



**Buxly**  
PAINTS

Annual Report  
2019

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# **Buxly Paints Limited**

## **Company Information**

### **Board of Directors:**

Mr. Bashir Ahmed	Chairman
Mr. Shamshad Ali	Chief Executive Officer
Mr. Fakhru Arfin	
Mr. S.T Kureshi	
Mr. Fareed Khan	
Mr. Muhammad Hanif Idrees	
Mr. Sheikh Asim Rafiq	(NIT Nominee)

### **Audit Committee:**

Mr. Muhammad Hanif Idrees	Chairman
Mr. Saeed Mohammad Sheikh	Member
Mr. Fakhru Arfin	Member

### **Human Resource and Remuneration Committee :**

Mr. Bashir Ahmed	Chairman
Mr. Shamshad Ali	Member

### **Chief Financial Officer**

Mr. Asad Ali

### **Company Secretary**

Mr. Adnan Iqbal

### **Auditors:**

Rehman Sarfraz Rahim Iqbal Rafiq  
Chartered Accountants

### **Legal Advisor:**

Mr. Laiq Ahmed Khan

### **Bankers:**

Habib Metropolitan Bank Limited  
Habib Bank Limited  
MIB Bank Limited  
National Bank of Pakistan  
JS Bank Limited

### **Share Registrar :**

THK Associates (Pvt.) Ltd.  
1st Floor, 40-C, Block 6, P.E.C.H.S., Karachi  
Ph: 021-111-000-322  
Fax: 021-34168271

### **Registered Office:**

X-3, Manghopir Road, S.I.T.E., Karachi-75700

### **Web Site Address:**

<http://www.buxly.com>

# **Buxly Paints Limited**

## **Notice of Annual General Meeting**

Notice is hereby given that the 65<sup>th</sup> Annual General Meeting of the shareholders of Buxly Paints Limited will be held at Cyrus Minwalla Colony Hall, Parsi gate, Mehmoodabad, Karachi on Monday, October 28, 2019 at 11:30 a.m. to transact the following business:

### **ORDINARY BUSINESS:**

1. To confirm the minutes of the Annual General Meeting of the Company held on October 24, 2018
2. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 2019 together with Directors' and Auditors' Report thereon.
3. To elect directors of the company in accordance with the provision of Companies Act 2017 for a term of three (3) years. The number of directors to be elected has been fixed as seven (7) by the board of directors. Name of present directors retiring and eligible to file for nomination are (1) Mr Bashir Ahmed (2) Mr. Shamshad Ali (3) Mr. Fakhrul Arfin (4) Mr. S.T Kureshi (5) Mr. Fareed Khar (6) Mr. Muhammad Hanif Idrees (7) Mr. Muhammad Sheikh Asim Rafiq
4. To appoint M/S Rehman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants as Auditor of the Company for the year ending June 30, 2020 and fix their remuneration.
5. To transact any other business with the permission of the chair.

By Order of the Board

Karachi: - October 07, 2019

Asad Ali  
Company Secretary

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

### **Note:**

1. Share Transfer Books of the Company will remain closed from Tuesday, October 22, 2019 to Monday, October 28, 2019 (both days inclusive). Transfers received in order up to the close of business on October 21, 2019 at the registered address of the Company at X-3, Manghopir Road, SITE Karachi will be entitled to voting rights at the Annual General Meeting.
2. A member of the Company entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given personally or by proxy or by Attorney or in case of a Corporation by representative. The instrument of proxy duly executed should be lodged at the corporate office of the company at at the registered address of the Company at X-3, Manghopir Road, SITE Karachi not later than 48 hours before the time of meeting.

3. Any individual benefit Owner of the Central Depository Company (CDC), entitled to vote at this meeting must bring his/her computerized national identity card (CNIC) or passport (in case of foreigner) along with CDC account number to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representative of corporate members should bring the usual documents required for such purpose.
4. Member are requested to immediately inform the company's Share Registrar of any change in their mailing address.
5. Members are requested to provide by mail, photocopy of their CNIC or Passport (in case of foreigner), unless it has been provided earlier, enabling the company to comply with relevant laws.
6. SECP through its SRO 470(1)/2016, dated 31 May 2016, had allowed companies to circulate Annual Audited Accounts to its members through CD/DVD/USB at their registered addresses. In view of this, the Company will send its 2019 annual report to its shareholders in form of CD. Any member requiring printed copy of 2019 annual report may send a request with identification details, the Company will send the hard copy of printed accounts 2019 free of cost within one week.
7. In accordance with Section 132 (2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 10 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in the place subject to availability of such facility in that place. To avail this facility a request is to be submitted to the Company Secretary of the Company on given address:

## اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ درج ذیل امور کی انجام دہی کے لیے کبسلے پینٹس لمیٹڈ کے حصص یافتگان (شیئر ہولڈرز) کا 65 واں سالانہ اجلاس عام پیر، 28 اکتوبر، 2019 کو صبح 11.30 بجے ساڑس مینوالا کالونی ہال، پارسی گیٹ، محمود آباد، کراچی میں منعقد ہوگا۔

### عمومی امور:

- 1- مورخہ 24 اکتوبر، 2018 کو منعقد شدہ کمپنی کے سالانہ اجلاس عام کی کارروائی کی توثیق۔
- 2- 30 جون، 2019 کو ختم ہونے والے سال کے حوالے سے کمپنی کے آڈٹ شدہ حسابات اور ان پر ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ وصولی، ان پر غور و خاص اور منظوری۔
- 3- کمپنیز ایکٹ 2017 کی دفعات کے مطابق تین (03) سال کی مدت کے لیے کمپنی کے ڈائریکٹرز کا انتخاب کرنا۔ بورڈ آف ڈائریکٹرز کی جانب سے منتخب کئے جانے والے ڈائریکٹرز کی تعداد سات (07) مختص کی گئی ہے۔ سبکدوش (ریٹائر) ہونے والے موجودہ اور نامزدگی کے لیے اہل ڈائریکٹرز کے نام یہ ہیں: (1) جناب بشیر احمد (2) جناب شمشاد علی (3) جناب فخر العارفین (4) جناب ایس ٹی قریشی (5) جناب فرید خان (6) جناب محمد حنیف اور ایس (7) جناب محمد شیخ عاصم رفیق
- 4- 30 جون، 2020 کو ختم ہونے والے سال کے لیے میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس کی کمپنی کے آڈیٹرز کے طور پر تقرری اور ان کے مشاہرے کا تعین کرنا۔
- 5- چیئرمین کی اجازت سے دیگر کسی امور کی انجام دہی۔

حسب احکم بورڈ

اسد علی

کمپنی سیکریٹری

کراچی: 07 اکتوبر، 2019

رجسٹرڈ دفتر: 3-X منگھو پیر روڈ، سائٹ کراچی۔

## نوٹ:

1- کمپنی کی منتقلی حصص کی کتابیں ( شیئر ٹرانسفر بکس ) منگل، 22 اکتوبر، 2019 سے پیر، 28 اکتوبر، 2019 ( بشمول ہر دو یوم ) تک بند رہیں گی۔ مورخہ 21 اکتوبر، 2019 کو اوقات کار ( کاروباری اوقات ) کے اختتام تک، کمپنی کے رجسٹرڈ پتہ واقع 3-X، منگھو پیر روڈ، سائٹ کراچی میں موصول شدہ ٹرانسفرز کو سالانہ اجلاس عام میں ووٹ دینے کے حقوق کے لیے اہل تصور کیا جائے گا۔

2- اجلاس میں شرکت کرنے اور ووٹ دینے کا اہل رکن ( ممبر ) کسی دوسرے رکن ( ممبر ) کو اپنی جگہ شرکت کرنے اور ووٹ ڈالنے کے لیے بطور پراکسی مقرر کر سکتا / سکتی ہے۔ ووٹ ذاتی طور پر یا بذریعہ پراکسی یا اتارنی یا کارپوریشن کی صورت میں بذریعہ نمائندہ دیا جاسکتا ہے۔ پراکسی کی باضابطہ طور پر تیار شدہ دستاویز کمپنی کے کارپوریٹ آفس کے رجسٹرڈ پتے واقع 3-X، منگھو پیر روڈ، سائٹ کراچی میں اجلاس کے وقت سے 48 گھنٹے قبل پہنچ جانا چاہئے۔

