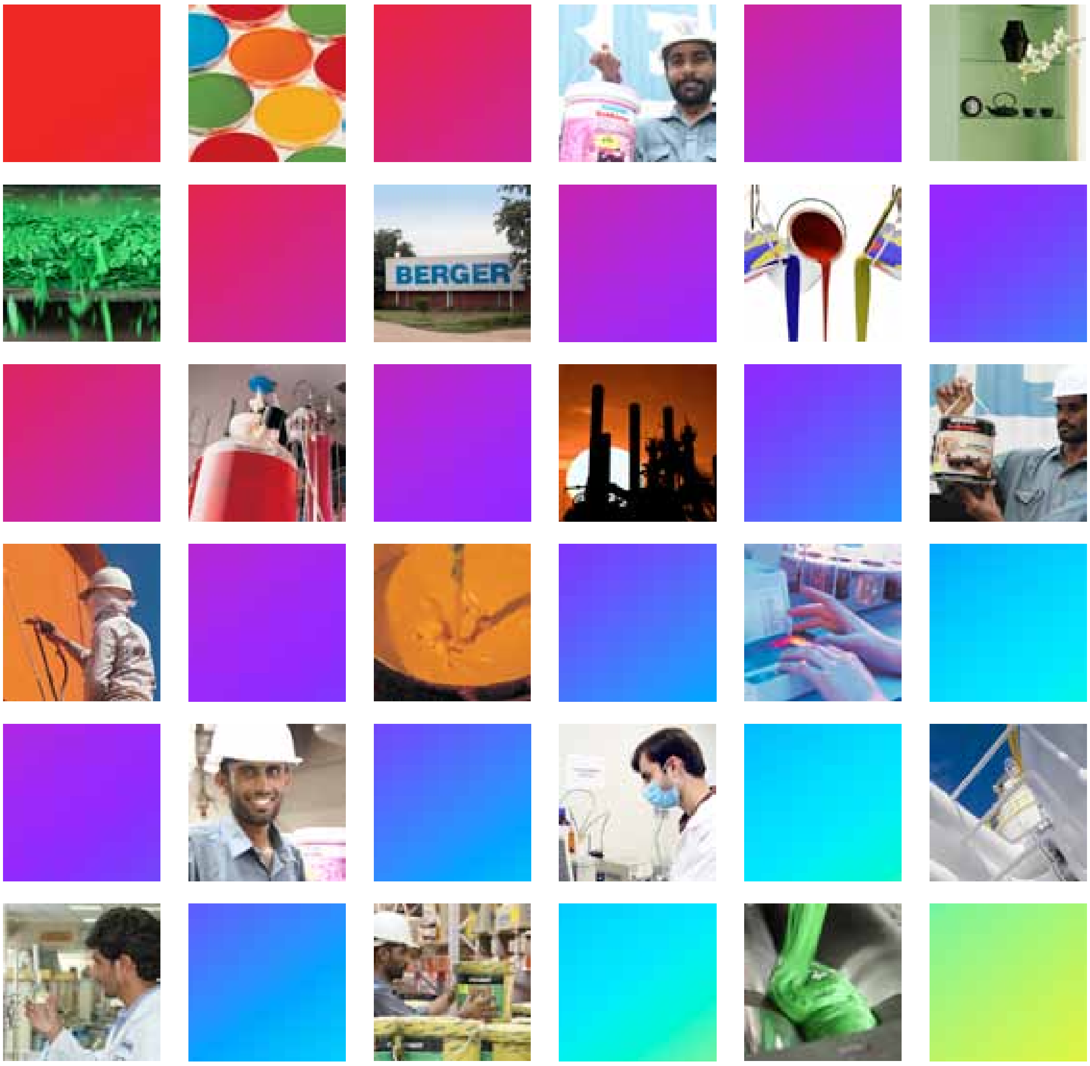
Annual Report of **Berger Paints Pakistan Ltd.** for the year ended 30 June 2011

Innovating **more...**
Expanding **further...**



BERGER

Contents

Company Information

Board of Directors

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

Audit Committee

Mr. Hamid Masood Sohail
Mr. Maqbool H. H. Rahimtoola
Mr. Muhammad Naseem

CFO & Company Secretary

Mr. Abdul Wahid Qureshi

Bankers

Habib Bank Limited

Habib Metropolitan Bank Limited

MCB Bank Limited

Faysal Bank Limited

JS Bank Limited

United Bank Limited

Citibank N. A.

Bank Al-Habib Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Solicitors

Surridge & Beecheno

Company Registrar

Gangjees Registrar Services Private Ltd.

Registered Office

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

Company Profile

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

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

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

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

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

Berger has entered into a number of technical collaboration arrangements with leading international manufacturers. These include Nippon Paints, Japan, the largest paint company in Japan, which enables Berger to develop Automotive, Vehicle Refinishes and Industrial Paints confirming 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. Recently, Berger acquired distribution rights of Du Pont for Pakistan's vehicle refinish paint segment.

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

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

The Mission

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

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

- We will stay at the forefront of innovation and technological development in the paint industry.
- We will 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 community where we do business.

A Commitment to Excellence

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

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

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

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

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

Customer Service

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

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

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

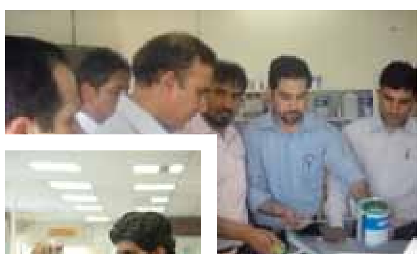
The Technical Sales Officer make personal visit to address problems that the customers may be facing and have the relevant paint coating modified or adjusted according to the specific requirement.

People









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

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

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

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

Health, Safety & Environment

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

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

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

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

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

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

Quality in Diversity

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

Decorative Paints

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

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

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

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

Automotive Paints

Despite challenging business environment during 2010-11, Berger's Automotive Division succeeded in maintaining and enhancing its current customer portfolio. Besides winning new customers, it further consolidated command of the automotive segment resulting in valuable business sustenance.

With a healthy share of 90% at Honda Atlas Cars, Berger also enhanced its business share at Indus Motors (Toyota) through the addition of new colors. The Automotive Division further consolidated its leading position in the Japanese and Chinese two-wheelers segment by acquiring lost business share from clients like Yamaha, Pak Hero, New Asia and United Autos.

Berger's technical collaboration with Japan's Nippon Paint Company has enabled it to develop automotive paints conforming to international standards.

The Automotive business in the year 2011-12 is expected to show considerable improvement in terms of sales growth with enhanced progress in its service level for its current and new customers and consumers.

Powder 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 solution 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. Protection/maintenance of plant and machinery, besides value addition, is a key requirement in these sectors. Berger's Protective Coatings fulfills these needs admirably. Major projects handled by the division includes, Descon Engineering, Packages Limited, Nestle Pakistan, Fauji Fertilizer Company, Pakistan Oil Field, National refinery, Unilever Pakistan etc.

Vehicle Refinishes

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

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

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

With the increase in market potential of wood finishes, new product line has been introduced to cater the needs of Furniture Industry by Refinish department. These products include Sealer, Lacquers (Gloss and Matt finish), Polyurethane base lacquer, colored varnishes and Stains that are available in regular and bulk packs.

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

Road Safety

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

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

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

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

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, air craft, fuel storage stands, warehouses, arms and ammunition depots, etc.

The paints and coatings are especially in demand by the Defense industry, aviation sector, utility corporations, ports and shipping sector, military engineering services, research and development organizations, educational institutions and health sector.

Some projects include Sui Northern Gas, Pakistan Railway, Civil Aviation, Pakistan Atomic Energy, WAPDA, COD, Habib Rafiq, Army Housing, PPHI Sindh, GHQ, FWO, Pakistan Navy, etc.

Construction Chemicals

Berger Paints entered in the business of construction chemicals in the year 2000. The purpose is to satisfy the core needs of the customers by improving, repairing and protecting structure and floors through its innovative and seamless epoxy floorings.

Berger product portfolio consists of water proofing products and epoxy floorings. In a short span of time, it has successfully built up its reputation and has become a major player in providing customized solutions to its customers.

Printing Inks

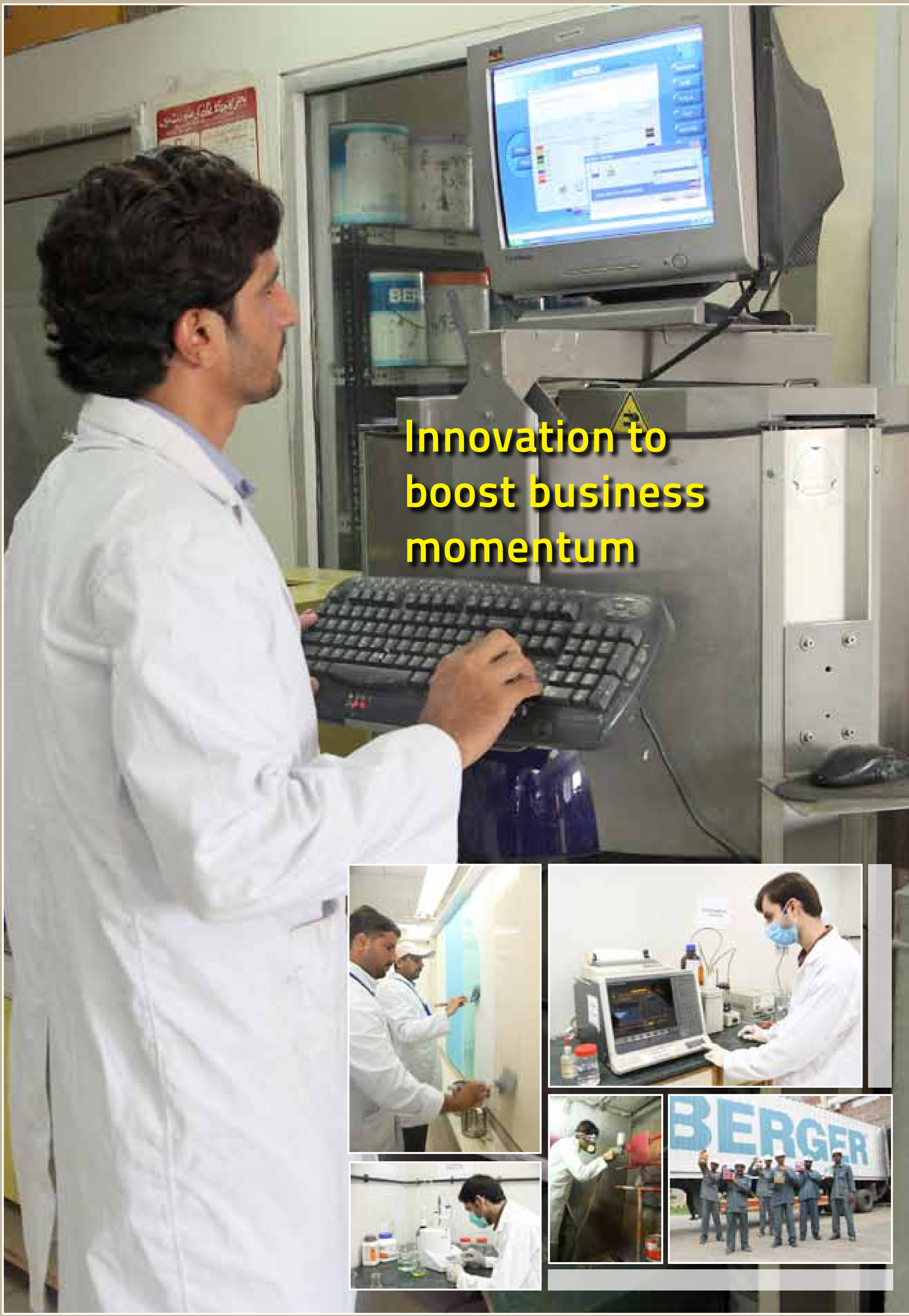
Berger Paints is a manufacturer of printing inks for packaging industry. The base factory is operational at Lahore plant since 2009, whereas a color mixing house is functional at SITE Karachi. The Company is producing quality products by acquiring technology from SICPA International Switzerland. Most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

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

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

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

Innovation to boost business momentum



Adhesives

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

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

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

Board of Directors

Dr. Mahmood Ahmad
Chief Executive

Maqbool H. H. Rahimtoola
Chairman

Hamid Masood Sohail
Director

Muhammad Naseem
Director

Ilyas Sharif
Director

Zafar A. Osmani
Director

Shahzad M. Husain
Director

Financial Highlights

						Year Ended June 30,
(Rupees in thousand)	2011	2010	2009	2008	2007	2006 Restated
NET ASSETS						
Fixed Assets	697,641	715,499	1,052,460	614,447	625,723	560,800
Assets under Finance Lease	19,525	6,468	-	-	-	-
Goodwill	40,750	40,750	40,750	52,350	-	-
Long Term Investments	5,567	6,962	13,849	13,849	13,849	17,947
Long Term Loans & Deposits	31,861	23,508	29,253	22,072	23,046	17,170
Deferred Taxation	131,685	96,022	80,146	99,647	-	-
Net Current Assets	(92,710)	(215,386)	(443,157)	(364,172)	(58,321)	(28,673)
Total	834,319	673,823	773,301	438,193	604,297	567,244
FINANCED BY						
Share Capital	181,864	181,864	81,864	81,864	69,376	57,813
Reserves	220,726	277,593	114,787	84,919	315,657	309,356
Surplus on Revaluation of Fixed Assets	197,997	210,343	526,650	154,744	173,697	180,788
	600,587	669,800	723,301	321,527	558,730	547,957
Long Term and Deferred Liabilities	233,732	4,023	50,000	116,666	45,567	19,287
Total	834,319	673,823	773,301	438,193	604,297	567,244
TURNOVER AND PROFITS						
Turnover	3,571,510	3,359,276	3,580,302	3,123,311	2,904,050	2,761,711
(Loss)/ Profit before tax	(69,404)	(128,299)	47,296	(425,647)	100,752	141,473
Taxation	(191)	(12,078)	20,160	(122,900)	51,673	54,006
Profit/ (Loss) after tax	(69,213)	(116,221)	27,136	(302,747)	49,076	87,467
Dividend	-	-	-	-	27,749	40,469
Reserves for the issuance of bonus shares	-	-	-	-	-	11,563
Transfer to General Reserve	-	-	-	-	80,000	-
EARNING AND DIVIDENDS						
Earning/ (Loss) per share	(3.81)	(8.91)	2.21	(43.62)	7.07	15.13
Dividend per share - Cash	-	-	-	-	4.00	7.00
- Bonus	-	-	-	-	-	1:5

Directors' Report

The Directors are presenting their report alongwith the audited financial statements for the year ended 30 June, 2011.

The Economy:

In the year under review, among major challenges, which jolted the economy, were unprecedented increases in commodity and oil prices, floods, which caused massive damage, of more than 50,000 Sq.KM. During the year oil prices also shot up from $70 per barrel to $125 per barrel causing a surge in input costs. The country witnessed worsened law and order situation in some parts of the country resulting in strikes and business closed down which had adverse effects on the economy.

We witnessed a decline in the growth rate due to the destruction of major crops, particularly rice and cotton. The year 2010-11, manufacturing sector growth was negligible.

Financial Highlights:

During the year company enhanced sales by 6% over last year and through controlled costs strategy delivered significant reduction in losses.

A summary of financial result is as under:

(Rupees in thousand)	2011	2010
Operating profit for the year	80,014	46,437
Other operating income	69,504	126,321
	149,518	172,758
Other charges	2,592	48,323
Finance Cost	216,330	252,734
	218,922	301,057
Loss before tax	(69,404)	(128,299)
Taxation	(191)	(12,078)
Loss after tax	(69,213)	(116,221)

Loss per share decreased from Rs. (8.91) to Rs. (3.81).

Directors' Report

ENVIORNMENT, HEALTH & SAFETY

Environment, health and safety (EHS) issues are managed through an integrated approach that aims to ensure core issues and risks are identified, standards are established, training is provided, and audits conducted. In continuation of the company's policy to keeping safety at the top of the priorities, it has further improved the EHS .

