

Interim Financial Report for the quarter ended September 30, 2016



BERGER PAINTS
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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

Surr ridge & 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

Directors' Report

The directors of the Company are pleased to present their review along with the financial statements of the Company for the first quarter ending 30 September 2016.

Operational Results

During first quarter, company has maintained the sales with same period last year, while Gross profit grew to Rs. 382.11 million against Rs. 281.2 million for the corresponding period of the previous year. Increased margins were primarily for two reasons; the decrease in the prices of raw material including petroleum products and favorable change in product mix.

Increase in Selling and Marketing expenses is mainly due to increased advertisement cost and promotional activities. Reduction in financial cost by Rs. 6.57 million contributed positively towards profitability of the company.

The Company ended the first quarter with a profit after tax of Rs. 37.9 million which is 48% higher over the corresponding period of previous year.

Future Outlook

A tough competition prevails in the market, especially from un-organized players. Despite this, your company is confident that the trend of high profitability witnessed this year, will continue in remaining part of the year.

The Directors take this opportunity to thank our valued customers, bankers and all shareholders for the trust reposed by them in the Company.

On behalf of the Board

Lahore:
Dated: 25 October 2016

Dr. Mahmood Ahmad
Chief Executive

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As on 30 September 2016

	30 September 2016	30 June 2016
	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,021,267	1,034,257
Intangibles	49,088	48,532
Investments - related parties	64,634	52,557
Long-term loans	56,135	46,554
Long-term deposits	17,464	17,463
	<u>1,208,588</u>	<u>1,199,363</u>
CURRENT ASSETS		
Stores	15,709	15,422
Stock in trade	807,707	734,991
Trade debts	1,224,727	1,223,283
Loans and advances	121,141	91,541
Trade deposits and short-term prepayments	25,885	27,725
Other receivables	20,096	113,900
Taxation - net	205,692	181,780
Short term investments	-	20,000
Cash and bank balances	56,486	95,277
	<u>2,477,443</u>	<u>2,503,919</u>
TOTAL ASSETS	<u><u>3,686,031</u></u>	<u><u>3,703,282</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital 25,000,000 ordinary shares of Rs.10 each	250,000	250,000
Issued, Subscribed and paid-up capital	181,864	181,864
Reserves	695,634	638,038
	<u>877,498</u>	<u>819,902</u>
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	534,747	542,313
NON-CURRENT LIABILITIES		
Long term financing	1,200	1,350
Staff retirement and other long term benefits	112,542	103,925
Deferred taxation	5,308	5,308
CURRENT LIABILITIES		
Trade and other payables	1,276,138	1,314,784
Current maturity of long-term financing	20,600	40,600
Accrued finance cost	8,323	11,566
Short term borrowings - secured	849,675	863,534
	<u>2,154,736</u>	<u>2,230,484</u>
CONTINGENCIES AND COMMITMENTS		
TOTAL EQUITY AND LIABILITIES	<u><u>3,686,031</u></u>	<u><u>3,703,282</u></u>

The annexed notes form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

For the period ended 30 September 2016

	30 September 2016	30 September 2015
	(Rupees in thousand)	
Sales - net	1,135,663	1,140,656
Cost of sales	753,549	859,439
Gross Profit	382,114	281,217
Distribution expenses	262,988	170,544
Administrative expenses	44,513	47,687
	307,501	218,231
Operating Profit	74,613	62,986
Other income	1,370	4,963
	75,983	67,949
Finance cost	16,029	22,600
Other operating expenses	4,137	6,457
	20,166	29,057
Profit before taxation	55,817	38,892
Taxation	17,862	13,223
Profit after taxation	37,955	25,669
Earning per share - basic and diluted	Rs.2.09	Rs.1.41

The annexed notes form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

Condensed Interim

Unconsolidated Statement of Comprehensive Income (Un-audited)

For the period ended 30 September 2016

	30 September 2016	30 September 2015
	(Rupees in thousand)	
Profit after taxation	37,955	25,669
<u>Other comprehensive income for the year</u>		
Items that will be reclassified to profit and loss		
Fair value gain on 'Available for sale' investments	12,077	1,841
Total comprehensive income for the period	50,032	27,510

The annexed notes form an integral part of these condensed interim financial statements.