3- سینٹرل ڈپازٹری کمپنی ( CDC ) کا کوئی بھی انفرادی نفع یافتہ شخص جو اس اجلاس میں ووٹ دینے کا اہل ہے، کے لیے لازم ہے کہ وہ اپنی شناخت کے ثبوت کے طور پر CDC کا وٹ نمبر کے ساتھ اپنا کمپیوٹرائزڈ قومی شناختی کارڈ ( CNIC ) یا پاسپورٹ ( غیر ملکی ہونے کی صورت میں ) اپنے ہمراہ ضرور لائے اور پراکسی کی صورت میں اپنے CNIC یا پاسپورٹ کی مصدقہ نقل لازماً منسلک کرے۔ کارپوریٹ اراکین کا نمائندہ، اس مقصد کے حوالے سے درکار عمومی دستاویزات ساتھ لائے۔

4- اراکین ( ممبرز ) سے درخواست کی جاتی ہے کہ وہ کو اپنے ڈاک کے پتے میں ہونے والی کسی بھی تبدیلی سے متعلق کمپنی کے شیئر رجسٹرار کو فوری مطلع کریں۔

- 4- اراکین (ممبرز) سے درخواست کی جاتی ہے کہ وہ کو اپنے ڈاک کے پتے میں ہونے والی کسی بھی تبدیلی سے متعلق کمپنی کے شیئر رجسٹرار کو فوری مطلع کریں۔
- 5- اراکین سے درخواست کی جاتی ہے کہ وہ اپنے CNIC یا پاسپورٹ (غیر ملکی ہونے کی صورت میں) کی نقل (اگر پہلے فراہم نہ کی گئی ہو) بذریعہ ڈاک فراہم کریں تاکہ کمپنی متعلقہ قوانین پر عمل درآمد کرنے کے قابل ہو جائے۔
- 6- ایس ای سی پی نے اپنے SRO 470(1)/2016، تاریخ 31 مئی، 2016 کے ذریعے کمپنیز کو اجازت دی تھی کہ وہ اپنے اراکین کو سالانہ آڈٹ شدہ اکاؤنٹس کو بذریعہ CD/DVD/USB، ان کے رجسٹرڈ پتوں پر ارسال کریں۔ انہی ہدایات کے پیش نظر، کمپنی اپنے حصص یافتگان (شیئر ہولڈرز) کو سال 2019 کی سالانہ رپورٹ CD کی شکل میں ارسال کرے گی۔ اگر کسی بھی رکن کو 2019 کی سالانہ رپورٹ کی طباعت شدہ (پرنٹڈ) نقل درکار ہو تو وہ اپنی شناختی تفصیلات کے ساتھ درخواست ارسال کر سکتا / سکتی ہے، کمپنی ایسے درخواست گزار کو ایک ہفتے کے اندر سال 2019 کے پرنٹڈ اکاؤنٹس کی ہارڈ کاپیز بلا معاوضہ ارسال کرے گی۔
- 7- کمپنیز ایکٹ 2017 کی شق (2) 132 کے مطابق اگر کمپنی کو سالانہ اجلاس عام کی تاریخ سے 10 ایام قبل ویڈیو کانفرنس کے ذریعے اجلاس میں شرکت کے حوالے سے جغرافیائی مقام پر رہائشی، مجموعی طور پر %10 یا زائد کی شیئر ہولڈنگ کے حامل اراکین کی جانب سے اظہارِ رضامندی / اجازت موصول ہوتی ہے، تو کمپنی اس مقام پر ویڈیو کانفرنس کی سہولت کی فراہمی کے انتظامات کرے گی، بشرطیکہ اس جگہ پر اس قسم کی سہولت دستیاب ہو۔ اس سہولت کے حصول کے لیے دیئے گئے پتے پر کمپنی کے کمپنی سیکریٹری کے پاس درخواست جمع کرائی جائے۔

## **Chairman's Review**

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of (the "Board") of Buxly Paints Limited (the "Company") is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Areas where improvements are required are duly considered and action plans are framed.

For the financial year ended June 30, 2019, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as Satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of the Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non- executive and independent directors are equally involved in important decisions.

Bashir Ahmed  
Chairman

October 04, 2019



## Key Financial and Operating Data

-----Year Ended 30 June-----

2019      2018      2017      2016      2015      2014

----- (Rupees in thousand) -----

### NET ASSETS

Fixed Assets/Investment property (Net)	<b>136,027</b>	136,197	66,508	66,627	66,887	67,175
Long Term Loans and Deposit	<b>91</b>	91	91	91	91	91
Loans to Employees	<b>2166</b>	2,787	1,703	2,278	2,045	1,687
Deferred Taxation		-	-	-	-	-
Long term receivable	<b>2700</b>	900	-	-	-	-
Net Current Assets	<b>7,854</b>	7,762	14,925	5,755	593	(1,403)
<b>Total</b>	<b><u>148,838</u></b>	<u>147,737</u>	<u>83,227</u>	<u>74,751</u>	<u>69,616</u>	<u>67,550</u>

### FINANCED BY

Share Capital	<b>14,400</b>	14,400	14,400	14,400	14,400	14,400
Reserves	<b>(12,698)</b>	2,997	8,392	(84)	(5,219)	(7,285)
Surplus on Revaluation of Fixed Assets	<b>130,352</b>	130,352	60,435	60,435	60,435	60,435
	<b>132,054</b>	147,749	83,227	74,751	69,616	67,550

Long Term & Deferred Liabilities	-	-	-	-	-	-
<b>Total</b>	<b><u>132,054</u></b>	<u>147,749</u>	<u>83,227</u>	<u>74,751</u>	<u>69,616</u>	<u>67,550</u>

### TURNOVER AND PROFIT

Turnover	<b>256670</b>	314,298	269,224	209,733	169,766	150,028
Profit / (Loss) before tax	<b>(12,487)</b>	(1,466)	11,851	7,281	3,823	2,199
Taxation	<b>(3,208)</b>	(3,929)	(3,375)	(2,146)	(1,757)	(1,511)
Profit / (Loss) after tax	<b>(15,695)</b>	(5,395)	8,476	5,135	2,066	688
Dividend	-	-	-	-	-	-

### EARNING & DIVIDEND

Earning / (Loss) per Rs. 10 share Rs.	<b>(10.90)</b>	(3.75)	5.89	3.57	1.43	0.48
Dividend per share- Rs.				-	-	-

## Directors Report

The Directors of your company submit the Annual Report of the Company alongwith the Audited Accounts and the Auditors' Report thereon for the year ended 30 June 2019. Financial Results are as follows:

	2019 (Rs.000's)
<b><u>Financial Results:</u></b>	
<b>Loss before taxation</b>	(12,487)
Taxation	<u>(3,208)</u>
<b>Loss after taxation</b>	<u><u>(15,695)</u></u>
<b>Loss Per Share</b>	Rs. (10.90)

### BUSINESS PERFORMANCE REVIEW

Despite intense competition your company has achieved sales value of Rs. 256.670 million as against Rs. 314.298 million of last year which is 18.33% lower than the last year. Gross profit achieved in 2019 amounts to Rs. 30.960 million as compared to Rs. 48.152 million for the year 2018. Gross profit decreased from 15.32% from previous year to 12.06%. Due to increase in cost of raw materials, manufacturing expenditures and devaluation of Pak Rupee vs dollars, consequently, company incurred net loss of 15.695 million.

### OUTLOOK FOR THE YEAR 2020

Due to continued uncertainty and expected further devaluation of Pak Rupee has not provided a good start of the year. Your company is fully geared up to have optimum sales value growth in the coming year. Increasing trend in inflation and increase in interest cost is expected to adversely affect the profitability

Your company is improving its gross margin by increasing selling prices and rationalizing the burden of increased raw material and manufacturing cost. We are hopeful for the positive outcome in year 2020.

### BOARD OF DIRECTORS

The Board of Directors currently comprises of a non-executive Chairman, Chief Executive Officer, three independent Directors and three non-executive Directors.

### BOARD OF DIRECTORS' MEETINGS

During the year, 4 (four) meetings of the Board of Directors were held and attendance was as follows:

# Buxly Paints Limited

Name of Directors	Attendance	
Mr. Bashir Ahmed	4	
Mr. Shamshad Ali	3	
Mr. Abdul Aziz Khan	CEO from Nov 01, 18 to April 19, 2019	1
Mr. H.P Kotwal	Resigned on April 20, 2019	2
Mr. Fakhru Arfin		2
Mr. Muhammad Hanif Idrees		3
Mr. Fareed Khan		4
Mr. S.T.Kureshi		3
Mr. Sheikh Asim Rafiq (NIT Nominee)		3

Mr. H.P Kotwal resigned from directorship on April 20, 2019 and Mr. Shamshad Ali appointed as director on April 25, 2019

Mr. Abdul Aziz Khan has resigned from the position of Chief Executive Officer from April 19, 2019 and Mr. Shamshad Ali has been appointed as Chief Executive Officer from April 25, 2019.