BOARD OF DIRECTORS

During the year, 5 meetings of the Board of Directors were held and attendance of each Director was as follows:

Dr. Mahmood Ahmad	5
Mr. Sikandar Dada	3
Mr. Hamid Masood Sohail	5
Mr. Maqbool H. H. Rahimtoola	4
Mr. Muhammad Naseem	5
Mr. N.K. Shahani (Alternate Director of C. H. Clover)	2
Mr. M. Saeed (Alternate Director of Mr. Ilyas Sharif)	2
Mr. Asim Tufail (Alternate Director of C.H. clover)	1
Mr. Shahzad M. Husain	1
Mr. Zafar A. Osmani	1

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

The election of directors was held in June 2011 and following directors were elected in Extra-ordinary General meeting of the shareholders:

Dr. Mahmood Ahmad
Mr. Hamid Masood Sohail
Mr. Maqbool H. H. Rahimtoola
Mr. Muhammad Naseem
Mr. Ilyas Sharif
Mr. Shahzad M. Husain
Mr. Zafar A. Osmani

AUDIT COMMITTEE

During the year 7 meetings of Audit committee were held.

CONSOLIDATED FINANCIAL STAEMENTS

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

HOLDING COMPANY

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

AUDITORS

The present auditors KPMG Taseer Hadi & Co. Chartered Accountants retired and being eligible, have offered themselves for reappointment

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 exchange.

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 flow and changes in equity.

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

iii. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

iv. International financial reporting standard, 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.

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 24.

ix. Outstanding statutory payments on accounts of taxes have been mentioned on the face of Balance sheet

x. The value of investments of provident, gratuity and pension funds were as at December 31, 2010:

Rupees in Thousand

Berger Paints Executive Staff Pension Fund	38,557
Berger Paints Gratuity Fund	19,073
Berger Paints Provident Fund	102,111

i. 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 THE BEHALF OF THE BOARD

Dr. Mahmood Ahmad
Chief Executive

Karachi
Date: 20 September, 2011

Pattern of Shareholding

As at 30 June, 2011

No. OF Share HOLDERS	From	To	No. of share
316	1	100	11,398
340	101	500	101,344
211	501	1000	164,734
385	1001	5000	911,710
72	5001	10000	511,001
21	10001	15000	261,898
14	15001	20000	241,767
4	20001	25000	99,886
6	25001	30000	166,827
2	30001	35000	68,694
2	35001	40000	75,480
4	40001	45000	175,933
2	45001	50000	100,000
3	50001	55000	155,719
1	55001	60000	56,999
1	60001	65000	64,453
1	100001	105000	102,148
1	110001	115000	110,500
1	120001	125000	122,184
1	130001	135000	132,220
2	135001	140000	274,839
1	220001	225000	224,543
1	240001	245000	242,086
1	260001	265000	263,000
1	280001	285000	280,262
1	305001	310000	309,495
1	310001	315000	314,929
1	325001	330000	325,454
1	330001	335000	333,318
1	350001	355000	354,290
1	440001	445000	443,417
1	475001	480000	477,496
1	615001	620000	618,426
1	865001	870000	865,961
1	9220001	9225000	9,223,971
1,404			18,186,382

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Number of Percentage
INDIVIDUALS	1,373	6,776,961	37.26%
INVESTMENT COMPANIES	1	590	0.00%
INSURANCE COMPANIES	1	224,543	1.24%
JOINT STOCK COMPANIES	16	602,421	3.31%
FINANCIAL INSTITUTIONS	7	1,110,259	6.11%
CO-OPERATIVE SOCIETIES	1	476	0.00%
ASSOCIATED	2	9,466,057	52.05%
OTHERS	3	5,075	0.03%
Total	1,404	18,186,382	100.00%

Pattern of Shareholding

As at 30 June, 2011

Description	Share Held	Percentage
Directors, CEO and their spouses and minor children	2,020	0.011
NIT and ICP	619,916	3.409
Banks Development Financial Institution	490,933	2.699
Insurance Companies	224,543	1.235
Joint Stock Companies	602,421	3.312
Cooperative societies	476	0.003
General Public	6,774,941	37.253
Associated Companies	9,466,057	52.050
Others	5,075	0.028

Categories Of Shareholders Required Under The Code of Corporate Governance as at 30 June, 2011

Directors, CEO their spouses and minor children Holding Percentage		
Dr. Mahmood Ahmad	2	0.000
Mr. Maqbool H. H. Rahimtoola	1,572	0.009
Mr. Hamid Masood Sohail	444	0.002
Mr. Ilyas Sharif	1	0.000
Mr. Mohammad Naseem	1	0.000
	2,020	0.011
Associated Companies		
Slotrapid Limited	9,466,057	52.050
NIT and ICP		
NATIONAL BANK OF PAKISTAN TRUSTEE Dep CDC	619,326	3.406
INVESTMENT CORP OF PAKISTAN	590	0.003
	619,916	3.409
INDIVIDUALS	6,774,941	37.253
INSURANCE COMPANIES	224,543	1.235
JOINT STOCK COMPANIES	602,421	3.312
FINANCIAL INSTITUTIONS	490,933	2.699
COOPERATIVE SOCIETIES	476	0.003
OTHERS	5,075	0.028
	8,098,389	44.530
	18,186,382	100.000

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 interest on its Board of Directors. At present the Board includes six independent non-executives directors and non representing minority interests as no minority share holder offer 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 Berger Paints Pakistan Limited.

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 none of them has defaulted in payment of any loan to any banking company, a DFI or an NBFI. None of the director is a member of a stock exchange.

5. The shareholders of the company elected new board of directors during the year that comprises seven directors.

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, 2011. 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 three members, all of them are nonexecutive directors including the chairman of the committee.

15. The meeting of the audit committee was 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 net loss of the company for this year, Directors do not recommend any appropriation of profit.

17. The Board of directors has outsourced its internal audit function to a leading firm of chartered accountants.

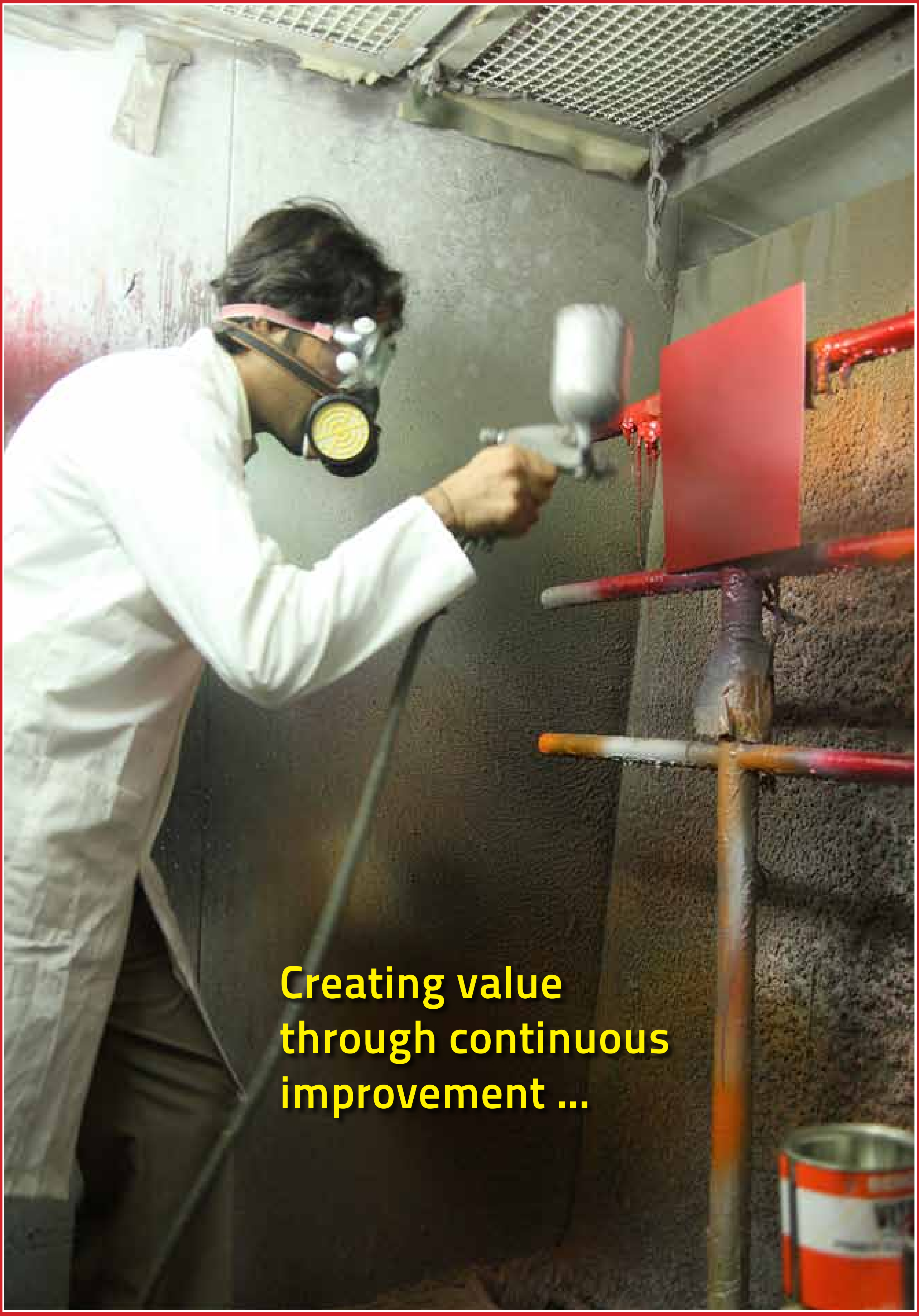
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares 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.

Karachi
Date: 20 September, 2011

Dr. Mahmood Ahmad
Chief Executive


Creating value
through continuous
improvement ...

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

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Review Report to the Members

on statement of compliance with best practices of code of corporate governance

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 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 under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended 30 June 2011.

KPMG Taseer Hadi & Co.

Lahore
Date: 20 September, 2011

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

Financial Statements
Berger Paints Pakistan Limited
for the year ended 30 June 2011

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

Telephone + 92 (42) 3585 0471-76
Fax + 92 (42) 3585 0477
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Berger Paints Pakistan Limited** (the company) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2011 and of the loss, its cash flows and changes in equity for the year then ended; and

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

The financial statements of the company for the year ended 30 June 2010 were audited by another firm of auditors; whose report dated 28 September 2010 expressed an unqualified opinion on those financial statements.

KPMG Taseer Hadi & Co.

Lahore
Date: 20 September, 2011

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

Balance Sheet

As at 30 June, 2011

(Rupees in '000)	Notes	2011	2010
Non-current assets			
Property, plant and equipment	5	703,653	721,967
Intangible asset - in progress	6	13,513	-
Goodwill	7	40,750	40,750
Long term investments (subsidiaries and an associate)	8	5,567	6,962
Long term loans	9	14,742	9,928
Long term deposits	10	17,119	13,580
Deferred taxation	11	131,685	96,022
		927,029	889,209
Current assets			
Stores	12	8,574	8,375
Stock in trade	13	1,099,616	966,347
Trade debts	14	655,993	599,377
Loans and advances	15	26,920	47,633
Trade deposits and short term prepayments	16	12,127	19,638
Other receivables	17	37,487	65,928
Taxation - net		130,503	105,508
Cash and bank balances	18	257,449	282,170
		2,228,669	2,094,976
		3,155,698	2,984,185
Share capital and reserves			
Share capital	19	181,864	181,864
Reserves	20	220,726	277,593
		402,590	459,457
Surplus on revaluation of fixed assets - net of tax	21	197,997	210,343
Non-current liabilities			
Long-term financing	22	220,000	-
Liabilities against assets subject to finance lease	23	13,732	4,023
Current liabilities			
Trade and other payables	24	1,188,083	960,277
Accrued mark-up	25	48,460	44,420
Current maturity of long-term financing	22	105,000	50,000
Current maturity of liabilities against assets subject to finance lease	23	4,857	2,112
Short term borrowings	26	974,979	1,253,553
		2,321,379	2,310,362
Total liabilities		2,555,111	2,314,385
Contingencies and commitments	27		
		3,155,698	2,984,185

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

Chief Executive **Director**

Profit and Loss Account

For the year ended 30 June, 2011

(Rupees in '000)	Notes	2011	2010
Sales - net	28	3,571,510	3,359,276
Cost of sales	29	2,827,830	2,577,550
Gross profit		743,680	781,726
Distribution cost	30	521,471	601,954
Administrative expenses	31	142,195	133,335
		663,666	735,289
Operating profit		80,014	46,437
Other operating income	32	69,504	126,321
		149,518	172,758
Other charges	33	2,592	48,323
Finance cost	34	216,330	252,734
		218,922	301,057
Loss before taxation		(69,404)	(128,299)
Taxation	35	(191)	(12,078)
Loss after taxation		(69,213)	(116,221)
Rupees			
Loss per share - basic and diluted	36	(3.81)	(8.91)

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

Chief Executive **Director**

Statement of Comprehensive Income

For the year ended 30 June, 2011

(Rupees in '000)	2011	2010
Loss after taxation	(69,213)	(116,221)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(69,213)	(116,221)

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

Chief Executive **Director**

Statement of Changes in Equity

For the year ended 30 June, 2011

(Rupees in '000)	Issued, subscribed and paid-up share capital	Capital reserves Share premium	Revenue reserves General reserve	Unappropriated profit / (accumulated loss)	Total share capital and reserves
Balance as at 01 July 2009	81,864	56,819	285,000	(227,032)	196,651
Ordinary shares of Rs 10 each issued as right shares during the year ended 30 June 2010	100,000	-	-	-	100,000
Surplus on revaluation of property, plant and equipment realised through disposal of leasehold land	-	-	-	267,051	267,051
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	11,976	11,976
Total comprehensive loss for the year ended 30 June 2010	-	-	-	(116,221)	(116,221)
Balance as at 30 June 2010	181,864	56,819	285,000	(64,226)	459,457
Balance as at 01 July 2010	181,864	56,819	285,000	(64,226)	459,457
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	12,346	12,346
Total comprehensive loss for the year ended 30 June 2011	-	-	-	(69,213)	(69,213)
Balance as at 30 June 2011	181,864	56,819	285,000	(121,093)	402,590

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

Chief Executive **Director**

Cash Flow Statement

For the year ended 30 June, 2011

(Rupees in '000)	Notes	2011	2010
Cash flow from operating activities			
Cash generated from operations	38	310,497	354,314
Finance cost paid		(212,290)	(259,101)
Income tax paid		(60,467)	(46,779)
Long term loans		(4,814)	3,988
Long term deposits		(3,539)	(1,795)
Net cash inflow from operating activities		29,387	50,627
Cash flow from investing activities			
Capital expenditure		(39,502)	(56,836)
Addition in intangible assets		(13,513)	-
Sale proceeds on disposal of property, plant and equipment		6,777	279,594
Net cash (outflow)/ inflow from investing activities		(46,238)	222,758
Cash flow from financing activities			
Issue of ordinary share capital (right shares)		-	100,000
Long term financing obtained		325,000	250,000
Short term borrowings - net		(252,500)	(55,000)
Lease rentals paid		(4,296)	(1,381)
Long term financing repaid		(50,000)	(300,000)
Net cash inflow/ (outflow) from financing activities		18,204	(6,381)
Net increase in cash and cash equivalents		1,353	267,005
Cash and cash equivalents as at the beginning of the year		(641,383)	(908,388)
Cash and cash equivalents at the end of the year	39	(640,030)	(641,383)

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

Chief Executive　　　　**Director**

Notes to the Financial Statements

For the year ended 30 June, 2011

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.

2 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 Summary of significant accounting policies

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

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 5.2 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 3.16 at present value.

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

3.2 Property, plant and equipment

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.

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

Depreciation on additions is charged from the month in which the asset is put to use while depreciation on assets disposed of is charged up to the month preceding the disposal at the rates stated in note 5 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.

Notes to the Financial Statements

For the year ended 30 June, 2011

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

3.3 Intangible assets

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

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

3.4 Investments

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 in separate financial statements, 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.

3.5 Business Combinations

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

3.6 Long term deposits

Long term deposits are stated at cost.

3.7 Stores

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.

3.8 Stocks in trade

Stocks of raw materials are valued at moving average cost. Finished goods are valued at the lower of moving average cost and Net 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.

3.9 Trade debts and other receivables

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

3.10 Cash and cash equivalents

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

3.11 Borrowings cost

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

3.12 Trade and other payables

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

3.13 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.

3.14 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.

