BERGER
Trusted Worldwide

2012 annual report

Explore the colors of excellence

BERGER
Trusted Worldwide

Contents

Company Information

Board of Directors

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

Audit Committee

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

Human Resource Committee

Dr. Mahmood Ahmad
Mr. Shahzad M. Husain
Mr. Zafar A. Osmani

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
Bank Al-Habib Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Solicitors

Surridge & Beecheno

Company Registrar

THK Associates Private Limited

Registered Office

X-3, Manghopir Road, 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 history of 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.

Company Profile

Berger has entered into a number of technical collaboration arrangements with leading international manufacturers. These include the largest paint company in Japan, which enables Berger to develop Automotive, Vehicle Refinishes and Industrial Paints conforming to international standards; a Japanese chemical company, 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 DuPont 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

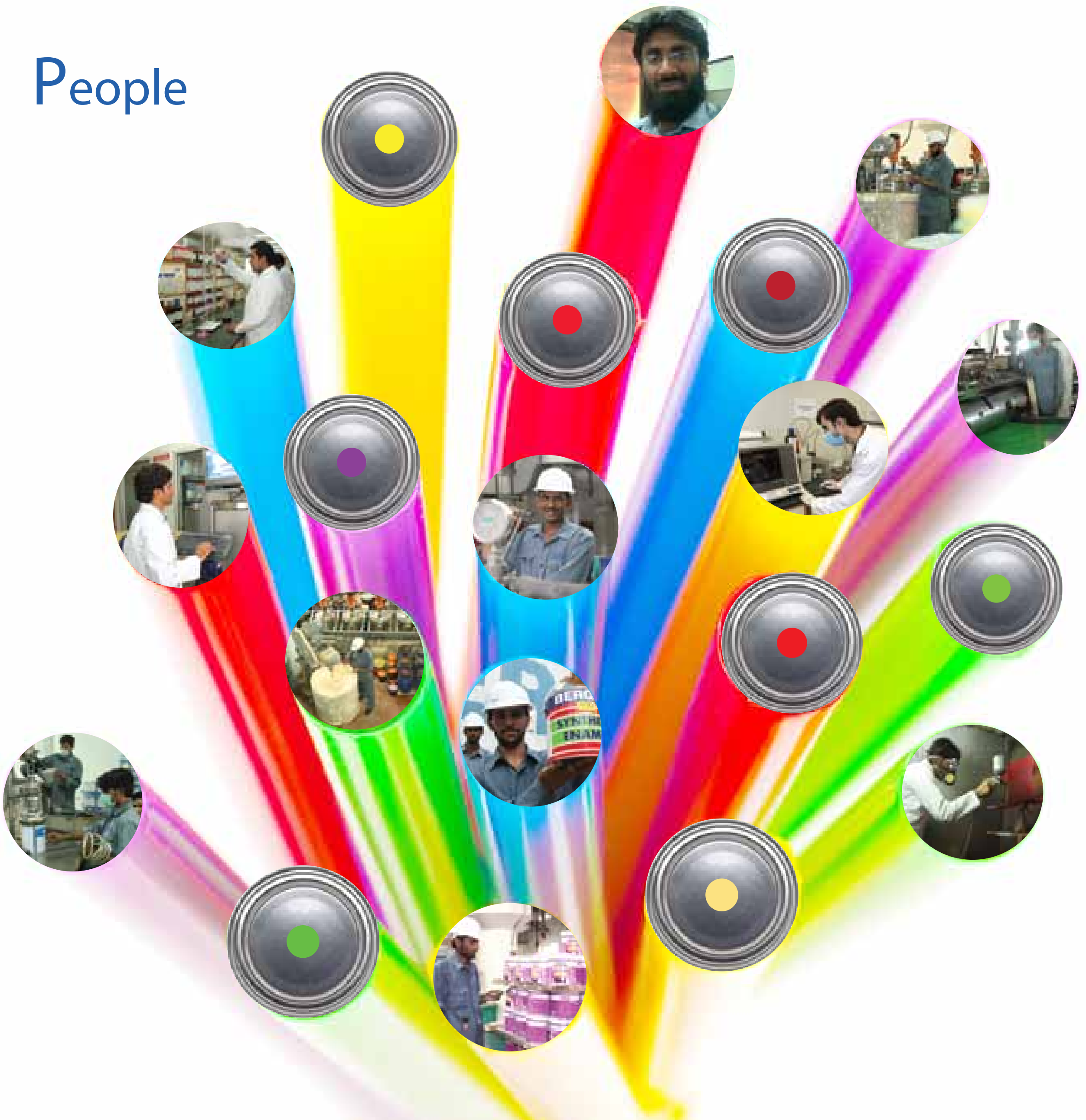
Berger is not just a Paint company; it offers one window solution across different paint product categories in order to meet the demands of its valued customers.

Berger Color Advisory Service is a free color 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 Officers make personal visits to address problems that the customers may be facing and have the relevant paint coating modified or adjusted according to the specific requirement.

People



At Berger, we consider PEOPLE as our most precious resource. This belief is gaining 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 and 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.

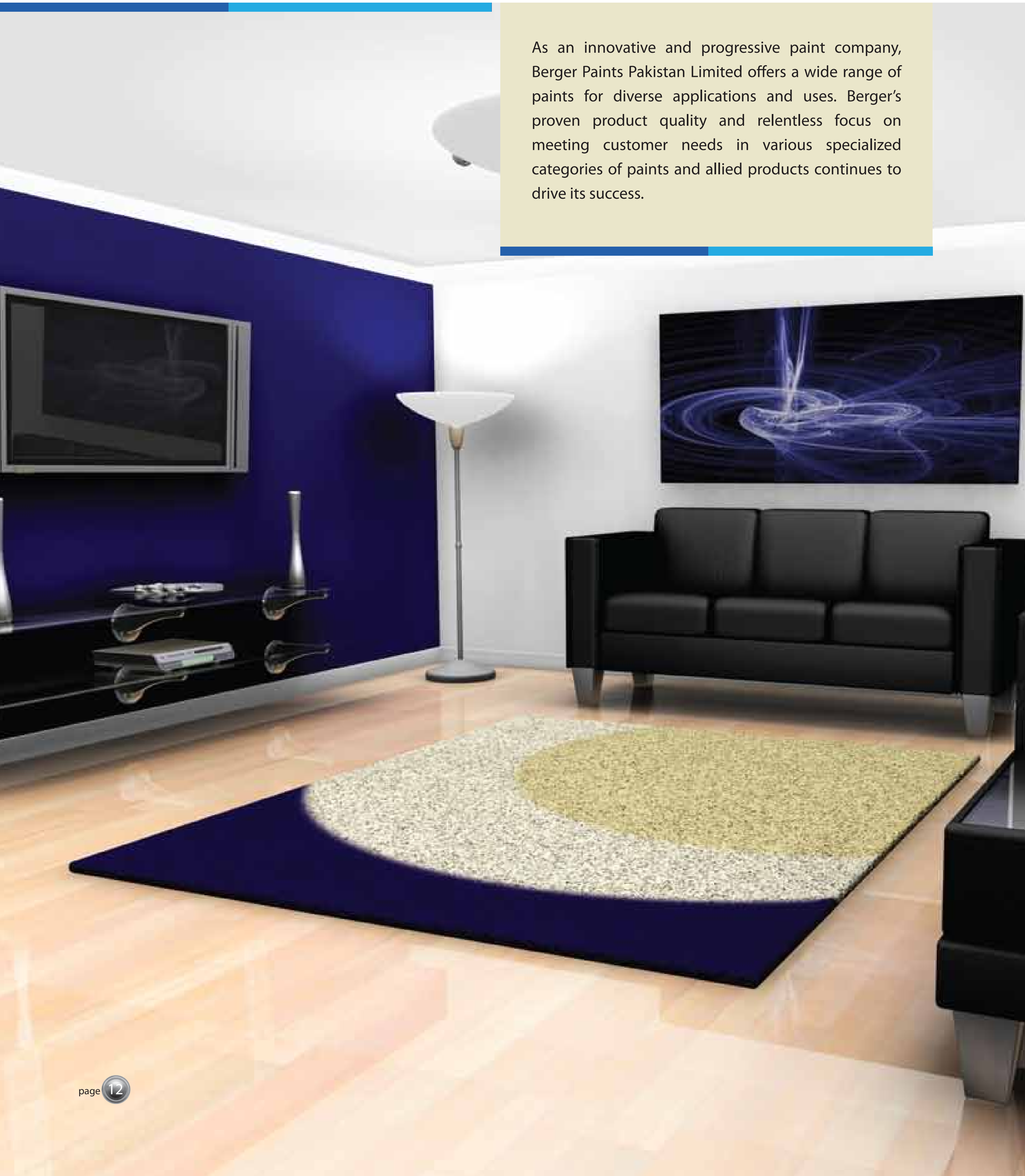
In addition, safety officers conduct regular Safety Audits that identify and rectify any non-compliance and enforce proper maintenance of safety procedures with active cooperation of all employees.

Berger Business Lines

- Decorative Business
- Automotive Business
- General Industrial Finishes
- Powder Coatings
- Protective Coatings
- Vehicle Refinishes
- Road Safety
- Government & Marine
- Construction Chemicals
- Printing Inks
- Adhesives

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 consists of flagship products like, Elegance Matt Emulsion, All Rounder Matt Enamel, Weathercoat, 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.

Decorative Projects

WORLD TRADE CENTER, ISLAMABAD.
DEFENCE VALLEY, ISLAMABAD.
ARMY RESIDENCY FLATS, ISLAMABAD.
SUPREME COURT BUILDING, ISLAMABAD.
INDIAN EMBASSY, ISLAMABAD.
SERENA HOTELS
BEACONHOUSE SCHOOL SYSTEM
CITY SCHOOL
EDEN VALUE HOMES, LAHORE.
SMC TOWER, LAHORE.
SOFITEL TOWERS, KARACHI.
CENTRE POINT, KARACHI.
CENTAURAS, ISLAMABAD.
GULF PLAZA, LAHORE.
VINCEY SHOPPING MALL, KARACHI.
AGHA KHAN HOSPITAL, KARACHI.

Automotive Paints

The Automotive Paints business is a quintessential division of the organization. It offers a wide variety of products to cater the complete needs of the Automotive Industrial Sector ranging from pre-treatment products to top-coat stoving & flamboyant finishes to stoving lacquers & varnishes.

In order to serve the Japanese car manufacturing segment Berger has had a long standing Technical collaboration with the prestigious paint company of Japan whereby Berger uses Japanese technology to manufacture special Auto paints to supply to customers like Toyota, Honda, Nissan etc. Besides the car segment Berger also has a considerable share in Tractor & Truck manufacturing segment – to name a few Al-Ghazi Tractors (FIAT), HINO Pak, Al-Hajj FAW Motors (FAW Trucks), Master Motors are some of the main customers.

The Auto business enjoys a significant market share in the two & three wheeler industry as well by supplying paint to leading Japanese and Chinese Motorcycle & Rickshaw manufacturers along with the local bicycle industry as well. Our prestigious customers include Atlas Honda Motorcycles (AHL), DYL Motorcycles, Omega Industries (Road Prince motorcycles), Plum Qingqi, Pakistan Cycle Industrial Co-operative Society (PCICS Sohrab cycle) etc.

The Automotive Paints Business over the years has grown and flourished and Berger is recognized as one of the major players in this segment for its high quality standards & efficient technical services. Berger is proud to be associated with the Automotive Industry of Pakistan and is committed to provide the same high level of services in the years to come.

Automotive Clients

NJ AUTO INDUSTRIES
MASTER MOTOR COMPANY
INDUS MOTORS COMPANY (IMC)
OMEGA AUTO INDUSTRIES
PCICS
ATLAS HONDA MOTORCYCLES (AHL)
AL GHAZI INDUSTRIES
OMEGA INDUSTRIES (ROAD PRINCE)
HABIB MOTORCYCLES
DYL MOTOR CYCLES
AL-HAJJ FAW MOTORS

General Industrial Finishes

The General Industrial Paints Business caters mainly to the industrial manufacturing sector of the nation. Berger supplies industrial finishes to leading makers of domestic electric & non-electric appliances, auto spare-parts vendors, steel & metal product manufacturers, heavy industrial machine & transformer manufacturers, metal furniture etc.

Boasting a wide range of industrial finishes Berger enjoys a significant market share in this segment of the paint industry. Berger has a complete industrial paint system developed for its extensive customer network spread all over the country. Finishes ranging from undercoats/primers to air drying enamels & varnishes, high quality heat resistant stoving finishes & varnishes, roller coating paints & lacquers and epoxy based finishes are all available. Each system has its unique characteristics designed to protect & safeguard products from all types of internal & external environmental conditions.

Conforming to International ISO Quality standards Berger over years has established itself as a major manufacturer of Industrial Finishes and is proud to be associated with names like Pak Fan, Siemens, Singer, GFC Fans, SSGC, LG Pakistan etc.

Committed to excellence Berger always has and will continue to provide its customers with industrial finishes that are considered value for money and reliable.

General Industry Clients

WAHID INDUSTRIES (PAK FAN)
AL BADAR ENGINEERING
SIEMENS PAKISTAN
BALOCHISTAN WHEELS LTD (BWL)
RAFIQUE ENGINEERING INDUSTRIES (ROYAL FAN)
SINGER PAKISTAN
LG PAKISTAN
AGRI AUTOS
GENERAL FAN COMPANY (GFC)
LOADS LIMITED
PHILIPS PAKISTAN
GUJRAT STEEL
SUPER ASIA INDUSTRIES
TRANSFO POWER
MADINA ELECTRONICS (MILLAT FANS)
SUI SOUTHERN GAS CO. (SSGC)

Powder Coatings

Powder Coating is a unique segment of the paint business catering to the industrial manufacturing sector of the country. It is an advanced and revolutionary method of applying a decorative or protective coating that can be used by both Industrial and Retail Consumers. The powder used for the process is a mixture of finely ground particles of pigment and resin, which is sprayed on a surface to be coated. The charged powder particles adhere to the electrically grounded surface which are then heated and fused onto a smooth surface. The coated surface is then reheated in a curing oven and the result is a uniform, high-quality, attractive smooth finish.

Powder Coating is mainly used for application on the metal parts of domestic appliances like air-conditioners, refrigerators, microwave ovens, water geysers, furniture, etc. and automotive parts like bumpers, radiators, hubcaps, filters, door handles, engine Parts etc and also on aluminum profiles e.g. doors, windows, light Poles, guard Rails, light Fixtures, antennas etc.

Berger manufactures and sells two brands of Powder Coating in Pakistan.

• Bercoat – Berger's in-house brand launched in early 2000's. Bercoat has been successfully performing since then in the local market.

• Oxyplast – an international brand of Powder Coatings from Belgium whose sole franchise rights are with Berger in Pakistan. This franchise was acquired in 2009 and is steadily improving its share in the business.

Berger offers a wide variety of shades in Bercoat & Oxyplast. These shades are available in both Pure Polyester and Epoxy Polyester based systems. Customers can also get customized shades developed if need be. These shades finishes vary from glossy to matt to texture to antique and are all available to our customers as per their requirement.

Powder Coating is an economical and environmentally friendly form of durable coating gaining recognition rapidly in the industrial manufacturing segment. Manufacturers who are conscious about cost and quality prefer to use Powder Coatings for their products and Berger is their foremost choice.

Powder Coating Clients

COOL INDUSTRIES (WAVES)
SUI SOUTHERN GAS CO. (SSGC)
PHILIPS PAKISTAN
VARIOLINE INTERCOOL
PAN ISLAMIC INDUSTRIES
DYL MOTORCYCLES
UNIVERSAL CONTAINERS
MARVEL METALS
GFC FANS

Protective Coatings

The PROTECTON Division of Berger makes heavy duty Protective Coatings and Anti-Corrosive Paints for specialized structures such as barrages, dams, industrial structures, pipelines, boilers, which are exposed to hostile environmental elements.