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

## AUDIT COMMITTEE

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

## HUMAN RESOURCE COMMITTEE

During the year, one meeting of Human Resource Committee was held.

## PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding is provided hereafter.

## (LOSS)/EARNING PER SHARE

(Loss)/Earning Per share is Rs. (10.90) [2018: Rs. (3.75)]

## AUDITORS

The present auditors Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants retires and being eligible, have offered themselves for re-appointment.

## REASONS FOR NON DECLARATION OF DIVIDEND

Due to loss for the year, the Directors did not recommend any dividend for the year ended June 30, 2019.

## HEALTH, SAFETY & ENVIRONMENT

Company being customer-focused is committed to ensure safer and environment-friendly operations, products and services. Your company is certified in ISO-9001-2015. Your company is also working to promote a quality conscious and safe working environment. Training sessions are conducted for employees to enhance the security awareness.

## PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to certain inherent risks and uncertainties includes; operational, market, compliance and financial risk. The company works with internal and external stakeholders to mitigate/reduce to acceptable level the likely impacts of aforesaid risks.

## INTERNAL FINANCIAL CONTROLS

The directors are aware of their responsibility with respect to internal financial controls. Through discussion with management and auditors (both internal and external), they confirm that adequate controls have been implemented by the company.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The statement of compliance with the code of corporate governance is annexed with the report.

## MATERIAL CHANGES

There have been no material changes since June 30,2019 to date of the report and company has not entered into any commitment during the period, which would have adverse impact on the financial position of the company.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As required under the Code of Corporate Governance incorporated in the Listing Rules of Stock Exchanges in the country, the Directors are pleased to state as follows:

- (i) The financial statements together with the notes thereon have been drawn up to the conformity with the Companies Act, 2017. These Statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- (ii) Proper books of accounts of the Company have been maintained.
- (iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates and are based on reasonable and prudent judgment.
- (iv) International financial reporting standards as applicable in Pakistan, have been followed in preparation of financial statements.
- (v) The system of internal control is satisfactory and has been effectively implemented.
- (vi) Information about taxes and levies is given in the notes to and forming part of financial statements.
- (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 except for those highlighted by the auditors in their report. The management continues endeavoring to make your company fully compliant with these regulations.
- (ix) The key operating and financial data of last six years is provided hereafter.
- (x) Value of investment of employees' provident fund as on June 30, 2019 is Rs. 4.36m (2018: Rs. 3.79m).

Chief Executive Officer  
Karachi, October 04, 2019

Director

## ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز پیش کرتے ہیں 30 جون 2019ء کو ختم ہوئے سال کیلئے کمپنی کی سالانہ رپورٹ کے ساتھ آڈٹ شدہ حسابات اور آڈیٹرز کی رپورٹ۔

مالی نتائج مندرجہ ذیل ہیں:

2019	مالی نتائج
(روپے ہزار میں)	
(12,487)	قبل از ٹیکس خسارہ
(3,208)	لاگو ٹیکس
(15,695)	بعد از ٹیکس خسارہ
(10.90)	خسارہ فی شیئر

### کاروباری کارکردگی کا جائزہ

سخت مسابقت کے باوجود کمپنی نے گزشتہ سال کے 314.298 ملین روپے کے مقابلے میں 256.670 ملین روپے کی فروخت حاصل کی جو کہ پچھلے سال کی نسبت 18.33% کم ہے۔ سال 2018ء کے 48.152 ملین روپے کے مقابلے میں 2019ء میں 30.960 ملین روپے کا مجموعی منافع حاصل ہوا۔ مجموعی منافع پچھلے سال کے 15.32% سے کم ہو کر 12.06% کی سطح پر آ گیا۔ خام مال کی لاگت میں اضافے، مینوفیکچرنگ کے اخراجات، اور ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی کی وجہ سے کمپنی کو 15.695 ملین روپے کا خسارہ ہوا۔

### سال 2020ء کا منظر نامہ

مسلسل غیر یقینی صورتحال اور پاکستانی روپے کی قدر میں متوقع مزید کمی کے باعث سال کا آغاز اچھا نہ ہوا۔ آپ کی کمپنی آنے والے سال کے دوران فروخت میں زیادہ سے زیادہ پیشرفت کیلئے پوری طرح تیار ہے۔ مہنگائی کے بڑھتے ہوئے رجحان اور منافع کی لاگت میں اضافے سے منفی اثر پڑنے کی توقع ہے۔

آپ کی کمپنی خام مال اور مینوفیکچرنگ کی لاگت میں اضافے کے بوجھ کو معقول بنا کر قیمت فروخت میں اضافے کے ذریعے اپنے مجموعی مارجن کو بہتر بنا رہی ہے۔ ہم سال 2020ء میں مثبت نتائج کیلئے پُر امید ہیں۔

### بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز فی الحال ایک نان ایگزیکٹو چیئرمین، چیف ایگزیکٹو آفیسر، تین آزاد ڈائریکٹرز اور تین نان ایگزیکٹو ڈائریکٹرز پر مشتمل ہے۔

## بورڈ آف ڈائریکٹرز کی میٹنگز

سال کے دوران، بورڈ آف ڈائریکٹرز کی 4 (چار) میٹنگز ہوئیں جن میں حاضری حسب ذیل تھی:

حاضری	ڈائریکٹرز کے نام
4	جناب بشیر احمد
3	جناب شمشاد علی
1	جناب عبدالعزیز خان کیم نومبر 18ء سے 19 اپریل 2019ء تک سی ای او
2	جناب ایچ پی کوتوال 20 اپریل 2019ء کو مستعفی ہو گئے
2	جناب فخر العارفین
3	جناب محمد حنیف اور لیس
4	جناب فرید خان
3	جناب ایس ٹی قریشی
3	جناب شیخ عاصم رفیق (این آئی ٹی کے نامزد کردہ)

جناب ایچ پی کوتوال 20 اپریل 2019ء کو ڈائریکٹر کے عہدہ سے مستعفی ہوئے اور جناب شمشاد علی 25 اپریل 2019ء کو بطور ڈائریکٹر تعینات ہوئے۔  
جناب عبدالعزیز خان نے 19 اپریل 2019ء کو چیف ایگزیکٹو آفیسر کے عہدے سے استعفیٰ دے دیا اور جناب شمشاد علی 25 اپریل 2019ء سے بطور چیف ایگزیکٹو آفیسر تعینات کئے گئے ہیں۔

غیر حاضری کی چھٹی ان ڈائریکٹرز کو دی گئی جو میٹنگز میں شمولیت سے قاصر تھے۔

## آڈٹ کمیٹی

سال کے دوران، آڈٹ کمیٹی کی چار میٹنگز منعقد ہوئیں۔

## ہیومن ریسورس کمیٹی

سال کے دوران، ہیومن ریسورس کمیٹی کی ایک میٹنگ منعقد ہوئی۔

## شیئر ہولڈنگ کا خاکہ

شیئر ہولڈنگ کا خاکہ پیش کرنے والی شیٹمنٹ بعد ازاں فراہم کی گئی ہے۔

## (خسارہ) / منافع فی شیئر

(خسارہ) / منافع فی شیئر (10.90) روپے ہے۔ [2018: (3.75) روپے]

## آڈیٹرز

موجودہ آڈیٹرز جن سر فر از رحیم اقبال رفیق چارٹرڈ اکاؤنٹینٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی بنا پر، خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔

## ڈیویڈنڈ کا اعلان نہ کرنے کی وجوہات

اس سال خسارے کی وجہ سے، ڈائریکٹرز نے 30 جون 2019 کو ختم ہوئے سال کیلئے کوئی ڈیویڈنڈ تجویز نہیں کیا۔

## صحت، تحفظ اور ماحولیات

کنسٹرز پر مرکوز کمپنی محفوظ اور ماحول دوست آپریشنز، مصنوعات اور خدمات کو یقینی بنانے میں مصروف عمل ہے۔ آپ کی کمپنی ISO-9001-2015 میں سند یافتہ ہے۔ آپ کی کمپنی کام کی جگہ پر معیاری اور محفوظ ماحول کو فروغ دینے کیلئے بھی کوشاں ہے۔ ملازمین میں تحفظ کا شعور اجاگر کرنے کیلئے تربیتی سیشن منعقد کئے جاتے ہیں۔