3.15 Contingent liabilities

A contingent liability is disclosed when:

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

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

3.16 Staff retirement benefits

3.16.1 Defined benefit schemes

The company operates the following defined benefit schemes:

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

Notes to the Financial Statements

For the year ended 30 June, 2011

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

Actuarial valuation are carried out using the Project Unit Credit Method and actuarial gains and losses are recognised as income or expense in the same accounting period.

3.16.2 Defined contribution plan

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 10 percent of basic salary for executive and non-executive staff. During the year Rs 6.792 million (2010: 5.451 million) were charged to expense.

Employee compensated absences

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

3.17 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.

3.18 Foreign currency transactions and translation

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

3.19 Revenue recognition

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

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

- Interest / mark-up 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.

3.20 Financial Instruments

All financial assets and 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.

3.21 Off setting of financial assets and liabilities

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

3.22 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 of 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.

3.23 Dividends and appropriations to general reserve

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

3.24 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.

Notes to the Financial Statements

For the year ended 30 June, 2011

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011) . The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for annual periods beginning on or after 1 January 2011.) The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Company's financial statements.

4 Critical accounting estimates and judgments

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

	Note
- Residual values and useful lives of depreciable assets	5
- Provision for deferred taxation	11
- Net realizable value of stock in trade to their net realisable value	13
- Provision for doubtful debts	14
- Staff retirement benefits	37

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

5 Property, plant and equipment

	Annual rate of depreciation	Cost as at 01 July 2010	Additions/ (Deletions)	Revaluation surplus/(deficit)	Cost as at 30 June 2011	Accumulated Depreciation as at 01 July 2010	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2011	Book value as at 30 June 2011
	%				(Rupees in '000)				
Owned									
Freehold land	-	196,862	-	-	196,862	-	-	-	196,862
Leasehold land	2.06	67,000	-	-	67,000	-	1,380	1,380	65,620
Building on freehold land	5	163,367	10,995	-	174,362	-	8,404	8,404	165,958
Building on leasehold land	5	6,753	2,920	-	9,673	-	350	350	9,323
Plant and machinery	11-21	231,771	11,606	-	243,377	13,446	43,316	56,762	186,615
Laboratory equipments	10	13,856	48	-	13,904	4,742	1,388	6,130	7,774
Electric fittings	10	19,305	4,535	-	23,840	5,458	2,213	7,671	16,169
Computer and related accessories	25	8,655	3,595	-	12,250	5,288	1,645	6,933	5,317
Office machines	10	2,218	133	-	2,351	1,305	134	1,439	912
Furnitures and fixtures	10	13,730	1,609	-	15,339	3,441	1,463	4,904	10,435
Motor vehicles	20	55,360	4,061 (8,289)	-	51,132	29,698	6,954 (4,663)	31,989	19,143
2011		778,877	39,502 (8,289)	-	810,090	63,378	67,247 (4,663)	125,962	684,128
Leased									
Motor vehicles	20	7,517	16,749 (505)	-	23,761	1,049	3,273 (85)	4,236	19,525
2011		786,394	56,251 (8,794)	-	833,851	64,427	70,520 (4,748)	130,198	703,653

Notes to the Financial Statements

For the year ended 30 June, 2011

	Annual rate of depreciation	Cost as at 01 July 2009	Additions/ (Deletions)	Revaluation surplus/(deficit)	Cost as at 30 June 2010	Accumulated Depreciation as at 01 July 2009	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2010	Book value as at 30 June 2010
	%	(Rupees in '000)							
Owned									
Freehold land	-	160,070	-	36,792	196,862	-	-	-	196,862
Leasehold land	2.06	445,400	-	-	67,000	-	8,505	-	67,000
			(279,730)	(98,670)			(8,505)		
Building on freehold land	5	150,267	18,599	2,430	163,367	-	7,929	-	163,367
			(7,929)				(7,929)		
Building on leasehold land	5	41,470	-	-	6,753	-	1,938	-	6,753
			(23,813)	(10,904)			(1,938)		
Plant and machinery	11-21	229,496	22,582	35,413	231,771	39,033	29,688	13,446	218,325
			(55,720)				(55,275)		
Laboratory equipments	10	12,338	1,518	-	13,856	3,424	1,318	4,742	9,114
Electric fittings	10	18,565	4,607	-	19,305	5,423	1,878	5,458	13,847
			(3,867)				(1,843)		
Computer and related accessories	25	6,301	2,354	-	8,655	4,109	1,179	5,288	3,367
Office machines	10	2,218	-	-	2,218	1,166	139	1,305	913
Furnitures and fixtures	10	11,101	2,947	-	13,730	2,296	1,174	3,441	10,289
			(318)				(29)		
Motor vehicles	20	54,251	4,229	-	55,360	23,563	8,514	29,698	25,662
			(3,120)				(2,379)		
2010		1,131,477	56,836	74,635	778,877	79,014	62,262	63,378	715,499
			(374,497)	(109,574)			(77,898)		
Leased									
Motor vehicles	20	-	7,517	-	7,517	-	1,049	1,049	6,468
2010		1,131,477	64,353	74,635	786,394	79,014	63,311	64,427	721,967
			(374,497)				(77,898)		

5.1 Details of operating fixed assets disposed off

Particulars of assets	Sold to	Cost / Revalued	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees)				
Motor vehicles						
- Suzuki Mehran	Insurance claim	505,000	85,000	420,000	500,000	Insurance claim
- Suzuki Mehran	Arif Hassan	560,000	560,000	-	84,000	Tender
- Suzuki Mehran	Mehboob Ali	345,000	345,000	-	313,500	-do-
- Daihatsu Coure	Muhammad Shakir	497,000	248,500	248,500	486,000	-do-
- Suzuki Cultus	Muhammad Shakir	590,000	295,000	295,000	575,000	-do-
- Suzuki Mehran	Abid Hussain	221,338	125,425	95,913	218,900	-do-
- Toyota Corolla	Syed Rizwan ul Hassan	1,079,000	1,079,000	-	787,000	-do-
- Toyota Hilux Vigo	First Habib Modarba	3,056,995	152,850	2,904,145	3,056,995	Sale and Lease back
- Hyundai Shehzore	Hameed Gul	495,000	412,500	82,500	317,000	-do-
- Honda City	Irfan Said	886,000	886,000	-	215,500	Company Policy
- Hyundai Santro	Sarfraz Arif	559,000	559,000	-	223,600	Company Policy
		8,794,333	4,748,275	4,046,058	6,777,495	

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

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

5.3 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:

(Rupees in '000)	Notes	2011	2010
Freehold land		70,856	70,856
Leasehold land		1,198	1,223
Buildings on freehold land		171,487	169,186
Buildings on leasehold land		9,390	6,823
Plant and machinery		182,876	191,012
		435,807	439,100
5.4 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29.1	45,525	40,844
Distribution cost	30	15,474	13,683
Administrative expenses	31	9,521	8,784
		70,520	63,311
6 Intangible asset - in progress			
Balance as at 01 July		-	-
Addition during the year		13,513	-
Less: Amortization during the year		-	-
Balance as at 30 June		13,513	-

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

(Rupees in '000)	2011	2010
7 Goodwill		
Packaging Ink Business	16,750	16,750
Powder Coating Business	24,000	24,000
	40,750	40,750

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For the year ended 30 June, 2011

8 Long term investments in related parties - at cost (subsidiaries and an associate)

No. of shares - ordinary 2011	No. of shares - ordinary 2010	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2011	2010
(i) Subsidiary companies - unlisted								
765,000	765,000	Berger DPI (Private) Limited	Pakistan	30 June 2010	51	10	2,550	2,550
676,020	676,020	Berdex Construction Chemicals (Private) Limited	Pakistan	30 June 2011	51.96	10	5,510	5,510
		Less: Provision for impairment					(4,608)	(4,608)
							902	902
							3,452	3,452
(ii) Associate - listed								
273,600	273,600	Buxly Paints Limited	Pakistan	30 June 2010	19	10	10,397	10,397
		Less: Provision for impairment					(8,282)	(6,887)
							2,115	3,510
							5,567	6,962

(Rupees in '000)	Notes	2011	2010
9 Long term loans			
Considered good- secured			
Due from employees	9.1	19,521	14,047
Less: Current portion shown under current assets	15	(4,779)	(4,119)
		14,742	9,928

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.

(Rupees in '000)	Note	2011	2010
10 Long term deposits			
Considered good		17,119	13,580
Considered doubtful		3,552	3,552
		20,671	17,132
Less: Provision for doubtful balances	10.1	(3,552)	(3,552)
		17,119	13,580
10.1 The movement in provision for doubtful balances for the year is as follows:			
Balance as at 01 July		3,552	-
Provision for the year		-	3,552
Balance as at 30 June		3,552	3,552

(Rupees in '000)		Note	2011	2010
11	**Deferred taxation**			
	Debit / (credit) balances arising from:			
	Accelerated tax depreciation		(73,691)	(82,701)
	Provision for doubtful debts and long term deposits		24,463	24,803
	Other provisions		23,584	17,277
	Unassessed tax loss carried forward		157,329	136,643
	Deferred tax asset		131,685	96,022
12	**Stores**			
	In hand		8,574	8,375
13	**Stock in trade**			
	Raw and packing materials			
	- in hand		472,362	422,380
	- in transit		184,685	136,084
			657,047	558,464
	Semi processed goods		123,308	121,972
	Finished goods	13.1	328,226	297,225
			1,108,581	977,661
	Provision for slow moving and obsolete stocks - finished goods		(8,965)	(11,314)
			1,099,616	966,347

13.1 The amount charged to profit and loss account on account of write down of finished goods to net realisable value amounted to Rs 5.712 million (2010: Rs 1.765 million). Included in finished goods stock are colour bank machines costing Rs 15.129 million (2010: Rs. 15.129 million)

(Rupees in '000)		Notes	2011	2010
14	**Trade debts**			
	Unsecured			
	Considered good			
	- from related parties	14.1	86,461	53,865
	- others		569,532	545,512
			655,993	599,377
	Considered doubtful – others		66,342	66,351
			722,335	665,728
	Less: Provision for doubtful debts	14.2	(66,342)	(66,351)
			655,993	599,377
14.1	Trade debts include the following amounts due from the following related parties:			
	Berdex Construction Chemicals (Private) Limited - subsidiary		17,483	13,866
	Dadex Eternit Limited - an associated undertaking		55	294
	Berger DPI (Private) Limited - subsidiary		16,489	19,182
	Buxly Paints Pakistan Limited - an associated undertaking		32,474	20,523
	Berger Road Safety (Private) Limited - subsidiary of Berger DPI (Private) Limited		19,960	-
			86,461	53,865

Notes to the Financial Statements

For the year ended 30 June, 2011

(Rupees in '000)		Notes	2011	2010
14.2	The movement in provision for doubtful debts for the year is as follows:			
	Balance as at 01 July		66,351	52,124
	Provision for the year - net of recoveries	30	3,381	16,573
	Bad debt written off against provision		(3,391)	(2,346)
	Balance as at 30 June		66,341	66,351
15	**Loans and advances**			
	Current portion of long-term loans - considered good			
	Due from employees	9	4,779	4,119
	Advances - unsecured, considered good			
	Employees		1,281	771
	Suppliers	15.1	20,860	42,743
			22,141	43,514
			26,920	47,633
15.1	**Advances to suppliers - unsecured**			
	Advances to suppliers - considered good	15.1.1	20,860	42,743
	Advances to suppliers - considered doubtful		-	963
			20,860	43,706
	Less: Provision for doubtful advances	15.1.2	-	(963)
			20,860	42,743

15.1.1 This includes amount advanced to Dadex Eternit Limited, an associated undertaking, amounting to Rs 13,125 (2010: Nil). The amount advanced is under normal business trade as per the terms mutually agreed.

(Rupees in '000)		Notes	2011	2010
15.1.2	The movement in provision for doubtful advances for the year is as follows:			
	Balance as at 01 July		963	963
	Provision for the year		-	-
	Advances written off against provision		(963)	-
	Balance as at 30 June		-	963
16	**Trade deposits and short term prepayments**			
	Trade deposits - security deposits		8,933	17,111
	Short term prepayments		3,194	2,527
			12,127	19,638
17	**Other receivables**			
	Insurance claim receivable	17.1	2,091	12,608
	Receivable from related parties	17.2	10,143	-
	Receivable against sale of leasehold land		-	27,650
	Receivable against color bank machines		6,117	7,994
	Margin against letters of guarantee		7,135	8,395
	Accrued income		4,657	3,896
	Others		7,344	5,385
			37,487	65,928

(Rupees in '000)		2011	2010
17.1	**This includes receivable against insurance claims on account of the following:**		
	Stock in trade	2,091	6,533
	Interruption of business	-	3,195
	Laboratory equipment and electrical fittings	-	2,880
		2,091	12,608
17.2	**This includes amount due from the following:**		
	Berger DPI (Private) Limited - a subsidiary	2,925	-
	Buxly Paints Limited - an associated undertaking	3,765	-
	Berger Road Safety (Private) Limited - subsidiary of Berger DPI (Private) Limited	3,453	-
		10,143	-

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

(Rupees in '000)		Note	2011	2010
18	**Cash and bank balances**			
	With banks:			
	In current accounts			
	Local currency		200,524	236,570
	Foreign currency		-	105
			200,524	236,675
	In deposit accounts			
	Local currency	18.1	55,171	43,976
	Cash in hand		1,754	1,519
			257,449	282,170

18.1 This balance is under lien with commercial banks against letter of guarantee, carrying mark-up rates ranging from 5 to 12.5 percent per annum (2010: 5 to 14 percent per annum).

19 Share capital

2011 (Number of shares)	2010 (Number of shares)		2011 (Rupees in '000)	2010 (Rupees in '000)
		Authorised share capital		
25,000,000	25,000,000	Ordinary shares of Rs 10 each	250,000	250,000
		Issued, subscribed and paid-up share capital		
12,135,798	12,135,798	Ordinary shares of Rs 10 each fully paid up in cash	121,358	121,358
6,050,611	6,050,611	Ordinary share of Rs 10 each issued as fully paid bonus shares	60,506	60,506
18,186,409	18,186,409		181,864	181,864

Notes to the Financial Statements

For the year ended 30 June, 2011

		2011	2010
		(Number of shares)	
19.1	**Reconciliation of number of shares**		
	Number of shares as at 01 July	18,186,409	8,186,409
	Ordinary shares of Rs. 10 each issued as right shares during the year	-	10,000,000
	Number of shares as at 30 June	18,186,409	18,186,409

19.2 Slotrapid Limited B. V. I. (the holding company) and their nominees held 9,466,057 (2010: 9,466,057) ordinary shares of Rs 10 each representing 52.05 percent (2010: 52.05 percent) of the ordinary paid up capital of the company.

(Rupees in '000)		Notes	2011	2010
20	**Reserves**			
	Capital reserve			
	Share premium reserve		56,819	56,819
	Revenue reserve			
	General reserve		285,000	285,000
	Accumulated loss		(121,093)	(64,226)
			163,907	220,774
			220,726	277,593
21	**Surplus on revaluation of fixed asset - net of tax**			
	Net surplus as at July 1		220,031	525,162
	Gross surplus			
	Surplus on revaluation of property, plant and equipment recognised during the year		-	87,670
	Deficit on revaluation on land and building charged against previous surplus		-	(111,705)
	Transfer to unappropriated profit as a result of incremental depreciation charged during the current year		(18,277)	(14,045)
	Transfer to unappropriated profit as a result of disposal of related asset		-	(267,051)
			201,754	220,031
	Related deferred tax liability			
	As at July 1		(9,688)	1,488
	On transfer to unappropriated profit as a result of incremental depreciation charged during the current year		5,931	2,069
	On surplus on revaluation of property, plant and equipment recognised during the year		-	(13,245)
			(3,757)	(9,688)
	Net surplus as at June 30		197,997	210,343
22	**Long term financing**			
	Secured			
	- JS Bank Limited	22.1	200,000	50,000
	- Habib Bank Limited	22.2	125,000	-
			325,000	50,000
	Less: Current maturity shown under current liabilities		(105,000)	(50,000)
			220,000	-

22.1 This represents a long term loan from a commercial bank of Rs.200 million. The facility is secured against an equitable mortgage of Rs. 267 million on land and building of Lahore factory of the Company. Mark-up is payable quarterly and charged at the rate of three month's KIBOR plus 2.5 % per annum. The balance is repayable in 10 equal quarterly installments of Rs. 20 million each, commencing on 25 August 2011 . The effective rate of mark-up is 15.83% (2010: 15.64%).