Protective Coatings serve a dual purpose of protecting surfaces from chemical reactions as well as improving visual appeal. These protective paints conform to international standards of quality and are designed to resist the severity of extreme environmental as well as corrosive effects of atmosphere and other decaying agents. They have excellent resisting properties against chemicals, marine environment, oil spillage and fresh and salt water. These coatings can be applied to concrete, cement render, asbestos sheeting, steel/concrete pipelines, harbors, oil refineries, dams, barrages, chemical plants, battery rooms etc. and shore installations with good durability.

Protective Coatings Clients

DESCON ENGINEERING
PACKAGES LIMITED
FAUJI FERTILIZER CO.
NEXUS ENGINEERING
PAKISTAN OIL FIELD
NATIONAL REFINERY
UNILEVER PAKISTAN
MAPLE LEAF CEMENT
SHERATON HOTEL

Vehicle Refinishes

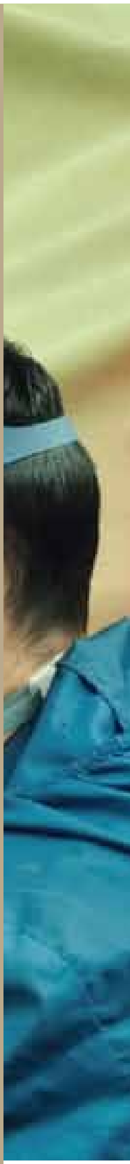
The challenge of Berger's technical expertise in the Vehicle Refinish business is to offer touch-up paints that precisely match the original color of vehicles. This is achieved through different refinish systems designed to enable application for high gloss, durable, quick drying and accurate color matching 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

Road Safety Clients

NATIONAL HIGHWAY AUTHORITY (NHA)
PROVINCIAL HIGHWAY AUTHORITY (C&W)
ASTALDI ITALY
CAPITAL DEVELOPMENT AUTHORITY (CDA)
CHINA ROADS & BRIDGES CORPORATION
CHINA YUNAN CORPORATION
XIANJIANG BEIXIN ROAD & BRIDGES COMPANY CHINA
CITY DISTRICT GOVERNMENT KARACHI (CDGK)
CITY DISTRICT GOVERNMENT LAHORE (CDGL)
DHA KARACHI/LAHORE
LAHORE DEVELOPMENT AUTHORITY (LDA)
TEPA (LDA)
CIVIL AVIATION AUTHORITY (CAA)
CANTONMENT BOARDS
NATIONAL LOGISTIC CELL (NLC)
FRONTIER WORKS ORGANIZATION (FWO)

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, such as 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.

Major Road Safety Application Projects

- FAISALABAD ROADS REHABILITATION PROJECT (FRRP)
- LAHORE ROADS REHABILITATION PROJECT (LRRP)
- KASHMIR ROAD SIALKOT
- FEROZEPUR ROAD LAHORE
- TMP-RYK, N-5 SECTION
- LHR – SKP- FSD EXPRESSWAY (BOT PROJECT)
- LAHORE RING ROAD
- FAIZPUR – JARANWALA ROAD
- KALMA CHOWK LAHORE
- LAHORE KASUR ROAD
- MALL ROAD LAHORE
- CANAL BANK ROAD LAHORE
- BAHRIA TOWN RAWALPINDI
- MURREE ROAD
- TORKHAM-JALALABAD ROAD AFGHANISTAN
- KOHAT TUNNEL
- KANDHAR-KABUL HIGHWAY
- INTERNAL ROADS OF CDA
- BAGH - ARJA ROAD (AJK)
- BALAKOT - MAHANDRI ROAD
- ATTOCK REFINERY LIMITED INTERNAL ROADS
- INDUS HIGHWAY
- KARACHI INTERNATIONAL CONTAINER TERMINAL
- RASHID MINHAS ROAD FLYOVER
- BANARAS FLY OVER
- DOW UNIVERSITY OF HEALTH SCINCES, OJHA CAMPUS
- AGHA KHAN UNIVERSITY HOSPITAL
- MAKRAN COASTAL HIGHWAY AT 25.05KM, GAWADAR
- GAWADAR CITY PROJECT
- KARACHI CANTONMENT BOARD ROADS
- KHUZDAR - SHEHDADKOT ROAD PROJECT
- INTERNAL ROADS OF DHA KARACHI.
- KARARO - WADH. BALOCHISTAN

Govt. & Marine

Berger stands tall amongst esteemed suppliers to Government and its subordinate bodies, Armed Forces, Aviation sector, Utility corporations, Ports and Shipping, Research and Development Organizations, Educational Institutions and Health sector. It provides a vast variety of products and services ranging from the Architectural coatings to highly specialized products.

As Pakistan is endowed with a long coastal belt, it needs reliable protection for its sea-bound crafts as well as off-shore and on-shore installations. Berger's Government & Marine business meets this need with a wide range of products comprising of specialized coatings for ships, air craft's, fuel storage stands, warehouses, arms and ammunition depots, etc.

Govt. & Marine Clients

SUI NORTHERN GAS
PAKISTAN RAILWAYS
CIVIL AVIATION AUTHORITY
PAKISTAN ATOMIC ENERGY COMMISSION
WAPDA
C.O.D
HABIB RAFIQ
ARMY HOUSING
PPHI SINDH
GHQ
FWO
PAKISTAN NAVY

Construction Chemicals

Berger is active in most facets of the construction industry and operates sales, warehousing and manufacturing facilities all over the country, thereby providing local markets with a prompt and informed customer service.

BERGER has established a nationwide reputation for innovative construction technology based on extensive research and development together with experienced practical advice. We offer a broad range of high-quality, intelligent and tailor-made products and system to meet customer's needs, improving the quality, safety, efficiency, economy, design and durability of construction. The product range of BERGER comprises of products for almost every conceivable high performance chemical requirement of the building.

The company has earned wide acclaim for its high performance Epoxy Floorings and Chemical Waterproofing products. BERGER products are manufactured under stringent quality control using ingredients sourced indigenously as well as imported. The staggering array of products includes Concrete Admixtures, Waterproofing treatments, Epoxy Flooring, Floor Hardeners, and Sealants.

Construction Chemicals Clients

ATTOCK REFINERY
NATIONAL DEVELOPMENT COMPLEX
MOL PAKISTAN
SAMUNGALI AIR BASE QUETTA
INDUS MOTORS COMPANY
LANDI RENZO PAKISTAN
AGA KHAN UNIVERSITY HOSPITAL
PAF
LALPIR POWER HOUSE
I.T TOWER, LAHORE
PAK ARAB FERTILIZERS
ENGRO FOODS

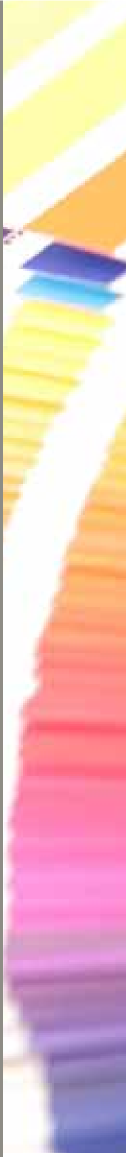
Printing Inks

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.



Printing Inks Business Clients

FIRST TREET MANUFACTURING
ROSHAN PACKAGES
NOVACYN PACK
AL-QADRI & AWAN
FRONTIER PRINTER
FINE PACKAGES
INDUSTRIAL PACKAGES
AL MADINA PLASTICS
JILLANI INDUSTRIAL
ALHAMD GRAVURE

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

Financial Highlights

	2012	2011 Restated	2010	2009	2008	2007
		Year Ended June 30,				
		(Rupees in thousand)				
NET ASSETS						
Fixed Assets	639,696	697,641	715,499	1,052,460	614,447	625,723
Assets under Finance Lease	9,121	2,770	-	-	-	-
Goodwill	40,750	40,750	40,750	40,750	52,350	-
Long Term Investments	4,086	5,567	6,962	13,849	13,849	13,849
Long Term Loans & Deposits	34,700	31,861	23,508	29,253	22,072	23,046
Deferred Taxation	176,685	131,685	96,022	80,146	99,647	-
Net Current Assets	(145,607)	(40,948)	(208,918)	(443,157)	(364,172)	(58,321)
Total	759,431	869,326	673,823	773,301	438,193	604,297
FINANCED BY						
Share Capital	181,864	181,864	181,864	81,864	81,864	69,376
Reserves	219,307	219,469	277,593	114,787	84,919	315,657
Surplus on Revaluation of Fixed Assets	187,720	197,997	210,343	526,650	154,744	173,697
	588,891	599,330	669,800	723,301	321,527	558,730
Long Term and Deferred Liabilities	170,540	269,996	4,023	50,000	116,666	45,567
Total	759,431	869,326	673,823	773,301	438,193	604,297
TURNOVER AND PROFITS						
Turnover	4,052,009	3,571,510	3,359,276	3,580,302	3,123,311	2,904,050
(Loss)/ Profit before tax	(7,080)	(70,661)	(128,299)	47,296	(425,647)	100,752
Taxation	3,359	(191)	(12,078)	20,160	(122,900)	51,673
(Loss)/ Profit after tax	(10,439)	(70,470)	(116,221)	27,136	(302,747)	49,076
Dividend	-	-	-	-	-	27,749
Transfer to General Reserve	-	-	-	-	-	80,000
EARNING AND DIVIDENDS						
(Loss) / Earning per share	(0.57)	(3.87)	(8.91)	2.21	(43.62)	7.07
Dividend per share - Cash	-	-	-	-	-	4.00
- Bonus	-	-	-	-	-	-

Directors' Report

The Directors are pleased to present the Annual Report together with the financial statements of your Company for the year ended 30 June 2012.

Although Pakistan's economy has shown some recovery signs in terms of GDP growth, key macro indicators still remain weak as reported by the State Bank of Pakistan in its latest quarterly report.

Domestic economy was struck by heavy rains in Sindh and parts of Balochistan costing $ 3.7 billion. Notwithstanding these challenges, the Gross Domestic Product growth this year is estimated at 3.7 percent as compared to 3.0 percent last year. In comparison, the global recovery is threatened by intensifying strains in the euro area and other markets.

During the period under review, the country continued to face severe power & gas crises and poor law & order situation which has directly impacted economic activity. However, a fall in the price of food items and lower petroleum prices has kept inflation at 11% at the end of financial year 2011-2012.

Despite the economic and competitive challenges your Company displayed a good improvement in results over the last year.

The financial performance of your company is summarized as follows:

	2012	2011
	(Rupees in thousand)	
Operating profit for the year	120,419	76,862
Other operating income	87,528	69,504
	207,947	146,366
Other charges	9,265	2,592
Finance Cost	205,762	214,435
	215,027	217,027
Loss before tax	(7,080)	(70,661)
Taxation	3,359	(191)
Loss after tax	(10,439)	(70,470)

SAFETY, HEALTH & ENVIORNMENT

Berger endeavors' to ensure Health and Safety of its employees and other associates at its premises. Impact on environment is always kept in mind while performing all company activities. The well defined HSE policy plays a vital role in decision making at all levels to ensure full compliance of statutory requirements and best industry practices.

The respective procedures are periodically updated to ensure accident free work place by encouraging instant reporting of all even near miss incidents followed by rigorous investigation to incorporate avoidance of future recurrences. HSE Internal & External sequential audits of all departments are conducted to evaluate compliance level.

Berger shall remain committed to provide Healthy, Safe and Eco-friendly environment to all its internal and external stakeholders.

BOARD OF DIRECTORS

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

Dr. Mahmood Ahmad	4
Mr. Hamid Masood Sohail	4
Mr. Maqbool H. H. Rahimtoola	4
Mr. Muhammad Naseem	4
Mr. M. Saeed (Alternate Director of Mr. Ilyas Sharif)	2
Mr. Abdul Wahid Qureshi (Alternate Director of Mr. Ilyas Sharif)	2
Mr. Shahzad M. Husain	4
Mr. Zafar A. Osmani	4

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

AUDIT COMMITTEE

During the year four Audit Committee meetings were held.

Directors' Report

CONSOLIDATED FINANCIAL STAEMENTS

Consolidated financial statements 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.

LOSS PER SHARE

The loss per share for the year is Rs. (0.57) [2011: Rs. (3.87)]

AUDITORS

The present auditors KPMG Taseer Hadi & Co. Chartered Accountants retired and being eligible, have offered themselves for reappointment with their partner in charge of audit Mr. Bilal Ali.

RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board. The Board approved pricing policy for related party transactions as discussed in the notes to the accounts.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their listing regulations, relevant for the year ended 30 June 2012 have been duly complied with. A statement to this effect is annexed with the report.

REASON FOR NOT DECLARING DIVIDENDS

As a result of a loss during the year, the Directors do not recommend declaration of dividend or any appropriation of profit.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on 30 June 2012 and its disclosure, as required by the Code of Corporate Governance is annexed.

STATEMENT OF CORPORATE FINANCIAL REPORTING FRAMEWORK

The company has complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly, the Directors are pleased to confirm the following:

i. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the company's 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 which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required are based on reasonable and prudent judgment.

iv. The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

v. The system of internal control is sound in design and has been effectively implemented and monitored.

Directors' Report

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. The key operating and financial data of the last six years is annexed.

ix. Outstanding statutory payments on account 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 31 December 2011:

	Rupees in thousand
Berger Paints Executive Staff Pension Fund	31,872
Berger Paints Gratuity Fund	21,532
Berger Paints Provident Fund	114,936

The Directors, CEO, CFO / Company Secretary and their Spouses and minor children did not carry out any trade in the shares of the company.

CORPORATE SOCIAL RESPONSIBILITY

The company believes in its social responsibility and performed the same through environmental protection measures, community investment and welfare scheme, consumer protection measures, industrial relations, occupational safety and health, business ethics and national cause donation.

ON BEHALF OF THE BOARD

Maqbool H. H. Rahimtoola
Chairman

Karachi: 17 September 2012

Pattern of Shareholding

As at 30 June 2012

Number of Shareholders	From	To	Total No. of Shares
325	1	100	10,599
316	101	500	90,688
185	501	1000	144,258
338	1001	5000	825,469
72	5001	10000	524,127
27	10001	15000	330,907
13	15001	20000	220,131
6	20001	25000	149,886
4	25001	30000	106,827
2	30001	35000	65,302
5	35001	40000	189,461
4	40001	45000	172,103
2	45001	50000	100,000
1	55001	60000	57,336
1	60001	65000	64,453
1	80001	85000	81,000
2	100001	105000	203,896
1	105001	110000	110,000
1	120001	125000	122,184
1	130001	135000	132,220
1	135001	140000	139,550
1	220001	225000	224,543
1	240001	245000	242,086
1	300001	305000	300,336
1	305001	310000	309,495
2	310001	315000	627,192
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
1322			18,186,382

Categories Of Shareholders	Number of Shareholders	Number of Shares Held	Number of Percentage
INDIVIDUALS	1,292	6,830,327	37.56%
INVESTMENT COMPANIES	1	590	0.00%
INSURANCE COMPANIES	1	224,543	1.23%
JOINT STOCK COMPANIES	18	555,145	3.05%
FINANCIAL INSTITUTIONS	7	1,109,244	6.10%
CO-OPERATIVE SOCIETIES	1	476	0.00%
ASSOCIATED COMPANIES	2	9,466,057	52.05%
TOTAL	1,322	18,186,382	100.00%

Pattern of Shareholding
As at 30 June 2012

Description	Shares Held	Percentage
Directors, CEO and their spouses and minor children	2,021	0.011%
NIT and ICP	619,916	3.409%
Banks Development Financial Institution	489,918	2.694%
Insurance Companies	224,543	1.235%
Joint Stock Companies	555,145	3.053%
Co-operative Societies	476	0.003%
General Public	6,828,306	37.546%
Associated Companies	9,466,057	52.050%

Categories of Shareholders Required Under the Code of Corporate Governance as at 30 June 2012

Directors, CEO and their spouses and minor children Holding Percentage	Shares Held	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. Muhammad Naseem	1	0.000%
Mr. Zafar A. Osmani	1	0.000%
TOTAL	2,021	0.011%
Associated Companies		
Slotrapid Limited	9,466,057	52.050%
NIT and ICP		
National Bank of Pakistan Trustee Dep CDC	619,326	3.405%
Investment Corporation of Pakistan	590	0.003%
	619,916	3.409%
INDIVIDUALS	6,828,306	37.546%
INSURANCE COMPANIES	224,543	1.235%
JOINT STOCK COMPANIES	555,145	3.053%
FINANCIAL INSTITUTIONS	489,918	2.694%
CO-OPERATIVE SOCIETIES	476	0.003%
	8,098,388	44.530%
	18,186,382	100.00%

Statement of Compliance With the Code of Corporate Governance

For the Year ended 30 June 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Stock Exchanges of Karachi and Islamabad for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	**Names**
Independent Director(s)	Mr. Hamid Masood Sohail
	Mr. Shahzad M. Husain
	Mr. Zafar A. Osmani
Executive Director	Dr. Mahmood Ahmad
Non-Executive Director(s)	Mr. Maqbool H. H. Rahimtoola
	Mr. Muhammad Naseem
	Mr. Ilyas Sharif

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board during the year.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended have been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms & conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. A training for Directors had been conducted in 2009-2010.