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the period ended 30 September 2016

	30 September 2016	30 September 2015
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	55,817	38,892
Adjustment for non cash items:		
Depreciation on property, plant and equipment	19,331	34,023
Provision against slow moving stock	2,898	(259)
Provision against bad debts	19,997	-
Amortization on intangibles	2,283	1,293
Gain on disposal of property, plant and equipment	-	(541)
Finance costs	16,029	22,600
	<u>60,538</u>	<u>57,116</u>
Operating profit before working capital changes	116,355	96,008
(Increase) / Decrease in Current Assets		
Stores	(287)	(3,028)
Stocks in Trade	(75,614)	(204,060)
Trade debts	(21,441)	82,853
Loans and advances	(29,600)	(82,948)
Trade deposits short-term prepayments	1,840	4,526
Others receivables	93,804	(4,415)
	<u>(31,298)</u>	<u>(207,072)</u>
Increase / (Decrease) in Current Liabilities		
Trade and other payables	(38,643)	244,378
Cash generated from operations	<u>46,414</u>	<u>133,314</u>
Finance costs paid	(19,272)	(28,209)
Income tax paid	(41,790)	(23,705)
Staff retirement and other long term benefits paid	8,617	4,525
Long-term loans - net	(9,581)	(10,184)
Long-term deposits - net	(1)	(173)
	<u>(62,027)</u>	<u>(57,746)</u>
Net cash generated from operating activities	<u>(15,613)</u>	<u>75,568</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(9,180)	(16,511)
Sales proceeds on disposal of fixed assets	-	1,265
Long Term Investments made	12	-
Short Term Investments	20,000	10,018
Net cash outflow from investing activities	<u>10,832</u>	<u>(5,228)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(20,150)	(45,150)
Short-term borrowings - net	-	150,000
Lease Liability	-	(781)
Net cash generated from / (used in) financing activities	<u>(20,150)</u>	<u>104,069</u>
Net increase / (decrease) in cash and cash equivalents	<u>(24,931)</u>	<u>174,409</u>
Cash and cash equivalents at beginning of the period	<u>(368,257)</u>	<u>(802,030)</u>
Cash and cash equivalents at end of the period	<u>(393,188)</u>	<u>(627,621)</u>

The annexed notes form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For the period ended 30 September 2016

	Capital reserve		Revenue reserve		Total share capital and reserve	
	Issued, subscribed and paid-up share capital	Share premium	Fair value reserve	General reserve		Accumulated (loss) / Profit
	(Rupees in thousand)					
Balance as at 1 July 2015	181,864	56,819	6,148	285,000	96,734	626,565
Profit for the period ended 30 September 2015	-	-	-	-	25,669	25,669
Other Comprehensive income for the year						
Fair value gain on 'Available for sale' investments	-	-	1,841	-	-	1,841
Measurement of defined benefit obligation	-	-	-	-	-	-
	-	-	1,841	-	-	1,841
Total comprehensive profit for the period ended 30 September 2015	-	-	1,841	-	25,669	27,510
Surplus on revaluation of property plant and equipment realized through incremental depreciation charged on related assets during the period - net of tax.	-	-	-	-	6,724	6,724
Balance as at 30 September 2015	181,864	56,819	7,989	285,000	129,127	660,799
Transaction with owners of the Company recognized directly in equity - Distributions						
Final dividend for the year ended 30 June 2015 @ Re. 1.00 per share.	-	-	-	-	(18,187)	(18,187)
Total comprehensive income for the year ended 30 Jun 2015						
Profit for the period	-	-	-	-	159,108	159,108
Other Comprehensive income for the year						
Fair value gain on 'Available for sale' investments	-	-	(1,012)	-	-	(1,012)
Remeasurement of defined benefit obligation	-	-	-	-	(2,076)	(2,076)
	-	-	(1,012)	-	(2,076)	(3,088)
	-	-	(1,012)	-	157,032	156,020
Surplus on revaluation of property plant and equipment realized through incremental depreciation charged on related assets during the period - net of tax.	-	-	-	-	21,270	21,270
Balance as at 30 Jun 2016	181,864	56,819	6,977	285,000	289,242	819,902
Total comprehensive profit for the period ended 30 September 2016						
- Profit for the period	-	-	-	-	37,955	37,955
Other Comprehensive income for the period						
Fair value gain / (loss) on 'Available for sale' investments	-	-	12,077	-	-	12,077
	-	-	12,077	-	-	12,077
Surplus on revaluation of property plant and equipment realized through incremental depreciation charged on related assets during the period - net of tax	181,864	56,819	19,054	285,000	327,197	869,934
	-	-	-	-	7,565	7,565
Balance as at 30 September 2016	181,864	56,819	19,054	285,000	334,762	877,499

The annexed notes form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive

Director

Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

For the period ended 30 September 2016

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on March 25, 1950 as a Private Limited Company under the Companies Act, 1913 and was subsequently converted into a public Limited Company. The Company's shares are quoted on the Pakistan Stock Exchanges. The Company is engaged in the manufacturing of paints, varnishes and other related items. Slotrapid Limited, based in British virgin Island is the holding Company of Berger Paints Pakistan Limited.

The registered office of the Company is situated at 36, Industrial Estate Kot Lakhpat Lahore and the production facility of the Company is located at Lahore.