22.2 This represents a long term loan from a commercial bank of Rs 125 million. This facility is secured against first hypothecation charge over plant and machinery of the company. Mark-up is payable quarterly and charged at the rate of one month's KIBOR plus 2.5% per annum. The balance is repayable in 20 equal quarterly installments of Rs 6.25 million each, commencing on 31 July 2011 . The effective rate of mark-up is 15.66% (2010 : Nil).

23 Liabilities against assets subject to finance lease

The minimum lease payments have been discounted at an implicit interest rate of 14.87 % to 16.23% to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

(Rupees in '000)	2011			2010
	Minimum lease payments	Future finance cost	Present value of lease liability	Present value of lease liability
Not later than one year	7,092	2,235	4,857	2,112
Later than one year but not later than five years	16,996	3,264	13,732	4,023
	24,088	5,499	18,589	6,135

(Rupees in '000)	Notes	2011	2010
24 Trade and other payables			
Trade payables		512,770	490,624
Bills payable		451,019	281,820
Accrued expenses		7,651	6,519
Employees' Pension Fund	37.2	14,614	6,158
Employees' Gratuity Fund	37.2	25,458	19,222
Accumulating compensated absences		7,280	6,498
Unclaimed dividend		2,309	2,312
Provision for infrastructure cess	24.1	46,465	37,716
Advances from customers		9,305	10,203
Workers' Profits Participation Fund	24.2	2,853	2,469
Workers' Welfare Fund		9,339	9,465
Payable to related parties	24.3	2,979	10
Sales tax & special excise duty payable		8,966	33,343
Royalty payable to related parties	24.4	64,912	42,616
Royalty and technical fee payable		4,887	4,397
Others		17,276	6,905
		1,188,083	960,277

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

	2011	2010
Balance as at 01 July	37,716	29,011
Provision during the year	8,749	8,705
Balance as at 30 June	46,465	37,716

Notes to the Financial Statements

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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 of 0.85 percent (2010: 0.8 to 0.85 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 an interim order on 31 May 2011 and directed the plaintiffs to discharge and return any bank gurantees/ security furnished for consignments cleared upto 27 December 2006 and 50 % of the gurantee amount after 27 December 2006 and the balance amount shall be kept alive till the disposal of penalties. Pending a final decision, no adjustment has been made in respect of this amount.

(Rupees in '000)		Notes	2011	2010
24.2	**Workers' Profits Participation Fund**			
	Balance as at 01 July		2,469	3,932
	Allocation for the year		-	-
			2,469	3,932
	Interest on funds utilised in the company's business	34	398	344
			2,867	4,276
	Less: Amount paid to workers during the year on behalf of the Fund		(14)	(1,807)
	Balance as at 30 June		2,853	2,469
24.3	**This includes amount due to the following:**			
	Dadex Eternit Limited		-	10
	Berdex Construction Chemicals (Private) Limited		2,979	-
			2,979	10
24.4	**This includes amount due to the following:**			
	Slotrapid Limited B.V.I.		62,740	41,445
	Buxly Paints Limited		2,172	1,171
			64,912	42,616
25	**Accrued mark-up**			
	Mark-up accrued on secured			
	Long term financing		4,600	1,608
	Short term financing		10,753	12,726
	Short term running finances		33,107	30,086
			48,460	44,420
26	**Short term borrowings**			
	Short term financing	26.1	77,500	330,000
	Short term running finances	26.2	897,479	923,553
			974,979	1,253,553

26.1 Short term financing - secured

The facilities for short-term financing have been arranged from commercial banks amounting to Rs 57.5 million and Rs 20 million. These facilities are secured against joint registered charge over stocks and receivables. The above facilities carry mark-up ranging between 14.8% and 16.12% (2010: 13.48% and 16.40%) per annum, payable quarterly. These facilities are due to expire by June 2012.

26.2 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 940 million (2010: Rs 950 million). These arrangements are secured against first joint hypothecation charge over the company's stocks and receivables . The above facilities carry mark-up ranging between 15.62 % and 16.28 % (2010: 13.50 % and 16.11 %) per annum, payable quarterly.

26.3 Unavailed credit facilities

The facilities for opening of letters of credits and guarantees as at 30 June 2011 amounted to Rs. 985.00 million (2010: Rs 985 million) of which the remaining unutilised amount as of that date was Rs. 240.89 million (2010: Rs. 606.731 million).

27 Contingencies and commitments

27.1 Contingencies

- In previous years the company filed a suit against an ex-distributor (the distributor) in the High Court of Sindh (the court) for recovery of Rs 8.882 million and damages amounting to Rs 5 million on account of unpaid credit invoices for the products supplied by it to the distributor. However, the distributor in return also filed a counter claim of Rs 78.153 million against the company in the court on account of damages and compensation. As the management of the company, based on the advice of its legal counsel handling the case, is confident that the outcome of this suit will be decided in the favour of the company, therefore no provision has been made in this respect in these financial statements.
- In previous years a case was 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 also filed a counter claim of Rs 3 million along with mark-up 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 varnish 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.
- The company was issued a show cause notice from Competition Commission of Pakistan (CCP) seeking explanation about non-disclosure to the customers about cash redemption coupons included inside the paint drums. The company has made representation to the CCP explaining its legal position on the matter and the Company's legal counsel is of the view that the matter will be settled in favour of the Company. However, subsequent to the year end, as a good corporate citizen the Company has started the practice to affix the sticker outside the paint drums informing the customer about the coupons included inside the paint drums.

27.2 Commitments

- Commitments in respect of capital expenditure contracted for, as at 30 June 2011, amounted to Rs Nil (2010: Rs Nil).
- Outstanding letters of credit as at 30 June 2011 amounted to Rs 234.093 million (2010: Rs 378.268 million).
- Outstanding letters of guarantees as at 30 June 2011 amounted to Rs 58.193 million (2010: Rs 43.265 million).

(Rupees in '000)	2011	2010
28 Sales - net		
Gross sales		
- Local	4,365,743	4,068,970
- Export	148,564	127,092
	4,514,307	4,196,062
Less: Discounts	(267,465)	(247,728)
Sales tax	(620,962)	(554,498)
Special excise duty	(54,370)	(34,560)
	3,571,510	3,359,276

Notes to the Financial Statements

For the year ended 30 June, 2011

(Rupees in '000)		Notes	2011	2010
29	**Cost of sales**			
	Finished goods as at 01 July		297,225	304,710
	Cost of goods manufactured	29.1	2,793,867	2,529,688
	Purchases		67,312	31,009
	Provision against slow moving finished goods		(2,348)	9,368
	Less: Finished goods as at 30 June		(328,226)	(297,225)
	Cost of sales		2,827,830	2,577,550
29.1	**Cost of goods manufactured**			
	Raw and packing materials consumed		2,578,065	2,291,253
	Stores consumed		4,041	14,950
	Salaries, wages and other benefits		55,485	46,519
	Travelling and conveyance		4,997	10,553
	Fuel, water and power		41,854	46,215
	Legal and professional fee		4,963	4,415
	Rent, rates and taxes		2,080	1,367
	Insurance		4,616	6,059
	Repairs and maintenance		11,709	13,958
	Contracted services		35,353	46,056
	Depreciation	5.4	45,525	40,844
	Printing and stationery		896	1,380
	Communication		457	934
	Other expenses		5,162	5,550
			2,795,203	2,530,053
	Opening stock of semi-processed goods		121,972	121,607
	Closing stock of semi-processed goods		(123,308)	(121,972)
	Cost of goods manufactured		2,793,867	2,529,688
30	**Distribution costs**			
	Salaries, wages and other benefits		100,867	110,400
	Travelling and conveyance		26,383	30,909
	Rent, rates and taxes		7,855	9,901
	Insurance		7,601	5,370
	Fuel, water and power		1,367	3,192
	Advertising and sales promotion		204,541	273,008
	Technical services and royalty fee		30,236	24,977
	Freight and handling		87,115	89,004
	Repairs and maintenance		1,235	1,136
	Contracted services		16,902	10,635
	Depreciation	5.4	15,474	13,683
	Provision for doubtful debts - net of recoveries	14.2	3,381	16,573
	Bad debts directly written off		2,413	1,373
	Printing and stationery		1,421	2,119
	Legal and professional		1,008	2,484
	Communication		2,634	3,083
	Other expenses		11,038	4,107
			521,471	601,954

(Rupees in '000)		Notes	2011	2010
31	**Administrative expenses**			
	Salaries, wages and other benefits		58,636	56,874
	Travelling and conveyance		10,782	9,198
	Rent, rates and taxes		6,076	3,575
	Insurance		6,563	5,261
	Auditors' remuneration	31.1	1,400	2,343
	Fuel, water and power		9,521	2,033
	Advertising expense		2,461	1,747
	Repairs and maintenance		3,737	2,654
	Contracted services		7,900	10,725
	Depreciation	5.4	9,521	8,784
	Printing and stationery		1,908	2,693
	Legal and professional		7,800	6,360
	Communication		4,854	3,960
	Provision for doubtful advances and deposits		-	3,552
	Directors' fee		2,150	1,900
	Others		8,886	11,676
			142,195	133,335
31.1	**Auditors' remuneration**			
	Audit fee		1,000	1,000
	Special certifications and half yearly review		325	1,048
	Out of pocket expenses		75	295
			1,400	2,343
32	**Other operating income**			
	Sale of scrap		10,029	22,159
	Gain on disposal of fixed assets		2,731	10,648
	Mark-up, rental income and other services charged to related parties		6,324	11,441
	Toll manufacturing income		2,949	3,301
	Export rebate		3,130	2,696
	Liabilities no longer payable written back		2,463	9,591
	Workers welfare fund no longer payable written back		125	-
	Insurance claim		34,114	45,329
	Mark-up on term deposit receipts		5,916	3,992
	Debtor balances previously written off now written back		-	14,003
	Late payment charges from a related party		250	-
	Others		1,473	3,161
			69,504	126,321
33	**Other charges**			
	Exchange loss		1,197	2,413
	Stock written off due to fire		-	23,122
	Provision for impairment on long term investments		1,395	6,887
	Workers welfare fund		-	126
	Deficit on revaluation of property, plant and equipment		-	10,904
	Others		-	4,871
			2,592	48,323

Notes to the Financial Statements

For the year ended 30 June, 2011

(Rupees in '000)		Note	2011	2010
34	**Finance cost**			
	Mark up on:			
	Long-term financing		22,008	39,092
	Short-term financing		47,171	59,090
	Short-term running finances		137,531	141,609
	Finance cost on leases		2,219	559
	Interest on workers profit participation fund	24.2	398	344
	Bank charges		7,003	12,040
			216,330	252,734
35	**Taxation**			
	Current			
	- For the year		36,315	17,042
	- For prior years		(841)	-
	Deferred			
	- For current years		(35,665)	(21,075)
	- For prior years		-	(8,045)
			(191)	(12,078)

Since the company has tax losses for the year, the current tax provision represents the tax under section 113A of the Income Tax Ordinance, 2001 and as such it is impracticable to prepare a tax charge reconciliation. As at 30 June 2011 the company has assessed tax losses available for carry forward amounting to Rs 402.942 million including tax depreciation losses of Rs 169.91 million.

		2011	2010
		(Rupees in '000)	
36	**Loss per share - basic and diluted**		
	Loss after taxation	(69,213)	(116,221)
		(Number of shares)	
	Weighted average number of shares outstanding during the year	18,186,409	13,044,625
		(Rupees)	
	Loss per share	(3.81)	(8.91)

36.1 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.

(Rupees in '000)	Notes	2011	2010
37 Staff retirement benefits and other obligations			
Defined benefit plan			
Staff Pension	37.2	14,614	6,158
Staff Gratuity	37.2	25,458	19,222
		40,072	25,380
Other long term employee benefits			
Accumulating compensated absences		7,280	6,498
		47,352	31,878

Defined benefit plan

As mentioned in note 3.16, the company operates an approved funded gratuity and pension schemes for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at 30 June 2011. Projected Unit Credit method based on the following assumptions was used for these valuations:

(Rupees in '000)	2011	2010
Valuation discount rate	14%	12%
Expected rate of increase in salary level	13%	11%
Rate of return on plan assets	14%	12%

37.1 The disclosures made in notes 37.2 to 37.6 and 37.8 to 37.11 are based on the information included in the actuarial valuation as of 30 June 2011.

(Rupees in '000)	2011		2010	
	Pension	Gratuity	Pension	Gratuity
37.2 Balance sheet reconciliation				
Present value of defined benefit obligation	38,097	26,351	35,554	21,903
Fair value of plan assets	(23,483)	(893)	(29,396)	(2,681)
Recognised liability - note 24	14,614	25,458	6,158	19,222
37.3 Movement in the fair value of plan				
assets is as follows:				
Fair value as at July 1	29,396	2,682	28,837	4,713
Expected return on plan assets	3,528	322	3,460	565
Actuarial losses	(782)	(293)	(1,969)	(3,301)
Company's contribution	-	1,000	-	6,261
Employee contribution	603	-	516	-
Benefits paid	(1,262)	(2,818)	(1,448)	(5,556)
Amount transferred to company during the year	(8,000)	-	-	-
Fair value as at June 30	23,483	893	29,396	2,682

Notes to the Financial Statements

For the year ended 30 June, 2011

(Rupees in '000)		2011		2010	
		Pension	Gratuity	Pension	Gratuity
37.4	**Movement in defined benefit obligation is as follows:**				
	Obligation as at 01 July	35,554	21,903	31,725	21,346
	Service cost	3,611	4,166	3,239	3,611
	Interest cost	4,266	2,628	3,806	2,562
	Benefits paid	(1,261)	(2,817)	(1,448)	(5,556)
	Actuarial (gains)/loss	(4,073)	471	(1,768)	(60)
	Obligation as at 30 June	38,097	26,351	35,554	21,903
37.5	**Charge for the year**				
	Current service cost	3,611	4,166	3,239	3,611
	Interest cost	4,266	2,628	3,806	2,562
	Expected return on plan assets	(3,527)	(322)	(3,460)	(565)
	Recognition of actuarial (gains) / losses	(3,291)	764	201	3,241
	Employee contribution	(603)	-	(516)	-
	Expense	456	7,236	3,270	8,849
	Actual return on plan assets	2,746	29	1,491	(2,736)
37.6	**Movement in net liability in the balance sheet as follows:**				
	sheet is as follows:				
	Net liability as at 01 July	6,158	19,221	2,888	16,633
	Charge for the year	456	7,236	3,270	8,849
	Amount transferred to company during the year	8,000	(999)	-	(6,261)
	Netliability as at 30 June	14,614	25,458	6,158	19,221
37.7	**The charge for the year has been allocated as follows:**				
	Cost of sales	128	2,028	916	2,480
	Distribution costs	215	3,410	1,541	4,171
	Administrative expenses	113	1,798	813	2,198
		456	7,236	3,270	8,849

37.8 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:

(Rupees in '000)	2011	2010	2009	2008	2007
Present value of defined benefit obligation	64,448	57,457	53,071	63,099	50,353
Fair value of plan assets	(24,377)	(32,077)	(33,550)	(45,437)	(43,254)
Deficit	40,071	25,380	19,521	17,662	7,099
Experience adjustment:					
Loss on obligations	(3,602)	(1,828)	(10,542)	5,613	-
Loss on plan assets	(1,075)	(5,270)	(2,371)	(92)	-

(Rupees in '000)	2011		2010	
	Pension	Gratuity	Pension	Gratuity
37.9 Plan assets comprise the following:				
Defence Saving Certificates	10,040	-	9,773	-
Term deposits	-	-	8,000	-
Cash	3,440	893	1,504	2,682
Term Finance Certificate	10,003	-	10,119	-
	23,483	893	29,396	2,682

37.10 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.

