

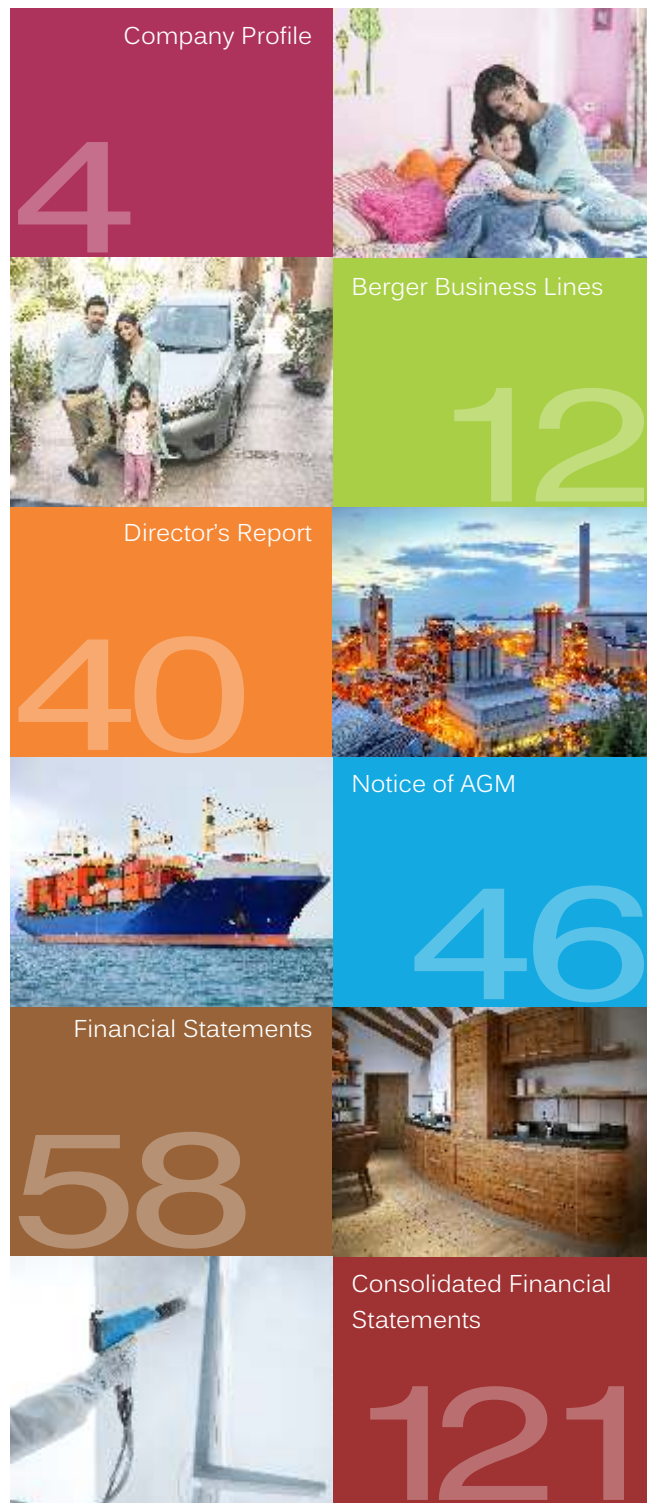
ANNUAL REPORT 2016



BERGER  **PAINTS**
Trusted Worldwide

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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

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

CFO & Company Secretary

Mr. Abdul Wahid Qureshi

Bankers

MCB Bank Limited
United Bank Limited
National Bank of Pakistan
Faysal Bank Limited
JS Bank Limited
Summit Bank Limited
Habib Metropolitan Bank Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Solicitors

SurrIDGE & Beecheno

Company Registrar

THK Associates (Private) Limited

Registered Office

36 Industrial Estate, Kot Lakhpat, Lahore.
Tel: 92 42 111 237 437
Fax: 92 42 35151549

Factory

28 Km, Multan Road, Lahore.
Tel: 92 42 38102775
Fax: 92 42 37543450

Web Presence

www.berger.com.pk



This annual report can be accessed and downloaded from Berger's website
<http://berger.com.pk/aboutus/financials>







Company Profile

Berger was established two centuries ago and now it has grown to become one of the world's largest paints manufacturers. In Pakistan, the history of Berger is as old as the 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, acquired control of Berger Paints Pakistan Limited by gaining 50.62% shares of the company.

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

In 2006, Berger established state of the art manufacturing facility in Lahore. This plant has provided Berger an edge over its competition through

enhanced production. It has enabled Berger to meet the growing demands of its valued customers across Pakistan. Berger Paints Head office is located in Lahore.

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



Berger has entered into a number of technical collaboration arrangements with leading international manufacturers. These include 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, now Cromax, for Pakistan's vehicle refinish paint segment.

Berger is also operating a 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.

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.



Vision

We will become the leading paints and associated products manufacturing and marketing company in Pakistan ensuring best returns to our investors & highest customer satisfaction.

Mission

Innovation

We will lead by innovative ideas and technological development in the paints and associated products in Pakistan ensuring efficient utilization of resources yielding high returns.

Commitment

We will ensure highest level of commitment to achieve best quality products and services.

Care

We will vigorously promote and safeguard the interest of employees, shareholders, business associates & all other stakeholders.

Corporate Social Responsibility

We will act as a good corporate citizen ensuring service towards community and shall focus on environment, health and safety.



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.





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



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.



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

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.

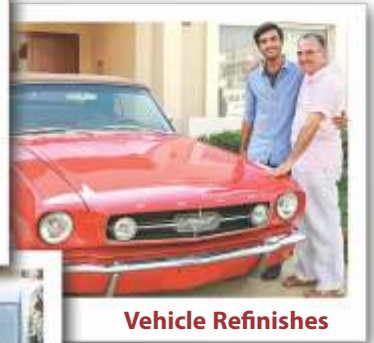
Berger Business Lines



Decorative Paints



Powder Coatings



Vehicle Refinishes



Adhesives



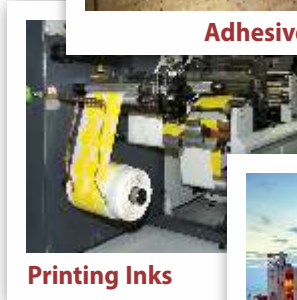
Automotive Paints



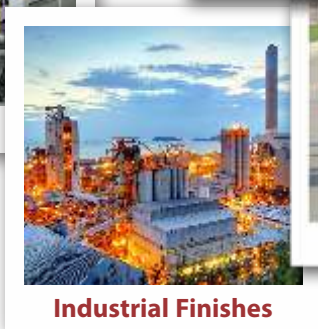
Government & Marine Coatings



Construction Chemicals



Printing Inks



Industrial Finishes



Road Safety



Protective Coatings



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.

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Decorative Projects

Army Residency Flats, Islamabad
Eden Value Homes, Lahore
Supreme Court Building, Islamabad
SMC Tower, Lahore
World Trade Center, Islamabad
Beaconhouse School System



Defence Valley, Islamabad
City Schools
Indian Embassy, Islamabad
Sofitel Towers, Karachi
Serena Hotels
Centre Point, Karachi

Centauras, Islamabad
Vincey Shopping Mall, Karachi
Gulf Plaza, Lahore
Royal Palm
Rafhan Maize Products Co. Ltd
Fatima Group

Dean Heights, Peshawar
Shaukat Khanum Memorial
Hospital, Peshawar
Rehman Medical Inst. Peshawar
Khyber University, Peshawar
Grand Hayat Hotel, Islamabad



Automotive Clients

Indus Motors Company

NJ Auto Industries

Omega Industries (Road Prince)

Al-Hajj Faw Motors

Afzal Motors

New Asia Automobiles

Master Motor Company

United Autos

Daewoo Pak Motors

Orient Automotive

Plum Qingqi Motors

Kausar Industries

Super Asia Motor Cycles

Global Econo Trade (Treet)

PCICS

Automotive Paints

The Automotive Paints business is a quintessential division of the organization. It offers a wide variety of products to cater to 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 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), Omega Industries (Road Prince motorcycles), Plum Qingqi, Pakistan Cycle Industrial Co-operative Society (PCICS Sohrab cycle), Kausar Industries, Senior Automobiles (ROZGAR), D.S. Motors (Unique Motorcycles).

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.

Berger is recognized as one of
the major players in the
Automotive Industry for its high
quality standards & professional
technical services.

Senior Automobiles (Rozgar)

ZXMCO Motorcycle

MTW Pak Assembling Industry (Belarus)

Gandhara Industries

Atlas Honda Motorcycles

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 finishes vary from glossy to matt, texture, antique and are all available to our customers as per their requirement.

Powder Coating is an economical and environment 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 & Finishes for their products and Berger is their foremost choice.

Powder Coating Clients

Dawlance Pvt. Ltd

Sametco Engineering

Sui Southern Gas Co. (SSGC)

Varioline Intercool

Pan Islamic Industries

Universal Containers

Marvel Metals

GFC Fans

Breeze Frost

Babar Engineering

NJ Autos

Schneider Electric

Rafique Engineering Industries (Royal Fan)



Manufacturers who are conscious about cost and quality prefer to use Powder Coatings & Finishes for their products and Berger is their foremost choice.

General Industrial Finishes

The General Industry Finishes cater mainly to the industrial manufacturing sector of the nation. Berger supplies industrial finishes to leading manufacturers of domestic electric & non-electric appliances, auto spare-parts vendors, steel & metal products, heavy industrial machines & transformer manufacturers, metal furniture etc.

Boasting a wide range of industrial finishes Berger enjoys a significant market share in this segment of the industry. Berger has complete industrial paint systems 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 Fans, GFC Fans, SSGC, Atlas Engineering, Balochistan Wheels Ltd.

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 Fans)
General Fan Company (GFC)
Super Asia Industries
Al Badar Engineering
Golden Pumps
Loads Limited



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

Transfo Power
M. Hafiz Industries
Metal Engineering
Yousaf Engineering
Lal Din Engineering
Balochistan Wheels Ltd (BWL)

Agri Autos
Gujrat Steel
Sui Southern Gas Co. (SSGC)
Skyways Manufacturing
Quality Engineering
Acepak Engineering

Atlas Engineering Limited
D.S Motors (Unique Motor Cycle)
Noor Engineering
Rafique Engineering Industries
(Royal Fan)



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 Coating Clients

Descon Engineering
National Refinery
Packages Limited
Unilever Pakistan
Fauji Fertilizer Co.
Maple Leaf Cement
Pakistan Oil Field
Nishat Chunian Power Plant
Gharibwal Cement
ICI Polyester Power Plant
Telenor Towers (ATL)
Cherat Cement Co.Ltd.
Neelum Jehlum Hydro Project
Best Way Cement
Chashma Sugar Mill



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, now Axalta Coating Systems, for Pakistan. DuPont, now Cromax, 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.

Refinish Training Center

Berger has established Refinish Training Center in the vicinity of its plant with state of the art technology. Refinish Training Center is being used to give training to the 3S dealers and painters for application of 2K paint on cars.



Road Safety

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

Berger Pioneered the concept of single source manufacturing and application of road marking products in Pakistan. The advance Cataphos hot-melt Thermoplastic (TP) paint is manufactured in Pakistan as per BS 3262 specifications. A full range of other road marking products, including Chlorinated Rubber (CR) paint and Water Based (WB) paint, are also manufactured to match various application standards.

In addition to road marking paints, Berger Road Safety offers a complete range of other road safety products such as traffic signs, cat eyes/studs, guardrails, delineators and barriers etc. that meet high quality standards.

All Application services are provided through our trained application teams that are supervised by qualified field supervisors.

Berger Road Safety: Major Road Safety Application Projects

Motorway M-2 Project	Jacobabad Project
Motorway M-3 Project	Quetta City Roads
Motorway M-4 Project	Gwadar City Project
Peshawar-Torkham Road	Kararo-wadh Project
Quetta-Chaman Road	Larkana City Roads
Makran Coastal Highway	Lyari Expressway
Panu Aaqil Bridge	Thar Coal Project
Taftaan Highway	Sujawal Project
Hyderabad-Mirpurkhas Road	Naulachi Bridge Muzaffarabad
Sakrand Bypass	Chaklala Cantonment Board Rawalpindi
RYK-TMP Project (N-5 Section)	Kohat Garrison
Pak Iran Border	Mangla Garrison
Adb Flood Relief Projects	Cantonment Board Walton Roads
LHR-SKP-FSD Bot Project	Cantonment Board Lahore Roads
Lahore Ring Road	Cantonment Board Multan Roads
Lahore-Kasur Road	Cantonment Board Clifton Roads
Gujranwala-Sialkot Road	FRRP Project Faisalabad
Narowal-Zafarwal Road	LRRP Project Phase I & II Lahore
Metro Bus Service Project Lahore	Azadi Chowk Interchange
Bahria Town (Karachi, Lahore, Islamabad)	Qanchi-Chungi Interchange Lahore
FWO Batgram Project	City Roads Faisalabad
CDA Islamabad Roads	LDA Avenue 1
DHA (Karachi, Lahore, Islamabad)	Kalma Chowk Flyover Lahore
Allama Iqbal International Airport Lahore	Kalma-Chowk New Campus Road Lahore
Multan International Airport	Widening Of Canal Road Lahore
Sialkot International Airport	Southern Bypass Road Lahore
Walton Airport Lahore	Mall Road Lahore
Benazir Bhutto International Airport	Shalimar Link Road Lahore
Mehran Air Base Karachi	Quaid E Azam Solar Park Bahawalpur
Mehran Highway	Maulana Shoukat Ali Road Lahore
Khadim-e-Punjab Rural Roads Program	Canal Expressway Faisalabad
Jalkhad-Chilas Road Project	Khunjab and Raikot Bridge Gantry Project

Berger Road Safety Clients:

National Highway Authority (NHA)	Malir Cantonment Boards (MCB)
Communication & Works (C&W) Dept.	Karachi Cantonment Board (KCB)
Bahria Town Limited (BTL)	Cantonment Board Clifton (CBC)
Defense Housing Authority (DHA)	Cantonment Board Lahore (CBL)
National Logistic Cell (NLC)	Cantonment Board Multan (CBM)
Frontier Works Organization (FWO)	Cantonment Board Rawalpindi (CBR)
LAFCO Pvt Limited	Cantonment Board Walton (CBW)
Capital Development Authority (CDA)	China Int'l Water & Electric Corp. (CWE)
Rawalpindi Development Authority (RDA)	Fauji Fertilizer Bin Qasim Limited. (FFBL)
Lahore Development Authority (LDA)	Indus Motors Limited
Traffic Engineering & Planning Authority	Pak Suzuki Motors Co
City District Government Karachi (CDGK)	K-Electric
City District Government Lahore (CDGL)	PNS Mehran Karachi
City District Government Faisalabad (CDGF)	Agha Khan University Hospital (AKUH)
Civil Aviation Authority (CAA)	Hyderabad Cantonment Board (HCB)
SIAL (Sialkot Int'l Airport)	China Road and Bridge Corporation (CRBC)
Habib Construction Services (HCS)	Nestle Pakistan
Zaheer Khan Brothers (ZKB)	China Harbour Engineering Company (CHEC)
Eden Housing Limited	Niaz Khan & Brothers (NKB)



Govt. and 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. and Marine Clients

Sui Northern Gas

Pakistan Railways

Army Housing

Civil Aviation Authority

Pakistan Atomic Energy Commission

PPHI Sindh

GHQ

WAPDA

Nandi Pur Power Plant

FWO

C.O.D

Pakistan Navy

Sahiwal Coal Power Plant

Sulemanki Barrage

OGDCL

Pakistan Ordnance Factory

CMES



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, Sealants and Grouts.

Construction Chemicals Clients

Attock Refinery Ltd.

National Development Complex

MOL Pakistan

PAF

Pak Arab Fertilizers

Lalpir Power House

I.T Tower, Lahore

Indus Motors Company

Landi Renzo Pakistan

Aga Khan University Hospital

Engro Foods

Samungali Airbase, Quetta

M-4 Motorway

Unilever Pakistan

Nestle Pakistan (Kabirwala Plant, Islamabad Water Plant)

Bahria Town

Pepsi Pakistan

Civil Aviation Authority

GSK



Adhesives

The flagship brands at Berger's Adhesives business are Berlith and NULith. They are 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 and NULith makes them ideal for gluing hardboard, chipboard, softwood, ply, Formica, etc.

Because of its plastic resin, Berlith and NULith are the best choice for use in kitchen cabinets and counters. They also serve as suitable pasting material for labels on plastic, glass, cartons, etc.

They are especially designed for wood furniture industry, where their high adhesive strength makes them ideal for gluing.



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 and packaging houses 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 Pvt Limited
 Nova Synpac (Pvt) Ltd.
 Al-Qadri & Awan
 Frontier Printer
 Fine Packages
 Industrial Packages
 Al Madina Plastics
 Jillani Industrial Corporation

Alhamd Gravure
 Al-Aziz Rotoflex
 Zahid Packages
 Century Paper
 Cherat Packages
 Maqsood Faisal
 Gulf Packages
 Pak - China Corporation

Marketing Activities

Berger Corporate TVC

A new Corporate TVC has been made by Berger Marketing Department based on all the Business Lines of the Company.

Berger Campaign at Ten Sports- T20 World Cup

Berger Paints sponsored T20 Worldcup in the month of March on Tensports. This was a massive campaign in which Berger TVC was seen in all the matches of T20 Worldcup shown on Tensports. Berger 40 secs and 10secs ads were shown during this campaign. Not only this but also Berger PIP (picture in picture) and Berger Scrolls were also played during the matches from time to time. Moreover, Berger TVC was also shown during the highlights of the matches.

Berger TVC Campaign

Berger started its TVC campaign on 4th April for a month. Berger's new corporate ad was aired during this campaign which received a lot of appreciation from the viewers. This ad was made to create a positive image of Berger on the whole as it showed all the business lines. This truly showed the bigness of Berger. The campaign was run on the Television on the following channels:

- Geo News
- Dunya News
- Samaa TV
- ARY Digital
- HUM TV

The campaign included airing of 59 sec, 30 sec and 40 sec ads along with frequent 10sec ad.

Radio Campaign

The campaign was not only limited to TV but it was also aired on the Radio. Simultaneously, Radio channels included FM 89 and FM 106. Morning show Break Fast with Khalid on FM 89 had a special segment for Berger, in which a question was asked based on the Radio ad and winners were announced through lucky draws. There were a total number of 16 winners. Gift Voucher of free paint worth of Rs. 5000 was given to each winner.

Cinema Campaign

Berger TVC was also played in 33 Cineplexes of major cities of the country. 85 second ad was played during the interval and the beginning of the movies. This was also appreciated a lot by the viewers. The cities covered during this campaign were Karachi, Lahore, Islamabad, Rawalpindi, Sialkot, Hyderabad, Faisalabad, Gujranwala and Multan.

Facebook Campaign

Berger also synchronized its TVC campaign with Facebook. A competition was carried out based on Berger TVC and winners were announced through lucky draw.

BERGER goes Online.....

Youtube, Vimeo and Daily Motion

After Facebook and Twitter, Berger Paints has enhanced its brand foot print on the digital medium. Berger has created channels on YouTube, Vimeo and Daily Motion.

All the TVC's and related videos will be available for the masses to see on these online channels. Berger will upload the video's on regular basis. Combining YouTube, Vimeo and Dailymotion it will be ensured that Berger TVC's and videos have reached the maximum viewers.

Instagram

Instagram is a fun and quirky way to share your life with friends through a series of pictures. Berger Paints is now on Instagram. Berger can now share pictures and get connected with the customers more effectively.

Pinterest

Berger is now on Pinterest also. Pinterest is one of the fastest growing communities among DIY lovers in Pakistan, combining Instagram and Pinterest will be great combination to enhance brand equity of Berger Paints.

Berger Blogs...

Now Berger also has several Online Blogs. Articles related to Berger will be uploaded on these blogs making people aware of Berger and its products. These sites include:

- Fashion Central
- Times of Pakistan
- Designer Central
- Menz Mag
- Womenz Mag

Institute of Architect Pakistan Exhibitions in Lahore & Karachi

Berger by maintaining the tradition participated in the international trade show IAP exhibition in Lahore and Karachi in the year 2015-16. A large number of international brands and well reputed organizations especially related to the construction and paint industry such as Berger Paints Pakistan Limited participated in this exhibition. The main purpose to participate in this trade show was to get attention of the potential customers i.e. Architects, Builders and Contractors and to make them aware of the quality product offerings. Participants showed great interest in Berger's stall.



Dawn Lifestyle: Karachi, Lahore & Islamabad

Berger participated in Dawn Lifestyle Exhibition held at Karachi, Lahore & Islamabad in the year 2015-16. Renowned companies from FMCG, Home Appliance, Furniture, Fashion/Cosmetics industry etc. participated in this exhibition. People from different walks of life attended this exhibition and participated in various activities (food court, singing competition and children activities) organized by Dawn group. During this event Berger stall became the center of attention due to its location and activities. People in huge numbers visited the stall and participated in Berger stall activities.



Marketing Association of Pakistan

Berger Paints has been continuously sponsoring several seminars conducted by Marketing Association of Pakistan in Lahore in the year 2015-16.

Dealer Foreign Trips

Berger Paints organized a number of dealer trips in the year 2015-16. To qualify for these Trips, Dealers were given challenging sales and collection targets. These destinations included China, Singapore and Saudi Arabia for Umrah. These were highly memorable trips for Berger's customers as well as employees where everyone enjoyed these beautiful locations.



PCMA Sponsorship

Berger Paints Pakistan Limited sponsored an event organized by PCMA (Pakistan Chemical Manufacturers Association) on 10th May 2016, Pearl Continental Lahore. Despite the bright future of Chemical industry in Pakistan, it still didn't have any official forum. PCMA is a newly formed body for the representation of Chemical Industry. Many National and Multinational companies participated in this event. The event was attended by the COO's and Owners of chemical companies.

Berger Winner Sales Conference, Pattaya, Thailand - 2016



Berger Paints Pakistan took its sales team winners from all the business lines, and support staff to Pattaya for Berger Winner Sales Conference from 4th to 7th February, 2016. This conference was organized to discuss and appreciate the performance of the sales team over the period of June to December 2015 and to provide the plan to achieve the target for the next 6 months. The event started with the recitation of the Holy Quran, followed by the Opening Note by MD. COO, Director Marketing & Sales and Director Finance addressed the conference following MD. The Heads of the support staff also gave presentations on the last six months and next six months' performance of the fiscal year of their departments. On the next day, separate sessions were held to discuss individual performances of the sales team in front of their

Business Heads. In the second half of the conference, a combined session was held in which Allied, Non Retail and Retail GMs gave presentations on the summary of the discussions in the first half. Marketing Presentation was also given during this time. Also, success stories were shared by the representatives of the businesses. Retail business took away the trophy for the Winner of the Success Story. Moreover, Best Sales Person Award was given on the regional and national bases to the highest achievers of the 3 business lines. The conference ended with the ending note by the MD. 3rd day at Pattaya was filled with fun-filled activities like visit to the Coral Island and Alkazar show. The sales team came back to their home country happy and fully motivated to accomplish their targets of the next six months.

Launch Ceremony of a book “Naqsh-o-Nigar-e-Iqbal”

Berger Paints Pakistan Limited organized the Launch Ceremony of a book “Naqsh-o-Nigar-e-Iqbal” based on Stamp and Coin Collection on Allama Iqbal. This book has been compiled by Berger Employee Mr. Mian Sajid and has been sponsored by Berger Paints Pakistan Ltd. This Ceremony was held at University of Management & Technology on 28th April, 2016. Justice (R) Nasira Javed Iqbal was the Chief Guest of this event.



Pakistan Coating Show

Berger participated in Pakistan Coating Show, which was held in Lahore Expo Center in January, 2016. Coatings and chemicals, Raw Material, packaging and other support National and International Companies participated in this sector. It was a great platform to tap several new and feasible sources of raw material and packaging. A total number of 70 national and international companies exhibited in this show and according to a survey around 7500 visitors, visited the exhibition. This show was truly one of its kind and for the first time such an exhibition was organized.

Berger Paints Technical Team gave presentations on Berger Product Range along with other companies which were participating in the show and was awarded 3rd Best Presenter award.



Berger Display Centre/Model Shop- Gujrat Division



Berger Paints has launched Berger Display Centre/Model Shop at Sardar Paint Gujrat Division. This Display Centre consists of Berger Decorative Product display. It also consists of inspirational area with different color schemes from which the customers get creative ideas about the color schemes and helps the customer to select the right product. It also has a color bank machine installed in it.