10. There were no new appointments of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit during the year. However, appointments of existing CFO, Company Secretary and Head of Internal Audit including their remuneration and terms & conditions were ratified by the Board as required by the Code.

11. 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.

Statement of Compliance With the Code of Corporate Governance
For the Year ended 30 June 2012

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee who is also an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. Subsequent to the year end the Board has formed an HR and Remuneration Committee in its meeting held on 17 September 2012. It comprises three members, of whom two are non-executive directors including the chairman of the Committee.

18. The Board has outsourced its internal audit function to a leading firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. 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, 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 Institute of Chartered Accountants of Pakistan. .

20. 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.

21. The 'close period', prior to the announcement of interim/ final results and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/ price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles contained in the Code have been complied with.

ON BEHALF OF THE BOARD

Karachi
Date: 17 September 2012

Dr. Mahmood Ahmad
Chief Executive

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 2012.

KPMG Taseer Hadi & Co.

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

Lahore
Date: 17 September 2012

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

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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 2012 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 2012 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).

KPMG Taseer Hadi & Co.

Lahore

Date: 17 September 2012

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

BALANCE SHEET

AS AT 30 JUNE 2012

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Non-current assets			
Property, plant and equipment	5	634,304	686,898
Intangible asset - in progress	6	14,513	13,513
Goodwill	7	40,750	40,750
Long term investments (subsidiaries and an associate)	8	4,086	5,567
Long term loans	9	15,437	14,742
Long term deposits	10	19,263	17,119
Deferred taxation	11	176,685	131,685
		905,038	910,274
Current assets			
Stores	12	10,778	8,574
Stock in trade	13	987,881	1,099,616
Trade debts	14	694,265	655,993
Loans and advances	15	42,764	26,920
Trade deposits and short term prepayments	16	12,654	12,127
Other receivables	17	45,082	37,487
Taxation - net		141,906	130,503
Short term investments	18	20,080	-
Cash and bank balances	19	144,013	257,449
		2,099,423	2,228,669
		3,004,461	3,138,943
Share capital and reserves			
Share capital	20	181,864	181,864
Reserves	21	219,307	219,469
		401,171	401,333
Surplus on revaluation of fixed assets - net of tax	22	187,720	197,997
Non-current liabilities			
Long-term financing	23	115,000	220,000
Staff retirement benefits	24	47,865	47,352
Liabilities against assets subject to finance lease	25	7,675	2,644
Current liabilities			
Trade and other payables	26	1,096,443	1,140,731
Accrued mark-up	27	41,008	48,460
Current maturity of long-term financing	23	105,000	105,000
Current maturity of liabilities against assets subject to finance lease	25	1,883	447
Short term borrowings	28	1,000,696	974,979
		2,245,030	2,269,617
Total liabilities		2,415,570	2,539,613
Contingencies and commitments	29		
		3,004,461	3,138,943

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Sales - net	30	4,052,009	3,571,510
Cost of sales	31	3,253,590	2,831,240
Gross profit		798,419	740,270
Distribution costs	32	534,128	521,739
Administrative expenses	33	143,872	141,669
		678,000	663,408
Operating profit		120,419	76,862
Other operating income	34	87,528	69,504
		207,947	146,366
Other charges	35	9,265	2,592
Finance cost	36	205,762	214,435
		215,027	217,027
Loss before taxation		(7,080)	(70,661)
Taxation	37	3,359	(191)
Loss after taxation		(10,439)	(70,470)
		Rupees	
Loss per share - basic and diluted	38	(0.57)	(3.87)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	(Rupees in thousand)	
		Restated
Loss after taxation	(10,439)	(70,470)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(10,439)	(70,470)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Cash flow from operating activities			
Cash generated from operations	39	281,896	313,640
Finance cost paid		(213,214)	(210,394)
Income tax paid		(59,762)	(60,467)
Staff retirement benefits paid		(12,259)	(3,143)
Long term loans		(695)	(4,814)
Long term deposits		(2,144)	(3,539)
Net cash (outflow) / inflow from operating activities		(6,178)	31,283
Cash flow from investing activities			
Capital expenditure		(14,750)	(39,502)
Addition in intangible assets		(1,000)	(13,513)
Sale proceeds on disposal of property, plant and equipment		16,549	6,777
Short term investments		(20,080)	-
Net cash outflow from investing activities		(19,281)	(46,238)
Cash flow from financing activities			
Long term financing obtained		-	325,000
Short term borrowings - net		(17,500)	(252,500)
Lease rentals paid		(8,694)	(6,192)
Long term financing repaid		(105,000)	(50,000)
Net cash (outflow) / inflow from financing activities		(131,194)	16,308
Net (decrease) / increase in cash and cash equivalents		(156,653)	1,353
Cash and cash equivalents at the beginning of the year		(640,030)	(641,383)
Cash and cash equivalents at the end of the year	40	(796,683)	(640,030)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Issued, subscribed and paid-up share capital	Capital Reserves	Revenue Reserves		Total share capital and reserves
		Share premium	General reserve	Accumulated loss	
	(Rupees in thousand)				
Balance as at 01 July 2010	181,864	56,819	285,000	(64,226)	459,457
Surplus on revaluation of property, plant and equipment realized 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 - Restated	-	-	-	(70,470)	(70,470)
Balance as at 30 June 2011 - Restated	181,864	56,819	285,000	(122,350)	401,333
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	10,277	10,277
Total comprehensive loss for the year ended 30 June 2012	-	-	-	(10,439)	(10,439)
Balance as at 30 June 2012	181,864	56,819	285,000	(122,512)	401,171

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Financial Officer **Chief Executive** **Director**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. THE COMPANY AND ITS OPERATIONS

Berger Paints Pakistan Limited ("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 X-3, Manghopir Road, S.I.T.E., Karachi.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Separate financial statements

These financial statements are the separate financial statements of the company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the company are prepared separately.

The company has following long term investments:

Name of company	Shareholding
Subsidiaries	
- Berger DPI (Private) Limited	51%
- Berdex Construction Chemicals (Private) Limited	51.96%
Associate	
- Buxly Paints Limited	19%

2.2 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 5.4 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 3.17 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. For critical accounting estimates and judgments used in these financial statements refer to note 4.

3.2 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss, 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 5.1 to these financial statements.

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 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 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 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 recognized as goodwill.

3.6 Long term deposits

Long term deposits are stated at cost.

3.7 Stores

These are valued at the lower of moving average cost and net realizable value except for items in transit, which are valued at invoice price and related expenses incurred upto the balance sheet date. Adequate provision is made for slow moving items. General stores, spares and loose tools are charged to profit and loss currently. The company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

3.8 Stocks in trade

Stocks of raw materials are valued at moving average cost. Finished goods are valued at the lower of average manufacturing 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 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 Leases

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depended upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 5.1. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating lease

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the company's benefit.

The company has certain Ijarah leases which were not classified as operating leases in the financial statements for the year ended 30 June 2011, as required by the Islamic Financial Accounting Standard 2 (IFAS 2) issued by the Institute of Chartered Accountants of Pakistan. However, in compliance with IFAS 2, all its Ijarah financing have now been classified as operating lease rather then finance lease and as per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors" the adjustments of such classification have been made retrospectively. Consequently, leased assets and leased liabilities as at 30 June 2011 have been reduced by Rs 16.754 million and Rs 15.498 million, respectively. Depreciation expense and finance cost for the year ended 30 June 2011 have been decreased by Rs 3.951 million and Rs 1.896 million, respectively, with a corresponding increase of Rs 7.103 million in Ijarah lease rentals. The affect of such classification on basic and diluted loss per share of the company for year ended 30 June 2011 is negligible.

3.13 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.

3.14 Provisions

Provisions are recognized 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.

3.15 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 recognized until their realization become virtually certain.

3.16 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.

3.17 Staff retirement benefits

3.17.1 Defined benefit schemes

The company 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.

3.17.2 Defined contribution plan

Provident fund

The company also operates a recognized 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 7.630 million (2011: Rs 6.792 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.

3.18 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.

3.19 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.

3.20 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 recognized 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 recognized when the company's right to receive payment is established.

- Other revenues are recorded on accrual basis.

3.21 Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the company 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.

3.22 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 recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.23 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 recognized in profit or loss, if any, in which case surplus is recognized in profit or loss account. A revaluation deficit is recognized 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 recognizes 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.

3.24 Dividends and appropriations to general reserve

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

3.25 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 recognized 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.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy for recognition of actuarial gains and losses is already in compliance with the amendment.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January

2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

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 2013, 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	5.1
- Provision for deferred taxation	11
- Net realizable value of stock in trade to their net realizable value	13
- Provision for doubtful debts	14
- Staff retirement benefits	24

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.

	Note	2012	2011
		(Rupees in thousand)	
			Restated
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	629,981	686,898
Capital work in progress	5.3	4,323	-
		634,304	686,898

5.1 Property, plant and equipment

	Annual rate of depreciation	Cost as at 01 July 2011	Additions/ (Deletions)	Cost as at 30 June 2012	Accumulated Depreciation as at 01 July 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2012	Net book value as at 30 June 2012
	%	(-------------------	-------------------	Rupees	in	thousand	-------------------	-------------------)
Owned								
Freehold land	-	196,862	-	196,862	-	-	-	196,862
Leasehold land	2.06	67,000	-	67,000	1,380	1,365	2,745	64,255
Building on freehold land	5	174,362	56	174,418	8,404	8,402	16,806	157,612
Building on leasehold land	5	9,673	-	9,673	350	504	854	8,819
Plant and machinery	10-21	243,377	2,669	246,046	56,762	41,707	98,469	147,577
Laboratory equipments	10	13,904	222	14,126	6,130	1,396	7,526	6,600
Electric fittings	10	23,840	3,807	27,647	7,671	2,569	10,240	17,407
Computer and related accessories	25	12,250	2,047	14,297	6,933	2,166	9,099	5,198
Office machines	10	2,351	1,209	3,560	1,439	170	1,609	1,951
Furniture and fixtures	10	15,339	375	15,714	4,904	1,544	6,448	9,266
Motor vehicles	20	51,132	42	33,383	31,989	6,690	28,070	5,313
			(17,791)			(10,609)		
2012		**810,090**	**10,427**	**802,726**	**125,962**	**66,513**	**181,866**	**620,860**
			(17,791)			(10,609)		
Leased								
Motor vehicles	20	3,056	5,601	8,657	286	1,663	1,949	6,708
Plant and machinery	10	-	1,164	1,164	-	19	19	1,145
Electric fittings	10	-	1,290	1,290	-	22	22	1,268
2012		**3,056**	**8,055**	**11,111**	**286**	**1,704**	**1,990**	**9,121**
		813,146	18,482	813,837	126,248	68,217	183,856	629,981
			(17,791)			(10,609)		

	Annual rate of depreciation	Cost as at 01 July 2010	Additions/ (Deletions)	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	Net book value as at 30 June 2011
	%	(----------	----------	Rupees	in thousand	----------	----------	----------)
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	10-21	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
Furniture and fixtures	10	13,730	1,609	15,339	3,441	1,463	4,904	10,435
Motor vehicles	20	55,360	4,061	51,132	30,747	5,905	31,989	19,143
			(8,289)			(4,663)		
2011		778,877	39,502	810,090	64,427	66,198	125,962	684,128
			(8,289)			(4,663)		
Leased								
Motor vehicles - Restated	20	-	3,561	3,056	-	371	286	2,770
			(505)			(85)		
2011		778,877	43,063	813,146	64,427	66,569	126,248	686,898
			(8,794)			(4,748)		

5.2 Details of operating fixed assets disposed off

Particulars of assets	Sold to	Cost/ Revalued amount	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(-------------- Rupees	in thousand		------------)	
Motor vehicles						
- Suzuki Alto	Standard Chartered Modaraba	485	283	202	485	Sale and Lease back - Ijarah
- Honda Civic	Standard Chartered Modaraba	1,865	926	939	1,775	-do-
- Honda Civic	Standard Chartered Modaraba	1,845	922	923	1,775	-do-
- Honda Civic	Standard Chartered Modaraba	1,840	920	920	1,775	-do-
- Suzuki Cultus	Standard Chartered Modaraba	662	375	287	662	-do-
- Suzuki Cultus	Standard Chartered Modaraba	662	353	309	662	-do-
- Suzuki Cultus	Standard Chartered Modaraba	657	318	339	657	-do-
- Suzuki Alto	Standard Chartered Modaraba	611	315	296	570	-do-
- Suzuki Mehran	Standard Chartered Modaraba	503	243	260	484	-do-
- Suzuki Mehran	Standard Chartered Modaraba	503	260	243	484	-do-
- Suzuki Mehran	Standard Chartered Modaraba	498	257	241	479	-do-
- Suzuki Mehran	Standard Chartered Modaraba	403	228	175	403	-do-
- Suzuki Mehran	Standard Chartered Modaraba	403	215	188	403	-do-
- Suzuki Mehran	Standard Chartered Modaraba	403	202	201	403	-do-
- Suzuki Mehran	Mr. Ijaz Malik	557	444	113	337	Tender
- Honda City	Mr. Khurram Imtiaz	1,031	464	567	967	-do-
- Suzuki Mehran	Mr. Muhammad Rafique	560	430	130	386	-do-
- Honda Civic	Mr. Abid Ansar	850	283	567	708	-do-
- Suzuki Mehran	Mr. Muhammad Khurram Ayub	365	365	-	287	-do-
- Suzuki Mehran	Mr. Waseem Mirza	465	465	-	382	-do-
- Suzuki Mehran	Mr. Megani	362	277	85	347	-do-
- Suzuki Mehran	Mr. Awais Sheikh	350	350	-	345	-do-
- Suzuki Cultus	Mr. Adnan Waheed	555	555	-	503	-do-
- Toyota Corolla	Mr. Shahid Sultan	969	791	178	984	-do-
- Suzuki Mehran	Adamjee Insurance Company Limited	387	368	19	286	Insurance Claim
	2012	**17,791**	**10,609**	**7,182**	**16,549**	
	2011	8,794	4,748	4,046	6,777	

	2012	2011
	(Rupees in thousand)	
5.3 Capital work in progress includes following		
Building	3,482	-
Plant and machinery	461	-
Electric installation	271	-
Furniture and fixture	109	-
	4,323	-

5.4 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.