37.11 Expected contribution to post-employment benefit plans for the year ending 30 June 2011 is Rs 7.69 million.

(Rupees in '000)	Note	2011	2010
38 Cash generated from operations			
Loss before taxation		(69,404)	(128,299)
Adjustments for non cash charges and other items:			
Depreciation		70,520	63,311
Gain on disposal of fixed assets		(2,731)	(10,648)
Provision/ (reversal) against slow moving stock		(2,348)	9,368
Stock written off due to fire		-	23,122
Provision for doubtful debts		3,381	16,573
Provision for doubtful deposits		-	3,552
Impairment on long term investments		1,395	6,887
Finance cost		216,330	252,734
Deficit on revaluation		-	10,904
Working capital changes	38.1	93,354	106,810
		310,497	354,314
38.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(199)	(1,266)
Stock-in-trade		(130,921)	13,056
Trade debts		(59,997)	(63,833)
Loans and advances		20,713	13,285
Trade deposits and short-term prepayments		7,511	4,888
Other receivables		28,441	74,706
		(134,452)	40,836
Increase in current liabilities:			
Trade and other payables		227,806	65,974
		93,354	106,810

Notes to the Financial Statements

For the year ended 30 June, 2011

(Rupees in '000)	2011	2010
39 Cash and cash equivalents		
Cash and bank balances	257,449	282,170
Short-term running finance	(897,479)	(923,553)
	(640,030)	(641,383)

40 Remuneration of chief executive, and executives

(Rupees in '000)	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration (including bonus)	60	26,986	533	30,751
Retirement benefits	-	16,158	30	2,204
Housing rent	-	11,712	213	9,820
Utilities	-	2,411	47	2,182
Medical expenses	473	1,231	81	1,428
Travelling expenses	1,513	-	1,219	-
	2,046	58,498	2,123	46,385
Number of persons	1	37	2	31

40.1 Seven (2010: Seven) non-executive directors were paid fee aggregating Rs 2.15 million (2010: Rs 1.90 million).

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

41 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 30 June 2011, the company has not made any provision for debts relating to amounts owed by related parties. Other material transactions with related parties are given below:

Relation with undertaking	Nature of transaction	2011	2010
(Rupees in '000)			
Holding company			
- Slotrapid Limited B.V.I.	Royalty expense	21,295	20,209
Subsidiary			
- Berger DPI (Private) Limited	Sales	6,095	14,413
	Rental income and other services charged	2,464	4,428
- Berdex Construction Chemicals (Private) Limited	Sales	12,999	13,390
	Rental income and other services charged	-	6,053
	Commission expense	632	-
- Berger Road Safety (Private) Limited	Sales	39,443	21,219
	Rental income and other services charged	1,250	
Associated undertaking			
- Buxly Paints Limited	Sales	60,497	74,161
	Rental income and other services charged	2,610	960
	Toll manufacturing income	2,949	3,301
	Royalty expense	1,000	1,171
- Dadex Eternit Limited	Sales	191	1,672
	Purchases	31	83
Remuneration of key management personnel		See note 40	

The related party status of outstanding balances as at 30 June 2011 are included in trade debts (note 14.1), other receivables (note 17.2) and trade and other payables (note 24.1) respectively.

42 Financial risk management

42.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

The 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 foreign exchange risk is as follows:

Notes to the Financial Statements

For the year ended 30 June, 2011

(Rupees in '000)	2011	2010
Trade and other payables - Euro	-	(8)
Net exposure - Euro	-	(8)
Trade and other payables - SFR	-	(32)
Net exposure - SFR	-	(32)
Trade and other payables - UKP	(6)	-
Net exposure - UKP	(6)	-
Trade and other payables - USD	(4,350)	(2,173)
Deposits	-	1
Net exposure - USD	(4,350)	(2,172)
Trade and other payables - JPY	(72,320)	(57,783)
Net exposure - JPY	(72,320)	(57,783)

The following significant exchange rates were applied during the year:

(Rupees in '000)	2011	2010
Rupees per Euro		
Average rate	116.01	116.32
Reporting date rate	124.89	104.58
Rupees per SFR		
Average rate	92.10	79.20
Reporting date rate	103.59	79.10
Rupees per UKP		
Average rate	134.25	132.60
Reporting date rate	138.62	128.96
Rupees per USD		
Average rate	85.83	84.17
Reporting date rate	86.05	85.60
Rupees per JPY		
Average rate	1.02	0.92
Reporting date rate	1.07	0.97

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 loss after taxation for the year would have been Rs 22.627 million (2010: Rs 12.27 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Foreign exchange risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The company is not exposed to equity price risk since the investment held by the company in subsidiaries are unquoted and are not subject to fluctuations in market prices. Moreover the equity instrument held by the company 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:

(Rupees in '000)	2011	2010
Financial assets		
Fixed rate instruments		
Bank balances - deposit accounts	55,171	43,976
Total exposure	55,171	43,976
Financial liabilities		
Floating rate instruments		
Long-term financing	325,000	50,000
Short-term financing	77,500	330,000
Short-term running finance	897,479	923,553
	1,299,979	1,303,553

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, loss after taxation for the year would have been Rs 3.25 million (2010: Rs 0.50 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 of the company arises from deposits with banks, trade debts, investments, loans and advances and other receivables.

Notes to the Financial Statements

For the year ended 30 June, 2011

(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:

(Rupees in '000)	2011	2010
Long term investments	5,567	6,962
Loans to employees	19,521	14,047
Long term deposits	20,671	17,132
Trade debts	722,335	665,728
Trade deposits	8,933	17,111
Other receivables	37,487	65,928
Cash and bank balances	257,449	282,170
	1,071,963	1,069,078

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

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

(Rupees in '000)	2011	2010
The age of financial assets		
Not past due	346,682	399,798
Past due but not Impaired:		
Not more than three months	520,828	526,148
More than three months and not more than six months	61,794	52,863
More than six months and not more than one year	60,295	20,366
Past due and Impaired:		
More than one year	82,364	69,903
	1,071,963	1,069,078

(ii) Credit quality of major financial assets

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

Banks	Rating Short term	Long term	Rating Agency	2011	2010
(Rupees in '000)					
NIB Bank Limited	A1+	AA-	PACRA	-	89
Bank Alfalah Limited	A1+	AA	PACRA	-	39
Oman International Bank Limited	A-2	BBB	JCR-VIS	422	411
Faysal Bank Limited	A-1+	AA	PACRA & JCR	13	395
Royal Bank of Scotland	A1+	AA	PACRA	-	6,396
Bank Al Habib Limited	A1+	AA+	PACRA	43,285	43,744
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	71,685	121,022
United Bank Limited	A-1+	AA+	JCR-VIS	12,995	2,184
Habib Bank Limited	A-1+	AA+	JCR-VIS	108,249	100,683
MCB Bank Limited	A1+	AA+	PACRA	19,034	-
Citi Bank N.A	A-1	A+	Standard & poor's	11	5,684
				255,695	280,651

(c) Liquidity risk

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

The company manages liquidity risk by maintaining funding through an adequate amount of committed credit facilities. At 30 June 2011, the company had Rs 240.89 million available untilized borrowing limits from financial institutions and Rs 232.441 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at 30 June 2011:

(Rupees in '000)	Carrying amount	Less than one year	One to five years	More than five years
Long term financing	325,000	105,000	220,000	-
Trade and other payables	1,188,083	1,188,083	-	-
Accrued mark-up	48,460	48,460	-	-
Short term borrowings	974,979	974,979	-	-
	2,536,522	2,316,522	220,000	-

The following are the contractual maturities of financial liabilities as at 30 June 2010:

(Rupees in '000)	Carrying amount	Less than one year	One to five years	More than five years
Long term financing	50,000	50,000	-	-
Trade and other payables	960,277	960,277	-	-
Accrued mark-up	44,420	44,420	-	-
Short term borrowings	1,253,553	1,253,553	-	-
	2,308,250	2,308,250	-	-

42.2 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.

(Rupees in '000)	Loans and receivables 2011	2010
42.3 Financial instruments by category		
Financial assets as per balance sheet		
Loans to employees	19,521	14,047
Long term deposits	20,671	17,132
Trade debts	722,335	665,728
Trade deposits and short term prepayments	8,933	17,111
Other receivables	37,487	65,928
Cash and bank balances	257,449	282,170
	1,066,396	1,062,116

Notes to the Financial Statements

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(Rupees in '000)	Other financial liabilities 2011	2010
Financial liabilities as per balance sheet		
Long term financing	325,000	50,000
Trade and other payables	1,188,083	960,277
Accrued mark-up	48,460	44,420
Short term borrowings	974,979	1,253,553
	2,536,522	2,308,250

42.4 Capital risk management

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

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

The gearing ratios as at 30 June 2011 and 2010 were as follows:

(Rupees in '000)	2011	2010
Total debt	1,299,979	1,303,553
Total equity	402,590	459,457
Total capital	1,702,569	1,763,010
Gearing ratio	76.35%	73.94%

(Litres in '000)	2011	2010
43 Production capacity		
Actual production	29,554	32,192

The capacity of the plant is indeterminable because it is a multi product plant involving varying processes of manufacturing. Actual production includes resin production of 6.961 million litres (2010: 7.790 million litres) which is used in the manufacture of the final product.

44 Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

45 Date of authorisation for issue

These financial statements were authorised for issue on 20 September, 2011 by the Board of Directors of the Company.

46 General

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

Chief Executive **Director**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 61st Annual General Meeting of Berger Paints Pakistan Limited will be held on Tuesday, 25 October, 2011 at 1:15 pm at Overseas Investors Chamber of Commerce and Industries, Chamber of Commerce Building, Talpur Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts alongwith the Consolidated Financial Statements of the Company for the year ended 30 June, 2011 together with the Directors' Auditors' Reports thereon.
2. To appoint Auditors and fix their remuneration for the year ending 30 June, 2012.

BY ORDER OF THE BOARD

Abdul Wahid Qureshi
Company Secretary

Karachi: 04 October , 2011

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

NOTES

1. The Share Transfer Books will remain closed from October 19, 2011 to October 25, 2011, both days inclusive.
2. A member of the Company entitled to attend, speak and vote at this meeting may appoint another member as his/ her proxy to attend, speak and vote on his/ her behalf.
3. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

a) For Attending the Meeting:

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

ii. In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For Appointing proxies:

i. In case of individuals, the account holder or sub account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.

ii. The proxy form shall be witnessed by two persons whose name, addresses and NIC numbers shall be mentioned.

iii. Attested copies of the CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.

iv. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

4. The Form of proxy to be valid must be properly filled in / executed and received at the Company's Registered Office not later than 48 hours before the time of meeting.
5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses.
6. Members who have not yet submitted photocopies of their Computerized National Identity Card (CNIC) are requested to send the same to our Share Registrar at the earliest.
7. Form of Proxy enclosed herewith.

Consolidated Financial Statements

Berger Paints Pakistan Limited

for the year ended 30 June 2011

KPMG

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

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

Auditors' Report to the Members

We have audited the annexed consolidated financial statements of Berger Paints Pakistan Limited (the holding company) and its subsidiary companies, Berger DPI (Private) Limited and Berdex Construction Chemicals (Private) Limited, comprising consolidated balance sheet as at 30 June 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Berger Paints Pakistan Limited. The financial statements of the subsidiary companies, Berger DPI (Private) Limited and Berdex Construction Chemicals (Private) Limited, were audited by another firm of chartered accountants, whose audit report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of other auditor.

These consolidated financial statements are the responsibility of the holding company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the consolidated financial position of Berger Paints Pakistan Limited and its subsidiary companies, Berger DPI (Private) Limited and Berdex Construction Chemicals (Private) Limited, as at 30 June 2011 and the consolidated results of its operations, its consolidated cash flows statement and consolidated statement of changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our audit report, we draw attention to note 8.1 to the consolidated financial statements which states that the group's share of loss of Rs. 1.995 million from Buxly Paints Limited, an associated company, is based on unaudited financial statements of the associated company.

The consolidated financial statements of the group for the year ended 30 June 2010 were audited by another firm of auditors; whose report dated 28 September 2010 expressed a qualified opinion on those financial statements in respect of the use of unaudited financial statements of the subsidiaries and associated company in preparation of consolidated financial statements.

KPMG Taseer Hadi & Co.

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

Lahore
Date: 20 September, 2011

Directors' Report

On Consolidated Financial Statements

The directors of the holding company present their report together with the Audited Consolidated Financial Statement For the year ended 30 June, 2011.

(Rupees in '000)

Loss before taxation	(73,842)
Taxation	(2,467)
Loss after Tax	(71,375)
Minority interest	(550)
Net loss for the year attributable to the holding company	(70,825)

FINANCIAL STATEMENTS

The audited accounts of the holding company For the year ended 30 June, 2011 are annexed.

HOLDING COMPANY

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

EARNING PER SHARE

The Loss per share for the year is Rs.(3.89) 2010: Rs.8.53)

AUDITORS

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

CORPORATE GOVERNANCE

A statement of corporate financial reporting framework appears in the directors' Report of the holding company on Page 26.

OTHER INFORMATION

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

ON BEHALF OF THE BOARD

Karachi
Date: 20 September, 2011

Dr. Mahmood Ahmad
Chief Executive

Consolidated Balance Sheet

As at 30 June, 2011

(Rupees in '000)	Notes	2011	2010 Restated
Non-current assets			
Property, plant and equipment	5	705,825	724,211
Intangible asset - in progress	6	13,513	-
Goodwill	7	40,750	40,750
Investments in associate	8	1,516	3,510
Long term loans	9	15,051	10,569
Long term deposits	10	18,884	14,845
Deferred taxation	11	131,571	96,022
		927,109	889,907
Current assets			
Stores	12	8,574	8,375
Stock in trade	13	1,104,021	966,347
Trade debts	14	668,489	620,934
Loans and advances	15	28,093	48,892
Trade deposits and short term prepayments	16	12,943	20,013
Other receivables	17	35,134	70,184
Taxation - net		141,875	109,945
Cash and bank balances	18	265,672	289,244
		2,264,801	2,133,934
		3,191,910	3,023,841
Share capital and reserves			
Share capital	19	181,864	181,864
Reserves	20	231,692	290,171
		413,556	472,035
Non-controlling interest		14,868	15,418
		428,424	487,453
Advance against issues of share capital of subsidiary company		41	41
Surplus on revaluation of fixed assets - net of tax	21	197,997	210,343
Non-current liabilities			
Long-term financing	22	220,000	-
Liabilities against assets subject to finance lease	23	13,732	4,023
Current liabilities			
Trade and other payables	24	1,198,420	971,896
Accrued mark-up	25	48,460	44,420
Current maturity of long-term financing	22	105,000	50,000
Current maturity of liabilities against assets subject to finance lease	23	4,857	2,112
Short term borrowings	26	974,979	1,253,553
		2,331,716	2,321,981
Total liabilities		2,565,448	2,326,004
Contingencies and commitments	27		
		3,191,910	3,023,841

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

Chief Executive **Director**

Consolidated Profit and Loss Account

For the year ended 30 June, 2011

(Rupees in '000)	Notes	2011	2010 Restated
Sales - net	28	3,590,813	3,388,646
Cost of sales	29	2,840,510	2,588,758
Gross profit		750,303	799,888
Distribution cost	30	530,048	613,993
Administrative expenses	31	146,273	136,893
		676,321	750,886
Operating profit		73,982	49,002
Other operating income	32	71,244	123,904
		145,226	172,906
Other charges	33	1,309	42,862
Finance cost	34	216,458	252,901
		217,767	295,763
Share of (loss)/profit of associate		(1,995)	488
Gain on bargain purchase	1.3	694	-
Loss before taxation		(73,842)	(122,369)
Taxation	35	(2,467)	(9,745)
Loss after taxation		(71,375)	(112,624)
Attributable to :			
Equity holders of the parent		(70,825)	(111,323)
Non-controlling interest		(550)	(1,301)
		(71,375)	(112,624)
Rupees			
Loss per share - basic and diluted	36	(3.89)	(8.53)

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

Chief Executive **Director**

Consolidated Statement of Comprehensive Income

For the year ended 30 June, 2011

(Rupees in '000)	2011	2010 Restated
Loss after taxation	(70,825)	(111,323)
Other comprehensive income for the year	-	-
Non-controlling interest	(550)	(1,301)
Total comprehensive loss for the year	(71,375)	(112,624)