Karigar and Berger Painters Training Program

Berger in collaboration with Karigar Institute has started a painters training program which has started from Dec 2015. This program will train students to become painters and teach them different painting techniques. Complete knowledge of Berger Products will also be given to the painters.

Berger Dealer Function/Conventions

Berger paints organized Dealer Functions/Conventions throughout the year. A large number of Dealers participated in these events and showed great interest in Berger and its products. These functions were a huge success for Berger Paints.



Berger Contractor Conventions

Berger paints organized Contractor Conventions throughout the year in all the three regions. The large number of participation of the contractors was surely a proof of the success of these conventions.

Launch of Top Class Series Products



Berger Paints launched a series of 3 highly economical products for its customers in the year 2015-16 in the South Region. This series is called Top Class Series and consists of Top Class Emulsion, Top Class Primer and Top Class Putty. This range of new products has become an instant success in the market providing the company boost in sales.

Corporate Activities

Berger Interdepartmental Cricket Tournament



Berger Interdepartmental Cricket Tournament was held in December at "Model Town Whites Cricket Ground. All the departments at Berger enthusiastically participated in this tournament; which was the best part. There were games and jumping castle displayed for the children. Final match was played between RMS & Distribution department and Distribution won the tournament. It was healthy team building activity & a great show.

Berger Gala Evening

Berger Gala Evening held in October was a colorful event full of activities like games, singing and poetry competition. Everybody enthusiastically participated in the event; which was the best part.



Independence Day Celebrations



We witnessed an overwhelming display of patriotism and team work as Berger Family celebrated Independence Day of Pakistan at Head office, Factory and all regional offices.

This event was an instant success and it was heartwarming to see the enthusiasm & patriotism with which every department participated in it. This proved to be a wonderful team building activity. It was delightful to see everybody wearing green.

Birthday Celebration



HR Department organized birthday celebrations for Berger Employees every month at Berger's Head office, Plant & Regional offices.

Hajj Draw



Performance of Hajj (pilgrimage) is a compulsion on all Muslims, at least once in a life time, if the circumstances permit. Hajj is obligatory only when an individual is in a position, both physically and materially, to undertake the journey to Makah. Berger gives opportunity for performing hajj every year for a Muslim employee.

Job Fairs

Berger Human Resource department participates in job fairs of renowned universities. It's a good platform to attract potential candidates. At Berger we feel that it is our responsibility to provide a platform to fresh graduates to prove themselves and get groomed for their professional careers.



Training & Development



'Training' suggests putting stuff into people, when actually we should be developing people from inside out- so they achieve their own individual potential – what they love and enjoy. What they are most capable of and strong at doing, rather than what we try to make them to do.

Human Resource department is paying keen interest in training & development function. Keeping in view the importance of learning & development of Berger family; we have conducted important trainings.

Idea House

We have developed a platform with the name of IDEA HOUSE for Berger & Buxly family. The IDEA HOUSE demonstrates the correlation between bottom up ideas and an organization's ability to be consistently INNOVATIVE!



The primary objective of this exercise is to become idea-driven as ideas are engine of progress. IDEA HOUSE platform has received an overwhelming response. In every quarter we select top three ideas for implementation.

Fire Fighting Training By EHS Department

Berger EHS department conducts fire fighting training for employees in Berger offices as well as factory throughout the year. This is very effective training which prepares individuals to combat accidents. A team of trained fire fighters has been prepared among the employees in all Berger offices for this purpose.

Financial Highlights

	Year Ended June 30,					
	2016	2015	2014	2013	2012	2011
	----- (Rupees in thousand) -----					
NET ASSETS						
Fixed Assets	1,046,039	1,049,567	587,703	603,597	639,696	697,641
Assets under Finance Lease	-	3,473	4,809	7,145	9,121	2,770
Goodwill	36,750	36,750	36,750	36,750	40,750	40,750
Long Term Investments	52,557	12,528	12,810	4,086	4,086	5,567
Long Term Loans & Deposits	64,017	50,397	39,927	37,123	34,700	31,861
Deferred Taxation	-	36,745	156,457	162,901	176,685	131,685
Net Current Assets	273,435	116,097	119,694	(86,418)	(145,607)	(40,948)
Total	<u>1,472,798</u>	<u>1,305,557</u>	<u>958,150</u>	<u>765,184</u>	<u>759,431</u>	<u>869,326</u>
FINANCED BY						
Share Capital	181,864	181,864	181,864	181,864	181,864	181,864
Reserves	638,038	444,701	385,317	280,734	219,307	219,469
Surplus on Revaluation of Fixed Assets	542,313	559,773	184,878	186,311	187,720	197,997
	<u>1,362,215</u>	<u>1,186,338</u>	<u>752,059</u>	<u>648,909</u>	<u>588,891</u>	<u>599,330</u>
Long Term and Deferred Liabilities	110,583	119,219	206,091	116,275	170,540	269,996
Total	<u>1,472,798</u>	<u>1,305,557</u>	<u>958,150</u>	<u>765,184</u>	<u>759,431</u>	<u>869,326</u>
TURNOVER AND PROFITS						
Turnover	5,081,749	4,301,830	4,509,031	4,167,303	4,052,009	3,571,510
Gross Profit	1,547,171	1,155,332	1,097,260	927,831	798,419	740,270
	30.45%	26.86%	24.33%	22.26%	19.70%	20.73%
Profit/(Loss) before tax	322,395	166,588	148,962	101,368	(7,080)	(70,661)
Taxation	137,618	57,435	51,454	41,350	3,359	(191)
Profit/(Loss) after tax	184,777	109,153	97,508	60,018	(10,439)	(70,470)
EARNING AND DIVIDENDS						
Earning/(Loss) per share	10.16	6.00	5.36	3.30	(0.57)	(3.87)
Interim Dividend per share-Cash (Rupee)		1.50				
Final Dividend per share-Cash (Rupee)	4.50	1.00	1.00	0.50	-	-

Directors' Report

The directors of your Company are pleased to present their review along with audited financial statements of the Company for the year ended June 30, 2016.

ECONOMY OF PAKISTAN

This year 2016 can be marked by strong economic performance, improved law and order situation, stability in Rupee Dollar parity, declining oil prices, reduced interest rates, declining inflation rate and slightly improved power supply. We are hopeful that with improved governance and starting of mega projects, the government will surmount the challenges which have been hampering the economic growth of the country.

In line with these positive indicators, the Pakistan Stock Exchange continued to show improvements and remained among top ten worlds's best performing index in 2016, surging to 40,000 points.

BUSINESS PERFORMANCE

The year under review turned out to be a better year in terms of Sales and your Company has achieved Rs. 5 billion mark in sales which is 18% higher than the Sales for the last year. Gross profit achieved in 2016 amounts to Rs. 1,547 million as compared to Rs. 1,155 million for the year 2015, resulting in an increase of 34% over last year.

Increase in Selling and administrative expense is mainly due to additional advertising & promotional activities and higher freight amount against increased sales volume. Lower financial charges contributed positively in profitability which mainly resulted due to reduction in government interest policy rates and renegotiated interest rates.

As a result of the above factors, your company managed an after tax profit of Rs. 184.7 million at year end 69% higher as compared to a profit after tax in 2015. Resultantly Earning per share has increased from around Rs. 6 in 2015 to over Rs. 10 at the end of this year.

FINANCIAL PERFORMANCE

The financial performance and position is summarized hereunder:

	30 June 2016	30 June 2015
	(Rupees in thousand)	
Operating Profit	410,836	293,448
Other operating income	135,695	34,115
	546,531	327,563
Finance cost	89,214	148,354
Other charges	134,922	12,621
	224,136	160,975
Profit before taxation	322,395	166,588
Taxation	137,618	57,435
Profit after taxation	184,777	109,153

FUTURE OUTLOOK

Pakistan economic growth is expected to further pick up due to China-Pakistan Economic Corridor (CPEC) which is likely to be the main propeller of economic growth, followed by energy sector projects. Initiation of projects under CPEC worth USD 46 billion over coming years, is expected to pave the way for a notable jump in FDI, increased development activity in the country will likely attract further investment from both other multilateral agencies and regional countries.

Your Board is confident of the strong potential of Pakistan and we believe it will continue to offer huge business opportunities driven by its growing population. We feel that all these positive factors will help to boost business activities in coming year and your Company is well positioned to grab any opportunity.

SAFETY, HEALTH & ENVIRONMENT

Berger recognizes the importance of better environment through efficient use of limited energy resources and responsible use of energy resources remains a priority at Berger. In this year Berger started WWF GREEN OFFICE initiative, an energy conservancy program with the collaboration of WWF for efficient use of electricity, water and other scarce resources. The basic purpose is to contribute our obligations to a Greener Office and be a part of the global initiative to make our office greener resulting in a better planet for us and for our coming generations. Employees were encouraged to participate in spreading the awareness on saving natural resources across the company and at their homes as well.

Protecting the health and safety of our people and ensuring a healthy working environment is of great importance to Berger Paints. The Company is committed to work towards designing a workplace that minimizes work related risks and ensure better occupational health and safety. Apart from imparting intensive training to staff, various significant steps were also taken to adopt safety practices.

BOARD OF DIRECTORS

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

Mr. Maqbool H. H. Rahimtoola	5
Dr. Mahmood Ahmad	6
Mr. Hamid Masood Sohail	6
Mr. Muhammad Naseem	6
Mr. Shahzad M. Hussain	6
Mr. Zafar A. Osmani	6
Mr. Muhammad Saeed (alternate to Mr. Ilyas Sharif)	4
Mr. Zafar Qidwai (alternate to Mr. Ilyas Sharif)	2

Leaves of absence were granted to the Directors who were unable to attend meetings.

AUDIT COMMITTEE

During the year, four meetings of Audit committee were held.

HUMAN RESOURCE COMMITTEE

During the year, two meetings of Human Resource committee were held.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statement of the Company and its subsidiaries, Berger DPI (Private) Limited, Berger Road Safety (Private) Limited and Berdex Construction Chemical (Private) Limited and its Associate 3S Pharmaceutical (Private) Limited.

HOLDING COMPANY

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

PROFIT PER SHARE

The Earnings per share for the year is Rs. 10.16 (2015: Rs. 6.00).

AUDITORS

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

RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board. The Board approved pricing policy for related party transactions.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirement of the Code of Corporate Governance set out by the Pakistan Stock Exchange in their listing regulations, relevant for the year ended 30 June 2016 have been duly complied with. A statement to this effect is attached with the report.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2016 and its disclosure, as required by the Code of Corporate Governance appears on Page 44.

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 to 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.
- iv. The accounting estimates, wherever required are based on reasonable and prudent judgment.
- v. International financial reporting standard, as applicable in Pakistan, have been followed in preparation of financial statements.
- vi. The system of internal control is sound in design and has been effectively implemented.
- vii. There are no significant doubts upon the Company's ability to continue as a going concern.
- viii. There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- ix. The key operating and financial data of the last six years is annexed.
- x. The value of investments of provident, gratuity and pension funds are at June 30, 2016:

Rupees in Thousand

Berger Paints Executive Staff Pension Fund	43,879
Berger Paints Gratuity Fund	2,506
Berger Paints Provident Fund	186,325

- xi. The directors, CEO, Executives and their Spouses and minor children did not carry out any trading in the shares of the Company.

CORPORATE SOCIAL RESPONSIBILITY

Berger is fully committed towards playing its part in bringing positive changes in the society and bridging the gap between where the community stands now and where it should be. Berger has a long term affiliation with work towards fulfilling the needs of unprivileged class of community in the field of education and health.

This year Berger continued its support to National Outreach Program as knowledge partner for the spreading of knowledge in the community.

To recognize Company's efforts on CSR front, company was awarded Corporate Social Responsibility Award 2016 by National Forum for Environment and Health.

ON BEHALF OF THE BOARD

Lahore
Date: 19 September 2016

Dr. Mahmood Ahmad
Chief Executive

Pattern of Shareholding

as on June 2016

NO. OF SHAREHOLDERS	From	To	SHARE HELD	PERCENTAGE
350	1	100	10002	0.0550
410	101	500	154018	0.8469
221	501	1000	191576	1.0534
397	1001	5000	1010118	5.5543
70	5001	10000	544432	2.9936
23	10001	15000	286046	1.5729
23	15001	20000	411724	2.2639
16	20001	25000	384862	2.1162
6	25001	30000	166547	0.9158
5	30001	35000	160429	0.8821
3	35001	40000	114500	0.6296
1	40001	45000	44000	0.2419
3	45001	50000	139148	0.7651
1	50001	55000	55000	0.3024
1	60001	65000	64453	0.3544
3	65001	70000	205000	1.1272
1	70001	75000	72000	0.3959
1	80001	85000	81000	0.4454
1	85001	90000	87500	0.4811
1	95001	100000	100000	0.5499
1	120001	125000	122184	0.6718
1	160001	165000	162000	0.8908
1	180001	185000	184495	1.0145
1	200001	205000	203429	1.1186
1	210001	215000	212500	1.1685
1	245001	250000	250000	1.3747
1	350001	355000	350454	1.9270
1	355001	360000	358318	1.9703
2	375001	380000	757716	4.1664
1	465001	470000	468417	2.5756
1	475001	480000	477496	2.6256
1	890001	895000	890961	4.8991
1	9465001	9470000	9466057	52.0502
<u>1551</u>			<u>18186382</u>	<u>100.0000</u>

Pattern of Shareholding

as on June 2016

Descerption	Shares held	Percentage
Directors, CEO and Their spouses and minor children	2,021	0.011%
NIT & ICP	379,916	2.089%
Banks, DFI & NBFI	453,585	2.494%
General Public (Local)	7,054,063	38.788%
General Public (Foreign)	277,970	1.529%
Others	552,770	3.039%
Associated Companies	9,466,057	52.050%
Company Total	18,186,382	100.000%

Categories of Shareholders Required Under the Code of Corporate Governance as at June 30, 2016

Directors, CEO and their spouses and minor Holding Percentage

Dr. Mahmood Ahmed	2	0.000%
Mr. Ilyas Sharif	1	0.000%
Mr. Muhammad Naseem	1	0.000%
Mr. Zafar A. Osmani	1	0.000%
Mr. Maqbool H.H. Rahimtoola	1,572	0.009%
Mr. Hamid Masood Sohail	444	0.002%
TOTAL	2,021	0.011%

Associated Companies

Slotrapid Limited	9,466,057	52.050%
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NIT & ICP

National Bank of Pakistan Turstee Department	900	0.005%
Investment Corporation of Pakistan Limited	590	0.003%
CDC - Trustee National Investment (Unit) Trust	378,426	2.081%
	379,916	2.089%

Banks, DFI & NBFI

Banks, DFI & NBFI	453,585	2.494%
General Public (Local)	7,054,063	38.788%
General Public (Foreign)	277,970	1.529%
Others	552,770	3.039%
	8,338,388	45.850%
	18,186,382	100.000%

Notice of Annual General Meeting

Notice is hereby given that the 66th Annual General Meeting of Berger Paints Pakistan Limited will be held on October 25, 2016 at 10:00 am at the Lahore Factory 28 Km, Multan Road, Lahore. To transact the following business:

Ordinary Business

1. To confirm minutes of Annual General Meeting held on October 29, 2015.
2. To receive and adopt the Audited Accounts along with consolidated Financial Statements of the Company for the year ended June 30, 2016 together with the Auditors Reports and Directors Report thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2017. Board has recommended reappointing KPMG –Taseer Hadi & Co Chartered Accountants who being eligible offer themselves for re-appointment.
4. To approve the announced dividend in Cash @ 45% i.e. Rs. 4.5 per share.
5. To transact any other business with the permission of the Chair.

Special Business

To consider and if thought fit, to pass the following resolution as Special Resolution pursuant to Section 208 of the Companies Ordinance, 1984, with or without any modification(s), addition(s) or deletion(s) in respect of Company's issuing loan to Berger Road Safety (Private) Limited:

RESOLVED by way of Special Resolution pursuant to Section 208 of the Companies Ordinance, 1984 and subject to requisite regulatory permission and consent, approval of the members of Berger Paints Pakistan Limited (the "Company" or "BPPL") be and is hereby accorded to issue loan of PKR 40,000,000/- (Rupees forty million) to its associated company Berger Road Safety (Private) Limited to finance working capital requirement of associated company. Markup of 2% per annum over the borrowing cost of the Company would be charged to associated company. Other terms and conditions of this arrangement and other information is disclosed in the Statement U/S 160 of the Companies Ordinance, 1984 attached with the notice of this meeting.

FURTHER RESOLVED that the Chief Executive Officer and the Chief Financial Officer of the Company be and are hereby jointly authorized to pay the sum of PKR 40,000,000/- (Rupees Forty Million) as loan to Berger Road Safety (Private) Limited and to do all acts, deeds and things and to take all necessary actions including signing and execution of any or all documents necessary or required in this regard and complete all legal formalities and to file all necessary documents as may be necessary for implementation of the aforesaid resolution.

By Order of the Board

Lahore: October 03, 2016

Abdul Wahid Qureshi
Company Secretary

Registered Office
36-Industrial Estate, Kot Lakhpat Lahore.

Notes:

- 1) The Share Transfer Books will remain closed from October 19, 2016 to October 25, 2016, 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 as 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) According to the SECP circular No. 8(4) SM/CDC 2008 of April 05, 2013, Shareholders are entitled to receive their cash dividend directly in their bank accounts instead of receiving the dividend warrants physically. Shareholders having physical holding and desiring to avail this option may submit the prescribed Dividend Mandate Form, to the Company's Share Registrar.
- 8) Form of Proxy enclosed herewith.

Statement Under Section 160(1)(b)

of the Companies Ordinance, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 25, 2016. To issue loan of Rs.40,000,000/- (Rupees Forty Million) to Berger Road Safety (Private) Limited.

All material terms of the transaction is attached with this notice.

Information Required under Clause (b) of sub-regulation (1) of Regulation 3 of the Companies(Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Sr. No.	Description	Information Required
1.	Name of the associated company or associated undertaking along with criteria basis on which the associated relationship is established;	Berger Road Safety (Private) Limited Berger Paints holds 51% shares in Berger DPI (Pvt) Limited which holds 100% shares in Berger Road Safety (Private) Limited.
2.	Amount of loans;	Rs.40,000,000
3.	Purpose of loans and benefits likely to accrue to the investing company and its members from such loans or advances;	BRS has shown significant growth in sales in last three years. To maintain this growth pattern, company needs additional funds to invest in working capital.
4.	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof;	No loan has been given to Berger Road Safety (Private) Limited before.
5.	Financial position, including main items of balance sheet and profit and loss account of the associated company or undertaking on the basis of its latest financial statements;	Attached as Annex A
6.	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period;	6.88%
7.	Rate of interest, mark up, profit, fees or commission etc. to be charged;	Company borrowing cost plus 2%.

Sr. No.	Description	Information Required
8.	Sources of funds from where loans will be given;	Internal cash generation of the Company
9.	Where loans or advances are being granted using borrowed funds: a) justification for granting loan or advance out of borrowed funds; b) detail of guarantees / assets pledged for obtaining such funds, if any; and c) repayment schedules of borrowing of the investing company;	Not applicable
10.	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any;	Against Stocks and receivables
11.	If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	Not applicable
12.	Repayment schedule and terms of loans or advances to be given to the invested company;	To be repaid at the end of 3rd year
13.	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment;	Except as mentioned in this document, there is no other agreement entered with associated company.
14.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Dr. Mahmood Ahmed (CEO of BPPL) is also a director of Berger Road Safety (Private) Limited

Statement Under Section 160(1)(b)

of the Companies Ordinance, 1984

Sr. No.	Description	Information Required
15.	Any other important details necessary for the members to understand the transaction; and	Not Any.
16.	<p>In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required:</p> <ul style="list-style-type: none"> a) a description of the project and its history since conceptualization; b) starting date and expected date of completion; c) time by which such project shall become commercially operational; d) expected return on total capital employed in the project; and e) funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts; 	Not Applicable

Inspection:

All the documents related to the special business are being kept at the register office of the Company for inspection during usual business hours till the date of the Annual General Meeting.

[Annexure A](#)**BERGER ROAD SAFETY (PRIVATE) LIMITED****EXTRACTS OF FINANCIAL POSITION****AS AT JUNE 30, 2016**

All amount in thousands

Non-Current Assets	12,467
Current Assets	150,279
Non-Current Liabilities	5,742
Current Liabilities	147,005
NET ASSETS	9,999
Revenue	369,217
Profit Before Tax	7,566
Tax	(4,256)
Profit After Tax	3,310

Investor Relations

REGISTERED OFFICE

36 Industrial Estate, Kot Lakhpat, Lahore.
Tel: 92 42 111 237 437
Fax: 92 42 35151549

SHARE REGISTRAR

THK Associates (Private) Limited.
2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi. 75530
T: +92 21 111-000-322
F: +92 21 35655595

LISTING ON STOCK EXCHANGES

Ordinary shares of Berger Paints Pakistan Limited are listed on Pakistan Stock Exchange Limited.

STOCK CODE / SYMBOL

The stock code / symbol for trading in ordinary shares of Berger Paints Pakistan Limited at Pakistan Stock Exchange Limited is BERG.

STATUTORY COMPLIANCE

During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan Regulations and the listing requirements.

DIVIDEND

The Board of Directors has proposed a final dividend of Rs. 4.5 per share (2015: Re 1 per share) amounting to Rs. 81.839 million (2015: Rs. 18.187 million) for the year ended 30 June 2016.

BOOK CLOSURE DATES

Share Transfer Books will remain closed from October 19, 2016 to October 25, 2016, both days inclusive.

DIVIDEND REMITTANCE

Ordinary dividend declared and approved at the Annual General Meeting will be paid within the statutory time limit of 30 days.

- (i) For shares held in physical form: to shareholders whose names appear in the Register of Members of the Company after entertaining all requests for transfer of shares lodged with the Company on or before the book closure date.
- (ii) For shares held in electronic form: to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

WITHHOLDING OF TAX & ZAKAT ON ORDINARY DIVIDEND

As per the provisions of the Income Tax Ordinance, 2001, income tax is deductible at source by the Company at prescribed wherever applicable.

Zakat is also deductible at source from the ordinary dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction.

GENERAL MEETINGS & VOTING RIGHTS

Pursuant to section 158 of The Companies Ordinance 1984, BPPL holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

Shareholders having holding of at least 10% of voting rights may also apply to the Board of Directors to call for meeting of shareholders, and if the Board does not take action on

such application within 21 days, the shareholders may themselves call the meeting.

All ordinary shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in the Company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being

taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

INVESTOR'S GRIEVANCES

To date none of the investors or shareholders has filed any significant complaint against any service provided by the Company to its shareholders.

PROXIES

Pursuant to Section 161 of The Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another member as his/her proxy to attend and

vote instead of him/her. Every notice calling a general meeting of the Company contains a statement that a shareholder entitled to appoint a proxy.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the Company not less than forty-eight hours before the meeting.

WEB PRESENCE

Updated information regarding the Company can be accessed at its website, www.berger.com.pk. The website contains the latest financial results of the Company together with the Company's profile.

Fundamental knowledge and understanding of financial market is crucial for the general public and lack of financial literacy or capability makes them vulnerable to frauds. SECP recognizes the importance of investor education and therefore initiated this investor education program, called 'JamaPunji', an investor training program, to promote financial literacy in Pakistan.

www.jamapunji.pk

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www.jamapunji.pk

Statement of Compliance with the Code of Corporate Governance

For the year ended 30 June 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.5.19 of listing regulations of Pakistan Stock Exchange (PSX) 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 CCG 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 Name

Independent Directors (s)

Mr. Hamid Masood Sohail

Mr. Shahzad M. Hussain

Mr. Zafar Aziz Osmani

Non-Executive Director(s)

Mr. Maqbool H.H. Rahimtoola

Mr. Muhammad Naseem

Mr. Ilyas Sharif

Executive Director

Dr. Mahmood Ahmad

The independent directors meet the criteria of independence under clause 5.19.1 (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 NBFII or, being a member of a Pakistan Stock Exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company 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 there were approved or amended has been maintained.
7. All the powers of board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executives 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. Requirement of the Code on director's training has been complied with.
10. There were no new appointments of Chief Financial Officers (CFO), Company Secretary and Head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirement of the CCG and fully describes the salient matters required to be disclosed.
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 executive 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 CCG.
15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executives directors including the chairman of the committee who is also an independent director.
16. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function. The staff is considered to be suitably qualified and experienced. They 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 ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 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 Pakistan Stock Exchange.
22. Material/ price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

ON BEHALF OF THE BOARD

Lahore
Date: 19 September 2016

Dr. Mahmood Ahmad
Chief Executive



KPMG Taseer Hadi & Co.

Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

Telephone +92 (42) 3579 0901-6
Fax +92 (42) 3579 0907
Internet www.kpmg.com.pk

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Berger Paints Pakistan Limited** ("the Company") for the year ended 30 June 2016 to comply with the requirements of Listing Regulation No. 5.19 of the Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement of the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2016.

Lahore

Date: 19 September 2016

KPMG Taseer Hadi & Co.

Chartered Accountants

(M. Rehan Chughtai)

Berger Paints Pakistan Limited
Unconsolidated Financial Statements
for the year ended 30 June 2016



KPMG Taseer Hadi & Co.
Chartered Accountants
2nd Floor,
Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

Telephone +92 (42) 3579 0901-6
Fax +92 (42) 3579 0907
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Berger Paints Pakistan Limited** ("the Company") as at 30 June 2016 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 unconsolidated balance sheet and unconsolidated 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 except for the change as stated in note 3.1 with which we concur;
 - 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, unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 given a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the profit, its cash flows and changes in equity for the year ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore

Date: 19 September 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

Balance Sheet

As at 30 June 2016

	Note	2016 (Rupees in thousand)	2015
<u>Non-current assets</u>			
Property, plant and equipment	5	1,034,257	1,045,323
Intangibles	6	48,532	44,467
Investments - related parties	7	52,557	12,528
Long term loans	8	46,554	32,472
Long term deposits	9	17,463	17,925
Deferred taxation	10	-	36,745
		1,199,363	1,189,460
<u>Current assets</u>			
Stores	11	15,422	7,056
Stock in trade	12	734,991	717,550
Trade debts	13	1,223,283	1,093,739
Loans and advances	14	91,541	79,877
Trade deposits and short term prepayments	15	27,725	25,829
Other receivables	16	113,900	23,050
Income tax - net		181,780	209,166
Short term investment	17	20,000	10,018
Cash and bank balances	18	95,277	191,738
		2,503,919	2,358,023
		3,703,282	3,547,483
<u>Share capital and reserves</u>			
Authorised share capital 25,000,000 (2015: 25,000,000) ordinary shares of Rs.10 each		250,000	250,000
Share capital	19	181,864	181,864
Reserves	20	638,038	444,701
		819,902	626,565
Surplus on revaluation of fixed assets - net of tax	21	542,313	559,773
<u>Non-current liabilities</u>			
Long term financing	22	1,350	41,950
Staff retirement and other long term benefits	23	103,925	76,420
Liabilities against assets subject to finance lease		-	849
Deferred taxation	10	5,308	-
		110,583	119,219
<u>Current liabilities</u>			
Trade and other payables	24	1,314,784	1,062,745
Accrued finance cost	25	11,566	27,379
Current maturity of long term financing	22	40,600	105,600
Current maturity of liabilities against assets subject to finance lease		-	2,434
Short term borrowings	26	863,534	1,043,768
		2,230,484	2,241,926
		2,341,067	2,361,145
Contingencies and commitments	27	3,703,282	3,547,483

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

Chief Financial Officer

Chief Executive

Director

Profit and Loss Account

For the year ended 30 June 2016

		2016	2015
	Note	(Rupees in thousand)	
Sales - net	28	5,081,749	4,301,830
Cost of sales	29	(3,534,578)	(3,146,498)
Gross profit		1,547,171	1,155,332
Distribution costs	30	(919,830)	(681,425)
Administrative expenses	31	(216,505)	(180,459)
Operating profit		(1,136,335)	(861,884)
Other income	32	410,836	293,448
		135,695	34,115
		546,531	327,563
Other charges	33	(134,922)	(12,621)
Finance cost	34	(89,214)	(148,354)
		(224,136)	(160,975)
Profit before taxation		322,395	166,588
Taxation	35	(137,618)	(57,435)
Profit after taxation		184,777	109,153
		Rupees	
Earning per share - basic and diluted	36	10.16	6.00

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

Statement of Comprehensive Income

For the year ended 30 June 2016

	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)	
Profit after taxation	184,777	109,153
<u>Other comprehensive income</u>		
<u>Items that may be reclassified to profit and loss</u>		
Fair value gain / (deficit) on 'Available for sale' investments	829	(282)
<u>Items that will never be reclassified to profit and loss</u>		
Remeasurment of defined benefit obligation	(2,076)	(5,094)
Surplus on revaluation of fixed assets - net of tax (i)	-	-
Total comprehensive income for the year	<u>183,530</u>	<u>103,777</u>

(i) Surplus on revaluation of fixed assets - net of tax is presented under separate head below equity in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

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

Chief Financial Officer

Chief Executive

Director

Cash Flow Statement

For the year ended 30 June 2016

	Note	2016 (Rupees in thousand)	2015
Cash flow from operating activities			
Profit before taxation		322,395	166,588
Adjustments for non cash items:			
Depreciation on property, plant and equipment	5.5	101,381	62,987
Amortization on computer software	31	5,572	5,210
Gain on disposal of property, plant and equipment	32	(4,433)	(1,643)
(Reversal of provision) / provision charged against slow moving stock		(12,346)	10,379
Insurance claim	32	(103,284)	-
Operating assets written off during the year	5.1.1	4,599	-
Provision for impairment in capital work in progress	5.3.1	22,000	-
Provision for export rebate	33	10,000	-
Provision for doubtful debts	30	23,964	12,191
Provision for staff retirement and other long term benefits		26,951	20,880
Finance cost	34	89,214	148,354
		163,618	258,358
Operating profit before working capital changes		486,013	424,946
Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(8,366)	(768)
Stock in trade		(5,095)	82,907
Trade debts		(153,508)	(14,948)
Loans and advances		(8,134)	(16,349)
Trade deposits and short term prepayments		(1,896)	(14,972)
Other receivables		2,434	17,953
		(174,565)	53,823
Increase in current liabilities:			
Trade and other payables		263,276	121,360
Cash generated from operations		574,724	600,129
Finance cost paid		(104,919)	(161,139)
Taxes paid		(57,645)	(97,828)
Staff retirement and other long term benefits paid		(1,522)	(4,089)
Long term loans - net		(17,612)	(9,741)
Long term deposits - net		462	(729)
		(181,236)	(273,526)
Net cash generated from operating activities		393,488	326,603
Cash flow from investing activities			
Fixed capital expenditure		(129,336)	(92,447)
Investment in related parties		(39,200)	-
Sale proceeds from disposal of property, plant and equipment	5.2	7,218	6,655
Short term investments		(9,982)	(10,018)
Net cash used in investing activities		(171,300)	(95,810)
Cash flow from financing activities			
Repayment of long term financing		(105,600)	(105,600)
Dividend paid		(29,424)	(33,802)
Short term borrowings - net		350,000	(108,000)
Lease rentals paid		(3,391)	(2,307)
Net cash generated from / (used in) financing activities		211,585	(249,709)
Net increase / (decrease) in cash and cash equivalents		433,773	(18,916)
Cash and cash equivalents at beginning of year		(802,030)	(783,114)
Cash and cash equivalents at end of year	37	(368,257)	(802,030)

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

Chief Financial Officer

Chief Executive

Director

Statement of Changes in Equity

For the year ended 30 June 2016

	Issued, subscribed and paid- up share	Capital reserves		Revenue reserves		Total share capital and reserves
		Share premium	Fair value reserve	General reserve	Accumulated (Loss)/ Profit	
(Rupees in thousand)						
Balance as at 1 July 2014	181,864	56,819	6,430	285,000	37,068	567,181
<u>Transaction with owners of the company</u>						
<u>recognized directly in equity - Distributions</u>						
Dividend for the year ended 30 June 2014 @ Re. 1.00 per share.	-	-	-	-	(18,187)	(18,187)
Interim dividend for the year ended 30 June 2015 @ Rs. 1.50 per share.	-	-	-	-	(27,280)	(27,280)
<u>Total comprehensive income for the year</u>						
<u>ended 30 June 2015</u>						
Profit for the year	-	-	-	-	109,153	109,153
Other comprehensive income for the year						
Fair value deficit on 'Available for sale' investments	-	-	(282)	-	-	(282)
Remeasurement of defined benefit obligation	-	-	-	-	(5,094)	(5,094)
Total Comprehensive income for the year	-	-	(282)	-	104,059	103,777
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	-	1,074	1,074
Balance as at 30 June 2015	181,864	56,819	6,148	285,000	96,734	626,565
<u>Transaction with owners of the company</u>						
<u>recognized directly in equity - Distributions</u>						
Dividend for the year ended 30 June 2015 @ Re. 1.00 per share.	-	-	-	-	(18,187)	(18,187)
<u>Total comprehensive income for the year</u>						
<u>ended 30 June 2016</u>						
Profit for the year	-	-	-	-	184,777	184,777
Other comprehensive income for the year						
Fair value gain on 'Available for sale' investments	-	-	829	-	-	829
Remeasurement of defined benefit obligation	-	-	-	-	(2,076)	(2,076)
Total Comprehensive income for the year	-	-	829	-	182,701	183,530
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	-	27,994	27,994
Balance as at 30 June 2016	181,864	56,819	6,977	285,000	289,242	819,902

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

Chief Financial Officer

Chief Executive

Director

Notes to the Financial Statements

For the year ended 30 June 2016

1 Legal status and nature of business

Berger Paints Pakistan Limited ("the Company") was incorporated in Pakistan on March 25, 1950 as a private limited Company under the Companies Act, 1913 (now Companies Ordinance, 1984) and was subsequently converted into a public limited Company. The Company is listed on the Pakistan Stock Exchange. 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 36-Industrial Estate Kot-Lakhpat, Lahore and the principal manufacturing facility of the Company is situated at 28 Km Multan Road, Lahore.

2 Basis of preparation and statement of compliance

2.1 Separate unconsolidated financial statements

These unconsolidated financial statements are the separate unconsolidated financial statements of the Company in which investments in subsidiary 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.

2.2 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board and Islamic Financial Reporting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.3 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value as referred to in note 3.4, the measurement of certain items of property, plant and equipment as referred to in note 21 at revalued amounts and recognition of certain staff retirement and other long term benefits as referred to in note 3.13 at present value.

3 Summary of significant accounting policies

The significant accounting policies set out below except as mentioned in note 3.1 have been applied consistently to all periods presented in these unconsolidated financial statements.

3.1 Change in accounting policy

During the year the Company has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after 1 January 2015. IFRS 13 Fair Value Measurement

establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments Disclosures. As a result, the Company has included the additional disclosure in this regard in note 42.2 to the unconsolidated financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has no such significant impacts on the measurements of the Company's financial assets and liabilities.

The Company has also adopted IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangement' and IFRS 12 'Disclosure of Interests in Other Entities' that became applicable from 01 January 2015, as per the adoption status of IFRS in Pakistan. The application of IFRS 10, IFRS 11 and IFRS 12 did not have an impact on the unconsolidated financial statements of the Company.

3.2 Property, plant and equipment

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.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the surplus on revaluation of fixed assets account except for a reversal of deficit already charged to profit or loss. A revaluation deficit is recognized in profit or loss, except for a deficit directly offsetting a previous surplus, 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 deferred tax. Any accumulated depreciation 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. All transfers to / from surplus on revaluation of fixed assets account are net of applicable deferred income tax.

Depreciation on all property plant and equipment except freehold land is charged to income statement using the straight line method whereby the cost less residual value of an asset is written off over its estimated useful life at the annual rates. Residual values are reviewed at each balance sheet date and adjusted if the impact on depreciation is significant.

Useful lives are regularly reviewed 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 to property, plant and equipment is charged from the month in which the asset is put to use or capitalized while depreciation on assets disposed off is charged up to the month

preceding the disposal.

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 represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

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 relevant property, plant and equipment category as and when assets are available for intended use.

3.3 Intangibles

- Computer Software

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

Amortization on assets with finite useful life is charged to income on straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on addition is charged from the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at annual rates as specified in note 6.

- 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.

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

Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification at the end of

each financial year. Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current.

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.

Investments in equity instruments of subsidiaries and associates

Investments in subsidiaries and associates where the Company has significant influence are measured at cost less impairment, if any, in the Company's separate unconsolidated financial statements.

The Company is required to issue consolidated unconsolidated financial statements along with its separate unconsolidated financial statements, in accordance with the requirements of IAS-27 'Consolidated and separate unconsolidated financial statements'. Investments in associates, in the consolidated unconsolidated financial statements, are accounted for using equity method.

Available for sale

Investments that are intended to be held for sale for an indefinite period of the time or may be sold in response to need for liquidity are classified as available for sale.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given plus any directly attributable cost. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise. At the time of disposal, the respective surplus or deficit in the fair value reserve is transferred to unconsolidated profit and loss account.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each reporting date, the Company reviews the carrying amounts of its investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the unconsolidated profit and loss account. In respect of available for sale investment, cumulative impairment loss less any impairment loss already recognized in profit and loss account is removed from equity and recognized in the profit and loss account that are not subsequently reversed through profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use.

3.5 Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are stated at amortized cost with any

difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method less impairment loss, if any.

3.6 Long term deposits

Long term deposits are stated at cost less impairment, if any.

3.7 Stores

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

3.8 Stocks in trade

Stocks of raw and packing 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. Finished goods purchased for resale are measured at lower of moving average cost and net realizable value.

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.

Provision for obsolete and slow moving stock in trade is made on management estimate, whenever necessary.

3.9 Trade debts and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the normal course of business. Trade debts and other receivables are stated at original invoice amount, which approximates fair value less an allowance made 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 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Deferred

Deferred tax is recognized 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 and tax credits, 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. In this regard, the effects on deferred taxation of the proportion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan.

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 depending upon the timing of the payment.

Each minimum lease payment is allocated between the liability and finance cost 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 on a straight-line method over the useful life of the asset given in note 5.1. Depreciation of leased assets is charged to unconsolidated 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.

3.13 Staff retirement and other long term benefits

3.13.1 Defined benefit plan

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.

Actuarial valuation are carried out using the 'Projected Unit Credit Method'. Contributions to the schemes are based on these valuations. Actual gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to other comprehensive income in the year in which they arise. Past service cost are recognised immediately in unconsolidated profit and loss account. The main features of defined benefit schemes are mentioned in note 23.

3.13.2 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.

3.13.3 Other long term benefits - Accumulated 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. Employees are entitled to earned leaves of 21 days per annum. The unutilized leaves are accumulated subject to a maximum of 42 days. The unutilized accumulated leaves can be

encashed at the time the employee leaves Company service. The accumulated leave balance in excess of 42 days of an employee is ignored while determining benefit obligations.

The Company uses the actuarial valuations carried out using the projected unit credit method for valuation of its accumulated compensating absences. Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The amount recognised in the balance sheet represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the unconsolidated profit and loss account immediately in the period when these occur. The following significant assumptions have been used:

Discount rate	9% per annum
Expected rate of salary increase in future years	8% per annum

3.14 Borrowings

Borrowings are recognized initially at the proceeds received. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the unconsolidated profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

3.15 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified if payment is due within one year or less (or in normal operating cycle of business, if longer), if not, they are classified as non current liabilities. 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.

3.16 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.

3.17 Contingent assets

Contingent assets are possible assets those arise 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 and are disclosed when inflow of economic benefits is probable. Contingent assets are not recognized until their realization become virtually certain.

3.18 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.

3.19 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. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. 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 assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

3.20 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.

3.21 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 ownership of the goods are transferred to the buyer.
- Interest / markup 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.

3.22 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.

Financial assets include investments, trade debts, loans, advances, deposits, other receivables and cash and bank balances.

Financial liabilities include long term financing, short term borrowing, accrued finance cost and trade and other payables.

3.23 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.

3.24 Dividends and appropriations to general reserve

Dividends and appropriations to general reserves are recognized in the unconsolidated 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 related asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

3.26 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 –

Consolidated financial statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated unconsolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- Amendment to IAS 27 'Separate unconsolidated financial statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate unconsolidated financial statements. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of unconsolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based

payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed unconsolidated financial statements for all periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim unconsolidated financial statements and disclosed elsewhere should be cross referred.

These improvements are not likely to have any impact on the Company's unconsolidated financial statements.

4 Critical accounting estimates and judgments

The preparation of unconsolidated 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 unconsolidated financial statements are as follows:

	Note
- Residual values and useful lives of depreciable assets	3.2
- Stock in trade to their net realizable value	3.8
- Provision for doubtful debts	3.9

	Note
- Provision for taxation	3.11
- Provision for deferred taxation	3.11
- Staff retirement and other long term benefits	3.13
- Provisions	3.16
- Impairment	3.25

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, 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.

	Note	2016	2015
		(Rupees in thousand)	
5 Property, plant and equipment			
Operating assets	5.1	1,007,002	1,007,054
Capital work in progress	5.3	27,255	38,269
		1,034,257	1,045,323

5.1 Operating assets

	Useful life Years	Cost/revalued amount as at 01 July 2015	Additions/ (deletions)/ adjustments	Cost/revalued amount as at 30 June 2016	Accumulated Depreciation as at 01 July 2015	Depreciation charge/ (deletions)/ adjustments for the year	Accumulated depreciation as at 30 June 2016	Book value as at 30 June 2016
Owned								
Freehold land	-	399,760	15,150	414,910	-	-	-	414,910
Leasehold land	48.5	98,333	-	98,333	-	2,226	2,226	96,107
Building on freehold land	20	238,035	14,213	252,248	-	15,311	15,311	236,937
Building on leasehold land	20	13,508	406	13,914	-	756	756	13,158
Plant and machinery	2.8-12.5	187,382	41,570	225,903	-	64,794	64,674	161,229
Laboratory equipments	10	22,868	(30,49)	32,996	12,286	(120)	14,622	18,374
Electric fittings	10	40,344	4,104	45,235	19,712	3,795	23,728	21,507
Computer and related accessories	4	19,819	883	27,488	15,894	233	18,344	9,144
Office machines	10	5,743	(11)	9,605	2,797	(273)	3,785	5,820
Furniture and fixtures	10	23,998	2,932	20,901	11,447	641	10,505	10,396
* Motor vehicles	5	43,347	930	54,290	27,420	347	34,870	19,420
			(4,358)			(3,047)		
			10,986			5,983		
			(8,708)			(6,008)		
			8,655			7,475		
2016		1,093,137	108,713	1,195,823	89,556	100,664	188,821	1,007,002
			(8,815)			(6,030)		
			2,788			4,631		
Leased								
Motor vehicles	20	8,655	-	-	6,860	615	-	-
Electric fittings	10	1,164	(8,655)	-	368	(7,475)	-	-
Office machines	10	1,290	(1,164)	-	408	(416)	-	-
			-			54		
			(1,290)			(462)		
2016		11,109	-	-	7,636	717	-	-
			(11,109)			(8,353)		
			108,713			101,381		
			(8,815)			(6,030)		
			(8,321)			(3,722)		

5.1.1 Adjustment includes cost and accumulated depreciation of Rs. 8,321 million and Rs. 3,722 million respectively of operating assets items which are destroyed during the year due to fire incidence.

*Motor vehicles include vehicles costing Rs. 3.6 million on musharka arrangement as mentioned in note 22.3 to the unconsolidated financial statements.

Useful life	Years	Cos/revalued amount as at 01 July 2014	Additions/ (disposal)/ (adjustments)	Effect of revaluation	Cos/revalued amount as at 30 June 2015	Accumulated Depreciation as at 01 July 2014	Depreciation charge/ (disposal)/ (adjustments) for the year	Elimination of accumulated depreciation against cost on revaluation	Accumulated depreciation as at 30 June 2015	Book value as at 30 June 2015
Freehold land	-	196,862	-	202,898	399,760	-	-	-	-	399,760
Leasehold land	48.5	67,000	-	31,333	98,333	5,475	1,365	(6,859)	-	98,333
Building on freehold land	20	185,228	3,750	49,437	238,035	34,226	9,044	(43,044)	-	238,035
Building on leasehold land	20	9,807	(380)	(33)	13,508	1,866	(226)	(2,669)	-	13,508
Plant and machinery	2.8-12.5	264,416	265	(97,560)	187,382	175,913	36,502	(203,264)	-	187,382
Laboratory equipments	10	19,416	3,458	-	22,868	10,457	1,828	(13)	12,286	10,582
Electric fittings	10	38,304	2,397	-	40,344	16,163	3,623	1	19,712	20,632
Computer and related accessories	4	17,625	(262)	-	19,819	13,554	2,302	(9)	15,894	3,925
Office machines	10	5,429	(89)	-	5,743	2,387	467	(56)	2,797	2,946
Furniture and fixtures	10	22,140	(651)	-	23,998	9,895	2,127	(1)	11,447	12,551
* Motor vehicles	5	42,026	(97)	-	43,347	27,017	3,477	-	27,420	15,927
2015		868,253	57,654	186,075	1,063,137	296,953	60,291	(255,856)	89,556	1,003,581
			(15,381)				(1,529)			
			(3,464)				(1,463)			
Leased Motor vehicles	20	8,657	-	-	8,655	5,770	2,451	-	6,860	1,795
Electric fittings	10	1,164	(2)	-	1,164	252	(1,361)	-	368	796
Office machines	10	1,290	-	-	1,290	280	129	-	408	882
2015		11,111	-	-	11,109	6,302	(1)	-	7,636	3,473
			(2)				(1,362)			
		879,364	57,654	186,075	1,104,246	303,255	62,987	(255,856)	97,192	1,007,054
			(15,381)				(10,369)			
			(3,466)				(2,825)			

5.1.2 The cost / revalued amount of the assets as at 30 June 2016 include fully depreciated assets amounting to Rs. 56.91 million (2015: Rs. 49.53 million) but are still in use of the Company.

5.2 Disposal of operating assets

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
----- (R u p e e s i n t h o u s a n d) -----						
<u>Motor vehicles</u>						
Suzuki Cultus	Mr. Sultan Hasan	890	771	119	706	Tender
Suzuki Cultus	Mr. Sultan Hasan	917	794	123	716	--- do ---
Daihatsu Cuore	Muhammad Farid Khan	650	271	379	481	--- do ---
Toyota Altis	Adamjee Insurance Company Limited	1,357	-	1,357	1,975	Insurance claim
Honda City	Adamjee Insurance Company Limited	724	-	724	1,266	Insurance claim
Other assets with book value less than Rs. 50,000		4,277	4,194	83	2,074	Negotiation
2016		8,815	6,030	2,785	7,218	
2015		15,381	10,369	5,012	6,655	

	Note	2016	2015
		(Rupees in thousand)	
5.3 Break-up of closing balances of capital work in progress is as follows:			
Civil works	5.3.1	22,806	21,811
Plant and machinery		287	4,284
Advances to suppliers		1,927	10,252
Others		2,235	1,922
		<u>27,255</u>	<u>38,269</u>
5.3.1	This is net off impairment loss of Rs 22 million recognised due to fire incidence at Karachi warehouse.		
5.4	Had these revaluations not been carried out, the carrying amount of freehold land and leasehold land, buildings on freehold and leasehold land and plant and machinery would have been as follows:		
	Note	2016	2015
		(Rupees in thousand)	
Freehold land		86,006	70,856
Leasehold land		1,074	1,102
Buildings on freehold land		150,096	152,176
Buildings on leasehold land		10,659	10,888
Plant and machinery		85,017	76,262
		<u>332,852</u>	<u>311,284</u>
5.5 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29.1	75,714	49,510
Distribution costs	30	9,099	7,428
Administrative expenses	31	16,568	6,049
		<u>101,381</u>	<u>62,987</u>
6 Intangibles			
Computer software	6.1	11,782	7,717
Goodwill	6.2	36,750	36,750
		<u>48,532</u>	<u>44,467</u>
6.1 Computer software			
	This represents expenditure incurred on acquiring and implementing Enterprise Resource Planning (ERP) software.		

	Note	2016 (Rupees in thousand)	2015
Cost as at 01 July		15,513	15,513
Additions during the year		9,637	-
Cost as at 30 June		25,150	15,513
Accumulated amortization as at 01 July		7,796	2,586
Amortization during the year	6.1.1	5,572	5,210
Accumulated amortization as at 30 June		13,368	7,796
Balance as at 30 June		11,782	7,717
6.1.1 Amortisation charge for the year has been allocated as follows:			
Cost of sales	29.1	174	-
Distribution costs	30	12	-
Administrative expenses	31	5,386	5,210
		5,572	5,210
6.2 Goodwill			
Packaging Ink Business		16,750	16,750
Cumulative impairment charged		(4,000)	(4,000)
	6.2.1	12,750	12,750
Powder Coating Business	6.2.2	24,000	24,000
		36,750	36,750

6.2.1 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 11.97% and using terminal growth of 2%. The calculation of value in use is sensitive to discount rate and local inflation rates.