## بنیادی خطرات اور غیر یقینی صورت حالات

کمپنی کو کچھ موروثی خطرات اور غیر یقینی صورتحال کا سامنا ہے جن میں آپریٹل، مارکیٹ، تعمیل اور مالی خطرات شامل ہیں۔ کمپنی ان خطرات کے ممکنہ اثرات کو کم کرنے / قابل قبول سطح پر لانے کیلئے اندرونی اور بیرونی سٹیک ہولڈرز کے ساتھ مل کر کام کرتی ہے۔

## اندرونی مالیاتی کنٹرولز

اندرونی مالیاتی کنٹرولز کے سلسلے میں ڈائریکٹرز اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔ وہ انتظامیہ اور آڈیٹرز (اندرونی اور بیرونی دونوں) کے ساتھ بات چیت کے ذریعے اس بات کی تصدیق کرتے ہیں کہ کمپنی کی طرف سے مناسب کنٹرولز نافذ کر دیئے گئے ہوں۔

## کارپوریٹ گورننس کے ضابطہ کی تعمیل کا بیان

کارپوریٹ گورننس کے ضابطہ کی تعمیل کا بیان اس رپورٹ کے ساتھ منسلک ہے۔

## میٹرل تبدیلیاں

30 June 2019 سے لیکر آج تک مالیاتی رپورٹ میں نہ ہی کوئی خاص تبدیلی دیکھی گئی ہے اور نہ ہی کمپنی نے کوئی نیا معاہدہ کیا ہے کہ جس سے کمپنی کی مالی حیثیت پر منفی اثرات مرتب ہوں۔

## کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

- ملک میں اسٹاک ایکسچینجوں کے لسٹنگ رولز میں شامل کوڈ آف کارپوریٹ گورننس کے تقاضوں کے مطابق، ڈائریکٹرز کو یہ بتاتے ہوئے خوشی ہے کہ:
- i- مالیاتی گوشواروں کے ساتھ ساتھ نوٹس بھی کمپنیز ایکٹ 2017 کے مطابق بنائے گئے ہیں۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ ان گوشواروں میں کمپنی کی صورتحال، اس کی کاروائیوں کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر پیش کیا گیا ہے۔
  - ii- کمپنی کی اکاؤنٹس کی کتابیں ٹھیک طریقے سے برقرار رکھی گئی ہیں۔
  - iii- مالیاتی گوشواروں کی تیاری اور حساب کتاب کے تخمینوں میں موزوں اکاؤنٹنگ پالیسیوں کو مستقل طور پر لاگو کیا گیا ہے اور یہ معقول اور محتاط فیصلے کی بنیاد پر بنائی گئی ہیں۔
  - iv- مالیاتی گوشواروں کی تیاری میں، پاکستان میں رائج انٹرنیشنل فنانشل رپورٹنگ سٹینڈرڈز کی پیروی کی گئی ہے۔
  - v- اندرونی کنٹرول کا نظام تسلی بخش ہے اور اسے موثر طریقے سے نافذ کیا گیا ہے۔
  - vi- ٹیکسوں اور محصولات کے بارے میں معلومات نوٹس میں دی گئی ہیں اور یہ مالیاتی گوشواروں کا لازمی جزو ہیں۔
  - vii- کمپنی کے ایک منافع بخش کاروباری ادارے کے طور پر جاری رہنے کی صلاحیت میں کوئی نمایاں شکوک و شبہات نہیں ہیں۔
  - viii- کارپوریٹ گورننس کے بہترین معمولات سے کسی قسم کا انحراف نہیں کیا گیا، جیسا کہ لسٹنگ ریگولیشنز میں تفصیل سے دیا گیا ہے، ماسوائے ان کے جن کی آڈیٹرز نے اپنی رپورٹ میں نشاندہی کی ہے۔ انتظامیہ آپ کی کمپنی کو پوری طرح ان قواعد و ضوابط کے مطابق بنانے کیلئے مسلسل کوشاں ہے۔
  - ix- پچھلے چھ برسوں کے اہم آپریٹنگ اور مالیاتی اعداد و شمار فراہم کر دیئے گئے ہیں۔
  - x- 30 جون 2019ء کو ملازمین کے پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت 4.36 بلین روپے ہے۔ (2018ء: 3.79 بلین روپے)

ڈائریکٹر

چیف ایگزیکٹو آفیسر

کراچی: 04 اکتوبر 2019ء

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Buxly Paints Limited

### **Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Buxly Paints Limited for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

#### **Paragraph**

	<b><u>Reference</u></b>	<b><u>Description</u></b>
i.	Paragraph 9	Directors' Training Program
ii.	Paragraph 10	Same Person – CFO / Company Secretary
iii.	Paragraph 12 (b)	Composition of HR and Remuneration Committee

**Rahman Sarfaraz Rahim Iqbal Rafiq,**  
Chartered Accountants

Place: Lahore

Date:

## Statement of Compliance with Code of Corporate Governance

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:

- a. Male: 7
- b. Female: 0\*

Induction of female director to Board in due at the forthcoming election of director in Annual General Meeting of 2019.

2. The composition of board is as follows:

- a) Independent Directors  
Mr. Muhammad Hanif Idrees  
Mr. Fareed Khan  
Mr. S.T.Kureshi  
Mr. H.P. Kotwal (Resigned on 20.04.2019)
- b) Other Non-Executive Director  
Mr. Bashir Ahmed  
Mr. Fakhrul Arfin  
Mr. Sheikh Asim Rafiq
- c) Executive Directors  
Mr. Shamshad Ali (CEO)

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

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

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Two directors have completed training program approved by SECP. Director Mr. Bashir Ahmad and Mr. Fareed Khan have minimum 14 years of education and 15 years' experience on the board of listed company hence are exempt from directors training program (DTP). DTP was not arranged during the year however the company is planning to arrange training program for remaining 50% directors as provided by the code.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. Presently same person in holding position of CFO and Company Secretary. Board intend to segregate the positions in the forthcoming meeting.
  11. CFO and CEO duly endorsed the financial statements before approval of the board.
  12. The board has formed committees comprising of members given below:
    - a) Audit Committee  
Mr. Muhammad Hanif Idrees – Chairman  
Mr. Fareed Khan – Member  
Mr. Fakhru Arfin – Member
    - b) HR and Remuneration Committee  
Mr. Bashir Ahmed – Chairman\*  
Mr. H.P. Kotwal – Member\*\*  
Mr. Shamshad Ali – Member
- \*Chairman is a non-executive director.  
\*\*Mr. H.P. Kotwal - Independent directors resigned on 20 April 2019.
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
  14. The frequency of meetings of the committee during the financial year ended as per following:
    - a) Audit Committee 4 meetings
    - b) HR and Remuneration Committee 1 meeting
  15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
  16. 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 and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
  17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
  18. We confirm that all other requirements of the Regulations have been complied with.

\_\_\_\_\_  
Signature  
Bashir Ahmed  
Chairman

\_\_\_\_\_  
Signature  
Shamshad Ali  
Chief Executive Officer

Dated: October 04, 2019

## **INDEPENDENT AUDITORS' REPORT**

**To the members of Buxly Paints Limited**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the annexed financial statements of Buxly Paints Limited (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
<b>(i)</b>	<b>Adoption of IFRS 9 “Financial Instruments</b> (Refer to note 2.6)	
	<p>IFRS 9 ‘Financial Instruments’ is effective for the Company for the first time during the current year and replaces the financial instruments standard IAS 39 ‘Financial Instruments: Recognition and Measurement’.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses (‘ECL’) rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore complex and involves a number of judgmental assumptions.</p> <p>We considered this as key audit matter due to the significant amounts involved and significant judgments made by management regarding the matter.</p>	<p>We reviewed and understood the requirements of the IFRS 9. Our audit procedures included the following</p> <ul style="list-style-type: none"> <li>• Considered the management’s process to assess the impact of adoption of IFRS 9 on the Company’s financial statements.</li> <li>• Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. Reviewed the working of management for expected credit losses.</li> <li>• We reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9</li> </ul>
<b>(ii)</b>	<b>Inventory existence and valuation</b>	
	<p>As at the year end, the Company held inventories amounting to PKR 63,546 thousand, after considering allowance for inventories obsolescence amounting to PKR 4,757 thousand, as disclosed in note 10 to the accompanying financial statements. The inventories obsolescence is calculated by taking into account the NRV of related inventories while mainly keeping in</p>	<ul style="list-style-type: none"> <li>• Our audit procedures included, amongst others, reviewing the management procedures for evaluating the NRV of inventories, observing physical inventory counts at major locations to ascertain the condition and existence of inventories, and</li> </ul>

## **Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

The engagement partner on the audit resulting in this independent auditors' report is Mr. Rashid Rahman Mir.