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

Chief Executive **Director**

Consolidated Statement of Changes in Equity

For the year ended 30 June, 2011

(Rupees in '000)	Issued, subscribed and paid-up share capital	Capital reserves: Share premium	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit / (accumulated loss)	Total equity attributable to shareholders of parent company	Non controlling interest	Total shareholders equity
Balance as at 01 July 2009 -restated	81,864	56,819	285,000	(219,352)	204,331	16,719	221,050
Ordinary shares of Rs 10 each issued as right shares during the year ended 30 June 2010	100,000	-	-	-	100,000	-	100,000
Surplus on revaluation of property, plant and equipment realised through disposal of leasehold land	-	-	-	267,051	267,051	-	267,051
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	11,976	11,976	-	11,976
Total comprehensive loss for the year ended 30 June 2010	-	-	-	(111,323)	(111,323)	(1,301)	(112,624)
Balance as at 30 June 2010- restated	181,864	56,819	285,000	(51,648)	472,035	15,418	487,453
Balance as at 01 July 2010- restated	181,864	56,819	285,000	(51,648)	472,035	15,418	487,453
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	12,346	12,346	-	12,346
Total comprehensive loss for the year ended 30 June 2011	-	-	-	(70,825)	(70,825)	(550)	(71,375)
Balance as at 30 June 2011	181,864	56,819	285,000	(110,127)	413,556	14,868	428,424

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

Chief Executive **Director**

Consolidated Cash Flow Statement

For the year ended 30 June, 2011

(Rupees in '000)	Notes	2011	2010 Restated
Cash flow from operating activities			
Cash generated from operations	38	317,060	356,356
Finance cost paid		(212,418)	(259,263)
Income tax paid		(65,013)	(49,482)
Long term loans		(4,482)	3,829
Long term deposits		(4,039)	(1,795)
Net cash inflow from operating activities		31,108	49,645
Cash flow from investing activities			
Capital expenditure		(40,074)	(56,836)
Addition in intangible assets		(13,513)	-
Sale proceeds on disposal of property, plant and equipment		6,777	279,594
Net cash (outflow)/ inflow from investing activities		(46,810)	222,758
Cash flow from financing activities			
Issue of ordinary share capital (right shares)		-	100,000
Long term financing obtained		325,000	250,000
Short term borrowings - net		(252,500)	(55,000)
Lease rentals paid		(4,296)	(1,381)
Long term financing repaid		(50,000)	(300,000)
Net cash inflow/ (outflow) from financing activities		18,204	(6,381)
Net increase in cash and cash equivalents		2,502	266,022
Cash and cash equivalents as at the beginning of the year		(634,309)	(900,331)
Cash and cash equivalents at the end of the year	39	(631,807)	(634,309)

Chief Executive **Director**

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2011

1 Legal status and nature of business

The group comprises of :

Holding company
- Berger Paints Pakistan Limited

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

Associate company
- Buxly Paints Limited

Berger Paints Pakistan Limited (the holding 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 registered office of the group is situated at D-31, South Avenue, S.I.T.E., Karachi.

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 DPI (Private) Limited acquired 99 percent share capital of the Berger Road Safety (Private) Limited during the year. The group is a subsidiary of Slotrapid Limited B.V.I.

1.1 Basis of consolidation

These consolidated financial statements comprise the financial statements of the holding company and its subsidiary companies as at 30 June 2011.

(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 holding company, using consistent accounting policies.

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

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

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

(b) Non-controlling interest

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

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2011

(c) Associates

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

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

1.2 Significant matter

"Unaudited financial statements of Berdex Construction Chemicals (Private) Limited and Berger DPI (Private) Limited (subsidiary companies of Berger Paints Pakistan Limited) for the year ended 30 June 2010 were used to prepare the consolidated financial statements of the group as at 30 June 2010. Subsequent to the issue of these consolidated financial statements, the financial statements of Berdex Construction Chemicals (Private) Limited and Berger DPI (Private) Limited for the year ended 30 June 2010 were revised at the time of authorization for their issue on 26 October 2010 by their respective Boards of Directors.

Consequently, the comparative figures in the consolidated financial statements of the group for the year ended 30 June 2011 have been restated in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effect of this restatement is as follows:

(Rupees in '000)	
Increase in net sales	705
Increase in other operating income	2,163
Increase in profit from associate	9
Less:	
Increase in cost of sales	(3,182)
Increase in distribution cost	(7,510)
Decrease in administrative expenses	5,730
Increase in other charges	(278)
Increase in finance cost	(3)
Decrease in taxation	(3,966)
Increase in profit/(loss) after tax	(6,332)
Decrease in accumulated losses as at 01 July 2009	3,212
Decrease in non-controlling interest losses as at 01 July 2009	3,085
Decrease in accumulated losses as at 30 June 2010	(35)
Decrease in property, plant and equipment	(4)
Increase in trade debts	18,172
Decrease in loans and advances	(1,326)
Decrease in other receivables	(11,942)
Decrease in taxation - net	(1,261)
Decrease in cash and bank balances	(1,361)
Less:	
Increase in trade and other payables	(2,313)
Decrease in equity as at 30 June 2010	(35)

1.3 Acqusition of sub-subsidiary

On 13 June 2011, 99.998% shares of Berger Road Safety (Private) Limited were acquired by Berger DPI (Private) Limited.

a) Detail of net acquisition date assets acquired is as follows:

(Rupees in '000)	
Consideration transferred (in cash)	1,000
Non-controlling interest	-
Fair value of net assets/(liabilities) acquired	(1,694)
Gain on bargain purchase	(694)
The assets and liabilities arising from acquisition are as follows:	
Non-current assets	
Property, plant and equipment	572
Current assets	
Stocks	2,670
Trade receivables	31,148
Advances, deposits and other receivables	84
Advance tax - net	3,263
Cash and bank balances	3,557
Current liabilities	
Trade and other payables	39,600
Net assets/liabilities	1,694

The carrying value of assets and liabilities acquired are approximate to their fair value.

b) Impact of acquisition on the results of the group

The result of the group for the year include the results of Berger Road Safety (Private) Limited with effect from 13 June 2011.

c) Determination of fair value

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognized on acquisition are their estimated fair values.

2 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 Summary of significant accounting policies

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

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain items of property, plant and equipment as referred to in note 5.2 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 3.16 at present value.

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2011

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

3.2 Property, plant and equipment

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.

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

Depreciation on additions is charged from the month in which the asset is put to use while depreciation on assets disposed of is charged up to the month preceding the disposal at the rates stated in note 5 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 derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of property, plant and equipment are included in income currently.

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

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

3.3 Intangible assets

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

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

3.4 Investments

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 recognized initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction cost.

Investment in subsidiaries and associate are stated at cost less any accumulated impairment losses in separate financial statements, 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 group receives distributions from accumulated net profit of such companies.

3.5 Business Combinations

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

3.6 Long term deposits

Long term deposits are stated at cost.

3.7 Stores

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.

3.8 Stocks in trade

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

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

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

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

3.9 Trade debts and other receivables

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

3.10 Cash and cash equivalents

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

3.11 Borrowings cost

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

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2011

3.12 Trade and other payables

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

3.13 Provisions

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

3.14 Contingent assets

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

3.15 Contingent liabilities

A contingent liability is disclosed when:

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

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

3.16 Staff retirement benefits

3.16.1 Defined benefit schemes

The group operates the following defined benefit schemes:

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

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

Actuarial valuation are carried out using the Project Unit Credit Method and actuarial gains and losses are recognized as income or expense in the same accounting period.

3.16.2 Defined contribution plan

Provident fund

The group also operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the group and the employees, to the fund at the rate of 10 percent of basic salary for executive and non-executive staff. During the year Rs 6.792 million (2010: 5.451 million) were charged to expense.

Employee compensated absences

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

3.17 Taxation

Current

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

Deferred

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

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

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

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

3.18 Foreign currency transactions and translation

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

3.19 Revenue recognition

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

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

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

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

- Other revenues are recorded on accrual basis.

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2011

3.20 Financial Instruments

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

3.21 Off setting of financial assets and liabilities

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

3.22 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 of related tax. The group 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.

3.23 Dividends and appropriations to general reserve

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

3.24 Impairment

The group assesses at each balance sheet date whether there is any indication that the assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to determine whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is charged to income currently except for impairment loss on revalued assets, which is 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.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011) . The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for annual periods beginning on or after 1 January 2011) The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the group's financial statements.

4 Critical accounting estimates and judgments

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

	Note
- Residual values and useful lives of depreciable assets	5
- Provision for deferred taxation	11
- Net realizable value of stock in trade to their net realisable value	13
- Provision for doubtful debts	14
- Staff retirement benefits	37

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

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2011

5 Property, plant and equipment

	Annual rate of depreciation	Cost as at 01 July 2010	Additions/ (Deletions)	Revaluation surplus/(deficit)	Cost as at 30 June 2011	Accumulated Depreciation as at 01 July 2010	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2011	Book value as at 30 June 2011
	%				(Rupees in '000)				
Owned									
Freehold land	-	196,862	-	-	196,862	-	-	-	196,862
Leasehold land	2.06	67,000	-	-	67,000	-	1,380	1,380	65,620
Building on freehold land	5	163,367	10,995	-	174,362	-	8,404	8,404	165,958
Building on leasehold land	5	6,753	2,920	-	9,673	-	350	350	9,323
Plant and machinery	11-21	231,831	12,066	-	243,897	13,462	43,326	56,788	187,109
Applicators	10	8,706	-	-	8,706	7,316	373	7,689	1,017
Laboratory equipments	10	14,279	48	-	14,327	4,915	1,413	6,328	7,999
Electric fittings	10	19,305	4,535	-	23,840	5,458	2,213	7,671	16,169
Computer and related accessories	25	8,687	3,602	-	12,289	5,320	1,646	6,966	5,323
Office machines	10	2,227	133	-	2,360	1,307	135	1,442	918
Furnitures and fixtures	10	13,767	1,609	-	15,376	3,456	1,465	4,921	10,455
Motor vehicles	20	57,712	4,166	-	53,589	31,519	7,186	34,042	19,547
			(8,289)				(4,663)		
2011		790,496	40,074	-	822,281	72,753	67,891	135,981	686,300
			(8,289)				(4,663)		
Leased									
Motor vehicles	20	7,517	16,749	-	23,761	1,049	3,273	4,236	19,525
			(505)				(85)		
2011		798,013	56,823	-	846,042	73,802	71,164	140,217	705,825
			(8,794)				(4,748)		

	Annual rate of depreciation	Cost as at 01 July 2009	Additions/ (Deletions)	Revaluation surplus/(deficit)	Cost as at 30 June 2010	Accumulated Depreciation as at 01 July 2009	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2010	Book value as at 30 June 2010
	%				(Rupees in '000)				(Restated)
Owned									
Freehold land	-	160,070	-	36,792	196,862	-	-	-	196,862
Leasehold land	2.06	445,400	-	-	67,000	-	8,505	-	67,000
			(279,730)	(98,670)	-	-	(8,505)		
Building on freehold land	5	150,267	18,599	2,430	163,367	-	7,929	-	163,367
			(7,929)				(7,929)		
Building on leasehold land	5	41,470	-	-	6,753	-	1,938	-	6,753
			(23,813)	(10,904)	-		(1,938)		
Plant and machinery	11-21	229,556	22,582	35,413	231,831	39,044	29,693	13,462	218,369
			(55,720)				(55,275)		
Applicators	10	8,706	-	-	8,706	6,943	373	7,316	1,390
Laboratory equipments	10	12,761	1,518	-	14,279	3,569	1,346	4,915	9,364
-									
Electric fittings	10	18,565	4,607	-	19,305	5,423	1,878	5,458	13,847
			(3,867)				(1,843)		
Computer and related accessories	25	6,333	2,354	-	8,687	4,138	1,182	5,320	3,367
Office machines	10	2,227	-	-	2,227	1,167	140	1,307	920
Furnitures and fixtures	10	11,138	2,947	-	13,767	2,309	1,176	3,456	10,311
			(318)				(29)		
Motor vehicles	20	56,603	4,229	-	57,712	25,156	8,742	31,519	26,193
			(3,120)				(2,379)		
2010		1,143,096	56,836	74,635	790,496	87,749	62,902	72,753	717,743
			(374,497)	(109,574)			(77,898)		
Leased									
Motor vehicles	20	-	7,517	-	7,517	-	1,049	1,049	6,468
2010		1,143,096	64,353	74,635	798,013	87,749	63,951	73,802	724,211
			(374,497)				(77,898)		

5.1 Details of operating fixed assets disposed off

Particulars of assets	Sold to	Cost / Revalued	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
(Rupees)						
Motor vehicles						
- Suzuki Mehran	Insurance claim	505,000	85,000	420,000	500,000	Insurance claim
- Suzuki Mehran	Arif Hassan	560,000	560,000	-	84,000	Tender
- Suzuki Mehran	Mehboob Ali	345,000	345,000	-	313,500	-do-
- Daihatsu Coure	Muhammad Shakir	497,000	248,500	248,500	486,000	-do-
- Suzuki Cultus	Muhammad Shakir	590,000	295,000	295,000	575,000	-do-
- Suzuki Mehran	Abid Hussain	221,338	125,425	95,913	218,900	-do-
- Toyota Corolla	Syed Rizwan ul Hassan	1,079,000	1,079,000	-	787,000	-do-
- Toyota Hilux Vigo	First Habib Modarba	3,056,995	152,850	2,904,145	3,056,995	Sale and Lease back
- Hyundai Shehzore	Hameed Gul	495,000	412,500	82,500	317,000	-do-
- Honda City	Irfan Said	886,000	886,000	-	215,500	Group Policy
- Hyundai Santro	Sarfraz Arif	559,000	559,000	-	223,600	Group Policy
		8,794,333	4,748,275	4,046,058	6,777,495	

Notes to the Consolidated Financial Statements

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

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

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

(Rupees in '000)		Notes	2011	2010
	Freehold land		70,856	70,856
	Leasehold land		1,198	1,223
	Buildings on freehold land		171,487	169,186
	Buildings on leasehold land		9,390	6,823
	Plant and machinery		183,370	191,056
			436,301	439,144
5.4	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	29.1	45,907	41,217
	Distribution cost	30	15,474	13,683
	Administrative expenses	31	9,783	9,051
			71,164	63,951
6	**Intangible asset - in progress**			
	Balance as at 01 July		-	-
	Addition during the year		13,513	-
	Less: Amortization during the year		-	-
	Balance as at 30 June		13,513	-

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

(Rupees in '000)		2011	2010
7	**Goodwill**		
	Packaging Ink Business	16,750	16,750
	Powder Coating Business	24,000	24,000
		40,750	40,750

8 Investments in associate

(Rupees in '000) No. of shares ordinary 2011	2010	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2011	2010 Restated
273,600	273,600	Buxly Paints Limited	Pakistan	30 June 2010	19	10	3,510	4,179
		Add: Share of profit/(loss) of associate					(1,995)	489
		Less: Provision for impairment					-	(1,158)
							1,516	3,510

8.1 Group's share of loss from associated company of Rs. 1.995 million is based on unaudited financial statements of this associated company.

(Rupees in '000)	Notes	2011	2010
9 Long term loans			
Considered good- secured			
Due from employees	9.1	19,908	14,819
Less: Current portion shown under current assets	15	(4,857)	(4,250)
		15,051	10,569

9.1 These represent interest free loans provided to the employees of the group in accordance with the terms of their employment, under a scheme for the purchase of motor vehicles. These loans are secured by way of retention of title documents of the respective assets in the name of the group. 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.

(Rupees in '000)	Note	2011	2010
10 Long term deposits			
Considered good		18,884	14,845
Considered doubtful		3,552	3,552
		22,436	18,397
Less: Provision for doubtful balances	10.1	(3,552)	(3,552)
		18,884	14,845
10.1 The movement in provision for doubtful balances for the year is as follows:			
Balance as at 01 July		3,552	-
Provision for the year		-	3,552
Balance as at 30 June		3,552	3,552
11 Deferred taxation			
Debit / (credit) balances arising from:			
Accelerated tax depreciation		(73,805)	(82,701)
Provision for doubtful debts and long term deposits		24,463	24,803
Other provisions		23,584	17,277
Unassessed tax loss carried forward		157,329	136,643
Deferred tax asset		131,571	96,022

Notes to the Consolidated Financial Statements

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(Rupees in '000)		Note	2011	2010
12	**Stores**			
	In hand		8,574	8,375
13	**Stock in trade**			
	Raw and packing materials			
	- in hand		472,362	422,380
	- in transit		184,685	136,084
			657,047	558,464
	Semi processed goods		123,308	121,972
	Finished goods	13.1	332,631	297,225
			1,112,986	977,661
	Provision for slow moving and obsolete stocks - finished goods		(8,965)	(11,314)
			1,104,021	966,347

13.1 The amount charged to profit and loss account on account of write down of finished goods to net realisable value amounted to Rs 5.712 million (2010: Rs 1.765 million). Included in finished goods stock are colour bank machines costing Rs 15.129 million (2010: Rs. 15.129 million).