6.2.2 This goodwill represents excess of purchase consideration paid by the Company for acquisition of the Powder Coating business unit 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 11.97% and using terminal growth of 2%. The calculation of value in use is sensitive to discount rate and local inflation rates.

	Note	2016 (Rupees in thousand)	2015
7 Investments - related parties			
In equity instruments -at cost	7.1	41,750	2,550
Available for sale	7.2	10,807	9,978
		<u>52,557</u>	<u>12,528</u>

7.1 In equity instruments - at cost

No. of shares - ordinary	Name of the Company	Country of incorporation	Latest available audited unconsolidated financial statements for the year ended	Percentage holding	Face value per share	2016		2015	
						(Rupees in thousand)		(Rupees in thousand)	
(i) Subsidiary companies									
-unlisted									
2016	2015								
765,000	765,000	Berger DPI (Private) Limited	30 June 2016	51	10	2,550		2,550	
676,020	676,020	Berdex Construction Chemicals (Private) Limited	30 June 2016	51.96	10	5,510		5,510	
		Less: Provision for impairment				(5,510)		(5,510)	
						-		-	
						<u>2,550</u>		<u>2,550</u>	
(ii) Associated Company									
-unlisted									
2016	2015								
98,000	-	3S Pharmaceutical Private Limited - note (7.1.1)	30 June 2016	49	100	39,200		-	
						<u>41,750</u>		<u>2,550</u>	

7.1.1 Pursuant to the approval of Board of Director dated November, 27, 2015 the Company has purchased 49% equity interest in 3S Pharmaceutical Private Limited and accordingly has classified this interest as investment in associate.

	Note	2016 (Rupees in thousand)	2015
7.2 Available for sale			
Available for sale - at cost	7.2.1	3,830	3,830
Add: Cumulative fair value gain	7.2.2	6,977	6,148
		<u>10,807</u>	<u>9,978</u>

7.2.1 Available for sale -at cost

Buxly Paints Limited			
273,600 (2015: 273,600) fully paid ordinary shares of Rs. 10 each			
(Market value- Rs. 10.80 million (2015: Rs. 9.98 million))		3,830	3,830
		<u>3,830</u>	<u>3,830</u>

	Note	2016 (Rupees in thousand)	2015
7.2.2 Cumulative fair value gain			
As at 01 July		6,148	6,430
Fair value gain / (loss) during the year		829	(282)
As at 30 June		<u>6,977</u>	<u>6,148</u>

8 Long term loans

Considered good- secured			
Due from employees	8.1	57,546	39,934
Less: Current portion shown under current assets	14	(10,992)	(7,462)
		<u>46,554</u>	<u>32,472</u>

8.1 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, motor cycles and CNG kits. 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 loan is recoverable over a period of three to ten years.

8.2 Maximum aggregate balance due from executives at the end of any month during the year was Rs. 2.96 million (2015: Rs. 0.35 million).

	2016 (Rupees in thousand)	2015
--	------------------------------	------

8.3 The movement of long term loan given to executive is as follows:

As at 01 July	13	353
Add: Disbursements during the year	3,061	-
Less: Repayments during the year	(212)	(340)
	<u>2,849</u>	<u>(340)</u>
As at 30 June	<u>2,862</u>	<u>13</u>

9 Long term deposits

Considered good	17,463	17,925
Considered doubtful	4,588	4,588
	<u>22,051</u>	<u>22,513</u>
Less: Provision for doubtful deposits	(4,588)	(4,588)
	<u>17,463</u>	<u>17,925</u>

	Note	2016 (Rupees in thousand)	2015
10 Deferred taxation			
Deferred tax asset comprises of temporary differences relating to:			
Accelerated tax depreciation including surplus on revaluation of fixed assets		(78,772)	(114,894)
Provision for doubtful debts, other receivables and deposits		62,399	51,957
Provision for impairment in capital work in progress		6,269	-
Provision for slow moving stock in trade		4,796	8,051
Unused losses and tax credits		-	91,631
		<u>(5,308)</u>	<u>36,745</u>
11 Stores			
In hand		<u>15,422</u>	<u>7,056</u>
12 Stock in trade			
Raw and packing materials			
- in hand		367,440	383,790
- in transit		108,536	64,210
		475,976	448,000
Semi processed goods		61,715	77,458
Finished goods	12.1	298,130	305,268
		835,821	830,726
Provision for slow moving and obsolete stocks			
- Raw material		(59,601)	(86,302)
- Semi processed goods		(3,698)	(3,698)
- Finished goods		(37,531)	(23,176)
		<u>(100,830)</u>	<u>(113,176)</u>
		<u>734,991</u>	<u>717,550</u>

12.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounted to Rs. 1.99 million (2015: Rs. 1.95 million).

	Note	2016 (Rupees in thousand)	2015
13 Trade debts			
Unsecured			
Considered good			
- related parties	13.1	161,746	98,609
- others		1,061,537	995,130
		<u>1,223,283</u>	<u>1,093,739</u>
Considered doubtful		195,159	173,089
		<u>1,418,442</u>	<u>1,266,828</u>
Provision for doubtful debts	13.3	(195,159)	(173,089)
		<u>1,223,283</u>	<u>1,093,739</u>
13.1 Trade debts include the following amounts due from the following related parties:			
Dadex Eternit Limited - related party		84	33
Buxly Paints Pakistan Limited - related party		47,752	61,057
Berger Road Safety (Private) Limited - subsidiary of Berger DPI (Private) Limited		113,910	37,519
		<u>161,746</u>	<u>98,609</u>
13.2 Aging of related party balances			
One to three months		121,046	98,609
Three to six months		40,700	-
		<u>161,746</u>	<u>98,609</u>
13.3 The movement in provision for doubtful debts for the year is as follows:			
Balance as at 01 July		173,089	161,065
Provision for the year - net of recoveries	30	23,964	12,191
Bad debts written off		(1,894)	(167)
Balance as at 30 June		<u>195,159</u>	<u>173,089</u>

	Note	2016 (Rupees in thousand)	2015
14 Loans and advances			
Current portion of long-term loans - considered good			
Due from employees	8	10,992	7,462
Advances - unsecured, considered good			
Employees	14.1	633	703
Suppliers		79,916	71,712
		<u>80,549</u>	<u>72,415</u>
		<u>91,541</u>	<u>79,877</u>
14.1 These are to the Company's employees for business expenses.			
15 Trade deposits and short term prepayments			
Trade deposits - considered good		18,096	12,301
Trade deposits - considered doubtful		9,221	9,221
		<u>27,317</u>	<u>21,522</u>
Provision for doubtful deposits		(9,221)	(9,221)
		<u>18,096</u>	<u>12,301</u>
Short term prepayments		9,629	13,528
		<u>27,725</u>	<u>25,829</u>
16 Other receivables			
Receivable from related parties	16.1	-	2,798
Export rebate		18,019	18,881
Accrued interest		386	493
Advance against expenses		-	186
Insurance claim receivable		103,284	-
Others		2,211	692
Provision for export rebate	33	(10,000)	-
		<u>113,900</u>	<u>23,050</u>

16.1 This represented receivable from Berger Road Safety (Private Limited) a subsidiary of Berger DPI (Private) Limited for sharing of common expenses under normal trade as per terms mutually agreed.

	Note	<u>2016</u> (Rupees in thousand)	<u>2015</u>
17 Short term investment			
Markup based investment with conventional bank	17.1	<u>20,000</u>	<u>10,018</u>

17.1 This represents term deposit receipt (TDR) under lien with commercial bank against letter of guarantee, maturing up to one year and carrying mark-up rate of 5.5% per annum (2015: 6% per annum).

	Note	<u>2016</u> (Rupees in thousand)	<u>2015</u>
18 Cash and bank balances			
With banks:			
In current accounts		70,121	132,883
Markup based deposits with conventional banks			
In deposit accounts	18.1	24,180	58,241
Cash in hand		976	614
		<u>95,277</u>	<u>191,738</u>

18.1 This balance is under lien with commercial banks against letter of guarantee, carrying interest / mark-up rates ranging from 5% to 8.5% per annum (2015: 6% to 8.5% per annum).

19 Share capital

<u>2016</u> (Number of shares)	<u>2015</u>		<u>2016</u> (Rupees in thousand)	<u>2015</u>
		<u>Authorised share capital</u>		
<u>25,000,000</u>	<u>25,000,000</u>	Ordinary shares of Rs. 10 each	<u>250,000</u>	<u>250,000</u>
		<u>Issued, subscribed and paid-up share capital</u>		
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
<u>18,186,409</u>	<u>18,186,409</u>		<u>181,864</u>	<u>181,864</u>

19.1 Slotrapid Limited B.V.I. (the holding Company) and their nominees hold 9,466,057 (2015: 9,466,057) ordinary shares of Rs. 10 each representing 52.05 percent (2015: 52.05 percent) of the ordinary paid up capital of the Company.

	Note	2016 (Rupees in thousand)	2015
20 Reserves			
Capital reserve:			
Share premium reserve	20.1	56,819	56,819
Fair value reserve		6,977	6,148
		<u>63,796</u>	62,967
Revenue reserve:			
General reserve		285,000	285,000
Accumulated profit		289,242	96,734
		<u>574,242</u>	381,734
		<u>638,038</u>	<u>444,701</u>

20.1 This reserve can be utilized by the Company for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

	2016 (Rupees in thousand)	2015
21 Surplus on revaluation of fixed assets - net of tax		
Net revaluation surplus as at 01 July	559,773	184,878
Surplus arisen during the year	-	441,931
	<u>559,773</u>	626,809
Less: Related deferred tax liability on revaluation surplus during the year	-	65,962
Surplus available - net of deferred tax	559,773	560,847
Transfer to unappropriated profit as a result of incremental depreciation charged during the current year-net of deferred tax	(27,994)	(1,074)
Other adjustments	10,534	-
Revaluation surplus as at 30 June - net	<u>542,313</u>	<u>559,773</u>

The revaluation was carried out by Harvester Enterprises and Co., on 30 June 2015 of freehold land and building on freehold land, leasehold land and building on leasehold land and plant and machinery. The revaluation resulted in a surplus of Rs. 295.38 million on freehold land and building on freehold land, Rs. 40.83 million on leasehold land and building on leasehold land and Rs. 105.72 million on plant and machinery over the respective net book values. The valuation was determined by reference to current market value of the

similar properties / assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively.

	Note	2016 (Rupees in thousand)	2015
22 Long term financing			
Mark-up based financing from conventional banks			
- JS Bank Limited II	22.1	40,000	120,000
- Habib Bank Limited	22.2	-	25,000
Islamic mode of financing			
- First Habib Modarba	22.3	1,950	2,550
		41,950	147,550
Mark-up based financing from conventional banks			
Current maturity shown under current liabilities		(40,000)	(105,000)
Islamic mode of financing			
Current maturity shown under current liabilities		(600)	(600)
		(40,600)	(105,600)
		1,350	41,950

22.1 This represents a long term loan 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. The outstanding balance is repayable in two quarterly installments of Rs. 20 million each ending on October 2016. Markup is payable quarterly and charged at the rate of three month's KIBOR plus 2 % per annum ranging from 8.35% to 9.81% (2015: 9.81% and 12.94%) per annum.

22.2 This represented a long term loan of Rs. 125 million availed from HBL Bank Limited to re-profile the balance sheet of the Company. This facility was secured against first / joint Pari Passu hypothecation charge over plant and machinery of the Company to an extent of Rs. 167 million (inclusive of with 25% margin). Principal and markup was payable quarterly and charged at the rate of three months' KIBOR plus 200 bps per annum.

22.3 This represents outstanding balance of diminishing musharika facility obtained from First Habib Modaraba of Rs. 3.6 million for purchase of vehicle. The term of the agreement is 5 years. The outstanding principal is repayable in 9 equal quarterly installments ending on May 2018. Profit is payable quarterly and charged at the rate of six months' KIBOR plus 2 % per annum with floor of 10% and ceiling of 20%. Under the agreement, the Company holds asset with joint ownership with the modarba.

	Note	2016 (Rupees in thousand)	2015
23 Staff retirement and other long term benefits			
<u>Defined benefit plan</u>			
Staff pension fund	23.1	30,794	21,169
Staff gratuity fund	23.1	53,790	42,038
		84,584	63,207
<u>Other long term employee benefits</u>			
Accumulating compensated absences	23.12	19,341	13,213
		103,925	76,420

Defined benefit plan

As mentioned in note 3.13 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 2016. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2016	2015
Valuation discount rate	9%	9%
Expected rate of increase in salary level	8%	8%
Rate of return on plan assets	9%	9%
Mortality table	SLIC (2001-05)	SLIC (2001-05)

	2016		2015	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in thousand)			

23.1 Balance sheet reconciliation

Present value of defined benefit obligation	74,673	56,296	62,797	43,720
Fair value of plan assets	(43,879)	(2,506)	(41,628)	(1,682)
	30,794	53,790	21,169	42,038

23.2 Movement in the fair value of plan assets is as follows:

Fair value as at 01 July	41,628	1,682	40,549	1,603
Expected return on plan assets	3,686	161	4,786	161
Remeasurement (loss) / gain	(81)	449	(2,353)	447
Company's contribution	-	2,000	-	3,500
Benefits paid	(1,354)	(1,786)	(1,354)	(4,029)
Fair value as at 30 June	43,879	2,506	41,628	1,682

	2016		2015	
	Pension	Gratuity	Pension	Gratuity
(Rupees in thousand)				
23.3 Movement in defined benefit obligation is as follows:				
Obligation as at 01 July	62,797	43,720	53,439	33,997
Employees' contribution not paid to the fund	1,233	-	1,056	-
Service cost	5,927	8,543	4,040	5,769
Interest cost	5,591	3,854	6,332	4,080
Benefits paid	(1,354)	(1,786)	(1,354)	(4,029)
Remeasurement (gain) / loss	479	1,965	(716)	3,903
Obligation as at 30 June	<u>74,673</u>	<u>56,296</u>	<u>62,797</u>	<u>43,720</u>
23.4 Charge for the year				
Current service cost	5,927	8,543	4,040	5,769
Interest cost	5,591	3,854	6,332	4,080
Expected return on plan assets	(3,686)	(161)	(4,786)	(161)
Expense	<u>7,832</u>	<u>12,236</u>	<u>5,586</u>	<u>9,688</u>
Actual return on plan assets	<u>3,605</u>	<u>610</u>	<u>2,433</u>	<u>608</u>
23.5 Movement in net liability in the balance sheet is as follows:				
Net liability as at 01 July	21,169	42,038	12,890	32,394
Charge for the year	7,832	12,236	5,586	9,688
Charge to other comprehensive income during the year	560	1,516	1,637	3,456
Company's contribution	-	(2,000)	-	(3,500)
Employees' contribution deducted but not paid to the fund	1,233	-	1,056	-
Net liability as at 30 June	<u>30,794</u>	<u>53,790</u>	<u>21,169</u>	<u>42,038</u>
23.6 The charge for the year has been allocated as follows:				
Cost of sales	3,916	6,118	2,793	4,844
Distribution costs	3,211	5,017	2,290	3,972
Administrative expenses	705	1,101	503	872
	<u>7,832</u>	<u>12,236</u>	<u>5,586</u>	<u>9,688</u>

	2016		2015	
	Pension	Gratuity	Pension	Gratuity

(Rupees in thousand)

23.7 Plan assets comprise the following:

Defence Saving Certificates	8,850	-	7,900	-
Term deposits	6,177	-	3,409	-
Cash at bank	1,135	2,506	1,504	1,682
Term Finance Certificate	5,090	-	16,725	-
Cash management Optimizer	22,627	-	12,090	-
	<u>43,879</u>	<u>2,506</u>	<u>41,628</u>	<u>1,682</u>

23.8 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:

	2016	2015	2014	2013	2012
--	------	------	------	------	------

(Rupees in thousand)

As at 30 June					
Present value of defined benefit obligation	130,969	106,517	87,436	86,489	72,058
Fair value of plan assets	(46,385)	(43,310)	(42,152)	(34,902)	(32,981)
Deficit	<u>84,584</u>	<u>63,207</u>	<u>45,284</u>	<u>51,587</u>	<u>39,077</u>
Experience adjustment:					
Loss / (gain) on obligations	2,444	3,187	(8,305)	(2,156)	(6,773)
Gain / (loss) on plan assets	368	(1,906)	(694)	(1,071)	(2,026)

23.9 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**23.10 Actuarial assumptions sensitivity analysis**

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 1% with all other variables held constant, the present value of the defined benefit obligation as at 30 June 2016 would have been as follows:

Impact on present value of defined benefit obligation as at 30 June

	Change	Pension		Gratuity	
		Increase	Decrease	Increase	Decrease

(Rupees in thousand)

Discount rate	1%	63,767	88,373	50,954	62,623
Future salary	1%	81,517	68,689	62,623	50,862

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the balance sheet.

23.11 Weighted average duration of the defined benefit obligation is 24 years and 10 years for pension and gratuity plans, respectively.

Note	2016 (Rupees in thousand)	2015
23.12 Other long term employee benefits		
<u>Movement in accumulated compensated absences</u>		
Balance as at 01 July	13,213	9,251
Provision during the year	6,883	5,606
Payments made during the year	(755)	(1,644)
Balance as at 30 June	<u>19,341</u>	<u>13,213</u>
23.13 Reconciliation of present value of liability		
Present value of liability as at 01 July	13,213	9,251
Service cost	5,567	4,523
Interest on defined benefit liability	1,155	1,011
Benefits paid	(755)	(1,644)
Remeasurement loss	161	72
	<u>19,341</u>	<u>13,213</u>
23.14 Charge for the year		
Service cost	5,567	4,523
Interest on defined benefit liability	1,155	1,011
Remeasurement loss	161	72
	<u>6,883</u>	<u>5,606</u>

	Note	2016 (Rupees in thousand)	2015
24 Trade and other payables			
Trade payables		633,196	550,201
Import bills payable		344,318	210,317
Advances from customers		21,400	25,837
Accrued expenses		100,974	91,037
Provision for infrastructure cess	24.1	42,922	35,532
Royalty payable to related parties - unsecured	24.2	32,622	33,565
Technical fee payable		18,716	16,304
Workers' Profits Participation Fund	24.3	15,133	15,102
Workers' Welfare Fund		25,727	17,854
Provident fund payable		2,225	2,114
Sales tax, Withholding tax and EOBI payable		42,180	34,399
Unclaimed dividend		2,788	14,025
Others		32,583	16,458
		<u>1,314,784</u>	<u>1,062,745</u>
24.1 Provision for infrastructure cess			
Balance as at 01 July		35,532	30,332
Provision for the year		7,390	5,200
Balance as at 30 June		<u>42,922</u>	<u>35,532</u>
24.2 This includes amount due to the following related parties:			
Slotrapid Limited B.V.I. - holding Company		32,556	27,514
Buxly Paints Limited - related party		66	6,051
		<u>32,622</u>	<u>33,565</u>
24.3 Workers' Profits Participation Fund			
Balance as at 01 July		15,102	12,958
Allocation for the year	33	10,683	8,960
Interest on funds utilized in the Company's business	34	720	584
		<u>26,505</u>	<u>22,502</u>
Payments during the year		(11,372)	(7,400)
Balance as at 30 June		<u>15,133</u>	<u>15,102</u>

	Note	2016 (Rupees in thousand)	2015
25 Accrued finance cost			
Mark-up based borrowings from conventional banks			
Long term financing		603	2,849
Short term financing		1,426	1,027
Short term running finances		9,537	23,503
		<u>11,566</u>	<u>27,379</u>
26 Short term borrowings			
Mark-up based borrowings from conventional banks			
Short term financing - secured	26.1	400,000	-
Short term running finance - secured	26.2	463,534	993,768
Islamic mode of financing			
Short term financing - secured	26.3	-	50,000
		<u>863,534</u>	<u>1,043,768</u>

26.1 Short term financing - secured

This represents utilized amount of short term financing facilities under markup arrangements available from commercial banks aggregating to Rs. 500 million (2015: Rs. Nil) which is a sublimit of running finance facilities as mentioned in note 26.2 to the unconsolidated financial statements. These facilities are secured against joint pari passu charge on all present and future current assets, registered charge (mortgage and hypothecation) on freehold land and carries markup ranging between 7.21% and 7.97% per annum, payable quarterly.

26.2 Short term running finances - secured

This represents utilized amount of short term running finance facilities under markup arrangements available from commercial banks aggregating to Rs. 1,275 million (2015: Rs. 1,275 million). These facilities are secured against registered charge over the current assets of the Company and carries markup ranging between 7.35% and 9.01% (2015: 8.31% and 12.67%) per annum, payable quarterly.

26.3 Short term financing - secured

This represented short term financing (morabaha) facility under profit arrangements available from islamic banks aggregating to Rs. Nil million (2015: Rs. 158 million). This facility was secured against joint pari passu charge on all present and future current assets, registered charge (mortgage and hypothecation) on freehold land and building and carries markup at the rate of 10% (2015: ranging between 10% and 12.23%) per annum, payable quarterly.

26.4 Unavailed credit facilities

The facilities for opening of letters of credit and guarantees as at 30 June 2016 amounted to Rs. 1,400

million (2015: Rs. 1,300 million) of which the remaining unutilized amount as of that date was Rs. 1,007.39 million (2015: Rs. 926 million).

27 Contingencies and commitments

27.1 Contingencies

- In previous years the Company filed a suit against an ex-distributor (the distributor) in the High Court of Sindh (the court) for recovery of Rs. 8.89 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. 78.15 million against the Company in the court on account of damages and compensation. Consequently management believes that it has a strong case and no financial obligation is expected to accrue.
- The Sindh Revenue Board (SRB) through assessment order 490/2014 dated 18 September 2014 raised sales tax demand of Rs. 39.34 million along-with penalty but excluding default surcharge on the grounds that the Company has received franchise services through its registered office in Karachi but had not paid sales tax on these services for the tax periods July, 2011 to June, 2013. Department (SRB) had inadvertently added all royalty figures appearing in accounts including royalty receivable, royalty payable, royalty expense, related party transfer for the calculation of tax on royalties. The Company, through its legal counsel, filed an appeal before the Commissioner (Appeals) SRB on the grounds that amount of sales tax is not correctly calculated and the provisions of Sindh Sales Tax on Services Act, 2011 are not applicable for the reason that the Company is managing its affairs from the province of Punjab as the head office and the manufacturing facility is located there. The Commissioner (Appeals) had reduced the demand to Rs. 8.18 million, against which the Company had filed an appeal before Appellate Tribunal SRB which is pending adjudication. The management on the basis of opinion of the tax advisor is hopeful of the favourable outcome, hence no provision has been recorded in these unconsolidated financial statements..
- The Sindh High Court (the Court) in the case of 'Kasim Textile' in its order of 7 May, 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a Company has assessed losses on which no tax is payable, the Company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Company may not be entitled to carry forward minimum tax paid in the tax year 2012 of Rs 33.14 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those may also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly minimum tax is adjusted against tax liability for the current year. The Deputy Commissioner Inland Revenue (DCIR) served a show cause notice to the Company as to why an amount of Rs. 387.27 million may not be recovered as a result of selection of the Company for audit of sales tax for the period July 2009 to June 2010 under section 72B of the Sales Tax Act, 1990. The Company has shifted its office in 2009 and case for change of jurisdiction was in-process at FBR level. Later on jurisdiction was changed to Lahore LTU and no notice was received to Company till this year. The Company, through its legal counsel, challenged the above

mentioned notice in the Honorable Lahore High Court whose operation was suspended by the High Court. Accordingly management believes that it has a good arguable case and matter will be decided in its favour. Further management believes that the case is only in its show cause stage and that assessment order has not been served resulting any financial liability.

- During the year, the Additional Commissioner Inland Revenue raised a demand of Rs.128.958 million for tax year 2015 vide assessment order dated 31-03-2016. The Company through its legal counsel filed an appeal to CIR (Appeals) against the said order. CIR (Appeals) deleted the additions except adjustment of minimum tax credit u/s 113 of Rs. 56 million. The Company through its legal counsel, filed an appeal before ATIR which is still pending. The management on the basis of opinion of the tax advisor is hopeful of the favourable outcome, hence no provision has been recorded in these unconsolidated financial statements..