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
**Chartered Accountants**  
**Lahore: October 07, 2019**

# Buxly Paints Limited

## Statement of Financial Position

As at June 30, 2019

Note 2019 2018

### ASSETS

(Rupees in '000)

#### Non current assets

Property and equipment	5	131,637	131,608
Investment properties	6	4,390	4,589
Long term loans and advances	7	2,166	2,787
Long term receivable	8	2,700	900
Long term security deposits		91	91
Deferred taxation	9	-	-
		<u>140,984</u>	<u>139,975</u>

#### Current assets

Stock-in-trade	10	63,546	61,146
Trade debts - unsecured	11	64,284	80,757
Advances and deposits	12	14,985	15,511
Prepayments and other receivables	13	4,415	6,084
Term deposit receipts / account	14	7,217	7,217
Mark up receivable		188	170
Current portion of long term loans and advances	7	449	375
Taxation - net		10,455	8,142
Cash and bank balances	15	18,284	1,139
		<u>183,823</u>	<u>180,541</u>
<b>Total assets</b>		<u><b>324,807</b></u>	<u><b>320,516</b></u>

### EQUITY AND LIABILITIES

#### Share capital and reserves

Authorised capital			
5,000,000 (2018: 5,000,000) Ordinary shares of Rs.10 each		<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid-up capital	16	14,400	14,400
Capital reserves			
Surplus on revaluation of property	17	130,352	130,352
Revenue reserves			
General Reserve		5,993	5,993
Accumulated (Loss) / Profit		(18,691)	(2,996)
		<u>132,054</u>	<u>147,749</u>

#### Current liabilities

Markup Accrued		1,407	987
Unpaid Dividend		217	217
Unclaimed Dividend		102	102
Short term borrowing - secured	18	62,303	43,193
Trade and other payables	19	128,724	128,268
		<u>192,753</u>	<u>172,767</u>
Contingencies and commitments	20		
<b>Total equity and liabilities</b>		<u><b>324,807</b></u>	<u><b>320,516</b></u>

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# Buxly Paints Limited

## Statement of Profit or Loss For the year ended June 30, 2019

	<i>Note</i>	2019 (Rupees in '000)	2018
Sales	21	256,670	314,298
Cost of sales	22	<u>(225,710)</u>	<u>(266,146)</u>
Gross profit		30,960	48,152
Distribution and selling expenses	23	<u>(33,143)</u>	<u>(40,283)</u>
Administrative expenses	24	<u>(9,958)</u>	<u>(10,117)</u>
		<u>(43,101)</u>	<u>(50,400)</u>
		(12,141)	(2,248)
Other income	25	<u>5,538</u>	<u>5,060</u>
		(6,603)	2,812
Finance cost	26	<u>(5,884)</u>	<u>(4,278)</u>
Loss before tax		<u>(12,487)</u>	<u>(1,466)</u>
Taxation	27	(3,208)	(3,929)
Loss for the year		<u><u>(15,695)</u></u>	<u><u>(5,395)</u></u>
		(Rupees)	
Loss per share - basic and diluted	28	<u><u>(10.90)</u></u>	<u><u>(3.75)</u></u>

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# Buxly Paints Limited

## Statement of Comprehensive Income For the year ended June 30, 2019

	<i>Note</i>	2019 (Rupees in '000)	2018
Loss after tax		(15,695)	(5,395)
<b>Other comprehensive income / (loss):</b>			
<i>Items not to be reclassified to statement of profit or loss:</i>			
Revaluation surplus recognised during the year		-	92,923
Adjustment of surplus pertaining to property transferred to investment property		-	(23,006)
	17	-	69,917
<b>Total comprehensive income / (loss)</b>		<b>(15,695)</b>	<b>64,522</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# Buxly Paints Limited

## Statement of Changes in Equity For the year ended June 30, 2019

	<u>Capital Reserves</u>		<u>Revenue Reserves</u>		<b>Total</b>
	<b>Issued subscribed and paid-up capital</b>	<b>Surplus on revaluation of property</b>	<b>General reserve</b>	<b>Accumulated profit/ (loss)</b>	
----- <b>(Rupees in '000)</b> -----					
Balance as at July 1, 2017	14,400	60,435	5,993	2,399	83,227
Total comprehensive income / (loss) for the year	-	69,917	-	(5,395)	64,522
Balance as at 30 June 2018	14,400	130,352	5,993	(2,996)	147,749
Total comprehensive loss for the year	-	-	-	(15,695)	(15,695)
<b>Balance as at 30 June 2019</b>	<b>14,400</b>	<b>130,352</b>	<b>5,993</b>	<b>(18,691)</b>	<b>132,054</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# Buxly Paints Limited

## Statement of Cash Flows For the year ended June 30, 2019

Note	2019	2018
	(Rupees in '000)	
<b>Cash flows from operating activities</b>		
Loss before tax	(12,487)	(1,466)
Adjustments for:		
Depreciation	302	311
Finance cost	5,884	4,278
Mark-up on term deposit receipts	(378)	(377)
Provision for doubtful debts	(133)	-
Rental Income	(1,800)	(900)
	<u>(8,612)</u>	<u>1,846</u>
<b>(Increase) / decrease in current assets</b>		
Stock-in-trade	(2,400)	(28,892)
Trade debts	16,606	(15,280)
Advances and deposits	526	(99)
Prepayments and other receivables	1,669	(3,579)
	<u>16,401</u>	<u>(47,850)</u>
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	456	36,638
Net cash (used in) / generated from operating activities	<u>8,245</u>	<u>(9,366)</u>
Income tax paid	(5,521)	(6,379)
Finance cost paid	(5,464)	(4,096)
Net cash used in operations	<u>(2,740)</u>	<u>(19,841)</u>
<b>Cash flows from investing activities</b>		
Additions to property and equipment	(132)	(83)
Mark up received on term deposit receipts	360	441
Long term loans and advances - given	547	(929)
Net cash (used in) / generated from investing activities	<u>775</u>	<u>(571)</u>
<b>Cash flows from financing activities</b>		
Short term borrowing - secured	19,110	3,359
Net cash generated from financing activities	<u>19,110</u>	<u>3,359</u>
Net increase in cash and cash equivalents during the year	<u>17,145</u>	<u>(17,053)</u>
Cash and cash equivalents at beginning of the year	<u>1,139</u>	<u>18,192</u>
Cash and cash equivalents at end of the year	<u>15</u> <u>18,284</u>	<u>1,139</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

# Buxly Paints Limited

## Notes to the Accounts For the year ended June 30, 2019

### 1. NATURE AND STATUS OF THE COMPANY

The Company was incorporated in Pakistan in April 1954 as a private limited company under the Companies Act, 1913 (now the Companies Act, 2017) and subsequently converted into a public limited company in May 1985. Its shares are listed on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of paints, pigments, protective surface coating, varnishes and other related products under a toll manufacturing agreement with Berger Paints Pakistan Limited, at a specified toll manufacturing fees. As per the agreement, the Company will deliver the materials, packing, filling and other bulk components, together with other ingredients to Berger Paints Pakistan Limited, who will process the ingredients and pack the products and deliver the products to the Company or designated party in Pakistan indicated by the Company.

Geographical location and address of business units/plants

Purpose	Location	Address
a Registered Office	Karachi	X-3, Manghopir Road, S.I.T.E, Karachi, Sindh, Pakistan
b Lahore Office	Lahore	The Annexe, 36-Industrial Estate, Kot lakh pat, Lahore
c Islamabad	Islamabad	The Annexe, Plot No. 201, Street No. I, Sector I-10/3, Industrial Area, Islamabad

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 Basis of measurement

These financial statements have been prepared under the "historical cost convention" except for financial instruments and land which are recognized at fair value. The financial statements except for cash flow information have been prepared under accrual basis of accounting.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is also the Company's functional currency. All figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

#### 2.4 Re-classification and re-arrangements

Corresponding figures have been re-classified and re-arranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. Appropriate disclosures are given in relevant notes in case of material re-classifications and re-arrangements.

