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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Berger Paints Pakistan Limited as at June 30, 2008 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that except for the matters stated in paragraph 1 below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

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

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

3. (a) In our opinion, except for the effects of the matters reported in paragraph 1 above, if any, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

   (b) in our opinion-

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

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

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

   (c) in our opinion and to the best of our information and according to the explanations given to us and except for the effects of the adjustments, if any, that might have been determined to be necessary had we been able to satisfy ourselves regarding matters referred to in paragraph 1 above and except for the effects on the financial statements of the matter referred to in paragraph 2 above, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 and of the loss, changes in equity and its cash flows for the year then ended; and

   (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

4. The company's financial statements for the year ended June 30, 2007 were audited by another firm of Chartered Accountants whose report dated August 31, 2007 expressed an unqualified opinion thereon.

Afferguson &Co

Chartered Accountants
Karachi, November 7, 2008