27.2 Commitments

- Outstanding letters of credit as at 30 June 2016 amounted to Rs. 327.63 million (2015: Rs. 367.98 million).
- Outstanding letters of guarantees as at 30 June 2016 amounted to Rs. 64.99 million (2015: Rs. 55.62 million).
- The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	Note	2016 (Rupees in thousand)	2015
Not later than one year		9,498	10,287
Later than one year and not later than five years		21,058	22,292
		<u>30,556</u>	<u>32,579</u>

28 Sales - net

- Local		5,992,143	5,084,038
- Exports		147,953	166,073
	28.1	6,140,096	5,250,111
Less: Discounts		(118,976)	(154,363)
Sales tax		(939,371)	(793,918)
		<u>5,081,749</u>	<u>4,301,830</u>

28.1 This is net off discounts aggregating Rs. 1,332.57 million (2015: Rs. 1,260.50 million) given on invoices.

	Note	2016 (Rupees in thousand)	2015
29 Cost of sales			
Finished goods as at 01 July		253,964	298,197
Cost of goods manufactured	29.1	3,512,499	3,012,053
Provision against slowing moving finished goods		14,355	4,379
Inventory written off due to fire	29.2	(79,767)	-
Less: Finished goods as at 30 June		(244,958)	(253,964)
Consumption of finished goods purchased for resale	29.3	78,485	85,833
Cost of sales		<u>3,534,578</u>	<u>3,146,498</u>
29.1 Cost of goods manufactured			
Raw and packing materials consumed		3,113,322	2,694,828
Provision (reversed) / charged against raw and packing material		(26,701)	6,000
Stores consumed		3,019	2,632
Salaries, wages and other benefits	29.1.1	102,263	70,802
Travelling and conveyance		14,228	11,377
Fuel, water and power		69,815	71,303
Legal and professional		5,219	4,516
Rent, rates and taxes		509	235
Insurance		5,023	9,706
Repairs and maintenance		27,558	21,782
Contracted services		81,114	71,720
Depreciation on property, plant and equipment	5.5	75,714	49,510
Amortisation	6.1.1	174	-
Ijarah lease rentals		2,374	2,937
Printing and stationery		2,354	1,625
Communication		1,122	1,409
Other expenses		19,649	11,848
		<u>3,496,756</u>	3,032,230
Opening stock of semi-processed goods	12	77,458	57,281
Closing stock of semi-processed goods	12	(61,715)	(77,458)
Cost of goods manufactured		<u>3,512,499</u>	<u>3,012,053</u>

29.1.1 Salaries, wages and benefits include Rs. 6.11 million (2015: Rs. 4.84 million) in respect of gratuity, Rs. 3.91 million (2015: Rs. 2.79 million) in respect of pension fund, Rs. 3.44 million (2015: Rs. 2.80 million) in respect of compensated absences and Rs. 3.02 million (2015: Rs. 2.56 million) in respect of provident fund contribution.

29.2 This represents cost of inventory written off due to fire incidence during the year.

29.3 The movement of finished goods purchased for resale is as follows:

	Note	2016 (Rupees in thousand)	2015
Finished goods as at 01 July		51,304	48,315
Add: Finished goods purchased for resale during the year		80,353	88,822
Less: Consumption of finished goods during the year		(78,485)	(85,833)
Finished goods as at 30 June		53,172	51,304

30 Distribution costs

Salaries, wages and other benefits	30.1	287,803	187,011
Travelling and conveyance		79,909	62,772
Rent, rates and taxes		13,450	10,388
Insurance		7,767	8,700
Fuel, water and power		6,957	6,022
Advertising and sales promotion		238,173	202,509
Technical services and royalty fee		42,280	36,187
Freight and handling		146,846	91,207
Repairs and maintenance		3,032	3,082
Contracted services		29,896	23,447
Depreciation on property, plant and equipment	5.5	9,099	7,428
Amortisation	6.1.1	12	-
Ijarah lease rentals		5,744	8,148
Provision for doubtful debts - net of recoveries	13.3	23,964	12,191
Printing and stationery		3,365	2,676
Legal and professional		10,864	7,753
Communication		5,257	5,531
Other expenses		5,412	6,373
		919,830	681,425

30.1 Salaries, wages and benefits include Rs. 5.01 million (2015: Rs. 3.97 million) in respect of gratuity, Rs. 3.21 million (2015: Rs. 2.29 million) in respect of pension fund, Rs. 2.82 million (2015: Rs. 2.3 million) in respect of compensated absences and Rs. 7.82 million (2015: Rs. 6.10 million) in respect of provident fund contribution.

	Note	2016 (Rupees in thousand)	2015
31 Administrative expenses			
Salaries, wages and other benefits	31.1	117,749	95,663
Directors' fee		3,925	3,300
Travelling and conveyance		14,176	10,551
Rent, rates and taxes		2,399	3,062
Insurance		6,792	4,537
Auditors' remuneration	31.2	1,654	1,597
Fuel, water and power		2,023	2,720
Repairs and maintenance		4,115	3,489
Contracted services		14,809	16,872
Depreciation on property, plant and equipment	5.5	16,568	6,049
Amortization of computer software	6.1.1	5,386	5,210
Ijarah lease rentals		2,104	1,446
Printing and stationery		1,350	2,684
Legal and professional		8,948	8,364
Communication		2,822	2,392
Others		11,685	12,523
		<u>216,505</u>	<u>180,459</u>

31.1 Salaries, wages and benefits include Rs. 1.10 million (2015: Rs. 0.87 million) in respect of gratuity, Rs. 0.70 million (2015: Rs. 0.50 million) in respect of pension fund, Rs. 0.62 million (2015: Rs. 0.50 million) in respect of compensated absences and Rs. 3.60 million (2015: Rs. 3.12 million) in respect of provident fund contribution.

	2016 (Rupees in thousand)	2015
31.2 Auditors' remuneration		
Audit fee	1,100	1,100
Consolidation and half yearly review	357	357
Out of pocket expenses	197	140
	<u>1,654</u>	<u>1,597</u>

	Note	2016 (Rupees in thousand)	2015
32 Other income			
<u>Income from financial assets</u>			
Mark-up on term deposit receipts		2,443	4,336
		<u>2,443</u>	<u>4,336</u>
<u>Income from non financial assets</u>			
Sale of scrap		7,034	5,618
Gain on disposal of property, plant and equipment		4,433	1,643
Rental income and other services charged to related parties		9,766	5,684
Export rebate		2,272	2,533
Insurance claim	32.1	103,284	797
Exchange gain	32.2	4,082	13,223
Others	32.3	2,381	281
		<u>133,252</u>	<u>29,779</u>
		<u>135,695</u>	<u>34,115</u>

32.1 This represents insurance claim recognised against inventory and operating assets destroyed during the year as referred to in notes 5.1.1 and 29.2 to the unconsolidated financial statements.

32.2 This represents gain on actual currency conversion.

32.3 This mainly includes penalty charged to suppliers and customers of Rs. 2.72 million (2015: Rs. 0.28 million).

	Note	2016 (Rupees in thousand)	2015
33 Other charges			
Inventory items written off during the year	33.1	79,767	-
Operating assets written off during the year	33.2	4,599	-
Provision for impairment loss on capital work in progress	5.3.1	22,000	-
Provision for export rebate		10,000	-
Workers' Welfare Fund		7,873	3,661
Workers' Profit Participation fund	24.3	10,683	8,960
		<u>134,922</u>	<u>12,621</u>

33.1 This represents cost of inventory written off due to fire incidence occurred during the year as referred to in note 29.2 to the unconsolidated financial statements.

33.2 This represents net book value of operating assets written off during the year as referred to in note 5.1.1 to the unconsolidated financial statements.

	Note	2016 (Rupees in thousand)	2015
34 Finance cost			
Islamic mode of financing			
- Long term financing (musharka)		144	259
- Short term running finances (murabaha)		68	8,780
		212	9,039
Interest / mark-up based loans			
- Long term financing		6,760	23,339
- Short term financing		20,808	461
- Short term running finances		55,244	110,022
- Finance cost on leases		108	433
		82,920	134,255
Interest on workers profit participation fund	24.3	720	584
Bank charges		5,362	4,476
		<u>89,214</u>	<u>148,354</u>
35 Taxation			
Current			
- For the year		84,941	3,470
- Prior year		90	215
		85,031	3,685
Deferred			
- Current year		52,587	53,750
		<u>137,618</u>	<u>57,435</u>
35.1 Relationship between the tax expense and accounting profit			
Profit before taxation		<u>322,395</u>	<u>166,588</u>
Tax calculated at the rate of 32.00% / 33.00%		103,166	54,974
Tax effect of:			
- income under Final Tax Regime		(3,566)	5,048
- tax rate adjustment		2,754	1,078
- tax credit		60,142	(3,880)
- permanent difference		(28,022)	-
- prior year adjustment		90	215
- others		3,054	-
		<u>137,618</u>	<u>57,435</u>

35.2 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public Company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public Company which distributes profit equal to either 40% of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

As explained in note 45 to the unconsolidated financial statements, the Board of Directors in their meeting held on 19 September 2016 has recommended a final dividend of Rs. 4.5 per ordinary share for the year ended 30 June 2016 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been made in these unconsolidated financial statements.

	Note	2016 (Rupees in thousand)	2015
36 Earnings per share - basic and diluted			
Profit after taxation		184,777	109,153
		Number of shares	
Weighted average number of shares outstanding during the year		18,186,409	18,186,409
		(Rupees)	
Earning per share		10.16	6.00

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

	Note	2016 (Rupees in thousand)	2015
37 Cash and cash equivalents			
Cash and bank balances	18	95,277	191,738
Short term running finance	26.2	(463,534)	(993,768)
		(368,257)	(802,030)

38 Remuneration of chief executive, directors and executives

	2016			2015		
	Chief Executive	Executives	Non-Executives	Chief Executive	Executives	Non-Executives Directors
	(Rupees in thousand)			(Rupees in thousand)		
Managerial remuneration (including bonus)	10,910	64,042	-	-	58,196	-
Retirement and other long term benefits	4,545	34,107	-	-	27,290	-
Housing rent	-	28,819	-	-	25,519	-
Utilities	-	6,404	-	-	5,671	-
Medical expenses	1,090	2,948	-	-	2,837	-
	<u>16,545</u>	<u>136,320</u>	<u>-</u>	<u>-</u>	<u>102,888</u>	<u>-</u>
Number of persons	<u>1</u>	<u>45</u>	<u>6</u>	<u>1</u>	<u>47</u>	<u>6</u>

38.1 Retirement and other long term benefits include benefits provided under provident fund, gratuity, pension and accumulated compensated absences.

38.2 Non-executive directors were paid meeting fee aggregating Rs. 3.92 million (2015: Rs. 3.30 million).

38.3 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.

39 Number of employees

The Company has employed following number of persons:

	2016	2015
	(Number of persons)	
- As at 30 June	<u>558</u>	<u>509</u>
- Average number of employees	<u>543</u>	<u>488</u>

40 Provident fund related disclosure

The following information is based on un-audited unconsolidated financial statements

	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)	
Size of the fund	203,105	169,478
Cost of investment made	113,500	103,500
Fair value of investments	186,325	160,557

	(Percentage)	
Percentage of investments made	92%	95%

The breakup of investments is as follows:

Defence Saving Certificates	100,100	89,400
Certificates of Deposits	42,388	38,016
Atlas Income Fund	4,572	4,310
MCB Asset Management	4,602	4,590
Investment with Dubai Islamic Bank	11,129	11,138
Investment with AKD Investment Management Limited	7,623	7,621
Investment with JS Bank	10,642	-
Al-Ameen Islamic Principle Preservation Fund (UBL)	5,269	5,482
	<u>186,325</u>	<u>160,557</u>

The above investments out of provident fund from the funds received from the Company have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

41 Transactions with related parties

The Company is a subsidiary of Slotrapid Limited, therefore all the subsidiaries and associates of holding Company are related parties of the Company. In addition related parties includes entities under common directorship, post employment benefit plans, directors and key management personnel. Amounts due from and due to related parties, remuneration of directors and key management personnel are disclosed in the relevant notes.

Material transactions with related parties are given below:

Relation with undertaking	Nature of transaction	2016	2015
		Rupees in thousand	
<u>Holding Company</u>			
Slotrapid Limited B.V.I.	Royalty expense	32,556	27,514
<u>Subsidiary</u>			
Berger Road Safety (Private) Limited	Sales	188,817	109,382
	Rental income and other	5,458	2,077
	Common expenditures	27,293	14,717
<u>Related parties</u>			
Buxly Paints Limited	Sales	137,417	116,124
	Rental income and other	3,608	3,608
	Toll manufacturing income	12,520	8,924
	Royalty expense	2,152	1,461
	Rental expense	2,271	1,200
Dadex Eternit Limited	Sales	593	245
Post employment benefit plans	Contribution to gratuity fund	2,000	3,500
	Provident fund contribution	29,900	24,289
Remuneration of key management personnel		Note 38	

42 Financial instruments

42.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, 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.

The Company's Board of Directors ("the board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Company's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimizing return.

(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 States Dollar (USD) and Japanese Yen (JPY). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to foreign entities. The Company's exposure to foreign exchange risk is as follows:

	2016	2015
	(Rupees in thousand)	
Trade and other payables - Euro	(48.39)	(9.06)
Net exposure - Euro	(48.39)	(9.06)
Trade and other payables - USD	(2,709)	(1,145)
Net exposure - USD	(2,709)	(1,145)
Trade and other payables - JPY	(53,350)	(29,572)
Net exposure - JPY	(53,350)	(29,572)

The following significant exchange rates were applied during the year:

	2016	2015
	(Rupees)	
<u>Rupees per Euro</u>		
Average rate for the year	114.98	124.02
Reporting date rate	117.39	113.64
<u>Rupees per USD</u>		
Average rate	103.17	100.03
Reporting date rate	105.49	101.60
<u>Rupees per JPY</u>		
Average rate	0.99	0.86
Reporting date rate	1.02	0.83

If the functional currency, at reporting date, had fluctuated by 5% against the Euro, USD and JPY with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 17.23 million (2015: Rs. 7.09 million) lower / higher, 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) 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's investments in equity instrument of other entities are publicly traded on the Pakistan Stock Exchange. The summary below explains the impact of increase on the Company's surplus of

available for sale investment to change in market price. The analysis is based on the assumption that the market price had increased by 10% with all other variables held constant:

	Impact on equity	
	2016	2015
	(Rupees in thousands)	
Buxly Paints Limited	1,081	998

(iii) Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

Fixed rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the unconsolidated financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	(Amount in thousands)		(Amount in thousands)	
<u>Non-derivative financial instruments</u>				
Short term investment	20,000	-	10,018	-
Bank balances - deposit accounts	6,995	-	58,241	-
	26,995	-	68,259	-

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 and loss account. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

Variable rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the unconsolidated financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2016		2015	
	Financial assets (Rupees in thousand)	Financial liabilities (Rupees in thousand)	Financial assets (Rupees in thousand)	Financial liabilities (Rupees in thousand)
<u>Non-derivative financial instruments</u>				
Bank balances - deposit accounts	17,185	-	-	-
Short term borrowings	-	863,534	-	1,043,768
Liabilities against assets subject to finance lease	-	-	-	2,434
Long term financing	-	41,950	-	83,900
	<u>17,185</u>	<u>905,484</u>	<u>-</u>	<u>1,130,102</u>

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit before taxation by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit	
	2016 (Rupees in thousand)	2015
Increase of 100 basis points		
Variable rate instruments	<u>(88,830)</u>	<u>(113,010)</u>
Decrease of 100 basis points		
Variable rate instruments	<u>88,830</u>	<u>113,010</u>

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. To manage credit risk, the Company maintains procedures covering the application of credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. 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.

Exposure to credit risk

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

	Note	<u>2016</u>	<u>2015</u>
		<u>(Rupees in thousand)</u>	
Long term loans	8	46,554	32,472
Long term deposits	9	17,463	17,925
Loans and advances	14	11,625	8,165
Trade debts	13	1,223,283	1,093,739
Trade deposits	15	18,096	12,301
Other receivables	16	103,670	3,291
Short term investment	17	20,000	10,018
Bank balances	18	94,301	191,124
		<u>1,534,992</u>	<u>1,369,035</u>

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty.

(i) Long term loans

Long term loans 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, motor cycles and CNG kits. 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, hence the management believes that no impairment allowance is necessary in respect of these long term loans.

(ii) Long term deposits

Long term deposits represent mainly deposits with Government institutions, hence the management believes that no impairment allowance is necessary in respect of these long term deposits.

(iii) Trade debts

The trade debts as at the balance sheet date are classified in Pak Rupees. The carrying amount of trade debts represents balance outstanding for a period less than one year. Customer credit risk is managed subject to the Company's established policy, procedures and controls relating to customer credit risk management. Based on past experience the management believes that no further impairment allowance is necessary in respect of trade receivables as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

(iv) Bank balances

The Company's exposure to credit risk against balances with various commercial banks is as follows:

	2016	2015
	(Rupees in thousand)	
In current accounts	70,121	132,883
In deposit accounts	24,180	58,241
	<u>94,301</u>	<u>191,124</u>

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

Banks	Rating		Rating Agency	2016	2015
	Short term	Long term			
				(Rupees in thousand)	
HSBC Oman Bank	F1+	AA-	Fitch	466	466
Faysal Bank Limited	A1+	AA	PACRA & JCR	5,913	8,838
Bank Al Habib Limited	A1+	AA+	PACRA	18,729	18,438
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	29,486	68,258
United Bank Limited	A-1+	AAA	JCR-VIS	4,075	23,122
Habib Bank Limited	A-1+	AAA	JCR-VIS	968	8,838
MCB Bank Limited	A1+	AAA	PACRA	22,304	31,433
JS Bank Limited	A1+	A+	PACRA	12,230	31,569
Al-Barka Bank Limited	A-1	A	PACRA & JCR	10	62
Bank Alfalah Limited	A1+	AA	PACRA	100	100
National Bank of Paksiatn	A1+	AAA	PACRA	20	-
				<u>94,301</u>	<u>191,124</u>

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, that are settled by delivering cash or other financial asset, or that such obligation will have to be settled in a manner unfavorable to Company. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit limits.

The following are the contractual maturities of financial liabilities as at 30 June 2016:

	Carrying amount	Less than one year	One to five years	More than five years
<u>Non derivative financial liabilities</u>				
(Rupees in thousand)				
Long term financing	41,950	40,600	1,350	-
Trade and other payables	1,165,197	1,165,197	-	-
Accrued finance cost	11,566	11,566	-	-
Short term borrowings	863,534	863,534	-	-
	<u>2,082,247</u>	<u>2,080,897</u>	<u>1,350</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at 30 June 2015:

	Carrying amount	Less than one year	One to five years	More than five years
<u>Non derivative financial liabilities</u>				
(Rupees in thousand)				
Long term financing	147,550	105,600	41,950	-
Liabilities against assets subject to finance lease	2,434	2,434	-	-
Trade and other payables	931,907	931,907	-	-
Accrued finance cost	27,379	27,379	-	-
Short term borrowings	1,043,768	1,043,768	-	-
	<u>2,153,038</u>	<u>2,111,088</u>	<u>41,950</u>	<u>-</u>

42.2 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

	Level 1	Level 2	Level 3
	(Rupees in thousand)		
<u>Available for sale</u>	10,807	-	-
2016	<u>10,807</u>	<u>-</u>	<u>-</u>
<u>Available for sale</u>	9,978	-	-
2015	<u>9,978</u>	<u>-</u>	<u>-</u>

	Note	<u>Loans and receivables</u> 2016 (Rupees in thousand)
<u>Financial instruments by category</u>		
Financial assets at amortised cost as per balance sheet:		
Long term loans		46,554
Long term deposits		17,463
Loans and advances		11,625
Trade debts		1,223,283
Trade deposits		18,096
Other receivables		103,670
Short term investments		20,000
Cash and bank balances		94,301
	42.2.1	<u>1,534,992</u>
Investments at fair value - available for sale		
		<u>10,807</u>
<u>Financial liabilities at amortised as per balance sheet:</u>		
Long term financing		41,950
Liabilities against assets subject to finance lease		-
Trade and other payables		1,165,197
Accrued finance cost		11,566
Short term borrowings		863,534
	42.2.1	<u>2,082,247</u>
	Note	<u>Other financial liabilities</u> 2016 (Rupees in thousand)

42.2.1 Fair value versus carrying amounts

The Company has not disclosed the fair values for these financial assets and liabilities, as these are for short term or repriced over short term. Therefore, their carrying values are reasonable approximation of fair values.

42.2.2 Fair value of property, plant and equipment

Freehold land, leasehold land, building on freehold land, building on leasehold land and plant and machinery have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the values as disclosed. The valuations are conducted by an independent valuation expert appointed by the Company. The valuation expert used a market based approach to arrive at the fair value of the Company's land and building. The valuation was determined by reference to current market value of the similar properties / assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements.

42.3 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. The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. 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.

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

<u>2016</u>	<u>2015</u>
(Liters in thousand)	

43 Production capacity

Actual production

<u>33,793</u>	<u>28,433</u>
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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 8.67 million liters (2015: 7.09 million liters) which is used in the manufacture of the final product.

44. Operating segments

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

44.2 Revenue from sale of paints and allied represents 100% (2015: 100%) of the total revenue of the Company.

44.3 97.23% (2015: 96.84%) sales of the Company relates to customers in Pakistan.

44.4 All non-current assets of the Company as at 30 June 2016 are located in Pakistan.

45 Event after Balance sheet date

The Board of Directors has proposed a final divided of Rs. 4.5 per share (2015: Re 1 per share) amounting to Rs. 81.839 million (2015: Rs. 18.187 million) for the year ended 30 June 2016 in their meeting held on 19 September 2016 for approval of the members at the Annual General Meeting to be held on 25 October 2016. These unconsolidated financial statements do not reflect these appropriations.

46 Date of authorization for issue

These unconsolidated financial statements were authorized for issue on 19 September 2016 by the Board of Directors of the Company.

47 General

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

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Berger Paints Pakistan Limited
Consolidated Financial Statements
for the year ended 30 June 2016

Directors' Report

The directors of the Holding Company present their report together with the audited consolidated financial statements for the year ended 30 June 2016.

Rupees in Thousand

Profit before taxation	327,615
Taxation	141,874
Profit after taxation	185,741
Minority interest	1,583
Net profit for the year attributable to the Holding Company	184,158

FINANCIAL STATEMENTS

The audited accounts of the Holding Company for the year ended 30 June 2016 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.

PROFIT PER SHARE

The profit per share for the year is Rs.10.13 [2015: Rs.6.03].

AUDITORS

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, 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 already been disclosed in Directors' Report of the Holding Company.

ON BEHALF OF THE BOARD

Lahore
Date: 19 September 2016

Dr. Mahmood Ahmad
Chief Executive



KPMG Taseer Hadi & Co.
Chartered Accountants
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Servis House
2-Main Gulberg Jail Road,
Lahore Pakistan

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Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Berger Paints Pakistan Limited (the Holding Company) and its subsidiary companies as at 30 June 2016 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 auditors, whose audit reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Berger Paints Pakistan Limited and its subsidiary companies as at 30 June 2016 and the results of their operations for the year then ended.