## 2.5 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment relates to :

- Estimated useful lives of property and equipment and measurement of revalued amounts (notes 3.1,3.2 and 5)
- Recognition of taxation and deferred taxation (notes 3.9 , 9 and 27)
- Provisions and contingencies (note 3.11 & note 20)
- Classification of investment properties (notes 3.3 and 6)
- Provision against trade debts and other receivables (notes 3.5, 11 and 13)
- Impairment (note 3.18)
- Stock-in-trade (notes 3.6 and 10)

## 2.6 Initial Application of a Standard, Amendment or an Interpretation to an Existing Standard and Forthcoming Requirements

### a) Standards and interpretations that became effective and are relevant to the Company:

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

#### - IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company under a toll manufacturing agreement manufactures and contracts with customers for the sale of paints, pigments, protective surface coating, varnishes and other related products which generally include single performance obligation. The management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Therefore, adoption of IFRS 15 at 01 July 2018, did not have an effect on the financial statements of the Company.

#### - IFRS 9: Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

## Classifications and remeasurement of financial asset and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale.

IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- a) The determination of business model within which a financial asset is held; and
- b) The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- a) it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- b) its contractual terms give rise on specified dates to cash flows that are solely Payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- a) It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) its contractual terms give rise on specified dates to cash flows that are solely Payments of principal and interest on The principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss account or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 3.12 to the financial statements.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original amount under IAS 39	New carrying amount under IFRS 9
			(Rupees in 000)	
Loans and advances	Loans and receivable	Amortised cost	3,162	3,162
Long term deposits	Loans and receivable	Amortised cost	91	91
Trade debts	Loans and receivable	Amortised cost	80,757	80,757
Mark up receivable	Loans and receivable	Amortised cost	170	170
Advances and deposits	Loans and receivable	Amortised cost	15,511	15,511
Term deposit receipts	Held to maturity	Amortised cost	7,217	7,217
Bank balances	Loans and receivable	Amortised cost	1,107	1,107

## Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

For trade and other receivables, the Company has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## Transition

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 are to be recognized in statement of changes in equity as on July 1, 2018. However, the adoption of IFRS 9 did not have any impact on opening retained earnings as on July 1, 2018. Accordingly, the comparative information is presented as per the requirements of IAS 39.

## 2.7 Adoption of approved Financial Reporting Standards that are effective and not relevant to Company

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company other than increased disclosures in certain cases:

- IFRS 2 - Share Based Payments - (Amendments to clarify the classification and measurements)
- IFRS 4 - Insurance contracts - (Amendments regarding the interaction of IFRS 4 and IFRS 9)-IFRS 17 will replace IFRS 4 as of 1 January 2022.
- IFRS 7 - Financial Instruments Disclosures - (Amendments relating to additional hedge accounting disclosures)
- IAS 28 - Investments in Associates-(Amendments resulting from annual improvements 2014-2016 cycle)- clarifying certain values
- IFRIC 22 - Foreign Currency Transaction and Advance Consideration

## 2.8 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards - (Amended)-(effective for annual periods beginning on or after 1 January 2018) - Not notified by SECP
- IFRS 3 - Business Combinations - (Amended)-(applicable for annual periods beginning on or after 1 January 2019)
- IFRS 3 - Business Combinations - (Amended-definition of business)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 11 - Joint Arrangements (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)- (applicable for annual periods beginning on or after 1 January 2019).
- IFRS 14 - Regulatory Deferral Accounts - (applicable for annual periods beginning on or after 1 January 2016) - Not notified by SECP.
- IFRS 16 - Leases - (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17- Insurance Contracts - (effective for annual periods beginning on or after 1 January 2021) - Not notified by SECP.
- IAS 1- Presentation of Financial Statements - (Amended)-(effective for annual periods beginning on or after 1 January 2020).
- IAS 8- Accounting Policies , Changes in Accounting Estimates and Errors - (Amended-definition of material)-(effective for annual periods
- IAS 12- Income Taxes - (Amended)-(effective for annual periods beginning on or after 1 January 2019).
- IAS 19 - Employee Benefits-(Amended)- (effective for annual periods beginning on or after 1 January 2019).
- IAS 23 - Borrowing Costs-(Amendments resulting from annual improvements 2015-2017 cycle)- (effective for annual periods beginning on or after 1 January 2019).
- IAS 28 - Investments in Associates-(Amended by Long-term Interests in Associates and Joint Ventures)- (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 - Uncertainty Over Income Tax Treatments - (applicable for annual periods beginning on or after 1 January 2019).

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set below have been applied consistently to all periods presented in these financial statements.

### 3.1 Property and equipment

#### *Owned*

Property and equipment, except land, are measured at cost less accumulated depreciation and any impairment loss, if any. Land is stated at fair value. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation on all property and equipment except land is charged on the reducing balance method at the rates specified in note 5.

Depreciation methods, useful lives and residual values of each part of property and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation on additions to property and equipment is charged from the day the asset is available for use while no depreciation is charged from the day the asset is disposed off.

The Company assesses at each statement of financial position date whether there is any indication that property and equipment 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 values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

### 3.2 Leases

#### *Finance leases*

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements or the fair value of the asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates mentioned in note 5.

Depreciation methods, useful lives and residual values of asset that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each statement of financial position date.

Depreciation on additions to leased assets is charged from the day the asset is available for use while no depreciation is charged from the day the asset is disposed off.

## 3.3 Investment properties

Investment properties are accounted for under cost model and are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on office building is charged to profit and loss account by applying the reducing balance method at the rate of 5% per annum after taking into account residual value, if any. Depreciation on addition is charged from the day the asset is available for use while no depreciation is charged from the day the asset is disposed off. Depreciation methods, useful lives and residual values of each part of investment property that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each statement of financial position date. Depreciation of leasehold land is suspended since financial year ended 30 June 2012 in accordance with the revised requirements of IAS 17.

Gains or losses on sale of investment properties are charged to the profit and loss account in the period in which they arise.

## 3.4 Staff retirement benefits

### *Defined contribution plan*

The Company operates a 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 8.33% of basic salary.

### *Compensated absences*

The Company has been accounting for all accumulated compensated absences, when employees render services that increase their entitlement to future compensated absences. Accrual is made for employees compensated absences on the basis of last drawn pay. No provision is required for the current year.

## 3.5 Trade debts

Trade debts are recognised and carried at original invoice amount less provision for doubtful debts. An estimated provision is made when collection of the full amount no longer receivable. Bad debts are written-off as and when identified.

## 3.6 Stock-in-trade

Stock of raw and packing materials, except for those in transit, work in process and finished goods are valued principally at the lower of weighted average cost and net realizable value. Cost of work in process and finished goods comprises cost of direct materials, labor and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred in order to make a sale.

## 3.7 Revenue recognition

- Revenue from sale of goods is recognized when control of goods is transferred to customers.
- Royalty and rent income is recognized on an accrual basis in accordance with the substance of the relevant agreement.
- Interest income on bank deposits is recognized on time proportion basis using the effective Interest method.

## 3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term borrowings that are repayable on demand and form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

## 3.9 Taxation

### *Current*

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

### *Deferred*

Deferred taxation is provided, using the balance sheet method, in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax base.

The amount of deferred tax recognized is based on expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the statement of financial position date.

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

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 3.10 Borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, these 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 borrowings on an effective interest basis.

## 3.11 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

## 3.12 Financial Instruments

### 3.12.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

## **Amortized Cost**

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- a) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## **Impairment**

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### **3.12.2 Financial liabilities**

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

#### **Recognition and measurement**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### **Derecognition**

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

### **3.13 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset.

### **3.14 Trade and other payables**

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

Other amounts payable are carried at cost which is the fair value of the consideration to be paid in future goods and services.

## 3.15 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the statement of financial position date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction.

## 3.16 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved.

## 3.17 Earnings per share

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

## 3.18 Impairment

The carrying amounts of the company's assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment loss. If any such indication exists, the assets recoverable amount is estimated and if the carrying amount of the asset is in excess of its recoverable amount, impairment loss is recognised as an expense to the extent carrying amount exceed the recoverable amount.

## 4 Significant transactions and events occurred during the year

Following are the summary of transactions and events affecting the financial position and performance of the Company

-The adoption of new accounting standards on IFRS-9 financial instruments and IFRS-15 revenue from contracts with customer. Refer Note 2.6.



# Buxly Paints Limited

5.1. Depreciation for the year has been allocated as follows:

		2019	2018
		(Rupees in '000)	
Distribution and selling expenses	23	21	20
Administrative expenses	24	82	82
		<u>103</u>	<u>102</u>

5.2. Fair value of land has been determined by M/s Harvester Services (Private) Limited in June 30, 2018 after enquiring market rates of similar sized plots in near vicinity from the real estate agents and keeping in view the location, size and availability of the leasehold land. The Board of Directors concurred to this valuation. Forced sale value as per the revaluation report is Rs. 111.510 million. Fair value has been assessed under 'fair value hierarchy: level 3'. The land is situated at Manghopir Road, S.I.T.E, Karachi having area of 27,780.6 square feet.