5.5 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:

	2012	2011
	(Rupees in thousand)	
		Restated
Freehold land	70,856	70,856
Leasehold land	1,041	1,132
Buildings on freehold land	162,966	171,487
Buildings on leasehold land	9,860	9,390
Plant and machinery	150,787	148,301
	395,510	401,166

		Note	2012	2011
			(Rupees in thousand)	
				Restated
5.6	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	31.1	55,183	45,093
	Distribution costs	32	7,959	13,268
	Administrative expenses	33	5,075	8,208
			68,217	66,569

6. INTANGIBLE ASSET - IN PROGRESS

	2012	2011
Balance as at 01 July	13,513	-
Addition during the year	1,000	13,513
Balance as at 30 June	14,513	13,513

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

7. GOODWILL

	Note	2012	2011
Packaging Ink Business	7.1	16,750	16,750
Powder Coating Business	7.2	24,000	24,000
		40,750	40,750

7.1 This goodwill represents excess of purchase consideration paid by the company for acquisition of the Packaging Inks business unit of an ink manufacturing company (the seller) over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. For impairment testing, the recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 15 %. The calculation of value in use is sensitive to discount rate and local inflation rates.

7.2 This goodwill represents excess of purchase consideration paid by the company for acquisition of the Powder Coating business unit of an ink manufacturing company (the seller) over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. For impairment testing, the recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 15 %. The calculation of value in use is sensitive to discount rate and local inflation rates.

8. LONG TERM INVESTMENTS IN RELATED PARTIES - AT COST

(Subsidiaries and an associate)

No. of shares - ordinary 2012	No. of shares - ordinary 2011	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2012	2011
							(Rupees in thousand)	
(i) Subsidiary companies - unlisted								
765,000	765,000	Berger DPI (Private) Limited	Pakistan	June 30, 2011	51	10	2,550	2,550
676,020	676,020	Berdex Construction Chemicals (Private) Limited	Pakistan	June 30, 2011	51.96	10	5,510	5,510
		Less: Provision for impairment					(5,510)	(4,608)
							-	902
							2,550	3,452
(ii) Associate - listed								
273,600	273,600	Buxly Paints Limited	Pakistan	June 30, 2011	19	10	10,397	10,397
		Less: Provision for impairment					(8,861)	(8,282)
							1,536	2,115
							4,086	5,567

9. LONG TERM LOANS

	Note	2012	2011
		(Rupees in thousand)	
Considered good- secured			
Due from employees	9.1	20,180	19,521
Less: Current portion shown under current assets	15	(4,743)	(4,779)
		15,437	14,742

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 except for those vehicles which have been refinanced under Ijarah financing. The outstanding amount at the end of the year is recoverable over a period of five to eight years. These loans have not been discounted to their present value as the financial impact thereof is not material.

10. LONG TERM DEPOSITS

	2012	2011
	(Rupees in thousand)	
Considered good	19,263	17,119
Considered doubtful	3,552	3,552
	22,815	20,671
Less: Provision for doubtful balances	(3,552)	(3,552)
	19,263	17,119

	Note	2012	2011
		(Rupees in thousand)	

11. DEFERRED TAXATION

	Note	2012	2011
Debit / (credit) balances arising from:			
Accelerated tax depreciation		(63,746)	(73,691)
Provision for doubtful debts and long term deposits		27,722	24,463
Other provisions		10,302	23,584
Unassessed tax loss carried forward and tax credits		202,407	157,329
Deferred tax asset		176,685	131,685

12. STORES

	Note	2012	2011
In hand		10,778	8,574

13. STOCK IN TRADE

	Note	2012	2011
Raw and packing materials			
- in hand		504,053	472,362
- in transit		65,369	184,685
		569,422	657,047
Semi processed goods		119,707	123,308
Finished goods	13.1	313,379	328,226
		1,002,508	1,108,581
Provision for slow moving and obsolete stocks - finished goods		(14,627)	(8,965)
		987,881	1,099,616

13.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounted to Rs 2.413 million (2011: Rs 5.712 million). Included in finished goods stock are color bank machines costing Rs 10.086 million (2011: Rs. 15.129 million).

14. TRADE DEBTS

	Note	2012	2011
		(Rupees in thousand)	
Unsecured			
Considered good			
- from related parties	14.1	66,639	86,461
- others		627,626	569,532
		694,265	655,993
Considered doubtful – others		75,654	66,342
		769,919	722,335
Less: Provision for doubtful debts	14.2	(75,654)	(66,342)
		694,265	655,993

	Note	2012	2011
		(Rupees in thousand)	

14.1 Trade debts include the following amounts due from the following related parties:

	Note	2012	2011
Berdex Construction Chemicals (Private) Limited - subsidiary		8,370	17,483
Dadex Eternit Limited - an associated undertaking		-	55
Berger DPI (Private) Limited - subsidiary		-	16,489
Buxly Paints Pakistan Limited - an associated undertaking		31,107	32,474
Berger Road Safety (Private) Limited - subsidiary of Berger DPI (Private) Limited		27,162	19,960
		66,639	86,461

14.2 The movement in provision for doubtful debts for the year is as follows:

	Note	2012	2011
Balance as at 01 July		66,342	66,352
Provision for the year - net of recoveries	32	10,000	3,381
Bad debt written off against provision		(688)	(3,391)
Balance as at 30 June		75,654	66,342

15. LOANS AND ADVANCES

	Note	2012	2011
Current portion of long-term loans - considered good			
Due from employees	9	4,743	4,779
Advances - unsecured, considered good			
Employees		1,549	1,281
Suppliers	15.1	36,472	20,860
		38,021	22,141
		42,764	26,920

15.1 This includes amount advanced to Dadex Eternit Limited, an associated undertaking, amounting to Rs Nil (2011: Rs 13,125). The amount advanced is under normal business trade as per the terms mutually agreed.

16. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2012	2011
Trade deposits - security deposits		9,833	8,933
Short term prepayments		2,821	3,194
		12,654	12,127

	Note	2012	2011
		(Rupees in thousand)	

17. OTHER RECEIVABLES

	Note	2012	2011
Insurance claim receivable	17.1	-	2,091
Receivable from related parties	17.2	16,840	10,143
Receivable against color bank machines		11,069	6,117
Export rebate		10,284	5,826
Margin against letters of guarantee		1,073	7,135
Accrued income		758	1,961
Others		5,058	4,214
		45,082	37,487

17.1 This includes receivable against insurance claims on account of the following:

	2012	2011
Stock in trade	-	2,091
	-	2,091

17.2 This includes amount due from the following:

	2012	2011
Berger DPI (Private) Limited - a subsidiary	579	2,925
Buxly Paints Limited - an associated undertaking	9,556	3,765
Berger Road Safety (Private) Limited - subsidiary of Berger DPI (Private) Limited	6,705	3,453
	16,840	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 terms mutually agreed.

	Note	2012	2011
		(Rupees in thousand)	
18. SHORT TERM INVESTMENTS	18.1	20,080	-

18.1 This represents term deposit receipts under lien with commercial banks against letter of guarantee, maturing up to one year and carrying mark-up rates ranging from 10 to 11 percent per annum (2011: Nil).

	Note	2012	2011
		(Rupees in thousand)	

19. CASH AND BANK BALANCES

	Note	2012	2011
With banks:			
In current accounts			
Local currency		135,391	200,524
In deposit accounts			
Local currency	19.1	7,299	55,171
Cash in hand		1,323	1,754
		144,013	257,449

19.1 This balance is under lien with commercial banks against letter of guarantee, carrying mark-up rates ranging from 5 to 11.5 percent per annum (2011: 5 to 12.5 percent per annum).

20. SHARE CAPITAL

2012	2011		2012	2011
(Number of shares)			(Rupees in thousand)	
		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 bonus shares	**60,506**	60,506
18,186,409	18,186,409		**181,864**	1 81,864

20.1 Slotrapid Limited B. V. I. (the holding company) and their nominees held 9,466,057 (2011: 9,466,057) ordinary shares of Rs 10 each representing 52.05 percent (2011: 52.05 percent) of the ordinary paid up capital of the company.

	Note	2012	2011
		(Rupees in thousand)	

21. RESERVES

	Note	2012	2011
Capital reserve			
Share premium reserve		56,819	56,819
Revenue reserve			
General reserve		285,000	285,000
Accumulated loss		(122,512)	(122,350)
		162,488	162,650
		219,307	219,469

22. SURPLUS ON REVALUATION OF FIXED ASSET - NET OF TAX

	Note	2012	2011
Net surplus as at 01 July		201,754	220,031
Gross surplus			
Transfer to unappropriated profit as a result of incremental depreciation charged during the current year		(14,034)	(18,277)
		187,720	201,754
Related deferred tax liability			
As at 01 July		(3,757)	(9,688)
On transfer to unappropriated profit as a result of incremental depreciation charged during the current year		3,757	5,931
		-	(3,757)
Net surplus as at 30 June		187,720	197,997

23. LONG TERM FINANCING

	Note	2012	2011
Secured			
- JS Bank Limited	23.1	120,000	200,000
- Habib Bank Limited	23.2	100,000	125,000
		220,000	325,000
Less: Current maturity shown under current liabilities		(105,000)	(105,000)
		115,000	220,000

23.1 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 6 equal quarterly installments of Rs. 20 million each. The above facility carries mark-up ranging between 14.41% and 16.04% (2011: 15.54% and 16.10%) per annum.

23.2 This represents a long term loan from a commercial bank of Rs 125 million. This facility is secured against 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 16 equal quarterly installments of Rs 6.25 million each. The above facility carries mark-up ranging between 13.91% and 15.54% (2011: 15.66%) per annum.

24. STAFF RETIREMENT BENEFITS

	Note	2012	2011
		(Rupees in thousand)	
Defined benefit plan			
Staff Pension	24.2	8,556	14,614
Staff Gratuity	24.2	30,521	25,458
		39,077	40,072
Other long term employee benefits			
Accumulating compensated absences		8,788	7,280
		47,865	47,352

Defined benefit plan

As mentioned in note 3.17, 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 2012. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2012	2011
Valuation discount rate	13%	14%
Expected rate of increase in salary level	12%	13%
Rate of return on plan assets	14%	14%

24.1 The disclosures made in notes 24.2 to 24.6 and 24.8 to 24.10 are based on the information included in the actuarial valuation as of 30 June 2012.

	2012		2011	
	Pension	Gratuity	Pension	Gratuity
	(--------Rupees in thousand--------)			
24.2 Balance sheet reconciliation				
Present value of defined benefit obligation	41,501	30,557	38,097	26,351
Fair value of plan assets	(32,945)	(36)	(23,483)	(893)
	8,556	30,521	14,614	25,458
24.3 Movement in the fair value of plan assets is as follows:				
Fair value as at 01 July	23,483	893	29,396	2,682
Expected return on plan assets	3,288	125	3,528	322
Actuarial losses	(1,901)	(125)	(782)	(293)
Company's contribution	633	2,062	-	1,000
Employee contribution	792	-	603	-
Benefits paid	(1,350)	(2,919)	(1,262)	(2,818)
Amount transferred from/(to) company during the year	8,000	-	(8,000)	-
Fair value as at 30 June	32,945	36	23,483	893
24.4 Movement in defined benefit obligation is as follows:				
Obligation as at 01 July	38,097	26,351	35,554	21,903
Service cost	4,031	5,598	3,611	4,166
Interest cost	5,334	3,689	4,266	2,628
Benefits paid	(1,350)	(2,919)	(1,261)	(2,817)
Actuarial (gains)/loss	(4,611)	(2,162)	(4,073)	471
Obligation as at 30 June	41,501	30,557	38,097	26,351
24.5 Charge for the year				
Current service cost	4,031	5,598	3,611	4,166
Interest cost	5,334	3,689	4,266	2,628
Expected return on plan assets	(3,288)	(125)	(3,527)	(322)
Recognition of actuarial (gains) / losses	(2,710)	(2,037)	(3,291)	764
Employee contribution	(792)	-	(603)	-
Expense	2,575	7,125	456	7,236
Actual return on plan assets	1,387	-	2,746	29

	2012		2011	
	Pension	Gratuity	Pension	Gratuity
	(--------Rupees in thousand--------)			
24.6 Movement in net liability in the balance sheet is as follows:				
Net liability as at 01 July	14,614	25,458	6,158	19,221
Charge for the year	2,575	7,125	456	7,236
Company's contribution	(633)	(2,062)	-	(999)
Amount transferred (from)/to company	(8,000)	-	8,000	-
Net liability as at 30 June	8,556	30,521	14,614	25,458
24.7 The charge for the year has been allocated as follows:				
Cost of sales	1,287	3,563	128	2,028
Distribution costs	1,056	2,921	215	3,410
Administrative expenses	232	641	113	1,798
	2,575	7,125	456	7,236

24.8 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:

	2012	2011	2010	2009	2008
	(- - - - - - - Rupees in thousand - - - - - - - -)				
As at 30 June					
Present value of defined benefit obligation	72,058	64,448	57,457	53,071	63,099
Fair value of plan assets	(32,981)	(24,376)	(32,077)	(33,550)	(45,437)
Deficit	39,077	40,072	25,380	19,521	17,662
Experience adjustment:					
(Gain)/loss on obligations	(6,773)	(3,602)	(1,828)	(10,542)	5,613
Loss on plan assets	(2,026)	(1,075)	(5,270)	(2,371)	(92)

	2012		2011	
	Pension	Gratuity	Pension	Gratuity
	(-------Rupees in thousand-------)			
24.9 Plan assets comprise the following:				
Defence Saving Certificates	7,800	-	10,040	-
Term deposits	3,069	-	-	-
Cash	8,694	35	3,440	893
Term Finance Certificate	13,383	-	10,003	-
	32,946	35	23,483	893

24.10 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.

25. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The minimum lease payments have been discounted at an implicit interest rate of 13.96 % to 15.40% 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:

	2012			2011
	Minimum lease payments	Future finance cost	Present value of lease liability	Present value of lease liability
	(----------Rupees in thousand----------)			
				Restated
Not later than one year	3,052	1,169	1,883	447
Later than one year but not later than five years	9,342	1,667	7,675	2,644
	12,394	2,836	9,558	3,091

	Note	2012	2011
		(Rupees in thousand)	
26. TRADE AND OTHER PAYABLES			
Trade payables		580,043	512,770
Bills payable		301,165	451,019
Accrued expenses		11,504	7,651
Unclaimed dividend		2,306	2,309
Provision for infrastructure cess	26.1	19,334	46,465
Advances from customers		25,834	9,305
Workers' Profits Participation Fund	26.2	3,278	2,853
Workers' Welfare Fund		10,254	9,339
Payable to related parties	26.3	-	2,979
Sales tax & special excise duty payable		11,941	8,966
Royalty payable to related parties	26.4	93,659	64,912
Royalty and technical fee payable		12,256	4,887
Others		24,869	17,276
		1,096,443	1,140,731

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

		2012	2011
Balance as at 01 July		46,465	37,716
Provision for the year		2,254	8,749
Payments during the period		(17,079)	-
Provision reversed during the year		(12,306)	-
Balance as at 30 June		19,334	46,465

		Note	2012	2011
			(Rupees in thousand)	
26.2	**Workers' Profits Participation Fund**			
	Balance as at 01 July		2,853	2,469
	Interest on funds utilized in the company's business	36	425	398
	Less: Amount paid to workers during the year on behalf of the Fund		-	(14)
	Balance as at 30 June		3,278	2,853
26.3	**This includes amount due to the following:**			
	Berdex Construction Chemicals (Private) Limited		-	2,979
26.4	**This includes amount due to the following:**			
	Slotrapid Limited B.V.I.		90,888	62,740
	Buxly Paints Limited		2,771	2,172
			93,659	64,912
27.	**ACCRUED MARK-UP**			
	Mark-up accrued on secured			
	Long term financing		3,658	4,600
	Short term financing		2,063	10,753
	Short term running finances		35,287	33,107
			41,008	48,460
28.	**SHORT TERM BORROWINGS**			
	Short term financing	28.1	60,000	77,500
	Short term running finances	28.2	940,696	897,479
			1,000,696	974,979

28.1 Short term financing - secured

The facilities for short term financing have been arranged from commercial banks amounting to Rs. 60 million. These facilities are secured against first pari passu charge of Rs. 80 million on all the present and future current assets of the Company, ranking charge of Rs. 80 million on movable fixed assets with 25% margin and post dated cheques of each modaraba. The above facility carries mark-up ranging between 14.12% and 16.23%. (2011: 13.48% and 16.40%) per annum, payable quarterly.