2. BASIS OF PREPARATION

These interim condensed financial statements are unaudited and are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34 "Interim Financial Reporting", as applicable in Pakistan.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of interim condensed financial statements are same as those published in the annual financial statements for the year ended June 30, 2016.

4. PROPERTY, PLANT AND EQUIPMENT

	September 2016	September 2015
	Rupees in thousand	
Additions	<u>9,180</u>	<u>16,511</u>

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no change in the status of contingency, set out in note 27 to the annual financial statements of the company for the year ended June 30, 2016.

5.2 Commitments

- 5.2.1 Outstanding letter of credit as at September 30, 2016 amounted to Rs. 378.31 million [June 30, 2016: Rs. 327.63 million].
- 5.2.2 Outstanding letter of guarantees as at September 30, 2016 amounted to Rs. 58.50 million [June 30, 2016: Rs. 64.99 million].

6. TRANSACTION WITH RELATED PARTIES

The following table provides details in respect of transactions entered into with related parties during the quarter ended on September 30, 2016. All transactions were carried out at arms length price.

	September 2016	September 2015
	Rupees in thousand	
SALES		
Berger Road Safety (Private) Limited - a subsidiary	23,301	33,402
Buxly Paints Limited - related party	41,252	31,389
Dadex Eternit	59	95
TOLL MANUFACTURING INCOME		
Buxly Paints Limited - related party	3,153	2,613
RENTAL INCOME AND OTHER SERVICES CHARGED		
Buxly Paints Limited - related party	1,352	1,202
Berger Road Safety (Private) Limited - a subsidiary	1,299	519
COMMISSION EXPENSE		
Berdex Construction Chemicals Private Limited - a subsidiary	-	-
ROYALTY		
Buxly Paints Limited - related party	558	460
Slotrapid Limited B.V.I - holding company	8,410	7,200

7. These interim condensed financial statements were authorized for issue on 25 October 2016 by the Board of Directors of the Company.

8. GENERAL

Figures presented in these interim condensed financial statements have been rounded off to the nearest thousand rupees.

Chief Financial Officer

Chief Executive

Director

Berger Paints Pakistan Limited
Consolidated Financial Statements

Condensed Interim Consolidated Balance Sheet (Un-audited)

As on 30 September 2016

	30 September 2016	30 June 2016
	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,030,447	1,044,021
Intangible	49,088	48,532
Investments - related parties	62,332	49,117
Long term loans	56,135	46,554
Long term deposits	20,168	20,167
Deferred taxation	-	-
	<u>1,218,170</u>	<u>1,208,391</u>
CURRENT ASSETS		
Stores	15,709	15,422
Stock in trade	815,074	754,610
Trade debts	1,284,176	1,201,830
Loans and advances	132,129	101,437
Trade deposits and short term prepayments	25,885	29,176
Other receivables	14,016	116,001
Income tax - net	227,070	199,016
Short term investments	-	20,000
Cash and bank balances	61,339	113,031
	<u>2,575,398</u>	<u>2,550,523</u>
TOTAL ASSETS	<u><u>3,793,568</u></u>	<u><u>3,758,914</u></u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital 25,000,000 ordinary shares of Rs.10 each	<u>250,000</u>	<u>250,000</u>
Share capital	181,864	181,864
Reserves	708,946	651,523
	<u>890,810</u>	<u>833,387</u>
NON-CONTROLLING INTEREST	19,221	19,628
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	534,747	542,313
NON-CURRENT LIABILITIES		
Long-term financing	1,200	1,350
Staff retirement benefits	112,542	103,925
Liabilities against assets subject to finance lease	5,062	5,505
Deferred Taxation	5,678	5,545
	<u>124,482</u>	<u>116,325</u>
CURRENT LIABILITIES		
Trade and other payables	1,343,936	1,329,788
Accrued finance cost	8,323	11,566
Current maturity of long-term financing	20,600	40,600
Current maturity of liabilities against assets subject to finance lease	1,774	1,773
Short term borrowings	849,675	863,534
	<u>2,224,308</u>	<u>2,247,261</u>
	<u>2,348,790</u>	<u>2,363,586</u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,793,568</u></u>	<u><u>3,758,914</u></u>

Chief Financial Officer

Chief Executive

Director

Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the period ended 30 September 2016