## 6. INVESTMENT PROPERTIES

	2019							
	Cost		As at 30 June 2019	Depreciation Rate %	Depreciation		As at 30 June 2019	Written down value as at 30 June 2019
As at 1 July 2018	Transfer	As at 1 July 2018			Charge for the year			
------(Rupees in '000)-----				------(Rupees in '000)-----				
Leasehold land	700	-	700	-	87	-	87	613
Office building	5,408	-	5,408	5	1,432	199	1,631	3,777
	<u>6,108</u>	<u>-</u>	<u>6,108</u>		<u>1,519</u>	<u>199</u>	<u>1,718</u>	<u>4,390</u>
	2018							
	Cost		As at 30 June 2018	Depreciation Rate %	Depreciation		As at 30 June 2018	Written down value as at 30 June 2018
As at 1 July 2017	Transfer	As at 1 July 2017			Charge for the year			
------(Rupees in '000)-----				------(Rupees in '000)-----				
Leasehold land	192	508	700	-	87	-	87	613
Office building	5,408	-	5,408	5	1,223	209	1,432	3,976
	<u>5,600</u>	<u>508</u>	<u>6,108</u>		<u>1,310</u>	<u>209</u>	<u>1,519</u>	<u>4,589</u>

6.1 The company is currently recording investment property at cost. Had the investment property been measured at fair value, the value of property would have been Rs.107.197 million and the forced sale value will be Rs. 90.614 million as per independent valuers' report of June 2018.

- a. land element has been valued at Rs. 97.142 million after enquiring market rates of similar sized plots in near vicinity from the real estate agents and keeping in view the location, size and availability of the land. The Land is situated at Manghopir Road, S.I.T.E, Karachi having area of 17,071 square feet. and  
b. the building element has been valued at Rs. 10.055 million after taking into account the type and class of construction. Building is situated on a portion of the same land covering an area of 3,500 square feet.

The fair value of the property has been assessed under 'fair value hierarchy: level 3'. For the purposes of valuation of the said property

6.2	2019	2018
	(Rupees in '000)	
Depreciation for the year has been allocated as follows:		
Distribution and selling expenses	23	40
Administrative expenses	24	167
	<u>199</u>	<u>209</u>

## 7 LONG TERM LOANS AND ADVANCES - Secured, considered good

Employee loans	7.1	2,615	3,162
Receivable within one year		(449)	(375)
		<u>2,166</u>	<u>2,787</u>

7.1 This represents interest free loan to employees for the purpose of purchase of motor vehicles. These loans are secured against these motor vehicles and recoverable in 96 equal monthly instalments. These loans have not been discounted to their present values as the financial impact is not material.

## 8. LONG TERM RECEIVABLE

The Company under operating lease arrangements has leased out portion of its land to an associated company as disclosed in note 20.5. Rent has been provided since 1st January 2018 at the rate of Rs 150,000/- per month being the fair market value of rent for such land. This amount would be available for adjustment against the value of building when handed over to the Company after expiry of lease term on 31 December 2027.

8.1 At June 30, 2019, the future minimum lease payments under non-cancellable lease was receivable as follows:

	2019	2018
	(Rupees in '000)	
Less than one year	1,800	1,800
Between one and five years	7,200	7,200
More than five years	6,300	8,100
	<u>15,300</u>	<u>17,100</u>

## 9. DEFERRED TAXATION

The Company has not recognised deferred tax assets of Rs. 6.502 million (2018: Rs. 6.544 million) in respect of temporary differences amounting to Rs. 18.225 million (2018: Rs. 18.374 million) as per policy given in note 3.9.

## 10. STOCK-IN-TRADE

	2019 (Rupees in '000)	2018
Packing material	5,261	3,059
Work-in-process	1,439	8,817
Finished goods	<u>61,603</u>	<u>54,027</u>
	<b>68,303</b>	<b>65,903</b>
Provision against slow moving stocks:		
- Finished goods	<i>10.1</i> <u>(4,757)</u>	<u>(4,757)</u>
	<b><u>63,546</u></b>	<b><u>61,146</u></b>

### 10.1 Particulars of provision are as follows:

Opening balance	4,757	4,757
Charge for the year	<u>-</u>	<u>-</u>
Closing balance	<b><u>4,757</u></b>	<b><u>4,757</u></b>

## 11. TRADE DEBTS - unsecured

	2019 (Rupees in '000)	2018
Considered good	64,284	80,757
Considered doubtful	<u>12,853</u>	<u>12,986</u>
	<b>77,137</b>	<b>93,743</b>
Provision against debts considered doubtful	<i>11.1</i> <u>(12,853)</u>	<u>(12,986)</u>
	<b><u>64,284</u></b>	<b><u>80,757</u></b>

### 11.1 Provision against debts considered doubtful:

Opening balance	12,986	12,986
Charge/(Reversal) for the year	<u>(133)</u>	<u>-</u>
Closing balance	<b><u>12,853</u></b>	<b><u>12,986</u></b>

## 12. ADVANCES AND DEPOSITS

### Advances - unsecured, considered good

Employees	394	548
-----------	-----	-----

### Deposits

Margin against letters of guarantee	7,723	6,629
-------------------------------------	-------	-------

Earnest money and tender deposits	9,100	10,566
-----------------------------------	-------	--------

	16,823	17,195
--	--------	--------

Provision against expired letter of guarantee, earnest money and security deposits	12.1 (2,232)	(2,232)
---	--------------	---------

	14,985	15,511
--	--------	--------

### 12.1 Particulars of provision are as follows:

Opening balance	2,232	2,232
-----------------	-------	-------

Charge for the year	-	-
---------------------	---	---

Closing balance	2,232	2,232
-----------------	-------	-------

## 13. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	259	479
-------------	-----	-----

Sales tax receivable	3,895	5,605
----------------------	-------	-------

Receiveable from employees' provident fund	261	-
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	4,415	6,084
--	-------	-------

## 14. TERM DEPOSIT RECEIPTS / ACCOUNT -HELD TO MATURITY

	7,217	7,217
--	-------	-------

These short term deposits carrying mark-up at the rates ranging from 5 % to 8.35% (2018: 5% to 6%%) per annum having maturities within one year. The term deposits are under lien against letter of guarantees issued by the banks.

## 15. CASH AND BANK BALANCES

In hand	54	32
---------	----	----

At banks - in current accounts	18,230	1,107
--------------------------------	--------	-------

	18,284	1,139
--	--------	-------

2019      2018  
(Rupees in '000)

## 16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019 (Number of Shares)	2018			
1,257,288	1,257,288	Ordinary shares of Rs.10 each fully paid in cash	12,573	12,573
82,712	82,712	Ordinary shares of Rs.10 each fully paid for consideration other than cash	827	827
100,000	100,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	1,000	1,000
<u>1,440,000</u>	<u>1,440,000</u>		<u>14,400</u>	<u>14,400</u>

Issued, subscribed and paid-up capital at the year end included 926,087 (2018: 926,087) ordinary shares of Rs. 10 each, held by associated undertakings.

## 17. SURPLUS ON REVALUATION OF PROPERTY 130,352 130,352

- 17.1 The surplus is in respect of the land located at Plot No. X-3, Manghopir Road, S.I.T.E, Karachi. The plot is revalued on June 30, 2018 by an independent valuer M/s Harvester Services (Private) Limited, Karachi. The valuation of land has been made on the basis of fair market value. The valuation resulted in net surplus of Rs. 130.352 million. The aforementioned surplus on revaluation of property has been shown as part of equity. Previously such revaluation was carried out in July 2013 by independent valuer M/s Iqbal A. Nanjee & Co. (Private) Limited.

	2019 (Rupees in '000)	2018
Movement in the surplus during the year was as follows:		
Balance at the beginning of the year	130,352	60,435
Add: Surplus recognized during the year	-	92,923
Less: Adjustment of surplus pertaining to property transferred to investment property	-	(23,006)
Balance at the end of the year	<u>130,352</u>	<u>130,352</u>

	2019	2018
	(Rupees in '000)	
<b>18. SHORT TERM BORROWINGS - Secured</b>	<b>62,303</b>	<b>43,193</b>

Company has entered into an agreement with JS Bank Limited for short term running finance facility under mark-up arrangement. This arrangement is secured against first hypothecation charge of Rs. 107 million over stocks and receivables of the company and additional comfort of first equitable mortgage charge of Rs. 67 million on industry property of the company situated at Plot # X-3, Manghopir Road, S.I.T.E., Karachi. The running finance facility carries mark-up of 1 months KIBOR + 2%. Total limit available to the Company is amounting to Rs. 50 million (2018: Rs. 50 million). The amount in excess of limit is due to issuance of cheques not presented till cut off date.