28.2 Short term running finances - secured

The company has arranged facilities for short term running finance from various banks on mark-up basis to the extent of Rs. 1,022 million (2011: 940 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 13.91% and 16.29% (2011: 15.62% and 16.28%) per annum, payable quarterly.

28.3 Unavailed credit facilities

The facilities for opening of letters of credits and guarantees as at 30 June 2012 amounted to Rs. 985.00 million (2011: Rs 985.00) of which the remaining unutilized amount as of that date was Rs. 200.75 million (2011: Rs. 240.89 million).

29. CONTINGENCIES AND COMMITMENTS

29.1 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 has challenged an order from Environmental Protection Agency, Punjab (EPA) and case is pending before Environmental Protection Tribunal, Punjab. The company has also been granted stay order by the Lahore High Court against any adverse action from EPA. Based on legal opinion, management is confident that the matter will be decided in favour of the company.

29.2 Commitments

- Outstanding letters of credit as at 30 June 2012 amounted to Rs 275.701 million (2011: Rs 234.093 million).

- Outstanding letters of guarantees as at 30 June 2012 amounted to Rs 23.520 million (2011: Rs 58.193 million).

- The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	2012	2011
	(Rupees in thousand)	
		Restated
Not later than one year	9,728	6,186
Later than one year and not later than five years	17,297	11,390
	27,025	17,576

30. SALES - NET

	2012	2011
	(Rupees in thousand)	
Gross sales		
- Local	4,817,634	4,365,743
- Export	211,660	148,564
	5,029,294	4,514,307
Less: Discounts	(315,178)	(267,465)
Sales tax	(662,107)	(620,962)
Special excise duty	-	(54,370)
	4,052,009	3,571,510

31. COST OF SALES

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Finished goods as at 01 July		328,226	297,225
Cost of goods manufactured	31.1	3,119,466	2,797,277
Purchases		113,615	67,312
Provision against slow moving finished goods		5,662	(2,348)
Less: Finished goods as at 30 June		(313,379)	(328,226)
Cost of sales		3,253,590	2,831,240

	Note	2012	2011
		(Rupees in thousand)	
			Restated
31.1 Cost of goods manufactured			
Raw and packing materials consumed		2,856,313	2,578,065
Stores consumed		6,001	4,041
Salaries, wages and other benefits		43,147	43,485
Travelling and conveyance		5,876	4,997
Fuel, water and power		57,030	41,854
Legal and professional fee		1,414	4,963
Rent, rates and taxes		552	2,080
Insurance		8,847	4,616
Repairs and maintenance		21,450	11,709
Contracted services		50,658	47,353
Depreciation	5.6	55,183	45,093
Ijarah lease rentals		3,152	3,842
Printing and stationery		1,283	896
Communication		238	457
Other expenses		4,721	5,162
		3,115,865	2,798,613
Opening stock of semi-processed goods		123,308	121,972
Closing stock of semi-processed goods		(119,707)	(123,308)
Cost of goods manufactured		3,119,466	2,797,277

32. DISTRIBUTION COSTS

	Note	2012	2011
Salaries, wages and other benefits		124,167	112,867
Travelling and conveyance		34,372	26,383
Rent, rates and taxes		15,194	7,855
Insurance		2,341	7,601
Fuel, water and power		2,820	1,367
Advertising and sales promotion		186,763	204,541
Technical services and royalty fee		36,116	30,236
Freight and handling		91,591	87,115
Repairs and maintenance		775	1,235
Contracted services		5,227	4,902
Depreciation	5.6	7,959	13,268
Ijarah lease rentals		3,127	2,474
Provision for doubtful debts - net of recoveries	14.2	10,000	3,381
Bad debts directly written off		1,142	2,413
Printing and stationery		1,434	1,421
Legal and professional		2,482	1,008
Communication		4,944	2,634
Other expenses		3,674	11,038
		534,128	521,739

	Note	2012	2011
		(Rupees in thousand)	
			Restated

33. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries, wages and other benefits		74,108	58,636
Travelling and conveyance		10,285	10,782
Rent, rates and taxes		3,827	6,076
Insurance		5,059	6,563
Auditors' remuneration	33.1	1,400	1,400
Fuel, water and power		2,387	9,521
Advertising expense		-	2,461
Repairs and maintenance		3,665	3,737
Contracted services		9,427	7,900
Depreciation	5.6	5,075	8,208
Ijarah lease rentals		827	787
Printing and stationery		2,678	1,908
Legal and professional		12,837	7,800
Communication		2,141	4,854
Directors' fee		1,700	2,150
Others		8,456	8,886
		143,872	141,669

33.1 Auditors' remuneration

	2012	2011
	(Rupees in thousand)	
Audit fee	1,000	1,000
Special certifications and half yearly review	325	325
Out of pocket expenses	75	75
	1,400	1,400

34. OTHER OPERATING INCOME

	2012	2011
Sale of scrap	11,545	10,029
Gain on disposal of fixed assets	9,367	2,731
Rental income and other services charged to related parties	7,569	6,324
Toll manufacturing income	4,368	2,949
Export rebate	4,458	3,130
Liabilities no longer payable written back	23,877	2,588
Insurance claim	9,420	34,114
Mark-up on term deposit receipts	1,022	5,916
Late payment charges from a related party	1,206	250
Others	14,696	1,473
	87,528	69,504

	2012	2011
	(Rupees in thousand)	

35. OTHER CHARGES

	2012	2011
Exchange loss	6,868	1,197
Provision for impairment on long term investments	1,482	1,395
Workers' Welfare Fund	915	-
	9,265	2,592

36. FINANCE COST

	Note	2012 (Rupees in thousand)	2011 Restated
Mark up on:			
Long-term financing		41,934	22,008
Short-term financing		9,874	47,171
Short-term running finances		146,348	137,531
Finance cost on leases		686	324
Interest on workers profit participation fund	26.2	425	398
Bank charges		6,495	7,003
		205,762	214,435

37. TAXATION

	2012 (Rupees in thousand)	2011
Current		
- For the year	45,244	36,315
- For prior years	3,115	(841)
Deferred		
- For current years	(45,000)	(35,665)
	3,359	(191)

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 439.186 million including tax depreciation losses of Rs 204.535 million.

	2012	2011
	(Rupees in thousand)	
		Restated

38. LOSS PER SHARE - BASIC AND DILUTED

	2012	2011
Loss after taxation	(10,439)	(70,470)
	Number of shares	
Weighted average number of shares outstanding during the year	18,186,409	18,186,409
	(Rupees)	
Loss per share	(0.57)	(3.87)

38.1 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.

39. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Loss before taxation		(7,080)	(70,661)
Adjustments for non cash charges and other items:			
Depreciation		68,217	66,569
Gain on disposal of fixed assets		(9,367)	(2,731)
Provision/ (reversal) against slow moving stock		5,662	(2,348)
Provision for doubtful debts		10,000	3,381
Provision for staff retirement benefits		12,772	10,618
Impairment on long term investments		1,481	1,395
Finance cost		205,762	214,435
Ijarah lease rentals		7,106	7,103
Working capital changes	39.1	(12,657)	85,879
		281,896	313,640

	2012	2011
	(Rupees in thousand)	
		Restated
39.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(2,204)	(199)
Stock-in-trade	106,073	(130,921)
Trade debts	(48,272)	(59,997)
Loans and advances	(15,844)	20,713
Trade deposits and short-term prepayments	(527)	7,511
Other receivables	(7,595)	28,441
	31,631	(134,452)
(Decrease) / increase in current liabilities:		
Trade and other payables	(44,288)	220,331
	(12,657)	85,879

40. CASH AND CASH EQUIVALENTS

	2012	2011
Cash and bank balances	144,013	257,449
Short-term running finance	(940,696)	(897,479)
	(796,683)	(640,030)

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012		2011	
	Chief Executive	Executive	Chief Executive	Executives
	(-------------- Rupees in thousand			-------------)
Managerial remuneration (including bonus)	105	36,709	60	26,986
Retirement benefits	-	22,998	-	16,158
Housing rent	-	15,904	-	11,712
Utilities	-	3,261	-	2,411
Medical expenses	937	1,111	473	1,231
Travelling expenses	1,843	-	1,513	-
	2,885	79,983	2,046	58,498
Number of persons	1	43	1	37

41.1 In addition to above, six (2011: Six) non-executive directors were paid fee aggregating Rs 1.70 million (2011: Rs 2.15 million).

41.2 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.

42. 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 2012, 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	2012	2011
		(Rupees in thousand)	
Holding company			
- Slotrapid Limited B.V.I.	Royalty expense	28,148	21,295
Subsidiary			
- Berger DPI (Private) Limited	Sales	399	6,095
	Rental income and other services charged	350	2,464
- Berdex Construction Chemicals (Private) Limited	Sales	1,189	12,999
	Commission expense	2,082	632
- Berger Road Safety (Private) Limited	Sales	40,084	39,443
	Rental income and other services charged	3,611	1,250
Associated undertaking			
- Buxly Paints Limited	Sales	91,953	60,497
	Rental income and other services charged	3,608	2,610
	Toll manufacturing income	4,368	2,949
	Royalty expense	599	1,000
	Rental expense	150	-
- Dadex Eternit Limited	Sales	27	191
	Purchases	71	31
Remuneration of key management personnel		See note 41	

The related party status of outstanding balances as at 30 June 2012 are included in trade debts (note 14.1), other receivables (note 17.2) and trade and other payables (note 26.3 and 26.4) respectively.

43. FINANCIAL RISK MANAGEMENT

43.1 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 minimize 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, 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:

	2012	2011
	(Rupees in thousand)	
Trade and other payables - Euro	(21)	-
Net exposure - Euro	(21)	-
Trade and other payables - UKP	(10)	(6)
Net exposure - UKP	(10)	(6)
Trade and other payables - USD	(2,499)	(4,350)
Net exposure - USD	(2,499)	(4,350)
Trade and other payables - JPY	(51,970)	(72,320)
Net exposure - JPY	(51,970)	(72,320)

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per Euro		
Average rate	118.55	116.01
Reporting date rate	118.50	124.89
Rupees per UKP		
Average rate	140.22	134.25
Reporting date rate	147.07	138.62
Rupees per USD		
Average rate	88.50	85.83
Reporting date rate	94.20	86.05
Rupees per JPY		
Average rate	1.13	1.02
Reporting date rate	1.19	1.07

If the functional currency, at reporting date, had fluctuated by 5% against the Euro, UKP, USD and JPY with all other variables held constant, the impact on loss after taxation for the year would have been Rs 15.058 million (2011: Rs 22.627 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:

	2012	2011
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Bank balances - deposit accounts	7,299	55,171
Short term investments	20,080	-
Total exposure	27,379	55,171
Financial liabilities		
Floating rate instruments		
Long-term financing	220,000	325,000
Short-term financing	60,000	77,500
Short-term running finance	940,696	897,479
	1,220,696	1,299,979

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 0.419 million (2011: Rs 0.220 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:

	2012	2011
	(Rupees in thousand)	
Long term investments	4,086	5,567
Loans to employees	20,180	19,521
Long term deposits	22,815	20,671
Trade debts	769,919	722,335
Trade deposits	9,833	8,933
Other receivables	34,798	31,661
Short term investments	20,080	-
Cash and bank balances	142,690	255,695
	1,024,401	1,064,383

Credit risk of the company arises from 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:

The age of financial assets

	2012	2011
	(Rupees in thousand)	
Not past due	250,930	338,496
Past due but not Impaired:		
Not more than three months	572,123	521,434
More than three months and not more than six months	54,047	61,794
More than six months and not more than one year	32,700	60,295
Past due and Impaired:		
More than one year	114,601	82,364
	1,024,401	1,064,383

(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	Rating Long term	Rating Agency	2012	2011
				(Rupees in thousand)	
Oman International Bank Limited	A-2	BBB	JCR-VIS	444	422
Faysal Bank Limited	A-1+	AA	PACRA & JCR	5,015	13
Bank Al Habib Limited	A1+	AA+	PACRA	235	58,827
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	28,748	56,144
United Bank Limited	A-1+	AA+	JCR-VIS	12,623	12,995
Habib Bank Limited	A-1+	AA+	JCR-VIS	44,310	108,249
MCB Bank Limited	A1+	AA+	PACRA	26,315	19,034
JS Bank Limited	A1	A	PACRA	25,000	-
Citi Bank N.A	A-1	A+	Standard & Poor's	-	11
				142,690	255,695

(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 2012, the company had Rs 20.494 million available unutilized borrowing limits from financial institutions and Rs 144.013 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at 30 June 2012:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	220,000	105,000	115,000	-
Trade and other payables	1,096,443	1,096,443	-	-
Accrued mark-up	41,008	41,008	-	-
Short term borrowings	1,000,696	1,000,696	-	-
	2,358,147	2,243,147	115,000	-

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

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	325,000	105,000	220,000	-
Trade and other payables	1,188,467	1,188,467	-	-
Accrued mark-up	48,460	48,460	-	-
Short term borrowings	974,979	974,979	-	-
	2,536,906	2,316,906	220,000	-

43.2 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.

43.3 Financial instruments by category

	Loans and receivables	
	2012	2011
	(Rupees in thousand)	
Financial assets as per balance sheet		
Loans to employees	20,180	19,521
Long term deposits	22,815	20,671
Trade debts	769,919	722,335
Trade deposits	9,833	8,933
Other receivables	34,798	31,661
Short term investments	20,080	-
Cash and bank balances	144,013	257,449
	1,021,638	1,060,570

	Available for sale - at cost	
	2012	2011
	(Rupees in thousand)	
Financial assets as per balance sheet		
Long term investments (subsidiaries and an associate)	4,086	5,567

	Other financial liabilities 2012	2011
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term financing	220,000	325,000
Trade and other payables	1,096,443	1,188,467
Accrued mark-up	41,008	48,460
Short term borrowings	1,000,696	974,979
	2,358,147	2,536,906

43.4 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 2012 and 2011 were as follows:

	2012	2011
	(Rupees in thousand)	Restated
Total debt	1,220,696	1,299,979
Total equity	401,171	401,333
Total debt and equity	1,621,868	1,701,312
Gearing ratio	75.26%	76.41%

44. PRODUCTION CAPACITY

	2012	2011
	(Liters in thousand)	
Actual production	28,429	29,554

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 6.449 million liters (2011: 6.961 million liters) which is used in the manufacture of the final product.

45. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Significant reclassification for better presentation include staff retirement benefits amounting to Rs. 47.352 million previously included in current liabilities among trade and other payables now presented separately under non-current liabilities.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 17 September 2012 by the Board of Directors of the company.

47. GENERAL

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

Chief Financial Officer **Chief Executive** **Director**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 62nd Annual General Meeting of Berger Paints Pakistan Limited will be held on 22 October 2012 at 09:30 am 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 along with the Consolidated Financial Statements of the Company for the year ended 30 June 2012 together with the Directors' and Auditors' Reports thereon.