(Rupees in '000)		Notes	2011	2010 Restated
14	**Trade debts**			
	Unsecured			
	Considered good			
	- from related parties	14.1	32,529	20,817
	- others		635,960	600,117
			668,489	620,934
	Considered doubtful – others		79,383	79,911
			747,872	700,845
	Less: Provision for doubtful debts	14.2	(79,383)	(79,911)
			668,489	620,934
14.1	**Trade debts include the following amounts due from the following related parties:**			
	Dadex Eternit Limited - an associated undertaking		55	294
	Buxly Paints Limited - an associated undertaking		32,474	20,523
			32,529	20,817

(Rupees in '000)		Note	2011	2010 Restated
14.2	**The movement in provision for doubtful debts for the year is as follows:**			
	Balance at the beginning of the year		79,911	64,914
	Provision for the year - net of recoveries	30	3,507	17,343
	Bad debt written off against provision		(4,035)	(2,346)
	Balance at the end of the year		79,383	79,911

(Rupees in '000)		Notes	2011	2010
15	**Loans and advances**			
	Current portion of long-term loans - considered good			
	Due from employees	9	4,857	4,250
	Advances - unsecured, considered good			
	Employees		1,495	1,018
	Suppliers	15.1	21,741	43,624
			23,236	44,642
			28,093	48,892
15.1	**Advances to suppliers - unsecured**			
	Advances to suppliers - considered good	15.1.1	21,741	43,624
	Advances to suppliers - considered doubtful		-	963
			21,741	44,587
	Less: Provision for doubtful advances	15.1.2	-	(963)
			21,741	43,624

15.1.1 This includes amount advanced to Dadex Eternit Limited, an associated undertaking, amounting to Rs 13,125 (2010: Nil). The amount advanced is under normal business trade as per the terms mutually agreed.

(Rupees in '000)		2011	2010
15.1.2	**The movement in provision for doubtful advances for the year is as follows:**		
	Balance as at 01 July	963	963
	Provision for the year	-	-
	Advances written off against provision	(963)	-
	Balance as at 30 June	-	963

(Rupees in '000)		2011	2010 Restated
16	**Trade deposits and short term prepayments**		
	Trade deposits - security deposits	9,583	17,486
	Short term prepayments	3,360	2,527
		12,943	20,013

(Rupees in '000)		Notes	2011	2010 Restated
17	**Other receivables**			
	Insurance claim receivable	17.1	2,091	12,608
	Receivable from related parties	17.2	3,765	-
	Receivable against sale of leasehold land		-	27,650
	Receivable against color bank machines		6,117	7,994
	Margin against letters of guarantee		8,476	9,882
	Accrued income		4,657	3,896
	Sales tax refundable		179	263
	Retention money		2,506	2,506
	Others		7,343	5,385
			35,134	70,184

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(Rupees in '000)		2011	2010
17.1	**This includes receivable against insurance claims on account of the following:**		
	Stock in trade	2,091	6,533
	Interruption of business	-	3,195
	Laboratory equipment and electrical fittings	-	2,880
		2,091	12,608
17.2	**This includes amount due from the following:**		
	Buxly Paints Limited - an associated undertaking	3,765	-
		3,765	-

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

(Rupees in '000)		Notes	2011	2010 Restated
18	**Cash and bank balances**			
	With banks:			
	In current accounts			
	Local currency		206,549	241,257
	Foreign currency		-	105
			206,549	241,362
	In deposit accounts			
	Local currency	18.1	56,381	44,098
	Cash in hand		2,742	3,784
			265,672	289,244

18.1 This balance is under lien with commercial banks against letter of guarantee, carrying mark-up rates ranging from 5 to 12.5 percent per annum (2010: 5 to 14 percent per annum).

19 Share capital

2011 (Number of shares)	2010 (Number of shares)		2011 (Rupees in '000)	2010 (Rupees in '000)
		Authorised share capital		
25,000,000	25,000,000	Ordinary shares of Rs 10 each	250,000	250,000
		Issued, subscribed and paid-up share capital		
12,135,798	12,135,798	Ordinary shares of Rs 10 each fully paid up in cash	121,358	121,358
6,050,611	6,050,611	Ordinary share of Rs 10 each issued as fully paid bonus shares	60,506	60,506
18,186,409	18,186,409		181,864	181,864

		2011	2010
		(Number of shares)	
19.1	**Reconciliation of number of shares**		
	Number of shares as at 01 July	18,186,409	8,186,409
	Ordinary shares of Rs. 10 each issued as right shares during the year	-	10,000,000
	Number of shares as at 30 June	18,186,409	18,186,409

19.2 Slotrapid Limited B. V. I. (the ultimate holding company) and their nominees held 9,466,057 (2010: 9,466,057) ordinary shares of Rs 10 each representing 52.05 percent (2010: 52.05 percent) of the ordinary paid up capital of the group.

(Rupees in '000)		Notes	2011	2010 Restated
20	**Reserves**			
	Capital reserve			
	Share premium reserve		56,819	56,819
	Revenue reserve			
	General reserve		285,000	285,000
	Accumulated loss		(110,127)	(51,648)
			174,873	233,352
			231,692	290,171
21	**Surplus on revaluation of fixed asset - net of tax**			
	Net surplus as at 01 July		220,031	525,162
	Gross surplus			
	Surplus on revaluation of property, plant and equipment recognised during the year		-	87,670
	Deficit on revaluation on land and building charged against previous surplus		-	(111,705)
	Transfer to unappropriated profit as a result of incremental depreciation charged during the current year		(18,277)	(14,045)
	Transfer to unappropriated profit as a result of disposal of related asset		-	(267,051)
			201,754	220,031
	Related deferred tax liability			
	As at 01 July		(9,688)	1,488
	On transfer to unappropriated profit as a result of incremental depreciation charged during the current year		5,931	2,069
	On surplus on revaluation of property, plant and equipment recognised during the year		-	(13,245)
			(3,757)	(9,688)
	Net surplus as at 30 June		197,997	210,343
22	**Long term financing**			
	Secured			
	- JS Bank Limited	22.1	200,000	50,000
	- Habib Bank Limited	22.2	125,000	-
			325,000	50,000
	Less: Current maturity shown under current liabilities		(105,000)	(50,000)
			220,000	-

Notes to the Consolidated Financial Statements

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22.1 This represents a long term loan from a commercial bank of Rs.200 million. The facility is secured against an equitable mortgage of Rs. 267 million on land and building of Lahore factory of the group. Mark-up is payable quarterly and charged at the rate of three month's KIBOR plus 2.5 % per annum. The balance is repayable in 10 equal quarterly installments of Rs. 20 million each, commencing on 25 August 2011 . The effective rate of mark-up is 15.83% (2010: 15.64%).

22.2 This represents a long term loan from a commercial bank of Rs 125 million. This facility is secured against first hypothecation charge over plant and machinery of the group. Mark-up is payable quarterly and charged at the rate of one month's KIBOR plus 2.5% per annum. The balance is repayable in 20 equal quarterly installments of Rs 6.25 million each, commencing on 31 July 2011 . The effective rate of mark-up is 15.66% (2010 : Nil).

23 Liabilities against assets subject to finance lease

The minimum lease payments have been discounted at an implicit interest rate of 14.87 % to 16.23% to arrive at their present value. At the end of the lease term, the assets shall be transferred in the name of the lessee. The amount of the future payments and the period in which they will become due are:

	2011			2010
	Minimum lease payments	Future finance cost	Present value of lease liability	Present value of lease liability
(Rupees in '000)				
Not later than one year	7,092	2,235	4,857	2,112
Later than one year but not later than five years	16,996	3,264	13,732	4,023
	24,088	5,499	18,589	6,135

(Rupees in '000)	Notes	2011	2010 Restated
24 Trade and other payables			
Trade payables		517,414	493,226
Bills payable		451,019	281,820
Accrued expenses		8,489	7,227
Employees' Pension Fund	37.2	14,614	6,158
Employees' Gratuity Fund	37.2	25,458	19,222
Accumulating compensated absences		7,280	6,498
Unclaimed dividend		2,309	2,312
Provision for infrastructure cess	24.1	46,465	37,716
Advances from customers		13,915	14,446
Workers' Profits Participation Fund	24.2	3,620	3,075
Workers' Welfare Fund		9,454	9,549
Payable to related parties	24.3	-	10
Sales tax & special excise duty payable		8,966	33,343
Dividend payable		1,531	1,531
Royalty payable to related parties	24.4	64,912	42,616
Royalty and technical fee payable		4,887	4,397
Others		18,087	8,750
		1,198,420	971,896

(Rupees in '000)		2011	2010
24.1	The movement in provision for infrastructure cess for the year is as follows:		
	Balance at 01 July	37,716	29,011
	Provision during the year	8,749	8,705
	Balance at 30 June	46,465	37,716

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 group's purchases include heavy imports, which fall under the said provisions, consequently a duty at the rate of 0.85 percent (2010: 0.8 to 0.85 percent) on the cost and freight value of imports is levied. The group, 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 an interim order on 31 May 2011 and directed the plaintiffs to discharge and return any bank gurantees/ security furnished for consignments cleared upto 27 December 2006 and 50 % of the gurantee amount after 27 December 2006 and the balance amount shall be kept alive till the disposal of penalties. Pending a final decision, no adjustment has been made in respect of this amount.

(Rupees in '000)		Notes	2011	2010 Restated
24.2	**Workers' Profits Participation Fund**			
	Balance at 01 July		3,075	4,291
	Allocation for the year	33	81	185
			3,156	4,476
	Interest on funds utilised in the group's business	34	478	407
			3,634	4,883
	Less: Amount paid to workers during the year on behalf of the Fund		(14)	(1,808)
	Balance at 30 June		3,620	3,075
24.3	**This includes amount due to the following:**			
	Dadex Eternit Limited		-	10
			-	10
24.4	**This includes amount due to the following:**			
	Slotrapid Limited B.V.I.		62,740	41,445
	Buxly Paints Limited		2,172	1,171
			64,912	42,616
25	**Accrued mark-up**			
	Mark-up accrued on secured			
	Long term financing		4,600	1,608
	Short term financing		10,753	12,726
	Short term running finances		33,107	30,086
			48,460	44,420

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(Rupees in '000)		Note	2011	2010
26	**Short term borrowings**			
	Short term financing	26.1	77,500	330,000
	Short term running finances	26.2	897,479	923,553
			974,979	1,253,553

26.1 Short term financing - secured

The facilities for short-term financing have been arranged from commercial banks amounting to Rs 57.5 million and Rs 20 million. These facilities are secured against joint registered charge over stocks and receivables. The above facilities carry mark-up ranging between 14.8% and 16.12% (2010: 13.48% and 16.40%) per annum, payable quarterly. These facilities are due to expire by June 2012.

26.2 Short term running finances - secured

The group has arranged facilities for short-term running finance from various banks on mark-up basis to the extent of Rs 940 million (2010: Rs 950 million). These arrangements are secured against first joint hypothecation charge over the group's stocks and receivables . The above facilities carry mark-up ranging between 15.62 % and 16.28 % (2010: 13.50 % and 16.11 %) per annum, payable quarterly.

26.3 Unavailed credit facilities

The facilities for opening of letters of credits and guarantees as at 30 June 2011 amounted to Rs. 985.00 million (2010: Rs 985 million) of which the remaining unutilised amount as of that date was Rs. 240.89 million (2010: Rs. 606.731 million).

27 Contingencies and commitments

27.1 Contingencies

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

- In previous years a case was 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 also filed a counter claim of Rs 3 million along with mark-up 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 varnish 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.

- The group was issued a show cause notice from Competition Commission of Pakistan (CCP) seeking explanation about non-disclosure to the customers about cash redemption coupons included inside the paint drums. The group has made representation to the CCP explaining its legal position on the matter and the group's legal counsel is of the view that the matter will be settled in favour of the group. However, subsequent to the year end, as a good corporate citizen the group has started the practice to affix the sticker outside the paint drums informing the customer about the coupons included inside the paint drums.

27.2 Commitments

- Commitments in respect of capital expenditure contracted for, as at 30 June 2011, amounted to Rs Nil (2010: Rs Nil).

- Outstanding letters of credit as at 30 June 2010 amounted to Rs 234.093 million (2010: Rs 378.268 million).

- Outstanding letters of guarantees as at 30 June 2011 amounted to Rs 59.936 million (2010: Rs 45.156 million).

(Rupees in '000)	Notes	2011	2010 Restated
28 Sales - net			
Gross sales			
- Local		4,370,888	4,076,342
- Export		148,564	127,092
Sale from service contracts		16,463	24,896
		4,535,915	4,228,330
Less: Discounts		(267,465)	(247,728)
Sales tax		(623,101)	(557,221)
Special excise duty		(54,536)	(34,735)
		3,590,813	3,388,646
29 Cost of sales			
Finished goods as at 01 July		299,895	304,710
Cost of goods manufactured	29.1	2,772,210	2,503,091
Purchases		96,707	63,666
Provision against slow moving finished goods		(2,348)	9,368
Application cost		6,677	5,148
Less: Finished goods as at 30 June		(332,631)	(297,225)
Cost of sales		2,840,510	2,588,758
29.1 Cost of goods manufactured			
Raw and packing materials consumed		2,554,429	2,263,450
Stores consumed		4,041	14,950
Salaries, wages and other benefits		55,964	46,629
Application cost		268	481
Travelling and conveyance		5,037	10,564
Fuel, water and power		42,424	46,352
Legal and professional fee		4,963	4,415
Rent, rates and taxes		2,080	1,367
Insurance		4,616	6,059
Repairs and maintenance		11,757	14,049
Contracted services		35,353	46,056
Depreciation	5.4	45,907	41,217
Printing and stationery		896	1,380
Communication		457	934
Other expenses		5,354	5,553
		2,773,546	2,503,456
Opening stock of semi-processed goods		121,972	121,607
Closing stock of semi-processed goods		(123,308)	(121,972)
Cost of goods manufactured		2,772,210	2,503,091

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(Rupees in '000)		Notes	2011	2010 Restated
30	**Distribution costs**			
	Salaries, wages and other benefits		106,778	118,680
	Motor vehicle Expense		90	182
	Travelling and conveyance		29,067	32,738
	Rent, rates and taxes		7,855	9,901
	Insurance		7,601	5,370
	Fuel, water and power		1,367	3,192
	Advertising and sales promotion		204,939	273,986
	Technical services and royalty fee		30,236	24,977
	Freight and handling		87,115	89,004
	Repairs and maintenance		1,235	1,136
	Contracted services		16,902	10,635
	Depreciation	5.4	15,474	13,683
	Provision for doubtful debts - net of recoveries	14.2	3,507	17,343
	Bad debts directly written off		2,413	1,373
	Printing and stationery		1,421	2,119
	Legal and professional		1,008	2,484
	Communication		2,634	3,083
	Other expenses		10,406	4,107
			530,048	613,993
31	**Administrative expenses**			
	Salaries, wages and other benefits		58,636	56,874
	Frieght and handling		187	505
	Entertainment		66	-
	Travelling and conveyance		10,782	9,198
	Rent, rates and taxes		6,246	3,801
	Insurance		6,563	5,261
	Auditors' remuneration	31.1	1,820	2,768
	Fuel, water and power		9,521	2,033
	Advertising expense		2,461	1,747
	Repairs and maintenance		3,746	2,654
	Contracted services		7,900	10,725
	Depreciation	5.4	9,783	9,051
	Printing and stationery		2,084	2,789
	Legal and professional		8,033	6,524
	Communication		4,854	3,960
	Other advances written off		318	131
	Provision for doubtful advances and deposits		763	5,165
	Directors' fee		2,150	1,900
	Others		10,360	11,807
			146,273	136,893
31.1	**Auditors' remuneration**			
	Audit fee		1,383	1,375
	Special certifications and half yearly review		325	1,048
	Out of pocket expenses		112	345
			1,820	2,768

(Rupees in '000)		Notes	2011	2010 Restated
32	**Other operating income**			
	Sale of scrap		10,029	22,159
	Gain on disposal of fixed assets		2,731	10,648
	Mark-up, rental income and other services charged to related parties		3,652	960
	Toll manufacturing income		2,949	3,301
	Export rebate		3,130	2,696
	Liabilities no longer payable written back		2,463	9,591
	Workers welfare fund no longer payable written back		125	-
	Insurance claim		34,114	45,329
	Mark-up on term deposit receipts		5,974	4,037
	Debtor balances previously written off now written back		645	14,250
	Creditors written back		-	2,641
	Management fee from berger road safety		3,709	5,000
	Comission income		-	131
	Late payment charges from a related party		250	-
	Others		1,473	3,161
			71,244	123,904
33	**Other charges**			
	Exchange loss		1,197	2,413
	Stock written off due to fire		-	23,122
	Provision for impairment on long term investments		-	1,158
	Workers' Profits Participation Fund	24.2	81	185
	Workers' Welfare Fund		31	209
	Deficit on revaluation of property, plant and equipment		-	10,904
	Others		-	4,871
			1,309	42,862
34	**Finance cost**			
	Mark up on:			
	Long-term financing		22,008	39,092
	Short-term financing		47,171	59,090
	Short-term running finances		137,531	141,609
	Finance cost on leases		2,219	559
	Interest on workers profit participation fund	24.2	478	407
	Bank charges		7,051	12,144
			216,458	252,901
35	**Taxation**			
	Current			
	- For the year		36,855	19,375
	- For prior years		(3,771)	-
	Deferred			
	- For current years		(35,551)	(21,075)
	- For prior years		-	(8,045)
			(2,467)	(9,745)

Since the group has tax losses for the year, the current tax provision represents the tax under section 113A of the Income Tax Ordinance, 2001 and as such it is impracticable to prepare a tax charge reconciliation. As at 30 June 2011 the holding company has assessed tax losses available for carry forward amounting to Rs 402.942 million including tax depreciation losses of Rs 169.91 million.