Lahore
Date : 19 September 2016


KPMG Taseer Hadi & Co.
Chartered Accountants
(M. Rehan Chughtai)

Consolidated Balance Sheet

As at 30 June 2016

	Note	2016 (Rupees in thousand)	2015
<u>Non-current assets</u>			
Property, plant and equipment	5	1,044,021	1,053,935
Intangibles	6	48,532	44,467
Investments - related parties	7	49,117	9,978
Long term loans	8	46,554	32,472
Long term deposits	9	20,167	20,404
Deferred taxation	10	-	36,525
		1,208,391	1,197,781
<u>Current assets</u>			
Stores	11	15,422	7,056
Stock in trade	12	754,610	717,550
Trade debts	13	1,201,830	1,122,879
Loans and advances	14	101,437	88,212
Trade deposits and short term prepayments	15	29,176	25,829
Other receivables	16	116,001	22,354
Income tax - net		199,016	218,538
Short term investment	17	20,000	10,018
Cash and bank balances	18	113,031	195,600
		2,550,523	2,408,036
		3,758,914	3,605,817
<u>Share capital and reserves</u>			
Authorised share capital 25,000,000 (2014: 25,000,000) ordinary shares of Rs.10 each		250,000	250,000
Share capital	19	181,864	181,864
Reserves	20	651,523	458,805
		833,387	640,669
Non -controlling interest		19,628	18,045
Surplus on revaluation of fixed assets - net of tax	21	542,313	559,773
<u>Non-current liabilities</u>			
Long term financing	22	1,350	41,950
Staff retirement and other long term benefits	23	103,925	76,420
Liabilities against assets subject to finance lease	24	5,505	6,181
Deferred taxation	10	5,545	-
		116,325	124,551
<u>Current liabilities</u>			
Trade and other payables	25	1,329,788	1,082,230
Accrued finance cost	26	11,566	27,379
Current maturity of long term financing	22	40,600	105,600
Current maturity of liabilities against assets subject to finance lease	24	1,773	3,802
Short term borrowings	27	863,534	1,043,768
		2,247,261	2,262,779
		2,363,586	2,387,330
Contingencies and commitments	28	3,758,914	3,605,817

The annexed notes 1 to 47 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 2016

	Note	2016 (Rupees in thousand)	2015
Sales - net	29	5,262,149	4,420,826
Cost of sales	30	(3,655,382)	(3,221,818)
Gross profit		1,606,767	1,199,008
Distribution costs	31	(961,709)	(715,235)
Administrative expenses	32	(223,046)	(184,580)
Operating profit		422,012	299,193
Other income	33	131,593	32,156
		553,605	331,349
Other charges	34	(134,922)	(12,762)
Finance cost	35	(90,178)	(148,767)
		(225,100)	(161,529)
Share of loss of associated company		(890)	-
Profit before taxation		327,615	169,820
Taxation	36	(141,874)	(59,502)
Profit after taxation		185,741	110,318
<u>Attributable to:</u>			
Equity holders of the parent		184,158	109,747
Non-controlling interest		1,583	571
		185,741	110,318

The annexed notes 1 to 47 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 2016

	2016	2015
	(Rupees in thousand)	
Profit after taxation	185,741	110,318
Other comprehensive income		
<u>Items that may be reclassified to profit and loss</u>		
Fair value (deficit) / gain on 'Available for sale' investments	829	(282)
<u>Items that will never be reclassified to profit and loss</u>		
Remeasurement of defined benefit obligation	(2,076)	(5,094)
Surplus on revaluation of fixed assets - net of tax (i)	-	-
Total comprehensive income for the year	184,494	104,942
<u>Attributable to:</u>		
Equity holders of the parent	182,911	104,371
Non-controlling interest	1,583	571
	184,494	104,942

(i) Surplus on revaluation of fixed assets - net of tax is presented under separate head below equity in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

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

Chief Financial Officer

Chief Executive

Director

Consolidated Cash Flow Statements

For the year ended 30 June 2016

	Note	2016 (Rupees in thousand)	2015
Cash flow from operating activities			
Profit before taxation		327,615	169,820
Adjustments for non cash items:			
Depreciation on property, plant and equipment	5.5	103,548	64,095
Amortization on computer software	6.1.1	5,572	5,210
Gain on disposal of property, plant and equipment	33	(4,433)	(1,643)
(Reversal of provision) / provision charged against slow moving stock		(12,346)	10,379
Insurance claim		(103,284)	-
Operating assets written off during the year		4,599	-
Provision for impairment in capital work in progress		22,000	-
Provision for export rebate		10,000	-
Provision for doubtful debts	31	23,964	14,138
Bad debts directly written off		-	2,576
Provision for staff retirement and other long term benefits		26,951	20,880
Share of loss from associated company		890	-
Finance cost	35	90,178	148,767
		167,639	264,402
Operating profit before working capital changes		495,254	434,222
Working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		(8,366)	(768)
Stock in trade		(24,714)	82,907
Trade debts		(102,915)	(24,766)
Loans and advances		(13,225)	(23,617)
Trade deposits and short term prepayments		(3,347)	(14,972)
Other receivables		(363)	16,099
		(152,930)	34,883
Increase in current liabilities:			
Trade and other payables		258,795	135,839
Cash generated from operations		601,119	604,944
Finance cost paid		(105,335)	(161,552)
Taxes paid		(69,748)	(101,443)
Staff retirement and other long term benefits paid		(1,522)	(4,089)
Long term loans - net		(14,082)	(9,741)
Long term deposits - net		237	(1,583)
		(190,450)	(278,408)
Net cash generated from / (used in) from operating activities		410,669	326,536
Cash flow from investing activities			
Fixed capital expenditure		(132,655)	(97,180)
Investment in related parties		(39,200)	-
Sale proceeds from disposal of property, plant and equipment		7,218	6,655
Short term investments		(9,982)	(10,018)
Net cash used in investing activities		(174,619)	(100,543)
Cash flow from financing activities			
(Repayment of) / proceeds from long term financing		(105,600)	(105,600)
Short term borrowings - net		350,000	(108,000)
Dividend paid		(29,424)	(35,333)
Lease rentals paid		(3,361)	1,432
Net cash (used in) / generated from financing activities		211,615	(247,501)
Net (decrease) / increase in cash and cash equivalents		447,665	(21,508)
Cash and cash equivalents at beginning of the year		(798,168)	(776,660)
Cash and cash equivalents at end of the year	37	(350,503)	(798,168)

The annexed notes 1 to 47 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 2016

	Capital reserves			Revenue reserves			Non controlling interest	Total share capital and reserves
	Issued, subscribed and paid-up share capital	Share premium	Fair value reserve	General reserve	Accumulated (Loss)/ Profit	Total equity attributable to shareholders of parent company		
(Rupees in thousand)								
Balance as at 1 July 2014	181,864	56,819	6,430	285,000	50,578	580,691	17,474	598,165
Transaction with owners of the Company recognised directly in equity - Distributions								
Dividend for the year ended 30 June 2014 @ Re. 1 per share.	-	-	-	-	(18,187)	(18,187)	-	(18,187)
Interim dividend for the year ended 30 June 2015 @ Rs. 1.50 per share	-	-	-	-	(27,280)	(27,280)	-	(27,280)
Total comprehensive income for the year ended 30 June 2015								
Profit for the year	-	-	-	-	109,747	109,747	571	110,318
Other Comprehensive income for the year	-	-	-	-	-	(282)	-	(282)
Fair value gain on 'Available for sale' investments	-	-	(282)	-	-	(5,094)	-	(5,094)
Remeasurement of defined benefit obligation	-	-	(282)	-	(5,094)	(5,376)	-	(5,376)
Total Comprehensive income for the year								
	-	-	(282)	-	104,653	104,371	571	104,942
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	-	1,074	1,074	-	1,074
Balance as at 30 June 2015	181,864	56,819	6,148	285,000	110,838	640,669	18,045	658,714
Transaction with owners of the Company recognized directly in equity - Distributions								
Dividend for the year ended 30 June 2015 @ Re. 1.00 per share	-	-	-	-	(18,187)	(18,187)	-	(18,187)
Total comprehensive income for the year ended 30 June 2016								
Profit for the year	-	-	-	-	184,158	184,158	1,583	185,741
Other Comprehensive income for the year	-	-	-	-	-	(2,076)	-	(2,076)
Fair value gain on 'Available for sale' investments	-	-	829	-	-	829	-	829
Remeasurement of defined benefit obligation	-	-	-	-	(2,076)	(2,076)	-	(2,076)
Total Comprehensive income for the year								
	-	-	829	-	(2,076)	(1,247)	-	(1,247)
Surplus on revaluation of property, plant and equipment realized through incremental depreciation charged on related assets during the year - net of tax	-	-	-	-	182,082	182,911	1,583	184,494
Balance as at 30 June 2016	181,864	56,819	6,977	285,000	302,727	833,387	19,628	853,015

The annexed notes 1 to 47 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 2016

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

Berger Paints Pakistan Limited (the Parent Company) was incorporated in Pakistan on March 25, 1950 as a private limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and was subsequently converted into a public limited company. Shares of the holding company are listed on the Pakistan Stock Exchanges. The Parent Company and its subsidiary companies collectively referred to as the Group are principally engaged in the manufacturing and selling of paints, varnishes and other related items, executing contracts for application of road marking paints and merchandising construction chemicals. The registered office of the Parent Company is situated at 36-Industrial Estate Kot-Lakhpat, Lahore and the principal manufacturing facility of the Parent Company is situated at 28 Km Multan Road, Lahore.

The Parent Company owns 51 percent of the share capital of Berger DPI (Private) Limited who in turn holds 99 percent share capital of the Berger Road Safety (Private) Limited. Further the Parent Company owns 51.96 percent of the share capital of Berdex Construction Chemicals (Private) Limited. The Group is a subsidiary of Slotrapid Limited British Virgin Islands (The Holding Company).

Berdex Construction Chemicals (Private) Limited is under the process of members' voluntary winding up under the provisions of Companies Ordinance, 1984. Therefore, its financial statements have not been prepared on a going concern basis and the historical cost convention has been adjusted for realization of assets and liquidation of liabilities that might be necessary. The carrying value of its assets and liabilities as at 30 June, 2016 approximates their realizable value.

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 2016.

(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.

(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 consolidated 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 and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board and Islamic Financial Reporting Standards (IFAs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3 Summary of significant accounting policies

The significant accounting policies set out below except as mentioned in note 3.1 have been applied consistently to all periods presented in these consolidated financial statements.

3.1 Change in accounting policy

During the year the Group has adopted IFRS 13 'Fair Value Measurement' which became effective for

the financial periods beginning on or after 1 January 2015. IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments Disclosures. As a result, the Group has included the additional disclosure in this regard in note 42.2 to the consolidated financial statements. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has no such significant impacts on the measurements of the Group's financial assets and liabilities.

The Group has also adopted IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangement' and IFRS 12 'Disclosure of Interests in Other Entities' that became applicable from 01 January 2015, as per the adoption status of IFRS in Pakistan. The application of IFRS 10, IFRS 11 and IFRS 12 did not have an impact on the financial statements of the Group.

3.2 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value as referred to in note 3.5, the measurement of certain items of property, plant and equipment as referred to in note 21 at revalued amounts and recognition of certain staff retirement and other long term benefits as referred to in note 3.13 at present value.

3.3 Property, plant and equipment

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.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the surplus on revaluation of fixed assets account except for a reversal of deficit already charged to profit or loss. 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 deferred tax. Any accumulated depreciation 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. All transfers to / from surplus on revaluation of fixed assets account are net of applicable deferred income tax.

Depreciation on all property plant and equipment except freehold land is charged to income using the straight line method whereby the cost less residual value of an asset is written off over its estimated useful life at the annual rates. Residual values are reviewed at each balance sheet date and adjusted if the impact on depreciation is significant.

Useful lives are regularly reviewed 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 to property, plant and equipment is charged from the month in which the asset is put to use or capitalized while depreciation on assets disposed off is charged up to the month preceding the disposal.

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 represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

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 relevant property, plant and equipment category as and when assets are available for intended use.

3.4 Intangibles

- Computer Software

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

Amortization is charged to income on straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on addition is charged from the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at annual rates as specified in note 6.

- 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.

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.

3.5 Investments

Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification at the end of each financial year. Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current.

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.

Investments in equity instruments of associates

Associates are all entities over which the Group has significant influence but not control. Investments in equity instruments of associates are accounted for using the equity method of accounting and are initially recognised at cost. 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.

Available for sale

Investments that are intended to be held for sale for an indefinite period of the time or may be sold in response to need for liquidity are classified as available for sale.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given plus any directly attributable cost. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Unrealized gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise. At the time of disposal, the respective surplus or deficit in the fair value reserve is transferred to profit and loss account.

All purchases and sales of investments are recognized on the trade date which is the date that the Group commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At each reporting date, the Group reviews the carrying amounts of its investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the initial cost of the investment. In respect of available for sale investment, cumulative impairment loss less any impairment loss already recognized in profit and loss account is removed from equity and recognized in the profit and loss account that are not subsequently covered through profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use.

3.6 Long term deposits

Long term deposits are stated at cost less impairment, if any.

3.7 Stores

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

3.8 Stocks in trade

Stocks of raw and packing 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. Finished goods purchased for resale are measured at lower of moving average cost and net realizable value.

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.

Provision for obsolete and slow moving stock in trade is made on management estimate, whenever necessary.

3.9 Trade debts and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the normal course of business. Trade debts and other receivables are stated at original invoice amount, which approximates fair value less an allowance made 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 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is recognized 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 and tax credits, 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. In this regard, the effects on deferred taxation of the proportion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan.

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 minimum lease payment is allocated between the liability and finance cost 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.

3.13 Staff retirement and other long term benefits

3.13.1 Defined benefit plan

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.

Actuarial valuation are carried out using the 'Projected Unit Credit Method'. Contributions to the schemes are based on these valuations. Actual gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to equity and other comprehensive income in the year in which they arise. Past service cost are recognised immediately in profit and loss account. The main features of defined benefit schemes are mentioned in note 23.

3.13.2 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.

3.13.3 Other long term benefits - Accumulated 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. Employees are entitled to earned leaves of 21 days per annum. The unutilized leaves are accumulated subject to a maximum of 42 days. The unutilized accumulated leaves can be encashed at the time the employee leaves service. The accumulated leave balance in excess of 42 days of an employee is ignored while determining benefit obligations.

The Group uses the actuarial valuations carried out using the 'Projected Unit Credit Method' for valuation of its accumulated compensating absences. Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The amount recognised in the balance sheet represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the profit and loss account immediately in the period when these occur. The following significant assumptions have been used:

Discount rate	9% per annum
Expected rate of salary increase in future years	8% per annum

3.14 Borrowings

Borrowings are recognized initially at the proceeds received. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

3.15 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in ordinary course of business from suppliers. Accounts payable are classified if payment is due within one year or less (or in normal operating cycle of business, if longer), if not, they are classified as non current liabilities. 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.

3.16 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.

3.17 Contingent assets

Contingent assets are possible assets those arise 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 and are disclosed when inflow of economic benefits is probable. Contingent assets are not recognized until their realization become virtually certain.

3.18 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.

3.19 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. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. 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 assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

3.20 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.

3.21 Revenue recognition

- Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.
- Revenue from sale of goods is recognized when the significant risk and rewards of ownership of the goods are transferred to the buyer.
- Interest / markup 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 right to receive payment is established.
- Other revenues are recorded on accrual basis.

3.22 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.

Financial assets include investments, trade debts, loans, advances, deposits, other receivables and cash and bank balances.

Financial liabilities include long term financing, short term borrowings, accrued finance cost and trade and other payables.

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

3.24 Dividends and appropriations to general reserve

Dividends and appropriations to general reserves are recognized in the consolidated 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 recognized directly against any revaluation surplus for the related asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

3.26 Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method less impairment loss, if any.

3.27 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 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Groups's consolidated financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Groups's consolidated financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Groups's consolidated financial statements.
- Amendment to IAS 27 'Separate consolidated financial statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate consolidated financial statements. The amendments are not likely to have an impact on Groups's consolidated financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Groups's consolidated financial statements.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or

expected manner of recovery of the asset. The amendments are not likely to have an impact on Groups's consolidated financial statements.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Groups's consolidated financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed consolidated financial statements for all periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim consolidated financial statements and disclosed elsewhere should be cross referred.

These improvements are not likely to have any impact on the Group's consolidated financial statements.

4 Critical accounting estimates and judgments

The preparation of these consolidated 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 these consolidated financial statements are as follows:

	Note
- Residual values and useful lives of depreciable assets	3.3
- Provision for taxation	3.11
- Provision for deferred taxation	3.11
- Stock in trade to their net realizable value	3.8
- Provision for doubtful debts	3.9
- Staff retirement and other long term benefits	3.13
- Provisions	3.16
- Impairment	3.25

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, 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.

	Note	<u>2016</u> (Rupees in thousand)	<u>2015</u>
5 Property, plant and equipment			
Operating assets	5.1	1,016,766	1,015,666
Capital work in progress	5.3	27,255	38,269
		<u>1,044,021</u>	<u>1,053,935</u>

5.1 Property, plant and equipment

	Useful life	Cost/revalued amount as at 01 July 2015	Additions/ (deletions)/ adjustments	Cost/revalued amount as at 30 June 2016	Accumulated Depreciation as at 01 July 2015	Depreciation charge/ (deletions)/ adjustments for the year	Accumulated depreciation as at 30 June 2016	Book value as at 30 June 2016
	%	(Rupees in thousands)						
Owned								
Freehold land	-	399,760	15,150	414,910	-	-	-	414,910
Leasehold land	48.50	98,333	-	98,333	-	2,226	2,226	96,107
Building on freehold land	20	238,035	14,213	252,248	-	15,311	15,311	236,937
Building on leasehold land	20	13,508	406	13,914	-	756	756	13,158
Plant and machinery	2.8-12.5	199,046	42,572	238,569	9,916	65,112	74,908	163,661
Laboratory equipments	10	22,868	(3,049) 10,128	32,996	12,287	(120) 2,336	14,623	18,373
Electric fittings	10	40,344	4,104 (96) 883	45,235	19,712	3,795 (12) 233	23,728	21,507
Computer and related accessories	4	20,006	8,020 (11) (273)	27,742	16,029	2,747 (10) (257)	18,509	9,233
Office machines	10	5,752	2,932	9,614	2,805	641	3,793	5,821
Furniture and fixtures	10	23,998	930 1,261	20,901	11,447	347 2,105	10,505	10,396
* Motor vehicles	5	47,161	(4,358) 10,996 (8,708) 8,655	58,104	31,234	(3,047) 5,983 (6,008) 7,475	38,684	19,420
2016		1,108,811	109,782	1,212,566	103,430	101,012	203,043	1,009,523
Leased								
Motor vehicles	20	16,435	(8,815) 2,788	10,030	7,828	(6,030) 4,631	2,787	7,243
Electric fittings	10	1,164	(8,655)	-	368	(7,475) 48	-	-
Office machines	10	1,290	(1,164)	-	408	(416) 54	-	-
2016		18,889	(1,290)	10,030	8,604	(462)	2,787	7,243
2016		1,127,700	(11,109)	1,222,596	112,034	(8,353)	205,830	1,016,766
			(8,815)			(6,030)		
			(8,321)			(3,722)		

5.1.1 Adjustment includes cost and accumulated depreciation of Rs. 8,321 million and Rs. 3,722 million respectively of operating assets items which are destroyed during the year due to fire incidence.

*Motor vehicles include vehicles costing Rs. 3.6 million on musharka arrangement as mentioned in note 22.3 to the consolidated financial statements.

	Useful life	%	Cost/revalued amount as at 01 July 2014	Additions/ (deletions)/ adjustments	Effect of revaluation	Cost/revalued amount as at 30 June 2015	Accumulated Depreciation as at 01 July 2014	Depreciation charge/ (deletions)/ adjustments for the year	Elimination of accumulated depreciation against cost on revaluation	Accumulated depreciation as at 30 June 2015	Book value as at 30 June 2015
(Rupees in thousands)											
Owned											
Freehold land	-	-	196,862	-	202,898	399,760	-	-	-	-	399,760
Leasehold land	48.50	-	67,000	-	31,333	98,333	5,475	1,365	(6,839)	-	98,333
Building on freehold land	20	-	185,228	3,750	49,437	238,035	34,226	9,044	(43,044)	-	238,035
Building on leasehold land	20	(380)	9,807	3,469	(33)	13,508	1,866	(226)	(2,689)	-	13,508
Plant and machinery	2.8-12.5	265	275,882	32,778	(97,560)	199,046	185,548	35,783	(203,284)	9,916	189,130
Laboratory equipments	10	(443)	19,416	3,458	-	22,868	10,458	1,828	-	12,287	10,581
Electric fittings	10	(6)	38,304	2,397	-	40,344	16,163	3,623	-	19,712	20,632
Computer and related accessories	4	(95)	17,778	2,242	-	20,006	13,671	2,320	-	16,029	3,977
Office machines	10	(57)	5,438	43	-	5,752	2,392	48	-	2,805	2,947
Furniture and fixtures	10	(69)	22,140	404	-	23,998	9,895	470	-	11,447	12,551
* Motor vehicles	5	(1)	45,840	2,606	-	47,161	30,831	2,127	-	31,234	15,927
		(97)		(651)				(575)			
		(2,878)		6,782				3,477			
		(2,583)		(2,878)				(1,545)			
2015			883,695	57,886	186,075	1,108,811	310,525	60,593	(255,856)	103,430	1,005,381
Leased				(15,381)				(10,369)			
Motor vehicles	20	(3,464)	11,937	4,500	-	16,435	5,932	3,257	-	7,828	8,607
Electric fittings	10	(2)	1,164	-	-	1,164	252	(1,361)	-	368	796
Office machines	10	-	1,290	-	-	1,290	280	-	-	408	882
2015			14,391	4,500	-	18,889	6,464	3,502	-	8,604	10,285
		(2)		62,386	186,075	1,127,700	316,989	(1,362)	(255,856)	112,034	1,015,666
		(3,466)		(15,381)				(10,369)			
				(3,466)				(2,825)			

5.2 Disposal of operating assets

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
----- (R u p e e s i n t h o u s a n d) -----						
<u>Motor vehicles</u>						
Suzuki Cultus	Mr. Sultan Hasan	890	771	119	706	Tender
Suzuki Cultus	Mr. Sultan Hasan	917	794	123	716	--- do ---
Daihatsu Cuore	Muhammad Farid Khan	650	271	379	481	--- do ---
Toyota Altis	Adamjee Insurance Company Limited	1,357	-	1,357	1,975	Insurance claim
Honda City	Adamjee Insurance Company Limited	724	-	724	1,266	Insurance claim
Other assets with book value less than Rs. 50,000		4,277	4,194	83	2,074	Negotiation
	2016	8,815	6,030	2,785	7,218	
	2015	15,381	10,369	5,012	6,656	

	Note	2016 (Rupees in thousand)	2015
5.3 Break-up of closing balances of capital work in progress is as follows:			
Civil works	5.3.1	22,806	21,811
Plant and machinery		287	4,284
Advances to suppliers		1,927	10,252
Others		2,235	1,922
		<u>27,255</u>	<u>38,269</u>
5.3.1	This is net off impairment loss of Rs 22 million recognised due to fire incidence at Karachi warehouse.		
5.4	Had these revaluations not been carried out, the carrying amount of freehold land and leasehold land, buildings on freehold and leasehold land and plant and machinery would have been as follows:		
	Note	2016 (Rupees in thousand)	2015
Freehold land		86,006	70,856
Leasehold land		1,074	1,102
Buildings on freehold land		150,096	152,176
Buildings on leasehold land		10,659	10,888
Plant and machinery		87,446	78,009
		<u>335,281</u>	<u>313,031</u>
5.5 Depreciation charge for the year has been allocated as follows:			
Cost of sales	30.1	77,851	50,597
Distribution costs	31	9,099	7,428
Administrative expenses	32	16,598	6,070
		<u>103,548</u>	<u>64,095</u>
6 Intangibles			
Computer software	6.1	11,782	7,717
Goodwill	6.2	36,750	36,750
		<u>48,532</u>	<u>44,467</u>

6.1 Computer software

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

	Note	2016 (Rupees in thousand)	2015
Cost as at 01 July		15,513	15,513
Additions during the year		9,637	-
Cost as at 30 June		25,150	15,513
Accumulated amortization as at 01 July		7,796	2,586
Amortization during the year	6.1.1	5,572	5,210
Accumulated amortization as at 30 June		13,368	7,796
Balance as at 30 June		11,782	7,717
6.1.1 Amortisation charge for the year has been allocated as follows:			
Cost of sales	30.1	174	-
Distribution costs	31	12	-
Administrative expenses	32	5,386	5,210
		5,572	5,210
6.2 Goodwill			
Packaging Ink Business		16,750	16,750
Cumulative impairment charged		(4,000)	(4,000)
	6.2.1	12,750	12,750
Powder Coating Business	6.2.2	24,000	24,000
		36,750	36,750

6.2.1 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 11.97% and using terminal growth of 2%. The calculation of value in use is sensitive to discount rate and local inflation rates.

6.2.2 This goodwill represents excess of purchase consideration paid by the Group for acquisition of the Powder Coating business unit 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 11.97% and using terminal growth of 2%. The calculation of value in use is sensitive to discount rate and local inflation rates.