2. To appoint Auditors and fix their remuneration for the year ending 30 June 2013.

BY ORDER OF THE BOARD

Abdul Wahid Qureshi
Company Secretary

Karachi: 1 October 2012

Registered Office:
X-3, Manghopir Road
S.I.T.E. Karachi

NOTES:

1. The Share Transfer Books will remain closed from 10 October 2012 to 22 October 2012, both days inclusive and no transfer will be accepted during this period.
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 per the above requirement.
      ii. The proxy form shall be witnessed by two persons whose name, addresses and CNIC 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.

Berger Paints Pakistan Limited
Consolidated Financial Statements
for the year ended 30 June 2012

DIRECTORS' REPORT

The directors of the holding company present their report together with the audited Consolidated Financial Statement for the year ended 30 June 2012.

	Rupees in thousand
Loss before taxation	(2,676)
Taxation	5,760
Loss after taxation	(8,436)
Minority interest	(78)
Net loss for the year attributable to the holding company	(8,358)

FINANCIAL STATMENTS

The audited accounts of the holding company for the year ended 30 June 2012 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.

LOSS PER SHARE

The loss per share for the year is Rs. (0.46) [2011: Rs. (3.92)

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 is annexed.

OTHER INFORMATION

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

ON BEHALF OF THE BOARD

Karachi
Date: 17 September 2012

Maqbool H. H. Rahimtoola
Chairman

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 2012 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 2012 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.

KPMG Taseer Hadi & Co.

Lahore

Date: 17 September 2012

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2012

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Non-current assets			
Property, plant and equipment	5	635,819	689,071
Intangible asset - in progress	6	14,513	13,513
Goodwill	7	40,750	40,750
Investment in an associate	8	2,514	2,238
Long term loans	9	15,437	15,051
Long term deposits	10	20,578	18,884
Deferred taxation	11	176,617	131,571
		906,228	911,078
Current assets			
Stores	12	10,778	8,574
Stock in trade	13	987,881	1,104,021
Trade debts	14	712,848	668,489
Loans and advances	15	43,362	28,093
Trade deposits and short term prepayments	16	13,343	12,943
Other receivables	17	42,037	35,134
Taxation - net		152,633	141,875
Short term investments	18	20,080	-
Cash and bank balances	19	148,128	265,672
		2,131,090	2,264,801
		3,037,318	3,175,879
Share capital and reserves			
Share capital	20	181,864	181,864
Reserves	21	233,078	231,159
		414,942	413,023
Non-controlling interest		14,790	14,868
		429,732	427,891
Advance against issue of share capital of subsidiary company		41	41
Surplus on revaluation of fixed assets - net of tax	22	187,720	197,997
Non-current liabilities			
Long-term financing	23	115,000	220,000
Staff retirement benefits	24	47,865	47,352
Liabilities against assets subject to finance lease	25	7,675	2,644
Current liabilities			
Trade and other payables	26	1,100,698	1,151,068
Accrued mark-up	27	41,008	48,460
Current maturity of long-term financing	23	105,000	105,000
Current maturity of liabilities against assets subject to finance lease	25	1,883	447
Short term borrowings	28	1,000,696	974,979
		2,249,285	2,279,954
Total liabilities		2,419,825	2,549,950
Contingencies and commitments	29		
		3,037,318	3,175,879

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive** **Director**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Sales - net	30	4,082,478	3,590,813
Cost of sales	31	3,272,555	2,841,802
Gross profit		809,923	749,011
Distribution costs	32	543,132	531,662
Administrative expenses	33	142,861	146,517
		685,993	678,179
Operating profit		123,930	70,832
Other operating income	34	86,793	71,244
		210,723	142,076
Other charges	35	7,817	1,309
Finance cost	36	205,858	214,563
		213,675	215,872
Share of profit/ (loss) of associate		276	(1,273)
Gain on bargain purchase		-	694
Loss before taxation		(2,676)	(74,375)
Taxation	37	5,760	(2,467)
Loss after taxation		(8,436)	(71,908)
Attributable to :			
Equity holders of the parent		(8,358)	(71,358)
Non-controlling interest		(78)	(550)
		(8,436)	(71,908)
		Rupees	
Loss per share - basic and diluted	38	(0.46)	(3.92)

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive** **Director**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	(Rupees in thousand)	
		Restated
Loss after taxation	(8,358)	(71,358)
Other comprehensive income for the year	-	-
Non-controlling interest	(78)	(550)
Total comprehensive loss for the year	(8,436)	(71,908)

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive** **Director**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Cash flow from operating activities			
Cash generated from operations	39	279,023	320,203
Finance cost paid		(213,310)	(212,418)
Income tax paid		(61,564)	(65,013)
Staff retirement benefits paid		(12,259)	(3,143)
Long term loans		(386)	(4,482)
Long term deposits		(1,694)	(4,039)
Net cash (outflow) / inflow from operating activities		(10,190)	31,108
Cash flow from investing activities			
Capital expenditure		(14,846)	(40,074)
Addition in intangible assets		(1,000)	(13,513)
Sale proceeds on disposal of property, plant and equipment		16,549	6,777
Short term investments		(20,080)	-
Net cash outflow from investing activities		(19,377)	(46,810)
Cash flow from financing activities			
Non-controlling interest		-	325,000
Short term borrowings - net		(17,500)	(252,500)
Lease rentals paid		(8,694)	(4,296)
Long term financing repaid		(105,000)	(50,000)
Net cash (outflow) / inflow from financing activities		(131,194)	18,204
Net (decrease) / increase in cash and cash equivalents		(160,761)	2,502
Cash and cash equivalents as at the beginning of the year		(631,807)	(634,309)
Cash and cash equivalents at the end of the year	40	(792,568)	(631,807)

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive** **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Issued, subscribed and paid-up share capital	Capital Reserves	Revenue Reserves		Total equity attributable to shareholders of parent company	Non-controlling interest	Total share holders equity
		Share premium	General reserve	Accumulated loss			
	(Rupees in thousand)						
Balance as at 01 July 2010	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 - Restated	-	-	-	(71,358)	(71,358)	(550)	(71,908)
Balance as at 30 June 2011- Restated	181,864	56,819	285,000	(110,660)	413,023	14,868	427,891
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the year - net of tax	-	-	-	10,277	10,277	-	10,277
Total comprehensive loss for the year ended 30 June 2012	-	-	-	(8,358)	(8,358)	(78)	(8,436)
Balance as at 30 June 2012	181,864	56,819	285,000	(108,741)	414,942	14,790	429,732

The annexed notes 1 to 48 form an integral part of these consolidated financial statements.

Chief Financial Officer **Chief Executive** **Director**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

The group comprises of :

Parent 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 parent 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 X-3, Manghopir Road, 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 parent company and its subsidiary companies as at 30 June 2012.

(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 parent company have been eliminated against the shareholders' equity in the subsidiary companies.

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

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

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

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

(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.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated 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 consolidated 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 5.4 at revalued amounts and recognition of certain employee retirement benefits as referred to in note 3.17 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. For critical accounting estimates and judgments used in these financial statements refer to note 4.

3.2 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss, 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 5.1 to these consolidated financial statements.

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

These are valued at the lower of moving average cost and net realizable value except for items in transit, which are valued at invoice price and related expenses incurred upto the balance sheet date. Adequate provision is made for slow moving items. General stores, spares and loose tools are charged to profit and loss currently. The group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

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 Borrowing costs

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 Leases

Finance leases

Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases. Asset subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a straight-line method at the rates given in note 5.1. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating lease

Leases including Ijarah financing where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease / Ijarah term unless another systematic basis is representative of the time pattern of the group's benefit.

The group has certain Ijarah leases which were not classified as operating leases in the financial statements for the year ended 30 June 2011, as required by the Islamic Financial Accounting Standard 2 (IFAS 2) issued by the Institute of Chartered Accountants of Pakistan. However, in compliance with IFAS 2, all its Ijarah financing have now been classified as operating lease rather than finance lease and as per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors" the adjustments of such classification have been made retrospectively. Consequently, leased assets and leased liabilities as at 30 June 2011 have been reduced by Rs 16.754 million and Rs 15.498 million, respectively. Depreciation expense and finance cost for the year ended 30 June 2011 have been decreased by Rs 3.951 million and Rs 1.896 million, respectively, with a corresponding increase of Rs 7.103 million in Ijarah lease rentals. The affect of such classification on basic and diluted loss per share of the group for year ended 30 June 2011 is negligible.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

3.17 Staff retirement benefits

3.17.1 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.

3.17.2 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 7.630 million (2011: Rs 6.792 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.

3.18 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.

3.19 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.

3.20 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 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 recognized when the group's right to receive payment is established.

- Other revenues are recorded on accrual basis.

3.21 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.

3.22 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.

3.23 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.

3.24 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.

3.25 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.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the group.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The group's policy for recognition of actuarial gains and losses is already in compliance with the amendment.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. This amendment have no impact on financial statements of the group.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. This amendment have no impact on financial statements of the group.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. This amendment have no impact on financial statements of the group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. This amendment have no impact on financial statements of the group.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. This amendment have no impact on financial statements of the group.

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 2013, 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	5.1
- Provision for deferred taxation	11
- Net realizable value of stock in trade to their net realizable value	13
- Provision for doubtful debts	14
- Staff retirement benefits	24

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.

		2012	2011
		(Rupees in thousand)	
			Restated
5. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	5.1	631,496	689,071
Capital work in progress	5.3	4,323	-
		635,819	689,071

5.1 Property, plant and equipment

	Annual rate of depreciation	Cost as at 01 July 2011	Additions/ (Deletions)	Cost as at 30 June 2012	Accumulated Depreciation as at 01 July 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at 30 June 2012	Net book value as at 30 June 2012
	%	(-------------------	----------	Rupees	in thousand	----------	----------	-------------------)
Owned								
Freehold land	-	196,862	-	196,862	-	-	-	196,862
Leasehold land	2.06	67,000	-	67,000	1,380	1,365	2,745	64,255
Building on freehold land	5	174,362	56	174,418	8,404	8,402	16,806	157,612
Building on leasehold land	5	9,673	-	9,673	350	504	854	8,819
Plant and machinery	10-21	253,226	2,765	255,991	65,098	42,152	107,250	148,741
Laboratory equipments	10	14,327	222	14,549	6,328	1,418	7,746	6,803
Electric fittings	10	23,840	3,807	27,647	7,671	2,569	10,240	17,407
Computer and related accessories	25	12,354	2,047	14,401	7,031	2,172	9,203	5,198
Office machines	10	2,360	1,209	3,569	1,442	171	1,613	1,956
Furniture and fixtures	10	15,376	375	15,751	4,921	1,546	6,467	9,284
Motor vehicles	20	54,946	42	37,197	35,400	6,968	31,759	5,438
			(17,791)			(10,609)		
2012		824,326	10,523	817,058	138,025	67,267	194,683	622,375
			(17,791)			(10,609)		
Leased								
Motor vehicles	20	3,056	5,601	8,657	286	1,663	1,949	6,708
Plant and machinery	10	-	1,164	1,164	-	19	19	1,145
Electric fittings	10	-	1,290	1,290	-	22	22	1,268
2012		3,056	8,055	11,111	286	1,704	1,990	9,121
		827,382	18,578	828,169	138,311	68,971	196,673	631,496
			(17,791)			(10,609)		

	Annual rate of depreciation	Cost as at 01 July 2010	Additions/ (Deletions)	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	Net book value as at 30 June 2011
	%	(--Rupees	in thousand	---------------------------------------)				
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	10-21	241,160	12,066	253,226	21,401	43,697	65,098	188,128
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	8,751	3,603	12,354	5,385	1,646	7,031	5,323
Office machines	10	2,227	133	2,360	1,307	135	1,442	918
Furniture and fixtures	10	13,767	1,609	15,376	3,456	1,465	4,921	10,455
Motor vehicles	20	59,069	4,166	54,946	33,926	6,137	35,400	19,546
			(8,289)			(4,663)		
2011		792,540	40,075	824,326	75,848	66,840	138,025	686,301
			(8,289)			(4,663)		
Leased								
Motor vehicles - Restated	20	-	3,561	3,056	-	371	286	2,770
			(505)			(85)		
2011		792,540	43,636	827,382	75,848	67,211	138,311	689,071
			(8,794)			(4,748)		

5.2 Details of operating fixed assets disposed off

Particulars of assets	Sold to	Cost/ Revalued amount	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(-------------- Rupees	in	thousand	------------)	
Motor vehicles						
- Suzuki Alto	Standard Chartered Modaraba	485	283	202	485	Sale and Lease back - Ijarah
- Honda Civic	Standard Chartered Modaraba	1,865	926	939	1,775	-do-
- Honda Civic	Standard Chartered Modaraba	1,845	922	923	1,775	-do-
- Honda Civic	Standard Chartered Modaraba	1,840	920	920	1,775	-do-
- Suzuki Cultus	Standard Chartered Modaraba	662	375	287	662	-do-
- Suzuki Cultus	Standard Chartered Modaraba	662	353	309	662	-do-
- Suzuki Cultus	Standard Chartered Modaraba	657	318	339	657	-do-
- Suzuki Alto	Standard Chartered Modaraba	611	315	296	570	-do-
- Suzuki Mehran	Standard Chartered Modaraba	503	243	260	484	-do-
- Suzuki Mehran	Standard Chartered Modaraba	503	260	243	484	-do-
- Suzuki Mehran	Standard Chartered Modaraba	498	257	241	479	-do-
- Suzuki Mehran	Standard Chartered Modaraba	403	228	175	403	-do-
- Suzuki Mehran	Standard Chartered Modaraba	403	215	188	403	-do-
- Suzuki Mehran	Standard Chartered Modaraba	403	202	201	403	-do-
- Suzuki Mehran	Mr. Ijaz Malik	557	444	113	337	Tender
- Honda City	Mr. Khurram Imtiaz	1,031	464	567	967	-do-
- Suzuki Mehran	Mr. Muhammad Rafique	560	430	130	386	-do-
- Honda Civic	Mr. Abid Ansar	850	283	567	708	-do-
- Suzuki Mehran	Mr. Muhammad Khurram Ayub	365	365	-	287	-do-
- Suzuki Mehran	Mr. Waseem Mirza	465	465	-	382	-do-
- Suzuki Mehran	Mr. Megani	362	277	85	347	-do-
- Suzuki Mehran	Mr. Awais Sheikh	350	350	-	345	-do-
- Suzuki Cultus	Mr. Adnan Waheed	555	555	-	503	-do-
- Toyota Corolla	Mr. Shahid Sultan	969	791	178	984	-do-
- Suzuki Mehran	Adamjee Insurance Company Limited	387	368	19	286	Insurance Claim
	2012	**17,791**	**10,609**	**7,182**	**16,549**	
	2011	8,794	4,748	4,046	6,777	

	2012	2011
	(Rupees in thousand)	
5.3 Capital work in progress includes following		
Building	3,482	-
Plant and machinery	461	-
Electric installation	271	-
Furniture and fixture	109	-
	4,323	-

5.4 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.

5.5 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:

	2012	2011
	(Rupees in thousand)	
Freehold land	70,856	70,856
Leasehold land	1,041	1,132
Buildings on freehold land	162,966	171,487
Buildings on leasehold land	9,860	9,390
Plant and machinery	152,151	150,037
	396,874	402,902

		Note	2012	2011
			(Rupees in thousand)	
5.6	**Depreciation charge for the year has been allocated as follows:**			
	Cost of sales	31.1	55,674	43,357
	Distribution costs	32	7,959	14,614
	Administrative expenses	33	5,338	9,240
			68,971	67,211

6. INTANGIBLE ASSET - IN PROGRESS

Balance as at 01 July	13,513	-
Addition during the year	1,000	13,513
Balance as at 30 June	14,513	13,513

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

7. GOODWILL

Packaging Ink Business	7.1	16,750	16,750
Powder Coating Business	7.2	24,000	24,000
		40,750	40,750

7.1 This goodwill represents excess of purchase consideration paid by the group for acquisition of the Packaging Inks business unit of an ink manufacturing company (the seller) over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. For impairment testing, the recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 15 %. The calculation of value in use is sensitive to discount rate and local inflation rates.