	30 September 2016	30 September 2015
	(Rupees in thousand)	
Sales - net	1,188,595	1,179,192
Cost of sales	794,162	881,932
Gross profit	394,433	297,260
Distribution costs	273,510	180,131
Administrative expenses	44,826	48,930
	318,336	229,061
Operating profit	76,097	68,199
Other income	93	4,467
	76,190	72,666
Other charges	4,137	6,457
Finance cost	16,171	22,738
	20,308	29,195
Share of profit of associated Company	247	-
Profit / (Loss) before taxation	56,129	43,471
Taxation	18,756	15,137
Profit / (Loss) after taxation	37,373	28,334
<u>Attributable to:</u>		
Equity holders of the parent	37,780	27,028
Non-controlling interest	(407)	1,306
	----- Rupees -----	
Earning / (Loss) per share - basic and diluted	2.08	1.49

Chief Financial Officer

Chief Executive

Director

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

For the period ended 30 September 2016

	30 September 2016	30 September 2015
	(Rupees in thousand)	
Profit / (Loss) after taxation	37,373	28,334
Other comprehensive income for the period		
Fair value gain on 'Available for sale' investments	12,077	1,841
Total comprehensive income / (loss) for the period	49,450	30,175
<u>Attributable to:</u>		
Equity holder of the parent	49,857	28,869
Non-controlling interest	(407)	1,306

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the period ended 30 September 2016

	30 September 2016	30 September 2015
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	38,994	122,149
Finance costs paid	(19,414)	(12,534)
Income tax - net	(46,677)	(82,248)
Staff Retirement Benefits	8,617	(22,980)
Long-term loans - net	(9,581)	3,898
Long-term deposits - net	(1)	(410)
Net cash inflows from operating activities	(28,062)	7,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(9,179)	(22,385)
Sales proceeds from disposal of fixed assets	-	1,265
Short Term Investments	20,000	20,000
Net cash outflow from investing activities	10,821	(1,120)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings - net	-	150,000
Lease Liability	(442)	1,582
Long term financing - net	(20,150)	60,450
Net cash inflows / (outflow) from financing activities	(20,592)	212,032
Net decrease in cash and cash equivalents	(37,833)	218,787
Cash and cash equivalents at 1 Jul	(350,503)	(798,168)
Cash and cash equivalents at 30 Sep	(388,336)	(579,381)

Chief Financial Officer

Chief Executive

Director

Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

For the period ended 30 September 2016

	Capital reserve				Revenue reserve		Total equity attributable to shareholders of parent Company	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				
Balance as at 1 July 2015	181,864	56,819	6,148	285,000	110,838	640,669	18,045	688,714	
Profit for the period ended 30 September 2015	-	-	-	-	27,028	27,028	1,306	28,334	
Other Comprehensive income for the period	-	-	1,841	-	-	1,841	-	1,841	
Fair value Gain on 'Available for sale' investments	-	-	1,841	-	-	1,841	-	1,841	
Measurement of defined benefit obligation	-	-	-	-	-	-	-	-	
Surplus on revaluation of property plant and equipment realized through incremental depreciation charged on related assets during the period - net of tax	-	-	1,841	-	27,028	28,869	1,306	30,175	
Balance as at 30 September 2015	181,864	56,819	7,989	285,000	144,890	676,262	19,351	695,613	
Transaction with owners of the Company recognized directly in equity - Distributions	-	-	-	-	-	-	-	-	
Final dividend for the year ended 30 June 2015 @ Rs. 1.00 per share	-	-	-	-	-	(18,187)	-	(18,187)	
Total comprehensive profit for the period ended 30 June 2015	-	-	-	-	-	157,130	277	157,407	
Profit for the period	-	-	-	-	-	157,130	277	157,407	
Other Comprehensive income for the period	-	-	(1,012)	-	-	(1,012)	-	(1,012)	
Fair value gain on 'Available for sale' investments	-	-	(1,012)	-	-	(1,012)	-	(1,012)	
Remeasurement of defined benefit obligation	-	-	-	-	(2,076)	(2,076)	-	(3,088)	
Surplus on revaluation of property plant and equipment realized through incremental depreciation charged on related assets during the period - net of tax	-	-	(1,012)	-	(2,076)	(3,088)	-	(3,088)	
Balance as at 30 June 2016	181,864	56,819	6,977	285,000	302,727	833,387	19,628	853,015	
Profit for the period ended 30 September 2016	-	-	-	-	21,270	21,270	-	21,270	
Other Comprehensive income for the period	-	-	-	-	37,780	37,780	(407)	37,373	
Fair value gain on 'Available for sale' investments	-	-	12,077	-	-	12,077	-	12,077	
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	-	
Total comprehensive income for the period ended 30 September 2016	-	-	12,077	-	37,780	49,857	(407)	49,450	
Surplus on revaluation of property plant and equipment realized through incremental depreciation charged on related assets during the period - net of tax	-	-	-	-	7,566	7,566	-	7,566	
Balance as at 30 September 2016	181,864	56,819	19,054	285,000	348,073	890,810	19,221	910,031	

Chief Executive

Chief Financial Officer

Director

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