	Note	2016 (Rupees in thousand)	2015
7 Investments - related parties			
Available for sale	7.1	10,807	9,978
Equity accounted investment - unquoted	7.2	38,310	-
		<u>49,117</u>	<u>9,978</u>
7.1 Available for sale			
Available for sale - at cost	7.1.1	3,830	3,830
Add: Cumulative fair value gain	7.1.2	6,977	6,148
		<u>10,807</u>	<u>9,978</u>
7.1.1 Available for sale -at cost			
Buxly Paints Limited 273,600 (2015: 273,600) fully paid ordinary shares of Rs. 10 each (Market value- Rs. 10.80 million (2015: Rs. 9.98 million)		3,830	3,830
		<u>3,830</u>	<u>3,830</u>
7.1.2 Cumulative fair value gain			
As at 01 July		6,148	6,430
Fair value (loss) / gain during the year		829	(282)
As at 30 June		<u>6,977</u>	<u>6,148</u>
7.2 Equity accounted investment - unquoted			
<u>Cost of investment</u>			
3S Pharmaceutical (Private) Limited 98,000 (2015: Nil) fully paid shares of Rs. 100 each		39,200	-
<u>Share of loss</u>			
As at 01 July		-	-
Share of loss for the year		(890)	-
Share of other comprehensive income		-	-
As at 30 June		<u>(890)</u>	-
Net investment as at 30 June		<u>38,310</u>	-

- 7.2.1** Pursuant to the approval of Board of Director dated November, 27, 2015 the Group has purchased 49% equity interest in 3S Pharmaceutical (Private) Limited and accordingly has classified this interest as investment in associate. The registered office of 3S Pharmaceutical (Private) Limited is situated at 36-Industrial Estate Kot Lakhpat, Lahore, Pakistan.
- 7.2.2** Summarised financial information in respect of associated company on the bases of financial statements for the year ended 30 June 2016 and 2015 are set out below:

	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)	
Non current assets	69,761	-
Current assets	9,298	-
Non current liabilities	(15,177)	-
Current liabilities	(7,480)	-
Net assets - 100%	<u>56,402</u>	-
Percentage ownership interest	49%	0%
Group's share of net assets	27,637	-
Goowill	10,673	-
Carrying amount of interest in associated company	<u>38,310</u>	-
Revenue	5,380	-
Loss for the year from continuing operations	(2,477)	-
Group's share of loss - post acquisition	<u>(890)</u>	-

- 7.2.3** Summarised financial information in respect of subsidiaries companies on the bases of financial statements for the year ended 30 June 2016 and 2015 are set out below:

	<u>Berger DPI (Private) Limited</u>		<u>Bredex Construction Chemicals (Private) Limited</u>	
	<u>2016</u>	2015	<u>2016</u>	2015
	(Rupees in thousand)		(Rupees in thousand)	
Non current assets	12,467	11,090	-	-
Current assets	155,327	89,851	474	479
Current liabilities	(124,286)	(60,883)	(314)	(289)
Non current liabilities	(5,742)	(5,552)	-	-
Net assets - 100%	<u>37,766</u>	34,506	<u>160</u>	190
Revenue	369,217	228,378	-	-
Profit for the year from continuing operations	<u>3,260</u>	1,194	<u>(30)</u>	(30)

	Berger DPI (Private) Limited		Bredex Construction Chemicals (Private) Limited	
	2016	2015	2016	2015
	(Rupees in thousand)		(Rupees in thousand)	
% of NCI	49%	49%	48%	48%
Share of net assets of NCI	18,505	16,908	77	91
Other adjustments	1,046	1,046	-	-
Carrying amount of NCI	19,551	17,954	77	91
Cash flows from				
- operating activity	10,774	(1,105)	(5)	(3)
- investing activity	(3,542)	(5,182)	-	-
- financing activity	579	3,698	-	-
Net Increase/(decrease) in cash and cash equivalents	7,811	(2,589)	(5)	(3)

8 Long term loans

	Note	2016	2015
		(Rupees in thousand)	
Considered good- secured			
Due from employees	8.1	57,546	39,934
Less: Current portion shown under current assets	14	(10,992)	(7,462)
		46,554	32,472

8.1 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, motor cycles and CNG kits. These loans are secured by way of retention of title documents of the respective assets in the name of the Group 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 three to ten years.

8.2 Maximum aggregate balance due from executives at the end of any month during the year was Rs. 2.96 million (2015: Rs. 0.35 million).

8.3 The movement of long term loan given to executive is as follows:

	2016	2015
	(Rupees in thousand)	
As at 01 July	13	353
Add: Disbursements during the year	3,061	-
Less: Repayments during the year	(212)	(340)
	2,849	(340)
As at 30 June	2,862	13

	Note	2016 (Rupees in thousand)	2015
9 Long term deposits			
Considered good		20,167	20,404
Considered doubtful		4,588	4,588
		<u>24,755</u>	<u>24,992</u>
Less: Provision for doubtful deposits		(4,588)	(4,588)
		<u>20,167</u>	<u>20,404</u>
10 Deferred taxation			
Deferred tax asset comprises of temporary differences relating to:			
Accelerated tax depreciation including surplus on revaluation of fixed assets		(79,009)	(115,114)
Provision for doubtful debts, other receivables and deposits		62,399	51,957
Provision for impairment in capital work in progress		6,269	-
Provision for slow moving stock in trade		4,796	8,051
Unused losses and tax credits		-	91,631
		<u>(5,545)</u>	<u>36,525</u>
11 Stores			
In hand		<u>15,422</u>	<u>7,056</u>
12 Stock in trade			
Raw and packing materials			
- in hand		387,059	383,790
- in transit		108,536	64,210
		495,595	448,000
Semi processed goods		61,715	77,458
Finished goods	12.1	298,130	305,268
		<u>855,440</u>	<u>830,726</u>
Provision for slow moving and obsolete stocks			
- Raw material		(59,601)	(86,302)
- Semi processed goods		(3,698)	(3,698)
- Finished goods		(37,531)	(23,176)
		<u>(100,830)</u>	<u>(113,176)</u>
		<u>754,610</u>	<u>717,550</u>

- 12.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounted to Rs. 1.99 million (2015: Rs. 1.95 million).

	Note	<u>2016</u>	<u>2015</u>
		(Rupees in thousand)	
13 Trade debts			
Unsecured			
Considered good			
- from related parties	13.1	47,836	61,090
- others		1,153,994	1,061,789
		<u>1,201,830</u>	<u>1,122,879</u>
Considered doubtful – others		205,594	184,804
		<u>1,407,424</u>	<u>1,307,683</u>
Provision for doubtful debts	13.3	(205,594)	(184,804)
		<u>1,201,830</u>	<u>1,122,879</u>
13.1 Trade debts include the following amounts due from the following related parties:			
Dadex Eternit Limited - related party		84	33
Buxly Paints Pakistan Limited - related party		47,752	61,057
		<u>47,836</u>	<u>61,090</u>
13.2 Aging of related party balances			
One to three months		47,836	61,090
		<u>47,836</u>	<u>61,090</u>
13.3 The movement in provision for doubtful debts for the year is as follows:			
Balance as at 01 July		184,804	170,833
Provision for the year - net of recoveries	31	23,964	14,138
Provision written back		(1,280)	-
Bad debts written off		(1,894)	(167)
Balance as at 30 June		<u>205,594</u>	<u>184,804</u>

	Note	2016 (Rupees in thousand)	2015
14 Loans and advances			
Current portion of long-term loans - considered good			
Due from employees	8	10,992	7,462
Advances - unsecured, considered good			
Employees	14.1	633	703
Suppliers		89,812	80,047
		90,445	80,750
		101,437	88,212
14.1	These are to the Group's employees for business expenses.		
15 Trade deposits and short term prepayments			
Trade deposits - considered good		19,547	12,301
Trade deposits - considered doubtful		9,221	9,221
		28,768	21,522
Provision for doubtful deposits		(9,221)	(9,221)
		19,547	12,301
Short term prepayments		9,629	13,528
		29,176	25,829
16 Other receivables			
Export rebate		18,019	18,881
Accrued income		386	493
Retention money		2,101	5,102
Advance against expenses		-	186
Insurance claim receivable		103,284	-
Others		2,211	692
Less: Provision for doubtful other receivables		(10,000)	(3,000)
		116,001	22,354
17 Short term investment			
Markup based investment with conventional bank	17.1	20,000	10,018

- 17.1 This represents term deposit receipt (TDR) under lien with commercial bank against letter of guarantee, maturing up to one year and carrying mark-up rate of 5.5% per annum (2015: 6% per annum).

	2016	2015
	(Rupees in thousand)	

18 Cash and bank balances

With banks:

	Note	2016	2015
		(Rupees in thousand)	
In current accounts		76,697	133,376
In deposit accounts	18.1	35,348	61,600
Cash in hand		986	624
		<u>113,031</u>	<u>195,600</u>

- 18.1 This balance is under lien with commercial banks against letter of guarantee, carrying interest / mark-up rates ranging from 2% to 8.5% per annum (2015: 2% to 8.5% per annum).

19 Share capital

2016	2015		2016	2015
(Number of shares)			(Rupees in thousand)	
<u>Authorised share capital</u>				
<u>25,000,000</u>	<u>25,000,000</u>	Ordinary shares of Rs. 10 each	<u>250,000</u>	<u>250,000</u>
<u>Issued, subscribed and paid-up share capital</u>				
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
<u>18,186,409</u>	<u>18,186,409</u>		<u>181,864</u>	<u>181,864</u>

- 19.1 Slotrapid Limited B.V.I. (the Holding Company) and their nominees hold 9,466,057 (2015: 9,466,057) ordinary shares of Rs. 10 each representing 52.05 percent (2015: 52.05 percent) of the ordinary paid up capital of the Parent Company.

	Note	2016 (Rupees in thousand)	2015
20 Reserves			
Capital reserve:			
Share premium reserve	20.1	56,819	56,819
Fair value reserve		6,977	6,148
		63,796	62,967
Revenue reserve:			
General reserve		285,000	285,000
Accumulated Profit		302,727	110,838
		587,727	395,838
		651,523	458,805

20.1 This reserve can be utilized by the Group for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

	2016 (Rupees in thousand)	2015
21 Surplus on revaluation of fixed assets - net of tax		
Net revaluation surplus as at 01 July	559,773	184,878
Surplus arising during the year	-	441,931
	559,773	626,809
Less: Related deferred tax liability on revaluation surplus during the year	-	65,962
Surplus available - net of deferred tax	559,773	560,847
Transfer to unappropriated profit as a result of incremental depreciation charged during the current year-net of deferred tax	(27,994)	(1,074)
Other adjustments	10,534	-
Revaluation surplus as at 30 June - net	542,313	559,773

The revaluation was carried out by Harvester Enterprises and Co., on 30 June 2015 of freehold land and building on freehold land, leasehold land and building on leasehold land and plant and machinery. The revaluation resulted in a surplus of Rs. 295.38 million on freehold land and building on freehold land, Rs. 40.83 million on leasehold land and building on leasehold land and Rs. 105.72 million on plant and machinery over the respective net book values. The valuation was determined by reference to current market value of the similar properties / assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively.

	Note	2016 (Rupees in thousand)	2015
22 Long term financing			
Mark-up based loan from conventional banks	22.1	40,000	120,000
- JS Bank Limited II	22.2	-	25,000
- Habib Bank Limited			
Islamic mode of financing	22.3	1,950	2,550
- First Habib Modarba		41,950	147,550
Mark-up based loan from conventional banks		(40,000)	(105,000)
Current maturity shown under current liabilities			
Islamic mode of financing		(600)	(600)
Current maturity shown under current liabilities		(40,600)	(105,600)
		<u>1,350</u>	<u>41,950</u>

22.1 This represents a long term loan 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. The outstanding balance is repayable in two quarterly installments of Rs. 20 million each ending on October 2016. Markup is payable quarterly and charged at the rate of three month's KIBOR plus 2 % per annum ranging from 8.35% to 9.81% (2015: 9.81% and 12.94%) per annum.

22.2 This represented a long term loan of Rs. 125 million availed from HBL Bank Limited to re-profile the balance sheet of the Group. This facility was secured against first / joint Pari Passu hypothecation charge over plant and machinery of the Group to an extent of Rs. 167 million (inclusive of with 25% margin). Principal and markup was payable quarterly and charged at the rate of three months' KIBOR plus 200 bps per annum.

22.3 This represents outstanding balance of diminishing musharika facility obtained from First Habib Modaraba of Rs. 3.6 million for purchase of vehicle. The term of the agreement is 5 years. The outstanding principal is repayable in 9 equal quarterly installments ending on May 2018. Profit is payable quarterly and charged at the rate of six months' KIBOR plus 2 % per annum with floor of 10% and ceiling of 20%. Under the agreement, the Group holds asset with joint ownership with the modarba.

	Note	2016 (Rupees in thousand)	2015
23 Staff retirement and other long term benefits			
<u>Defined benefit plan</u>			
Staff Pension fund	23.1	30,794	21,169
Staff Gratuity fund	23.1	53,790	42,038
		84,584	63,207
<u>Other long term employee benefits</u>			
Accumulating compensated absences	23.12	19,341	13,213
		103,925	76,420

Defined benefit plan

As mentioned in note 3.12 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 2016. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2016	2015
Valuation discount rate	9%	9%
Expected rate of increase in salary level	8%	8%
Rate of return on plan assets	9%	9%
Mortality table	SLIC (2001-05)	SLIC (2001-05)

	2016		2015	
	Pension (Rupees in thousand)	Gratuity (Rupees in thousand)	Pension (Rupees in thousand)	Gratuity (Rupees in thousand)
23.1 Balance sheet reconciliation				
Present value of defined benefit obligation	74,673	56,296	62,797	43,720
Fair value of plan assets	(43,879)	(2,506)	(41,628)	(1,682)
	30,794	53,790	21,169	42,038
23.2 Movement in the fair value of plan assets is as follows:				
Fair value as at 01 July	41,628	1,682	40,549	1,603
Expected return on plan assets	3,686	161	4,786	161
Remeasurement (losses) / gains	(81)	449	(2,353)	447
Group's contribution	-	2,000	-	3,500
Benefits paid	(1,354)	(1,786)	(1,354)	(4,029)
Fair value as at 30 June	43,879	2,506	41,628	1,682

	2016		2015	
	Pension (Rupees in thousand)	Gratuity (Rupees in thousand)	Pension (Rupees in thousand)	Gratuity (Rupees in thousand)
23.3 Movement in defined benefit obligation is as follows:				
Obligation as at 01 July	62,797	43,720	53,439	33,997
Employees' contribution not paid to the fund	1,233	-	1,056	-
Service cost	5,927	8,543	4,040	5,769
Interest cost	5,591	3,854	6,332	4,080
Benefits paid	(1,354)	(1,786)	(1,354)	(4,029)
Remeasurement (gains)/loss	479	1,965	(716)	3,903
Obligation as at 30 June	<u>74,673</u>	<u>56,296</u>	<u>62,797</u>	<u>43,720</u>
23.4 Charge for the year				
Current service cost	5,927	8,543	4,040	5,769
Interest cost	5,591	3,854	6,332	4,080
Expected return on plan assets	(3,686)	(161)	(4,786)	(161)
Expense	<u>7,832</u>	<u>12,236</u>	<u>5,586</u>	<u>9,688</u>
Actual return on plan assets	<u>3,605</u>	<u>610</u>	<u>2,433</u>	<u>608</u>
23.5 Movement in net liability in the balance sheet is as follows:				
Net liability as at 01 July	21,169	42,038	12,890	32,394
Charge for the year	7,832	12,236	5,586	9,688
Charge to Other Comprehensive Income during the year				
Group's contribution	560	1,516	1,637	3,456
Employees' contribution deducted but not paid to the fund	-	(2,000)	-	(3,500)
	1,233	-	1,056	-
Net liability as at 30 June	<u>30,794</u>	<u>53,790</u>	<u>21,169</u>	<u>42,038</u>
23.6 The charge for the year has been allocated as follows:				
Cost of sales	3,916	6,118	2,793	4,844
Distribution costs	3,211	5,017	2,290	3,972
Administrative expenses	705	1,101	503	872
	<u>7,832</u>	<u>12,236</u>	<u>5,586</u>	<u>9,688</u>

	2016		2015	
	Pension (Rupees in thousand)	Gratuity (Rupees in thousand)	Pension (Rupees in thousand)	Gratuity (Rupees in thousand)
23.7 Plan assets comprise the following:				
Defence Saving Certificates	8,850	-	7,900	-
Term deposits	6,177	-	3,409	-
Cash at bank	1,135	2,506	1,504	1,682
Term Finance Certificate	5,090	-	16,725	-
Cash management Optimizer	22,627	-	12,090	-
	<u>43,879</u>	<u>2,506</u>	<u>41,628</u>	<u>1,682</u>

23.8 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:

	2016	2015	2014	2013	2012
As at 30 June	(Rupees in thousand)				
Present value of defined benefit obligation	130,969	106,517	87,436	86,489	72,058
Fair value of plan assets	(46,385)	(43,310)	(42,152)	(34,902)	(32,981)
Deficit	<u>84,584</u>	<u>63,207</u>	<u>45,284</u>	<u>51,587</u>	<u>39,077</u>
Experience adjustment:					
(Gain)/loss on obligations	2,444	3,187	(8,305)	(2,156)	(6,773)
Gain on plan assets	368	(1,906)	(694)	(1,071)	(2,026)

23.9 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.

23.10 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 1% with all other variables held constant, the impact on the present value of the defined benefit obligation as at 30 June 2016 would have been as follows:

Impact on present value of defined benefit obligation as at 30 June

	Change	Pension		Gratuity	
		Increase	Decrease	Increase	Decrease
		(Rupees in thousand)			
Discount rate	1%	63,767	88,373	50,954	62,623
Future salary	1%	81,517	68,689	62,623	50,862

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the balance sheet.

23.11 Weighted average duration of the defined benefit obligation is 25 years and 10 years for pension and gratuity plans, respectively.

23.12 Other long term employee benefits

	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)	
<u>Movement in accumulated compensated absences</u>		
Balance as at 01 July	13,213	9,251
Provision during the year	6,883	5,606
Payments made during the year	(755)	(1,644)
Balance as at 30 June	<u>19,341</u>	<u>13,213</u>
23.13 Reconciliation of present value of liability		
Present value of liability as at 01 July	19,341	13,213
Service cost	4,523	5,567
Interest on defined benefit liability	1,011	1,155
Benefits paid	(1,644)	(755)
Remeasurement loss	72	161
	<u>23,303</u>	<u>19,341</u>
23.14 Charge for the year		
Service cost	5,567	4,523
Interest on defined benefit liability	1,155	1,011
Remeasurement loss	161	72
	<u>6,883</u>	<u>5,606</u>

24 Liabilities against assets subject to finance lease

The minimum lease payments have been discounted at an implicit interest rate of 8% to 10% 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:

	2016			2015
	Minimum lease payments	Future finance cost (Rupees in thousand)	Present value of lease	Present value of lease
Not later than one year	2,215	442	1,773	3,802
Later than one year but not later than five years	6,009	504	5,505	6,181
	<u>8,224</u>	<u>946</u>	<u>7,278</u>	<u>9,983</u>

Note	2016 (Rupees in thousand)	2015
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25 Trade and other payables

Trade payables		634,266	552,708
Import bills payable		344,318	210,317
Advances from customers		34,402	39,959
Accrued expenses		101,145	92,891
Provision for infrastructure cess	25.1	42,922	35,532
Royalty payable to related parties	25.2	32,622	33,565
Technical fee payable		18,716	16,304
Workers' Profits Participation Fund	25.3	15,470	15,413
Workers' Welfare Fund		26,030	18,157
Provident fund payable		2,225	2,114
Sales tax, Withholding tax and EOBI payable		42,180	26,507
Unpaid and unclaimed dividend		2,788	14,025
Others		32,704	24,738
		<u>1,329,788</u>	<u>1,082,230</u>

25.1 Provision for infrastructure cess

Balance as at 01 July	35,532	30,332
Provision for the year	7,390	5,200
Balance as at 30 June	<u>42,922</u>	<u>35,532</u>

25.2 This includes amount due to the following:

Slotrapid Limited B.V.I. - Holding Company	32,556	27,514
Buxly Paints Limited - related party	66	6,051
	<u>32,622</u>	<u>33,565</u>

	Note	2016 (Rupees in thousand)	2015
25.3 Workers' Profits Participation Fund			
Balance as at 01 July		15,413	13,242
Allocation for the year	34	10,683	8,960
Interest on funds utilized in the Group's business	35	746	611
		<u>26,842</u>	<u>22,813</u>
Payments during the year		(11,372)	(7,400)
Balance as at 30 June		<u>15,470</u>	<u>15,413</u>
26 Accrued finance cost			
Interest / Mark-up based borrowings from conventional banks			
Long term financing		603	2,849
Short term financing		1,426	1,027
Short term running finances		9,537	23,503
		<u>11,566</u>	<u>27,379</u>
27 Short term borrowings			
Interest / Mark-up based borrowings from conventional banks			
Short term financing - secured	27.1	400,000	-
Short term running finance - secured	27.2	463,534	993,768
Islamic mode of financing			
Short term financing - secured	27.3	-	50,000
		<u>863,534</u>	<u>1,043,768</u>

27.1 Short term financing - secured

This represents utilized amount of short term financing facilities under markup arrangements available from commercial banks aggregating to Rs. 500 million (2015: Rs. Nil) which is a sublimit of running finance facilities as mentioned in note 26.2 to the unconsolidated financial statements. These facilities are secured against joint pari passu charge on all present and future current assets, registered charge (mortgage and hypothecation) on freehold land and carries markup ranging between 7.21% and 7.97% per annum, payable quarterly.

27.2 Short term running finances - secured

This represents utilized amount of short term running finance facilities under markup arrangements available from commercial banks aggregating to Rs. 1,275 million (2015: Rs. 1,275 million). These facilities are secured against registered charge over the current assets of the Group and carries markup ranging between 7.35% and 9.01% (2015: 8.31% and 12.67%) per annum, payable quarterly.

27.3 Short term financing - secured

This represented short term financing (morabaha) facility under profit arrangements available from islamic banks aggregating to Rs. Nil million (2015: Rs. 158 million). This facility was secured against joint pari passu charge on all present and future current assets, registered charge (mortgage and hypothecation) on freehold land and building and carries markup at the rate of 10% (2015: ranging between 10% and 12.23%) per annum, payable quarterly.

27.4 Unavailed credit facilities

The facilities for opening of letters of credit and guarantees as at 30 June 2016 amounted to Rs. 1,400 million (2015: Rs. 1,300 million) of which the remaining unutilized amount as of that date was Rs. 1,007.39 million (2015: Rs. 926 million).

28 Contingencies and commitments

28.1 Contingencies - Parent Company

- In previous years the Parent Company filed a suit against an ex-distributor (the distributor) in the High Court of Sindh (the court) for recovery of Rs. 8.89 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. 78.15 million against the Company in the court on account of damages and compensation. Consequently management believes that it has a strong case and no financial obligation is expected to accrue.
- The Sindh Revenue Board (SRB) through assessment order 490/2014 dated 18 September 2014 raised sales tax demand of Rs. 39.34 million along-with penalty but excluding default surcharge on the grounds that the Company has received franchise services through its registered office in Karachi but had not paid sales tax on these services for the tax periods July, 2011 to June, 2013. Department (SRB) had inadvertently added all royalty figures appearing in accounts including royalty receivable, royalty payable, royalty expense, related party transfer for the calculation of tax on royalties. The Company, through its legal counsel, filed an appeal before the Commissioner (Appeals) SRB on the grounds that amount of sales tax is not correctly calculated and the provisions of Sindh Sales Tax on Services Act, 2011 are not applicable for the reason that the Company is managing its affairs from the province of Punjab as the head office and the manufacturing facility is located there. The Commissioner (Appeals) had reduced the demand to Rs. 8.18 million, against which the Company had filed an appeal before Appellate Tribunal SRB which is pending adjudication. The management on the basis of opinion of the tax advisor is hopeful of the favourable outcome, hence no financial obligation is expected to accrue.
- The Sindh High Court (the Court) in the case of 'Kasim Textile' in its order of 7 May, 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a Company has assessed losses on which no tax is payable, the Company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Company may not be entitled to carry forward minimum tax paid in the tax year 2012 of Rs 33.14 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of

refunds claimed in any year, those may also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly minimum tax is adjusted against tax liability for the current year. The Deputy Commissioner Inland Revenue (DCIR) served a show cause notice to the Company as to why an amount of Rs. 387.27 million may not be recovered as a result of selection of the Company for audit of sales tax for the period July 2009 to June 2010 under section 72B of the Sales Tax Act, 1990. The Company has shifted its office in 2009 and case for change of jurisdiction was in-process at FBR level. Later on jurisdiction was changed to Lahore LTU and no notice was received to Company till this year. The Company, through its legal counsel, challenged the above mentioned notice in the Honorable Lahore High Court whose operation was suspended by the High Court. Accordingly management believes that it has a good arguable case and matter will be decided in its favour. Further management believes that the case is only in its show cause stage and that assessment order has not been served resulting any financial liability.

- During the year, the Additional Commissioner Inland Revenue raised a demand of Rs.128.958 million for tax year 2015 vide assessment order dated 31-03-2016. The Company through its legal counsel filed an appeal to CIR (Appeals) against the said order. CIR (Appeals) deleted the additions except adjustment of minimum tax credit u/s 113 of Rs. 56 million. The Company through its legal counsel, filed an appeal before ATIR which is still pending. The management on the basis of opinion of the tax advisor is hopeful of the favourable outcome, hence no financial obligation is expected to accrue.