7.2 This goodwill represents excess of purchase consideration paid by the group for acquisition of the Powder Coating business unit of an ink manufacturing company (the seller) over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. For impairment testing, the recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 15 %. The calculation of value in use is sensitive to discount rate and local inflation rates.

8. INVESTMENTS IN AN ASSOCIATE

No. of shares - ordinary 2012	No. of shares - ordinary 2011	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2012	2011 Restated
							(Rupees in thousand)	
273,600	273,600	Buxly Paints Limited	Pakistan	June 30, 2011	19	10	2,238	3,511
		Add: Share of profit/ (loss) of associate					276	(1,273)
		Less: Provision for impairment					-	-
							2,514	2,238

8.1 Group's share of profit from associated company of Rs. 0.276 million is based on unaudited financial statements of this associated company for the year ended 30 June 2012.

8.2 In consolidated financial statements for the year ended 30 June 2011, group's share of profit from associated company was based on unaudited financial statements of the associated company for the year ended 30 June 2011. However, group's share of profit from associated company for the year ended 30 June 2011 has now been taken on the basis of audited financial statements of associated company for the year ended 30 June 2011. As per International Accounting Standard 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors" the adjustments of such classification have been made retrospectively. Consequently, carrying amount of investment in an associate as at 30 June 2011 have increased by Rs. 0.722 million and group's accumulated loss as at 30 June 2011 and group's basic and diluted loss per share for the year ended 30 June 2011 have been reduced by Rs. 0.722 million and Rs. 0.04, respectively.

9. LONG TERM LOANS

	Note	2012	2011
		(Rupees in thousand)	
Considered good- secured			
Due from employees	9.1	20,180	19,908
Less: Current portion shown under current assets	15	(4,743)	(4,857)
		15,437	15,051

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.

10. LONG TERM DEPOSITS

	2012	2011
	(Rupees in thousand)	
Considered good	20,578	18,884
Considered doubtful	3,552	3,552
	24,130	22,436
Less: Provision for doubtful balances	(3,552)	(3,552)
	20,578	18,884

	Note	2012	2011
		(Rupees in thousand)	
11. DEFERRED TAXATION			
Debit / (credit) balances arising from:			
Accelerated tax depreciation		(63,814)	(73,805)
Provision for doubtful debts and long term deposits		27,722	24,463
Other provisions		10,302	23,584
Unassessed tax loss carried forward		202,407	157,329
Deferred tax asset		176,617	131,571
12. STORES			
In hand		10,778	8,574
13. STOCK IN TRADE			
Raw and packing materials			
- in hand		504,053	472,362
- in transit		65,369	184,685
		569,422	657,047
Semi processed goods		119,707	123,308
Finished goods	13.1	313,379	332,631
		1,002,508	1,112,986
Provision for slow moving and obsolete stocks - finished goods		(14,627)	(8,965)
		987,881	1,104,021

13.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounted to Rs 2.413 million (2011: Rs 5.712 million). Included in finished goods stock are color bank machines costing Rs 10.086 million (2011: Rs 15.129 million).

	Note	2012	2011
		(Rupees in thousand)	
14. TRADE DEBTS			
Considered good - unsecured			
- from related parties	14.1	31,107	32,529
- others		681,741	635,960
		712,848	668,489
Considered doubtful – others		90,611	79,383
		803,459	747,872
Less: Provision for doubtful debts	14.2	(90,611)	(79,383)
		712,848	668,489

	Note	2012	2011
		(Rupees in thousand)	
14.1 Trade debts include the following amounts due from the following related parties:			
Dadex Eternit Limited - an associated undertaking		-	55
Buxly Paints Pakistan Limited - an associated undertaking		31,107	32,474
		31,107	32,529
14.2 The movement in provision for doubtful debts for the year is as follows:			
Balance at the beginning of the year		79,383	79,911
Provision for the year - net of recoveries	32	11,916	3,507
Bad debt written off against provision		(688)	(4,035)
Balance at the end of the year		90,611	79,383

15. LOANS AND ADVANCES

	Note	2012	2011
Current portion of long term loans - considered good			
Due from employees	9	4,743	4,857
Advances - unsecured, considered good			
Employees		1,605	1,495
Suppliers	15.1	37,014	21,741
		38,619	23,236
		43,362	28,093

15.1 This includes amount advanced to Dadex Eternit Limited, an associated undertaking, amounting to Rs Nil (2011: Rs 13,125). The amount given as advance is under normal business terms.

16. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2012	2011
	(Rupees in thousand)	
Trade deposits - security deposits	10,483	9,583
Short term prepayments	2,860	3,360
	13,343	12,943

	Note	2012	2011
		(Rupees in thousand)	
17. OTHER RECEIVABLES			
Insurance claim receivable	17.1	-	2,091
Receivable from related parties	17.2	9,556	3,765
Receivable against color bank machines		11,069	6,117
Export rebate		10,284	5,826
Margin against letters of guarantee		2,390	8,476
Accrued income		758	1,961
Sales tax refundable		416	179
Retention money		2,506	2,506
Others		5,058	4,213
		42,037	35,134
17.1 This includes receivable against insurance claims on account of the following:			
Stock in trade		-	2,091
		-	2,091
17.2 This includes amount due from the following:			
Buxly Paints Limited - an associated undertaking		9,556	3,765
		9,556	3,765

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

	Note	2012	2011
		(Rupees in thousand)	
18. SHORT TERM INVESTMENTS	18.1	20,080	-

18.1 This represents term deposit receipts under lien with commercial banks against letter of guarantee, maturing up to one year and carrying mark-up rates ranging from 10 to 11 percent per annum (2011: Nil).

	Note	2012	2011
		(Rupees in thousand)	

19. CASH AND BANK BALANCES

	Note	2012	2011
With banks:			
In current accounts			
Local currency		138,720	206,549
In deposit accounts			
Local currency	19.1	7,354	56,381
Cash in hand		2,054	2,742
		148,128	265,672

19.1 This balance is majorly under lien with commercial banks against letter of guarantee, carrying mark-up rates ranging from 5 to 11.5 percent per annum (2011: 5 to 12.5 percent per annum).

20. SHARE CAPITAL

2012	2011		2012	2011
(Number of shares)			(Rupees in thousand)	
		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 bonus shares	**60,506**	60,506
18,186,409	18,186,409		**181,864**	1 81,864

20.1 Slotrapid Limited B. V. I. (the parent company) and their nominees held 9,466,057 (2011: 9,466,057) ordinary shares of Rs 10 each representing 52.05 percent (2011: 52.05 percent) of the ordinary paid up capital of the group.

	Note	2012	2011
		(Rupees in thousand)	

21. RESERVES

	Note	2012	2011
Capital reserve			
Share premium reserve		56,819	56,819
Revenue reserve			
General reserve		285,000	285,000
Accumulated loss		(108,741)	(110,660)
		176,259	174,340
		233,078	231,159

22. SURPLUS ON REVALUATION OF FIXED ASSET - NET OF TAX

	Note	2012	2011
Net surplus as at 01 July		201,754	220,031
Gross surplus			
Transfer to unappropriated profit as a result of incremental depreciation charged during the current year		(14,034)	(18,277)
		187,720	201,754
Related deferred tax liability			
As at 01 July		(3,757)	(9,688)
On transfer to unappropriated profit as a result of incremental depreciation charged during the current year		3,757	5,931
		-	(3,757)
Net surplus as at 30 June		187,720	197,997

23. LONG TERM FINANCING

	Note	2012	2011
Secured			
- JS Bank Limited	23.1	120,000	200,000
- Habib Bank Limited	23.2	100,000	125,000
		220,000	325,000
Less: Current maturity shown under current liabilities		(105,000)	(105,000)
		115,000	220,000

23.1 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 6 equal quarterly installments of Rs 20 million each. The above facility carries mark-up ranging between 14.41% and 16.04% (2011: 15.54% and 16.10%) per annum.

23.2 This represents a long term loan from a commercial bank of Rs 125 million. This facility is secured against 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 16 equal quarterly installments of Rs 6.25 million each. The above facility carries mark-up ranging between 13.91% and 15.54% (2011: 15.66%) per annum.

24. STAFF RETIREMENT BENEFITS AND OTHER OBLIGATIONS

	Note	2012	2011
		(Rupees in thousand)	
Defined benefit plan			
Staff Pension	24.2	8,556	14,614
Staff Gratuity	24.2	30,521	25,458
		39,077	40,072
Other long term employee benefits			
Accumulating compensated absences		8,788	7,280
		47,865	47,352

Defined benefit plan

As mentioned in note 3.17, 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 2012. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2012	2011
Valuation discount rate	13%	14%
Expected rate of increase in salary level	12%	13%
Rate of return on plan assets	14%	14%

24.1 The disclosures made in notes 24.2 to 24.6 and 24.8 to 24.10 are based on the information included in the actuarial valuation as of 30 June 2012.

	2012 Pension	2012 Gratuity	2011 Pension	2011 Gratuity
	(--------Rupees in thousand--------)			
24.2 Balance sheet reconciliation				
Present value of defined benefit obligation	41,501	30,557	38,097	26,351
Fair value of plan assets	(32,945)	(36)	(23,483)	(893)
	8,556	30,521	14,614	25,458
24.3 Movement in the fair value of plan assets is as follows:				
Fair value as at 01 July	23,483	893	29,396	2,682
Expected return on plan assets	3,288	125	3,528	322
Actuarial losses	(1,901)	(125)	(782)	(293)
Group's contribution	633	2,062	-	1,000
Employee contribution	792	-	603	-
Benefits paid	(1,350)	(2,919)	(1,262)	(2,818)
Amount transferred from/(to) company during the year	8,000	-	(8,000)	-
Fair value as at 30 June	32,945	36	23,483	893
24.4 Movement in defined benefit obligation is as follows:				
Obligation as at 01 July	38,097	26,351	35,554	21,903
Service cost	4,031	5,598	3,611	4,166
Interest cost	5,334	3,689	4,266	2,628
Benefits paid	(1,350)	(2,919)	(1,261)	(2,817)
Actuarial (gains)/loss	(4,611)	(2,162)	(4,073)	471
Obligation as at 30 June	41,501	30,557	38,097	26,351
24.5 Charge for the year				
Current service cost	4,031	5,598	3,611	4,166
Interest cost	5,334	3,689	4,266	2,628
Expected return on plan assets	(3,288)	(125)	(3,527)	(322)
Recognition of actuarial (gains) / losses	(2,710)	(2,037)	(3,291)	764
Employee contribution	(792)	-	(603)	-
Expense	2,575	7,125	456	7,236
Actual return on plan assets	1,387	-	2,746	29

	2012		2011	
	Pension	Gratuity	Pension	Gratuity
	(--------Rupees in thousand--------)			
24.6 Movement in net liability in the balance sheet is as follows:				
Net liability as at 01 July	14,614	25,458	6,158	19,221
Charge for the year	2,575	7,125	456	7,236
Group's contribution	(633)	(2,062)	-	(999)
Amount transferred (from)/to company	(8,000)	-	8,000	-
Net liability as at 30 June	8,556	30,521	14,614	25,458
24.7 The charge for the year has been allocated as follows:				
Cost of sales	1,287	3,563	128	2,028
Distribution costs	1,056	2,921	215	3,410
Administrative expenses	232	641	113	1,798
	2,575	7,125	456	7,236

24.8 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:

	2012	2011	2010	2009	2008
	(- - - - - - - Rupees in thousand - - - - - - - -)				
As at 30 June					
Present value of defined benefit obligation	72,058	64,448	57,457	53,071	63,099
Fair value of plan assets	(32,981)	(24,376)	(32,077)	(33,550)	(45,437)
Deficit	39,077	40,072	25,380	19,521	17,662
Experience adjustment:					
(Gain)/loss on obligations	(6,773)	(3,602)	(1,828)	(10,542)	5,613
Loss on plan assets	(2,026)	(1,075)	(5,270)	(2,371)	(92)

	2012		2011	
	Pension	Gratuity	Pension	Gratuity
	(-------Rupees in thousand-------)			
24.9 Plan assets comprise the following:				
Defence Saving Certificates	7,800	-	10,040	-
Term deposits	3,069	-	-	-
Cash	8,694	35	3,440	893
Term Finance Certificate	13,383	-	10,003	-
	32,946	35	23,483	893

24.10 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.

25. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The minimum lease payments have been discounted at an implicit interest rate of 13.96 % to 15.40% 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:

	2012			2011
	Minimum lease payments	**Future finance cost**	**Present value of lease liability**	**Present value of lease liability**
	(----------Rupees in thousand		----------)	
				Restated
Not later than one year	3,052	1,169	1,883	447
Later than one year but not later than five years	9,342	1,667	7,675	2,644
	12,394	2,836	9,558	3,091

	Note	2012	2011
		(Rupees in thousand)	
26. TRADE AND OTHER PAYABLES			
Trade payables		582,052	517,414
Bills payable		301,165	451,019
Accrued expenses		11,710	8,489
Unclaimed dividend		2,306	2,309
Provision for infrastructure cess	26.1	19,334	46,465
Advances from customers		25,834	13,915
Workers' Profits Participation Fund	26.2	3,544	3,620
Workers' Welfare Fund		10,288	9,454
Sales tax & special excise duty payable		11,941	8,966
Dividend payable		1,531	1,531
Royalty payable to related parties	26.3	93,659	64,912
Royalty and technical fee payable		12,256	4,887
Others		25,078	18,087
		1,100,698	1,151,068
26.1 The movement in provision for infrastructure cess for the year is as follows:			
Balance as at 01 July		46,465	37,716
Provision for the year		2,254	8,749
Payments during the period		(17,079)	-
Provision reversed during the year		(12,306)	-
Balance as at 30 June		19,334	46,465

	Note	2012	2011
		(Rupees in thousand)	

26.2 Workers' Profits Participation Fund

	Note	2012	2011
Balance at 01 July		3,620	3,075
Allocation for the year	35	-	81
		3,620	3,156
Interest on funds utilised in the group's business	36	425	478
		4,045	3,634
Less: Amount paid to workers during the year on behalf of the Fund		(501)	(14)
Balance at 30 June		3,544	3,620

26.3 This includes amount due to the following:

	Note	2012	2011
Slotrapid Limited B.V.I.		90,888	62,740
Buxly Paints Limited		2,771	2,172
		93,659	64,912

27. ACCRUED MARK-UP

	Note	2012	2011
Mark-up accrued on secured			
Long term financing		3,658	4,600
Short term financing		2,063	10,753
Short term running finances		35,287	33,107
		41,008	48,460

28. SHORT TERM BORROWINGS

	Note	2012	2011
Short term financing - secured	28.1	60,000	77,500
Short term running finances - secured	28.2	940,696	897,479
		1,000,696	974,979

28.1 Short term financing - secured

The facilities for short term financing have been arranged from commercial banks amounting to Rs 60 million. These facilities are secured against first pari passu charge of Rs 80 million on all the present and future current assets of the group, ranking charge of Rs 80 million on movable fixed assets with 25% margin and post dated cheques of each modaraba. The above facility carries mark-up ranging between 14.12% and 16.23%. (2011: 13.48% and 16.40%) per annum, payable quarterly.

28.2 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 1,022 million (2011: 940 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 13.91% and 16.29% (2011: 15.62% and 16.28%) per annum, payable quarterly.