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2011

(Rupees in '000)	Notes	2011	2010 Restated
		2011	2010
		(Rupees in '000)	
36 Loss per share - basic and diluted			
Loss after taxation		(70,825)	(111,323)
		Number of shares	
Weighted average number of shares outstanding during the year		18,186,409	13,044,625
		Rupees	
Loss per share		(3.89)	(8.53)

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

(Rupees in '000)		2011	2010
37 Staff retirement benefits and other obligations			
Defined benefit plan			
Staff pension	37.2	14,614	6,158
Staff gratuity	37.2	25,458	19,222
		40,072	25,380
Other long term employee benefits			
Accumulating compensated absences		7,280	6,498
		47,352	31,878

Defined benefit plan

As mentioned in note 3.16, the group operates an approved funded gratuity and pension schemes for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at 30 June 2011. Projected Unit Credit method based on the following assumptions was used for these valuations:

(Rupees in '000)	2011	2010
Valuation discount rate	14%	12%
Expected rate of increase in salary level	13%	11%
Rate of return on plan assets	14%	12%

37.1 The disclosures made in notes 37.2 to 37.6 and 37.8 to 37.11 are based on the information included in the actuarial valuation as of 30 June 2011.

(Rupees in '000)		2011		2010	
		Pension	Gratuity	Pension	Gratuity
37.2	**Balance sheet reconciliation**				
	Present value of defined benefit obligation	38,097	26,351	35,554	21,903
	Fair value of plan assets	(23,483)	(893)	(29,396)	(2,681)
	Recognised liability - note 24	14,614	25,458	6,158	19,222
37.3	**Movement in the fair value of plan**				
	assets is as follows:				
	Fair value as at 01 July	29,396	2,682	28,837	4,713
	Expected return on plan assets	3,528	322	3,460	565
	Actuarial losses	(782)	(293)	(1,969)	(3,301)
	Group's contribution	-	1,000	-	6,261
	Employee contribution	603	-	516	-
	Benefits paid	(1,262)	(2,818)	(1,448)	(5,557)
	Amount transferred to group during the year	(8,000)	-	-	-
	Fair value as at 30 June	23,483	893	29,396	2,681

(Rupees in '000)		2011		2010	
		Pension	Gratuity	Pension	Gratuity
37.4	**Movement in defined benefit obligation is as follows:**				
	Obligation as at 01 July	35,554	21,903	31,725	21,346
	Service cost	3,611	4,166	3,239	3,611
	Interest cost	4,266	2,628	3,806	2,562
	Benefits paid	(1,261)	(2,817)	(1,448)	(5,556)
	Actuarial (gains)/loss	(4,073)	471	(1,768)	(60)
	Obligation as at 30 June	38,097	26,351	35,554	21,903
37.5	**Charge for the year**				
	Current service cost	3,611	4,166	3,239	3,611
	Interest cost	4,266	2,628	3,806	2,562
	Expected return on plan assets	(3,527)	(322)	(3,460)	(565)
	Recognition of actuarial (gains) / losses	(3,291)	764	201	3,241
	Employee contribution	(603)	-	(516)	-
	Expense	456	7,236	3,270	8,849
	Actual return on plan assets	2,746	29	1,491	(2,736)

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(Rupees in '000)		2011		2010	
		Pension	Gratuity	Pension	Gratuity
37.6	**Movement in net liability in the balance sheet is as follows:**				
	Net liability as at 01 July	6,158	19,221	2,888	16,633
	Charge for the year	456	7,236	3,270	8,849
	Amount transferred to group during the year	8,000	(999)	-	(6,261)
	Net liability as at 30 June	14,614	25,458	6,158	19,221
37.7	**The charge for the year has been allocated as follows:**				
	Cost of sales	128	2,028	916	2,480
	Distribution costs	215	3,410	1,541	4,171
	Administrative expenses	113	1,798	813	2,198
		456	7,236	3,270	8,849

37.8 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:

(Rupees in '000)	2011	2010	2009	2008	2007
Present value of defined benefit obligation	64,448	57,457	53,071	63,099	50,353
Fair value of plan assets	(24,376)	(32,077)	(33,550)	(45,437)	(43,254)
Deficit	40,072	25,380	19,521	17,662	7,099
Experience adjustment:					
Loss on obligations	(3,602)	(1,828)	(10,542)	5,613	-
Loss on plan assets	(1,075)	(5,270)	(2,371)	(92)	-

(Rupees in '000)		2011		2010	
		Pension	Gratuity	Pension	Gratuity
37.9	**Plan assets comprise the following:**				
	Defence Saving Certificates	10,040	-	9,773	-
	Term deposits	-	-	8,000	-
	Cash	3,440	893	1,504	2,682
	Term Finance Certificate	10,003	-	10,119	-
		23,483	893	29,396	2,682

37.10 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.

37.11 Expected contribution to post-employment benefit plans for the year ending 30 June 2011 is Rs 7.69 million.

(Rupees in '000)	Notes	2011	2010 Restated
38 Cash generated from operations			
Loss before taxation		(73,842)	(122,369)
Adjustments for non cash charges and other items:			
Depreciation		71,164	63,951
Gain on disposal of fixed assets		(2,731)	(10,648)
Provision/ (reversal) against slow moving stock		(2,348)	9,368
Stock written off due to fire		-	23,122
Provision/(reversal) for doubtful debts		(528)	14,997
Provision for doubtful deposits		-	3,552
Share of profit/ (loss) of associate		1,995	(488)
Impairment on long term investments		-	1,158
Finance cost		216,458	252,901
Deficit on revaluation		-	10,904
Working capital changes	38.1	106,892	109,908
		317,060	356,356
38.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(199)	(1,266)
Stock-in-trade		(135,326)	13,056
Trade debts		(47,026)	(49,937)
Loans and advances		20,799	13,646
Trade deposits and short-term prepayments		7,070	4,513
Other receivables		35,049	57,819
		(119,633)	37,831
Increase in current liabilities:			
Trade and other payables		226,525	72,077
		106,892	109,908
39 Cash and cash equivalents			
Cash and bank balances		265,672	289,244
Short-term running finance		(897,479)	(923,553)
		(631,807)	(634,309)

40 Remuneration of chief executive, and executives

(Rupees in '000)	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration (including bonus)	60	26,986	533	30,751
Retirement benefits	-	16,158	30	2,204
Housing rent	-	11,712	213	9,820
Utilities	-	2,411	47	2,182
Medical expenses	473	1,231	81	1,428
Travelling expenses	1,513	-	1,219	-
	2,046	58,498	2,123	46,385
Number of persons	1	37	2	31

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40.1 Seven (2010: Seven) non-executive directors were paid fee aggregating Rs 2.15 million (2010: Rs 1.90 million).

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

41 Transactions with related parties

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

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2011, the group has not made any provision for debts relating to amounts owed by related parties. Other material transactions with related parties are given below:

Relation with undertaking	Nature of transaction	2011	2010
(Rupees in '000)			
Holding company			
- Slotrapid Limited B.V.I.	Royalty expense	21,295	20,209
Associated undertaking			
- Buxly Paints Limited	Sales	60,497	74,161
	Rental income and other services charged	2,610	960
	Toll manufacturing income	2,949	3,301
	Royalty expense	1,000	1,171
- Dadex Eternit Limited	Sales	191	1,672
	Purchases	31	83
Remuneration of key management personnel		See note 40	

The related party status of outstanding balances as at 30 June 2011 are included in trade debts (note 14.1), other receivables (note 17.2) and trade and other payables (note 24.1) respectively.

42 Financial risk management

42.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

(Rupees in '000)	2011	2010
Trade and other payables - Euro	-	(8)
Net exposure - Euro	-	(8)
Trade and other payables - SFR	-	(32)
Net exposure - SFR	-	(32)
Trade and other payables - UKP	(6)	-
Net exposure - UKP	(6)	-
Trade and other payables - USD	(4,350)	(2,173)
Deposits	-	1
Net exposure - USD	(4,350)	(2,172)
Trade and other payables - JPY	(72,320)	(57,783)
Net exposure - JPY	(72,320)	(57,783)

The following significant exchange rates were applied during the year:

(Rupees in '000)	2011	2010
Rupees per Euro		
Average rate	116.01	116.32
Reporting date rate	124.89	104.58
Rupees per SFR		
Average rate	92.10	79.20
Reporting date rate	103.59	79.10

	2011	2010
Rupees per UKP		
Average rate	134.25	132.60
Reporting date rate	138.62	128.96
Rupees per USD		
Average rate	85.83	84.17
Reporting date rate	86.05	85.60
Rupees per JPY		
Average rate	1.02	0.92
Reporting date rate	1.07	0.97

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 loss after taxation for the year would have been Rs 22.627 million (2010: Rs 12.27 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Foreign exchange risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

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(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The group is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers. The group is not exposed to equity price risk since the investment held by the group in subsidiaries are unquoted and are not subject to fluctuations in market prices. Moreover the equity instrument held by the group 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 group'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 Group's interest rate risk arises from long term borrowings, short term borrowings and short term running finances. Borrowings obtained at variable rates expose the group to cash flow interest rate risk.

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

(Rupees in '000)	2011	2010 Restated
Financial assets		
Fixed rate instruments		
Bank balances - deposit accounts	56,381	44,098
Total exposure	56,381	44,098
Financial liabilities		
Floating rate instruments		
Long-term financing	325,000	50,000
Short-term financing	77,500	330,000
Short-term running finance	897,479	923,553
	1,299,979	1,303,553

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term financing, at the year end rate, fluctuate by 1% higher / lower with all the other variables held constant, loss after taxation for the year would have been Rs 3.25 million (2010: Rs 0.50 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 of the company arises from deposits with banks, trade debts, investments, loans and advances and other receivables.

(i) Exposure to credit risk

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

(Rupees in '000)	2011	2010 Restated
Long term investments	1,516	3,510
Loans to employees	19,908	14,819
Long term deposits	22,436	18,397
Trade debts	747,872	700,845
Trade deposits	9,583	17,486
Other receivables	35,134	70,184
Cash and bank balances	265,672	289,244
	1,102,121	1,114,485

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

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

(Rupees in '000)	2011	2010 Restated
The age of financial assets		
Not past due	361,258	421,276
Past due but not Impaired:		
Not more than three months	474,501	498,634
More than three months and not more than six months	62,468	53,279
More than six months and not more than one year	77,256	35,713
Past due and Impaired:		
More than one year	126,638	105,583
	1,102,121	1,114,485

(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 (Rupees in '000))	Short term	Rating Long term	Rating Agency	2011	2010 Restated
NIB Bank Limited	A1+	AA-	PACRA	-	89
Bank Alfalah Limited	A1+	AA	PACRA	-	39
Oman International Bank Limited	A-2	BBB	JCR-VIS	422	411
Faysal Bank Limited	A-1+	AA	PACRA & JCR	27	399
Royal Bank of Scotland	A1+	AA	PACRA	-	6,410
Bank Al Habib Limited	A1+	AA+	PACRA	43,419	43,877
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	78,689	125,601
United Bank Limited	A-1+	AA+	JCR-VIS	12,995	2,184
Habib Bank Limited	A-1+	AA+	JCR-VIS	108,259	100,692
MCB Bank Limited	A1+	AA+	PACRA	19,034	-
Standard Chartered Bank	A1+	AAA	PACRA	5	5
Askari Bank	A1+	AA	PACRA	69	69
Citi Bank N.A	A-1	A+	Standard & poor's	11	5,684
				262,930	285,460

Notes to the Consolidated Financial Statements

For the year ended 30 June, 2011

(c) Liquidity risk

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

The group manages liquidity risk by maintaining funding through an adequate amount of committed credit facilities. At 30 June 2011, the group had Rs 240.89 million available untilized borrowing limits from financial institutions and Rs 232.441 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at 30 June 2011:

(Rupees in '000)	Carrying amount	Less than one year	One to five years	More than five years
Long term financing	325,000	105,000	220,000	-
Trade and other payables	1,198,420	1,198,420	-	-
Accrued mark-up	48,460	48,460	-	-
Short term borrowings	974,979	974,979	-	-
	2,546,859	2,326,859	220,000	-

The following are the contractual maturities of financial liabilities as at 30 June 2010: (Restated)

(Rupees in '000)	Carrying amount	Less than one year	One to five years	More than five years
Long term financing	50,000	50,000	-	-
Trade and other payables	971,895	971,895	-	-
Accrued mark-up	44,420	44,420	-	-
Short term borrowings	1,253,553	1,253,553	-	-
	2,319,868	2,319,868	-	-

42.2 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.

(Rupees in '000)	Loans and receivables 2011	Loans and receivables 2010 (Restated)
42.3 Financial instruments by category		
Financial assets as per balance sheet		
Loans to employees	19,908	14,819
Long term deposits	22,436	18,397
Trade debts	747,872	700,845
Trade deposits	9,583	17,486
Other receivables	35,134	70,184
Cash and bank balances	265,672	289,244
	1,100,605	1,110,975

(Rupees in '000)	Other financial liabilities 2011	2010 (Restated)
Financial instruments by category		
Financial liabilities as per balance sheet		
Long term financing	325,000	50,000
Trade and other payables	1,198,420	971,895
Accrued mark-up	48,460	44,420
Short term borrowings	974,979	1,253,553
	2,546,859	2,319,868

42.4 Capital risk management

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

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

The gearing ratios as at 30 June 2011 and 2010 were as follows:

(Rupees in '000)	2011	2010 (Restated)
Total debt	1,299,979	1,303,553
Total equity	413,556	472,035
Total capital	1,713,535	1,775,588
Gearing ratio	75.87%	73.42%

(Litres in '000)	2011	2010
43 Production capacity		
Actual production	29,554	32,192

The capacity of the plant is indeterminable because it is a multi product plant involving varying processes of manufacturing. Actual production includes resin production of 6.961 million litres (2010: 7.790 million litres) which is used in the manufacture of the final product.

44 Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.

45 Date of authorisation for issue

These financial statements were authorised for issue on 20 September, 2011 by the Board of Directors of the group.

46 General

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

Chief Executive **Director**

Notes

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 Annual General Meeting of the Company to be held on October 25, 2011 and at any adjournment thereof.

Signed this ____________________ day of ________________ 2011.

Signature on
Rs.5.00
Revenue
Stamp

NOTES:

1. The Share Transfer Book of the Company will remain closed from October 19, 2011 to October 25, 2011 (both days inclusive).
2. A member of the Company entitled to attend, speak and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. The completed proxy form must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. Any individual beneficial owner of CDC, entitled to vote at this meeting must bring his/her original CNIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

www.berger.com.pk

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