28.2 Commitments - Parent company

- Outstanding letters of credit as at 30 June 2016 amounted to Rs. 327.63 million (2015: Rs. 367.98 million).
- Outstanding letters of guarantees as at 30 June 2016 amounted to Rs. 64.99 million (2015: Rs. 55.62 million).
- The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)	
Not later than one year	9,498	10,287
Later than one year and not later than five years	21,058	22,292
	<u>30,556</u>	<u>32,579</u>

Commitments - Subsidiary companies

- The value of contracts which remained uninvoiced at year end due to non completion of work is Rs. Nil (2015: Rs. 33.31 million).

	Note	2016	2015
		(Rupees in thousand)	
29 Sales - net			
- Local	29.1	6,172,543	5,203,034
- Exports		147,953	166,073
		6,320,496	5,369,107
Less: Discounts		(118,976)	(154,363)
Sales tax		(939,371)	(793,918)
		<u>5,262,149</u>	<u>4,420,826</u>

29.1 This is net off discounts aggregating Rs. 1,332.57 million (2015: Rs. 1,260.50 million) given on invoices.

	Note	2016	2015
		(Rupees in thousand)	
30 Cost of sales			
Finished goods as at 01 July		253,964	298,197
Cost of goods manufactured	30.1	3,611,760	3,075,887
Provision against slowing moving finished goods		14,355	4,379
Inventory written off due to fire	30.2	(79,767)	-
Application cost		21,543	11,486
Less: Finished goods as at 30 June		(244,958)	(253,964)
Consumption of finished goods purchased for resale		78,485	85,833
Cost of sales		<u>3,655,382</u>	<u>3,221,818</u>

	Note	2016 (Rupees in thousand)	2015
30.1 Cost of goods manufactured			
Raw and packing materials consumed		3,185,805	2,743,788
Provision (reversed) / charged against raw and packing material		(26,701)	6,000
Stores consumed		3,019	2,897
Salaries, wages and other benefits	30.1.1	113,210	76,293
Travelling and conveyance		14,228	11,377
Fuel, water and power		75,051	75,799
Legal and professional		5,219	4,760
Rent, rates and taxes		3,010	235
Insurance		5,023	9,717
Repairs and maintenance		29,394	23,074
Contracted services		81,114	71,720
Depreciation on property, plant and equipment	5.5	77,851	50,597
Amortization	6.1.1	174	-
Ijarah lease rentals		2,374	2,937
Printing and stationery		2,354	1,625
Communication		1,122	1,409
Other expenses		23,770	13,836
		3,596,017	3,096,064
Opening stock of semi-processed goods		77,458	57,281
Closing stock of semi-processed goods		(61,715)	(77,458)
Cost of goods manufactured		3,611,760	3,075,887

30.1.1 Salaries, wages and benefits include Rs. 6.11 million (2015: Rs. 4.84 million) in respect of gratuity, Rs. 3.91 million (2015: Rs. 2.79 million) in respect of pension fund, Rs. 3.44 million (2015: Rs. 2.80 million) in respect of compensated absences and Rs. 3.02 million (2015: Rs. 2.56 million) in respect of provident fund contribution.

30.2 This represents cost of inventory written off due to fire incidence during the year.

30.3 The movement of finished goods purchased for resale is as follows:

	2016 (Rupees in thousand)	2015
Finished goods as at 01 July	51,304	48,315
Add: Finished goods purchased for resale during the year	80,353	88,822
Less: Consumption of finished goods during the year	(78,485)	(85,833)
Finished goods as at 30 June	53,172	51,304

	Note	2016 (Rupees in thousand)	2015
31 Distribution costs			
Salaries, wages and other benefits	31.1	306,804	205,393
Travelling and conveyance		80,334	63,882
Rent, rates and taxes		13,450	10,388
Insurance		7,767	8,700
Fuel, water and power		6,957	6,022
Advertising and sales promotion		244,360	204,193
Technical services and royalty fee		42,280	36,187
Freight and handling		161,294	93,560
Repairs and maintenance		3,032	3,082
Contracted services		29,896	23,447
Depreciation on property, plant and equipment	5.5	9,099	7,428
Amortisation	6.1.1	12	-
Ijarah lease rentals		5,744	8,148
Provision for - doubtful debts - net of recoveries	13.3	23,964	14,138
Bad debts directly written off		-	2,576
Printing and stationery		3,448	2,737
Legal and professional		11,811	8,015
Communication		5,403	5,535
Other expenses		6,024	6,862
Commission		30	4,942
		<u>961,709</u>	<u>715,235</u>

31.1 Salaries, wages and benefits include Rs. 5.01 million (2015: Rs. 3.97 million) in respect of gratuity, Rs. 3.21 million (2015: Rs. 2.29 million) in respect of pension fund, Rs. 2.82 million (2015: Rs. 2.3 million) in respect of compensated absences and Rs. 7.82 million (2015: Rs. 6.10 million) in respect of provident fund contribution.

	Note	2016 (Rupees in thousand)	2015
32 Administrative expenses			
Salaries, wages and other benefits	32.1	121,085	99,341
Directors' fee		3,925	3,300
Travelling and conveyance		14,176	10,569
Rent, rates and taxes		2,399	3,104
Insurance		6,807	4,537
Auditors' remuneration	32.2	1,799	1,727
Fuel, water and power		2,023	2,720
Repairs and maintenance		4,200	3,520
Contracted services		14,809	16,872
Depreciation on property, plant and equipment	5.5	16,598	6,070
Amortization of computer software	6.1.1	5,386	5,210
Ijarah lease rentals		2,104	1,446
Printing and stationery		1,370	2,690
Legal and professional		9,328	8,364
Communication		2,822	2,392
Others		14,215	12,718
		<u>223,046</u>	<u>184,580</u>

32.1 Salaries, wages and benefits include Rs. 1.10 million (2015: Rs. 0.87 million) in respect of gratuity, Rs. 0.70 million (2015: Rs. 0.50 million) in respect of pension fund, Rs. 0.62 million (2015: Rs. 0.50 million) in respect of compensated absences and Rs. 3.60 million (2015: Rs. 3.12 million) in respect of provident fund contribution.

	2016 (Rupees in thousand)	2015
32.2 Auditors' remuneration		
Audit fee - Parent auditor	1,100	1,100
Audit fee - subsidiary auditor	145	130
Consolidation and half yearly review	357	357
Out of pocket expenses	197	140
	<u>1,799</u>	<u>1,727</u>

	Note	2016 (Rupees in thousand)	2015
33 Other income			
<u>Income from financial assets</u>			
Mark-up on term deposit receipts		3,799	4,336
		<u>3,799</u>	<u>4,336</u>
<u>Income from non financial assets</u>			
Sale of scrap		7,034	5,618
Gain on disposal of property plant and equipment		4,433	1,643
Rental income and other services charged to related parties		4,308	3,607
Export rebate		2,272	2,533
Insurance claim	33.1	103,284	797
Exchange gain	33.2	4,082	13,223
Others	33.3	2,381	399
		<u>127,794</u>	<u>27,820</u>
		<u>131,593</u>	<u>32,156</u>

33.1 This represents insurance claim recognised against inventory and operating assets destroyed during the year as referred to in notes 5.1.1 and 30.2 to the unconsolidated financial statements.

33.2 This represents gain on actual currency conversion.

33.3 This mainly includes penalty charged to suppliers and customers of Rs. 2.72 million (2015: Rs. 0.28 million).

	Note	2016 (Rupees in thousand)	2015
34 Other charges			
Inventory items written off during the year	34.1	79,767	-
Operating assets written off during the year	34.2	4,599	-
Provision for impairment loss on capital work in progress		22,000	-
Provision for export rebate		10,000	-
Workers' Welfare Fund	25.3	7,873	3,802
Workers' Profit Participation fund		10,683	8,960
		<u>134,922</u>	<u>12,762</u>

34.1 This represents cost of inventory written off due to fire incidence occurred during the year as referred to in note 30.2 to the consolidated financial statements.

34.2 This represents net book value of operating assets written off during the year as referred to in note 5.1.1 to the consolidated financial statements.

2016 2015
(Rupees in thousand)

35 Finance cost

Islamic mode of financing

- Long term financing (musharka)	144	259
- Short term running finances (murabaha)	68	8,780
	212	9,039

Interest / mark-up based loans from conventional banks

- Long term financing	6,760	23,339
- Short term financing	20,808	461
- Short term running finances	55,244	110,022
- Finance cost on leases	656	793
	83,468	134,615

Interest on workers profit participation fund	746	611
Bank charges	5,752	4,502
	90,178	148,767

36 Taxation

Current

- For the year	89,180	5,576
- Prior year	90	215
	89,270	5,791

Deferred

- Current year	52,604	53,711
	141,874	59,502

36.1 Relationship between the tax expense and accounting profit

Profit before taxation	327,615	169,820
Tax calculated at the rate of 32.00% / 33.00%	104,837	56,041
Tax effect of:		
- income under Final Tax Regime	(3,566)	656
- tax rate adjustment	2,754	275
- tax credit	60,142	(516)
- permanent difference	(25,616)	-
- prior year adjustment	90	2,802
- others	3,233	244
	141,874	59,502

- 36.2** The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public Company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public Company which distributes profit equal to either 40% of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

As explained in note 45 to the consolidated financial statements, the Board of Directors in their meeting held on 19 September 2016 has recommended a final dividend of Rs. 4.5 per ordinary share for the year ended 30 June 2016 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been made in these consolidated financial statements.

	Note	2016 (Rupees in thousand)	2015
Cash and bank balances	18	113,031	195,600
Short term running finance	27	(463,534)	(993,768)
		<u>(350,503)</u>	<u>(798,168)</u>

37 Cash and cash equivalents

38 Remuneration of chief executive, directors and executives

	2016			2015		
	Chief Executive	Executives	Non-Executives	Chief Executive	Executives	Non-Executives Directors
	(Rupees in thousand)			(Rupees in thousand)		
Managerial remuneration (including bonus)	10,910	64,042	-	-	58,196	-
Retirement and other long term benefits	4,545	34,107	-	-	27,290	-
Housing rent	-	28,819	-	-	25,519	-
Utilities	-	6,404	-	-	5,671	-
Medical expenses	1,090	2,948	-	-	2,837	-
	<u>16,545</u>	<u>136,320</u>	<u>-</u>	<u>-</u>	<u>119,513</u>	<u>-</u>
Number of persons	<u>1</u>	<u>45</u>	<u>6</u>	<u>1</u>	<u>47</u>	<u>6</u>

- 38.1** Retirement and other long term benefits include benefits provided under provident fund, gratuity, pension and accumulated compensated absences.
- 38.2** Non-executive directors were paid meeting fee aggregating Rs. 3.92 million (2015: Rs. 3.30 million).
- 38.3** The chief executive and certain other executives of the Group are provided with free use of Group cars while the chief executive is provided boarding and lodging in the Group's guest house.

39 Number of employees

The Group has employed following number of persons:

	<u>2016</u>	<u>2015</u>
	(Number of persons)	
- As at 30 June	<u>558</u>	<u>509</u>
- Average number of employees	<u>543</u>	<u>488</u>

40 Provident fund related disclosure

The following information is based on un-audited financial statements of the fund:

	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)	
Size of the fund	203,105	169,478
Cost of investment made	113,500	103,500
Fair value of investments	186,325	160,557

(Percentage)

Percentage of investments made	92%	95%
--------------------------------	-----	-----

The breakup of investments is as follows:

	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)	
The breakup of investments is as follows:		
Defence Saving Certificates	100,100	89,400
Certificates of Deposits	42,388	38,016
Atlas Income Fund	4,572	4,310
MCB Asset Management	4,602	4,590
Investment with Dubai Islamic Bank	11,129	11,138
Investment with AKD Investment Management Limited	7,623	7,621
Investment with JS Bank	10,642	-
Al-Ameen Islamic Principle Preservation Fund (UBL)	5,269	5,482
	<u>186,325</u>	<u>160,557</u>

The above investments out of provident fund from the funds received from the Group have been made in accordance with the requirement of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

41 Transactions with related parties

The related parties of the Group comprises Holding Company, associated undertakings, directors and key management personnel. In addition related parties includes entities under common directorship, post employment benefit plans, directors and key management personnel. Amounts due from and due to related parties, remuneration of directors and key management personnel are disclosed in the relevant notes.

Material transactions with related parties are given below:

Relation with undertaking	Nature of transaction	2016 (Rupees in thousand)	2015
<u>Holding company</u>			
- Slotrapid Limited B.V.I.	Royalty expense	32,556	27,514
<u>Related parties</u>			
- Buxly Paints Limited	Sales	137,417	116,124
	Rental income and other	3,608	3,608
	Toll manufacturing income	12,520	8,924
	Royalty expense	2,152	1,461
	Rental expense	2,271	1,200
- Dadex Eternit Limited	Sales	593	245
Post employment benefit plans	Contribution to gratuity fund	2,000	3,500
	Provident fund contribution	29,900	24,289
Remuneration of key management personnel		Note 38	

42 Financial risk management

42.1 Financial risk factors

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

The Group's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

43.1 (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimizing return.

(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 States Dollar (USD) and Japanese Yen (JPY). Currently, the Group's foreign exchange risk exposure is restricted to the amounts payable to foreign entities. The Group's exposure to foreign exchange risk is as follows:

	2016	2015
	(In thousands)	
Trade and other payables - Euro	(48.39)	(9.06)
Net exposure - Euro	(48.39)	(9.06)
Trade and other payables - USD	(2,709)	(1,145)
Net exposure - USD	(2,709)	(1,145)
Trade and other payables - JPY	(53,350)	(29,572)
Net exposure - JPY	(53,350)	(29,572)

The following significant exchange rates were applied during the year:

	2016	2015
	(In rupees)	
<u>Rupees per Euro</u>		
Average rate for the year	114.98	124.02
Reporting date rate	117.39	113.64
<u>Rupees per USD</u>		
Average rate	103.17	100.30
Reporting date rate	105.49	101.60
<u>Rupees per JPY</u>		
Average rate	0.86	0.86
Reporting date rate	0.83	0.83

If the functional currency, at reporting date, had fluctuated by 5% against the Euro, USD and JPY with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 17.23 million (2015: Rs. 7.09 million) lower / higher, 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) **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's investments in equity instrument of other entities are publicly traded on the Karachi Stock Exchange. The summary below explains the impact of increase on the Group's surplus of available for sale investment to change in market price. The analysis is based on the assumption that the market price had increased/decreased by 10% with all other variables held constant:

	<u>2016</u>	<u>2015</u>
	(Rupees in thousand)	
<u>Impact on equity</u>		
Buxly Paints Limited	<u>1,081</u>	<u>998</u>

(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. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature on reprice in a given period.

Fixed rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the consolidated financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	<u>2016</u>		<u>2015</u>	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Amount in thousand		Amount in thousand	
<u>Non-derivative financial instruments</u>				
Short term investment	20,000	-	10,018	-
Bank balances - deposit accounts	35,348	-	61,600	-
	<u>55,348</u>	<u>-</u>	<u>71,618</u>	<u>-</u>

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 and loss account. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

Variable rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the consolidated financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Rupees in thousand		Rupees in thousand	
<u>Non-derivative financial instruments</u>				
Bank balances - deposit accounts	35,348	-	61,600	-
Short term borrowings	-	863,534	-	1,043,768
Liabilities against assets subject to finance lease	-	7,278	-	9,983
Long term financing	-	41,950	-	147,550
	35,348	912,762	61,600	1,201,301

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit before taxation by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit	
	2016	2015
	(Rupees in thousand)	
Increase of 100 basis points		
Variable rate instruments	(87,741)	(126,290)
Decrease of 100 basis points		
Variable rate instruments	87,741	126,290

43.1 (b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk of the Group arises from deposits with banks and financial institutions and credit exposure to customers. To manage credit risk, the Group maintains procedures covering the application of credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. 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.

(i) Exposure to credit risk

For banks and financial institutions credit quality is determined with respect to external credit ratings performed by independent parties. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

financial assets represents the maximum credit exposure. The maximum exposure

	Note	2016 (Rupees in thousand)	2015
<u>Loans and receivables</u>			
Long term loans	8	46,554	32,472
Long term deposits	9	20,167	20,404
Trade debts	13	1,201,830	1,122,879
Loans and advances	14	633	703
Trade deposits	15	19,547	12,301
Other receivables	16	103,284	-
Short term investments	17	20,000	10,018
Bank balances	18	112,045	194,976
		<u>1,524,060</u>	<u>1,393,753</u>

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counter party.

(i) Long term loans

Long term loans 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, motor cycles and CNG kits. These loans are secured by way of retention of title documents of the respective assets in the name of the Group except for those vehicles which have been refinanced under Ijarah financing, hence the management believes that no impairment allowance is necessary in respect of these long term loans.

(ii) Long term deposits

Long term deposits represent mainly deposits with Government institutions, hence the management believes that no impairment allowance is necessary in respect of these long term deposits.

(iii) Trade debts

The trade debts as at the balance sheet date are classified in Pak Rupees. The carrying amount of trade debts represents balance outstanding for a period less than one year. Customer credit risk is managed subject to the Group's established policy, procedures and controls relating to customer credit risk management. Based on past experience the management believes that no further impairment allowance is necessary in respect of trade receivables as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

(iv) Bank balances

The Group's exposure to credit risk against balances with various commercial banks is as follows:

	2016	2015
	(Rupees in thousand)	
In current accounts	76,697	133,376
In deposit accounts	35,348	61,600
	<u>112,045</u>	<u>194,976</u>

The credit quality of Group's bank balances can be assessed with reference to external credit rating agencies as follows:

Banks	Rating		Rating Agency	2016	2015
	Short term	Long term		(Rupees in thousand)	
HSBC Oman Bank	F1+	AA-	Fitch	466	466
Faysal Bank Limited	A1+	AA	PACRA & JCR	5,913	8,838
Bank Al Habib Limited	A1+	AA+	PACRA	18,862	19,272
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	40,972	71,939
United Bank Limited	A-1+	AAA	JCR-VIS	4,075	23,122
Habib Bank Limited	A-1+	AAA	JCR-VIS	977	8,146
MCB Bank Limited	A1+	AAA	PACRA	22,304	31,433
JS Bank Limited	A1+	A+	PACRA	12,230	31,569
Al-Barka Bank Limited	A-1	A	PACRA & JCR	10	62
Bank Alfalah Limited	A1+	AA	PACRA	100	100
Standard Chartered Bank	A1+	AAA	PACRA	19	19
Askari Bank Limited	A-1+	AA	JCR-VIS	9	9
National Bank of Paksiatn	A1+	AAA	PACRA	20	-
NIB Bank	A1+	AA-	PACRA	1	1
				<u>105,957</u>	<u>194,976</u>

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

(c) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities, that are settled by delivering cash or other financial asset, or that such obligation will have to be settled in a manner unfavorable to Group. The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Group finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit limits.:

The following are the contractual maturities of financial liabilities as at 30 June 2016:

	Carrying amount	Less than one year	One to five years	More than five years
<u>Non derivative financial liabilities</u>				
(Rupees in thousand)				
Long term financing	41,950	40,600	1,350	-
Liabilities against assets subject to finance lease	7,278	1,773	5,505	-
Trade and other payables	1,163,771	1,163,771	-	-
Accrued finance cost	11,566	11,566	-	-
Short term borrowings	863,534	863,534	-	-
	<u>2,088,099</u>	<u>2,081,244</u>	<u>6,855</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at 30 June 2015:

	Carrying amount	Less than one year	One to five years	More than five years
<u>Non derivative financial liabilities</u>				
(Rupees in thousand)				
Long term financing	147,550	105,600	41,950	-
Liabilities against assets subject to finance lease	9,983	3,802	6,181	-
Trade and other payables	930,523	930,523	-	-
Accrued finance cost	27,379	27,379	-	-
Short term borrowings	1,043,768	1,043,768	-	-
	<u>2,159,203</u>	<u>2,111,072</u>	<u>48,131</u>	<u>-</u>

42.2 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Group is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

	Level 1	Level 2	Level 3
	(Rupees in thousand)		
Available for sale	10,807	-	-
2016	10,807	-	-
Available for sale	9,978	-	-
2015	9,978	-	-

Financial instruments by category

Financial assets as per balance sheet

		Loans and receivables
		2016
		(Rupees in thousand)
Long term loans		46,554
Long term deposits		20,167
Trade debts		1,201,830
Loans and advances		633
Trade deposits		19,547
Other receivables		103,284
Short term investments		20,000
Bank balances		112,045
	42.2.1	<u>1,524,060</u>

Other financial liabilities

Financial liabilities as per balance sheet

		2016
		(Rupees in thousand)
Long term financing		41,950
Liabilities against assets subject to finance lease		7,278
Trade and other payables		1,163,771
Accrued finance cost		11,566
Short term borrowings		863,534
	42.2.1	<u>2,088,099</u>

42.2.1 The Group has not disclosed the fair values for these financial assets and liabilities, as these are for short term or repriced over short term. Therefore, their carrying values are reasonable approximation of fair values.

42.2.2 Freehold land, leasehold land, building on freehold land, building on leasehold land and plant and machinery have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the values as disclosed. The valuations are conducted by an independent valuation expert appointed by the Group. The valuation expert used a market based approach to arrive at the fair value of the Group's land and building. The valuation was determined by reference to current market value of the similar properties / assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

42.3 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. The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. 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.

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

<u>2016</u>	<u>2015</u>
(Liters in thousand)	

43 Production capacity

Actual production	<u>33,793</u>	<u>28,433</u>
-------------------	---------------	---------------

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 7.09 million liters (2014: 6.64 million liters) which is used in the manufacture of the final product.

44 Operating segments

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

44.2 Revenue from sale of paints and allied represents 100% (2015: 100%) of the total revenue of the Group.

44.3 97.66% (2015: 96.91%) sales of the Group relates to customers in Pakistan.

44.4 All non-current assets of the Group as at 30 June 2016 are located in Pakistan.

45 Event after Balance sheet date

The Board of Directors has proposed a final dividend of Rs. 4.5 per share (2015: Re 1 per share) amounting to Rs. 81.839 million (2015: Rs. 18.187 million) for the year ended 30 June 2016 in their meeting held on 19 September 2016 for approval of the members at the Annual General Meeting to be held on 25 October 2016. These consolidated financial statements do not reflect these appropriations.

46 Date of authorization for issue

These consolidated financial statements were authorized for issue on 19 September 2016 by the Board of Directors of the Group.

47 General

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

Chief Financial Officer

Chief Executive

Director

Form of Proxy

The Secretary
Berger Paints Pakistan Limited
36 Industrial Estate, Kot Lakhpat, Lahore.

I/We _____

of _____

being a member of Berger 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 Tuesday October 25, 2016 at 10:00 am at 28-KM Multan Road, Lahore and at any adjournment thereof.

Signed this _____ day of _____ 2016.

Signature on
Rs. 5.00
Revenue
Stamp

Notes:

1. The share transfer book will remain closed from October 19, 2016 to October 25, 2016 (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 also bring the usual documents required for such purpose.



The Company Secretary
Berger Paints Pakistan Limited
36 - Industrial Estate, Kot Lakhpat,
Lahore.

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Dividend Mandate Form

THK ASSOCIATES (PRIVATE) LIMITED
2nd, FLOOR, STATE LIFE BUILDING-3,
DR. ZIAUDDIN AHMAD ROAD,
KARACHI. 75530

Date: ____ / ____ / ____

I / We, Mr. / Ms. / Mrs. / M/s, _____, holding CNIC No. / Passport No. / NTN _____ and being the registered shareholder of Berger Paints Pakistan Limited hereby authorize the Company to directly credit in my bank account cash dividend, if any declared by the Company in future, instead of issuance of dividend warrant. Following are my details to facilitate the aforementioned request:

SHAREHOLDER'S INFORMATION & BANK DETAILS	
Name of Shareholder	
Folio No.	
CNIC No. / NTN / Passport No. (please attach an attested photocopy)	
Title of Bank Account	
Bank Account Number (COMPLETE)	
Bank's Name	
Bank's Branch Name	
Branch Code	
Address of Bank Branch	
Telephone Number (Landline)	
Telephone Number (Mobile)	

It is stated that the above-mentioned information is correct and that I will intimate the changes in the above mentioned information to the company and its share registrar as soon as these occur.

Signature of Member: _____

Name: _____

(PLEASE WRITE NAME IN BLOCK LETTERS)



The Company Secretary

THK ASSOCIATES (PRIVATE) LIMITED

2nd, Floor, State Life Building-3,

Dr. Ziauddin Ahmad Road,

Karachi. 75530

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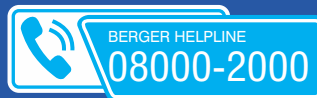


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Gujranwala: 055-3250744, 3843450 • Multan: 061-6300624-6, 6300475

Berger Paints Pakistan Limited 28 Km, Multan Road, Lahore, Pakistan.
111-BERGER (111-237-437) KHI, LHR, ISB.