28.3 Unavailed credit facilities

The facilities for opening of letters of credits and guarantees as at 30 June 2012 amounted to Rs 985.00 million (2011: Rs 985.00) of which the remaining unutilized amount as of that date was Rs. 200.75 million (2011: Rs 240.89 million).

29. CONTINGENCIES AND COMMITMENTS

29.1 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 group 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 group 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 has challenged an order from Environmental Protection Agency, Punjab (EPA) and case is pending before Environmental Protection Tribunal, Punjab. The group has also been granted stay order by the Lahore High Court against any adverse action from EPA. Based on legal opinion, management is confident that the matter will be decided in favour of the group.

29.2 Commitments

- Outstanding letters of credit as at 30 June 2012 amounted to Rs 275.701 million (2011: Rs 234.093 million).

- Outstanding letters of guarantees as at 30 June 2012 amounted to Rs 23.520 million (2011: Rs 58.193 million).

- The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Not later than one year		9,728	6,186
Later than one year and not later than five years		17,297	11,390
		27,025	17,576

30. SALES - NET

	Note	2012	2011
		(Rupees in thousand)	
Gross sales			
- Local		4,845,524	4,370,888
- Export		211,660	148,564
Sale from service contracts		2,694	16,463
		5,059,878	4,535,915
Less: Discounts		(315,178)	(267,465)
Sales tax		(662,222)	(623,101)
Special excise duty		-	(54,536)
		4,082,478	3,590,813

31. COST OF SALES

	Note	2012	2011
		(Rupees in thousand)	
			Restated
Finished goods as at 01 July		328,226	299,895
Cost of goods manufactured	31.1	3,136,523	2,773,234
Purchases		113,615	96,707
Provision against slowing moving finished goods		5,662	(2,348)
Application cost		1,908	6,945
Less: Finished goods as at 30 June		(313,379)	(332,631)
Cost of sales		3,272,555	2,841,802

	Note	2012	2011
		(Rupees in thousand)	
			Restated
31.1 Cost of goods manufactured			
Raw and packing materials consumed		2,868,992	2,554,429
Stores consumed		6,001	4,041
Salaries, wages and other benefits		44,613	55,964
Travelling and conveyance		5,876	5,037
Fuel, water and power		58,671	42,424
Legal and professional fee		1,414	4,963
Rent, rates and taxes		692	2,080
Insurance		8,847	4,616
Repairs and maintenance		21,608	11,757
Contracted services		50,658	35,353
Depreciation	5.6	55,674	43,357
Ijarah lease rentals		3,152	3,842
Printing and stationery		1,283	896
Communication		238	457
Other expenses		5,203	5,354
		3,132,922	2,774,570
Opening stock of semi-processed goods		123,308	121,972
Closing stock of semi-processed goods		(119,707)	(123,308)
Cost of goods manufactured		3,136,523	2,773,234

32. DISTRIBUTION COSTS

	Note	2012	2011
Salaries, wages and other benefits		127,138	106,778
Travelling and conveyance		33,100	29,157
Rent, rates and taxes		15,194	7,855
Insurance		2,341	7,601
Fuel, water and power		2,820	1,367
Advertising and sales promotion		186,869	204,939
Technical services and royalty fee		36,116	30,236
Freight and handling		91,591	87,115
Repairs and maintenance		775	1,235
Contracted services		5,227	16,902
Depreciation	5.6	7,959	14,614
Ijarah lease rentals		3,127	2,474
Provision for doubtful debts - net of recoveries	14.2	11,916	3,507
Bad debts directly written off		2,707	2,413
Printing and stationery		1,434	1,421
Legal and professional		2,482	1,008
Communication		4,944	2,634
Other expenses		7,392	10,406
		543,132	531,662

33. ADMINISTRATIVE EXPENSES

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand) Restated
Salaries, wages and other benefits		74,108	58,636
Travelling and conveyance		10,285	10,969
Rent, rates and taxes		4,006	6,246
Insurance		5,059	6,563
Auditors' remuneration	33.1	1,553	1,820
Fuel, water and power		2,387	9,521
Advertising expense		-	2,461
Repairs and maintenance		3,665	3,746
Contracted services		9,427	7,900
Depreciation	5.6	5,338	9,240
Ijarah lease rentals		827	787
Printing and stationery		2,689	2,084
Legal and professional		13,040	8,033
Communication		2,141	4,854
Other advances written off		-	318
Provision for doubtful advances and deposits		-	763
Directors' fee		1,700	2,150
Others		6,636	10,426
		142,861	146,517

33.1 Auditors' remuneration

	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Audit fee	1,145	1,383
Special certifications and half yearly review	325	325
Out of pocket expenses	83	112
	1,553	1,820

34. OTHER OPERATING INCOME

	2012	2011
Sale of scrap	11,545	10,029
Gain on disposal of fixed assets	9,367	2,731
Rental income and other services charged to related parties	5,576	3,652
Toll manufacturing income	4,368	2,949
Export rebate	4,458	3,130
Liabilities no longer payable written back	25,080	2,463
Workers welfare fund no longer payable written back	-	125
Insurance claim	9,420	34,114
Mark-up on term deposit receipts	1,076	5,974
Debtor balances previously written off now written back	-	645
Management fee from Berger Road Safety	-	3,709
Late payment charges from a related party	1,206	250
Others	14,697	1,473
	86,793	71,244

	Note	2012	2011
		(Rupees in thousand)	

35. OTHER CHARGES

	Note	2012	2011
Exchange loss		6,868	1,197
Workers' Profits Participation Fund	26.2	-	81
Workers' Welfare Fund		949	31
		7,817	1,309

	Note	2012	2011
		(Rupees in thousand)	Restated

36. FINANCE COST

	Note	2012	2011
Mark up on:			
- Long-term financing		41,934	22,008
- Short-term financing		9,874	47,171
- Short-term running finances		146,348	137,531
Finance cost on leases		686	324
Interest on workers profit participation fund	26.2	425	478
Bank charges		6,591	7,051
		205,858	214,563

	2012	2011
	(Rupees in thousand)	

37. TAXATION

	2012	2011
Current		
- For the year	46,385	36,855
- For prior years	4,423	(3,771)
Deferred		
- For current years	(45,048)	(35,551)
	5,760	(2,467)

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 group has assessed tax losses available for carry forward amounting to Rs 439.186 million including tax depreciation losses of Rs 204.535 million.

	2012	2011
	(Rupees in thousand)	
		Restated
38. LOSS PER SHARE - BASIC AND DILUTED		
Loss after taxation	(8,358)	(71,358)
	Number of shares	
Weighted average number of shares outstanding during the year	18,186,409	18,186,409
	(Rupees)	
Loss per share	(0.46)	(3.92)

38.1 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.

	Note	2012	2011
		(Rupees in thousand)	
			Restated
39 CASH GENERATED FROM OPERATIONS			
Loss before taxation		(2,676)	(74,375)
Adjustments for non cash charges and other items:			
Depreciation		68,971	67,211
Gain on disposal of fixed assets		(9,367)	(2,731)
Provision/ (reversal) against slow moving stock		5,662	(2,348)
Provision/(reversal) for doubtful debts		11,916	(528)
Provision for staff retirement benefits		12,772	10,618
Share of profit/ (loss) of associate		(276)	1,273
Finance cost		205,858	214,563
Ijarah lease rentals		7,106	7,103
Working capital changes	39.1	(20,943)	99,417
		279,023	320,203

	Note	2012	2011
		(Rupees in thousand)	
			Restated
39.1 Working capital changes			
Decrease / (increase) in current assets:			
Stores and spares		(2,204)	(199)
Stock-in-trade		110,478	(135,326)
Trade debts		(56,275)	(47,026)
Loans and advances		(15,269)	20,799
Trade deposits and short-term prepayments		(400)	7,070
Other receivables		(6,903)	35,049
		29,427	(119,633)
(Increase)/ decrease in current liabilities:			
Trade and other payables		(50,370)	219,050
		(20,943)	99,417

40. CASH AND CASH EQUIVALENTS

	2012	2011
Cash and bank balances	148,128	265,672
Short-term running finance	(940,696)	(897,479)
	(792,568)	(631,807)

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012		2011	
	Chief Executive	Executive	Chief Executive	Executives
	(-------------- Rupees in thousand			-------------)
Managerial remuneration (including bonus)	105	36,709	60	26,986
Retirement benefits	-	22,998	-	16,158
Housing rent	-	15,904	-	11,712
Utilities	-	3,261	-	2,411
Medical expenses	937	1,111	473	1,231
Travelling expenses	1,843	-	1,513	-
	2,885	79,983	2,046	58,498
Number of persons	1	43	1	37

41.1 In addition to above, six (2011: Six) non-executive directors were paid fee aggregating Rs 1.70 million (2011: Rs 2.15 million).

41.2 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.

42. 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 2012, 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	2012	2011
		(Rupees in thousand)	
Parent company			
- Slotrapid Limited B.V.I.	Royalty expense	28,148	21,295
Associated undertaking			
- Buxly Paints Limited	Sales	91,953	60,497
	Rental income and other services charged	3,608	2,610
	Toll manufacturing income	4,368	2,949
	Royalty expense	599	1,000
	Rental expense	150	-
- Dadex Eternit Limited	Sales	27	191
	Purchases	71	31
Remuneration of key management personnel		See note 41	

The related party status of outstanding balances as at 30 June 2012 are included in trade debts (note 14.1), other receivables (note 17.2) and trade and other payables (note 26.3) respectively.

43. FINANCIAL RISK MANAGEMENT

43.1 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, 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 company's exposure to foreign exchange risk is as follows:

	2012	2011
	(Rupees in thousand)	
Trade and other payables - Euro	(21)	-
Net exposure - Euro	(21)	-
Trade and other payables - UKP	(10)	(6)
Net exposure - UKP	(10)	(6)
Trade and other payables - USD	(2,499)	(4,350)
Net exposure - USD	(2,499)	(4,350)
Trade and other payables - JPY	(51,970)	(72,320)
Net exposure - JPY	(51,970)	(72,320)

The following significant exchange rates were applied during the year:

	2012	2011
Rupees per Euro		
Average rate	118.55	116.01
Reporting date rate	118.50	124.89
Rupees per UKP		
Average rate	140.22	134.25
Reporting date rate	147.07	138.62
Rupees per USD		
Average rate	88.50	85.83
Reporting date rate	94.20	86.05
Rupees per JPY		
Average rate	1.13	1.02
Reporting date rate	1.19	1.07

If the functional currency, at reporting date, had fluctuated by 5% against the Euro, UKP, USD and JPY with all other variables held constant, the impact on loss after taxation for the year would have been Rs 15.058 million (2011: Rs 22.627 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 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:

	2012	2011
	(Rupees in thousand)	
Financial assets		
Fixed rate instruments		
Bank balances - deposit accounts	7,354	56,381
Short term investments	20,080	-
Total exposure	27,434	56,381
Financial liabilities		
Floating rate instruments		
Long-term financing	220,000	325,000
Short-term financing	60,000	77,500
Short-term running finance	940,696	897,479
Total exposure	1,220,696	1,299,979

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 0.419 million (2011: Rs 0.220 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 group 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:

	2012	2011
	(Rupees in thousand)	
Loans to employees	20,180	19,908
Long term deposits	24,130	22,436
Trade debts	803,459	747,872
Trade deposits	10,483	9,583
Other receivables	31,337	29,129
Short term investments	20,080	-
Bank balances	146,074	262,930
	1,055,743	1,091,858

Credit risk of the group arises from 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:

The age of financial assets

	2012	2011
	(Rupees in thousand)	
Not past due	248,732	350,995
Past due but not Impaired:		
Not more than three months	590,706	474,501
More than three months and not more than six months	54,047	62,468
More than six months and not more than one year	32,700	77,256
Past due and Impaired:		
More than one year	129,558	126,638
	1,055,743	1,091,858

(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	Rating Long term	Rating Agency	2012	2011
				(Rupees in thousand)	
Oman International Bank Limited	A-2	BBB	JCR-VIS	444	422
Faysal Bank Limited	A-1+	AA	PACRA & JCR	5,015	27
Bank Al Habib Limited	A1+	AA+	PACRA	368	43,419
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	31,901	78,689
United Bank Limited	A-1+	AA+	JCR-VIS	12,623	12,995
Habib Bank Limited	A-1+	AA+	JCR-VIS	44,319	108,259
MCB Bank Limited	A1+	AA+	PACRA	26,315	19,034
JS Bank Limited	A1	A	PACRA	25,000	-
Citi Bank N.A	A-1	A+	Standard & Poor's	-	11
Askari Bank Limited	A1+	AA	PACRA	69	69
Standard Chartered Bank	A1+	AAA	PACRA	19	5
NIB Bank Limited	A1+	AA -	PACRA	1	-
				146,074	262,930

(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 2012, the group had Rs 20.464 million available untilized borrowing limits from financial institutions and Rs 148.128 million cash and bank balances.

The following are the contractual maturities of financial liabilities as at 30 June 2012:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
Long term financing	220,000	105,000	115,000	-
Trade and other payables	1,100,698	1,100,698	-	-
Accrued mark-up	41,008	41,008	-	-
Short term borrowings	1,000,696	1,000,696	-	-
	2,362,402	2,247,402	115,000	-

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

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees in thousand)			
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	-

43.2 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.

43.3 Financial instruments by category

	Loans and receivables	
	2012	2011
	(Rupees in thousand)	
Financial assets as per balance sheet		
Loans to employees	20,180	19,908
Long term deposits	24,130	22,436
Trade debts	803,459	747,872
Trade deposits	10,483	9,583
Other receivables	31,337	29,129
Short term investments	20,080	-
Cash and bank balances	148,128	265,672
	1,057,797	1,094,600

	Other financial liabilities	
	2012	2011
	(Rupees in thousand)	
Financial liabilities as per balance sheet		
Long term financing	220,000	325,000
Trade and other payables	1,100,698	1,198,420
Accrued mark-up	41,008	48,460
Short term borrowings	1,000,696	974,979
	2,362,402	2,546,859

43.4 Capital risk management

The group's objectives when managing capital are to safeguard the group'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 group 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 2012 and 2011 were as follows:

	2012	2011
	(Rupees in thousand)	
		Restated
Total debt	1,220,696	1,299,979
Total equity	414,942	413,023
Total debt and equity	1,635,638	1,713,002
Gearing ratio	74.63%	75.89%

44. PRODUCTION CAPACITY

	2012	2011
	(Liters in thousand)	
Actual production	28,429	29,554

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 6.449 million liters (2011: 6.961 million liters) which is used in the manufacture of the final product.

45. OPERATING SEGMENT

These consolidated financial statements have been prepared on the basis of single reportable segment.

45.1 Revenue from sales of paint products represents 100 % (2011: 100%) of the gross sales of the group.

45.2 95.76% (2011: 96.36%) of the gross sales of the group are made to customers located in Pakistan.

45.3 All non-current assets of the group at 30 June 2012 are located in Pakistan.

46. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Significant reclassification for better presentation include staff retirement benefits amounting to Rs. 47.352 million previously included in current liabilities among trade and other payables now presented separately under non-current liabilities.

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on 17 September 2012 by the Board of Directors of the group.

48. GENERAL

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

Chief Financial Officer **Chief Executive** **Director**

Notes

Form of Proxy

The Secretary
Berger Paints Pakistan Limited
X-3, Manghopir Road, S.I.T.E., Karachi.

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 22 October 2012 and at any adjournment thereof.

Signed this ____________________ day of ____________________ 2012.

Signature on
Rs.5.00
Revenue
Stamp

NOTES:

1. The Share Transfer Book of the Company will remain closed from 10 October 2012 to 22 October 2012 (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.

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Website: www.berger.com.pk