	2019	2018
	(Rupees in '000)	
<b>19. TRADE AND OTHER PAYABLES</b>		
<b>Trade creditors</b>	<i>19.1</i> 124,211	124,034
<b>Accrued expenses</b>	571	375
	<b>124,782</b>	<b>124,409</b>
<b>Other liabilities</b>		
Contract liabilities	2,418	2,201
Workers' profit participation fund	<i>19.2</i> 93	56
Provision for compensated absences	362	362
Others	<i>19.3</i> 1,069	1,240
	<b>3,942</b>	<b>3,859</b>
	<b>128,724</b>	<b>128,268</b>

**19.1** This includes payable to following associated undertaking:  
Berger Paints Pakistan Limited

	112,703	102,400
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## 19.2 Workers' profit participation fund

Balance as at 1 July	56	656
Charge/ Adjustments for the year	37	32
Paid during the year	-	(632)
Balance as at 30 June	<b>93</b>	<b>56</b>

**19.3** It includes payables on account of WWF, EOBI, withholding income tax from employees, commissions and suppliers etc.

## 20. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 20.1** The guarantees amounted to Rs. 14.940 million (2018: 13.846 million) given against supplies to Government departments against their orders, gas supply and in favour of Collector of Central Excise Department and Customs.
- 20.2** The Deputy Commissioner-IR has passed the order vide dated January.31.2019 under Section 122(1) of the Income Tax Ordinance (the Ordinance) by levying impugned tax demand of Rupees 5.741 million (2018: Nil) for Tax Year 2014. Against such demand, the Company had filed the appeal before the Commissioner-IR (Appeals) who has pass the Order vide dated April.09.2019 against the company. However, the Company had filed the appeal before the Appellate Tribunal Inland Revenue (ATIR) against the Order and the hearing notice has yet to be issued by the ATIR. The management is of the opinion that the company has a strong case & therefore no provision is required
- 20.3** On 7 January 2013, the SITE authority served a notice on the Company for payment of dues in respect of 'Development, Water, Conservancy, Rent and Renewal of license fee' amounting to Rs.4.005 million, which includes an amount of Rs. 3.860 million relating to renewal of license fee. The Company, through its legal advisor, replied to the above notice stating the fact that the lease was executed / registered by SITE in the year 2006 in favour of the Company. Further, as per the rules and procedures of SITE, once the lease has been executed / registered, the renewal of license fee is no longer payable.

The Management of the Company is confident that the renewal of license fee will not be payable. Consequently, no provision has been recognised in the financial statements.

- 20.4** The Deputy Commissioner Inland Revenue has issued order under section 161 of Income Tax Ordinance, 2001 by levying impugned tax demand of Rs. 386,258 and Rs. 305,646 for tax year 2014 and 2015 respectively. Against such demands, the Company had filed the appeal with the Commissioner Inland Revenue Appeals who has passed the order dated July 06, 2018 in favor of the Company. However being aggrieved by the decision, the tax department has filed appeals in the Appellate Tribunal Inland Revenue (ATIR) against the order. The notice for hearing has yet to be issued by the ATIR.

The management of the Company expects that on the basis of strong grounds the case will be decided in the favour of the Company.

### Commitments:

- 20.5** The management has agreed upon an arrangement with Berger Paints Pakistan Limited (Berger) - an associated company for letting out a piece of its leasehold land. Under the arrangement Berger has constructed a facility for production and warehousing on the subject land and will remain in use of Berger for a period of 10 years from the date of completion. On expiry of the tenure of agreement, the warehouse building will be transferred to Buxly Paints Limited free of cost as a consideration for utilizing the subject land for the said tenure. Refer Note 8

# Buxly Paints Limited

	2019	2018
	(Rupees in '000)	
<b>21. SALES</b>		
Gross sales	308,662	375,370
Sales tax and excise duty	<u>(49,696)</u>	<u>(60,721)</u>
	258,966	314,649
Commission and discount	<u>(2,296)</u>	<u>(351)</u>
	<u>256,670</u>	<u>314,298</u>
	2019	2018
	(Rupees in '000)	
<b>22. COST OF SALES</b>		
<b>Opening Stock</b>		
Packing material	3,059	551
<b>Purchases</b>		
Raw material	<u>185,225</u>	<u>239,189</u>
Packing material	<u>23,133</u>	<u>27,170</u>
	208,358	266,359
	211,417	266,910
<b>Closing stock</b>		
Packing material	<u>(5,261)</u>	<u>(3,059)</u>
Material consumed	206,156	263,851
<b>Manufacturing expenses</b>		
Toll manufacturing charges	<u>19,752</u>	<u>28,679</u>
	225,908	292,530
<b>Work in process</b>		
Opening stock	<u>8,817</u>	<u>895</u>
Closing stock	<u>(1,439)</u>	<u>(8,817)</u>
	7,378	(7,922)
Cost of goods manufactured	233,286	284,608
<b>Finished goods</b>		
Opening stock	<u>54,027</u>	<u>35,565</u>
Closing stock	<u>(61,603)</u>	<u>(54,027)</u>
	<u>225,710</u>	<u>266,146</u>

2019      2018  
(Rupees in '000)

## 23. DISTRIBUTION AND SELLING EXPENSES

Salaries and other benefits	23.1	17,653	21,479
Insurance		517	145
Rent, rates and taxes		516	432
Carriage outward		8,273	8,500
Advertising and promotional expenses		1,269	2,653
Travelling and conveyance		3,464	5,188
Printing and stationery		308	772
Postage, telephone and fax		189	161
Repairs and maintenance		173	40
Depreciation	5.1 & 6.2	61	62
Entertainment and welfare		189	171
Fees and subscription		471	629
Sundry expenses		60	51
		<b>33,143</b>	<b>40,283</b>

23.1 Included herein is a sum of Rs. 0.51 million (2018: Rs. 0.41 million) in respect of staff retirement benefits.(Provident Fund)

2019      2018  
(Rupees in '000)

## 24. ADMINISTRATIVE EXPENSES

Salaries and other benefits	24.1	5,174	4,199
Directors' fee		413	654
Insurance		74	128
Printing and stationery		251	295
Postage, telephone and fax		46	67
Travelling and conveyance		333	376
Service charges		600	600
Auditor's remuneration	24.2	465	488
Fees and subscription		392	1,114
Legal and professional fees		854	512
Repairs and maintenance		18	169
Depreciation	5.1 & 6.2	241	249
Entertainment and welfare		593	782
Utilities Expenses		504	469
Miscellaneous expenses		-	15
		<b>9,958</b>	<b>10,117</b>

24.1 Included herein is Rs. 0.056 million (2018: Rs. 0.050 million) in respect of staff retirement benefits and a sum of Rs. 2.311 million (2018: Rs. 1.02 million) in respect of remuneration of Chief executive.

## 24.2 Auditors' remuneration

Statutory audit		275	275
Half yearly review		83	83
Other certifications		107	107
		465	465
Punjab Sales Tax @ 16% (2018: 5%)		-	23
		<u>465</u>	<u>488</u>

## 25. OTHER INCOME

### *Financial asset*

Mark up on term deposit receipts		378	377
Reversal of Provision for doubtful debts	11.1	133	-
		511	377

### *Non financial asset*

Royalty income	25.1	1,415	1,971
Misc. income (License fee)		12	12
Rental income	25.2	3,600	2,700
		5,027	4,683
		<u>5,538</u>	<u>5,060</u>

25.1 The Company has entered into a royalty agreement with Berger Paints Pakistan Limited, an associated undertaking, at the rate of 1 percent of net sales for the use of the Company's brand name.

25.2 The Company has rented out portions of the land and building to Berger Paints Pakistan Limited.

2019                      2018  
(Rupees in '000)

## 26. FINANCE COST

Bank charges	617	573
Mark-up on Short term running finance	5,267	3,705
	<u>5,884</u>	<u>4,278</u>

2019      2018  
(Rupees in '000)

## 27 TAXATION

For the year		3,208		3,929
Deferred	9	-		-
		3,208		3,929

### 27.1 Current status of tax assessments

The income tax assessments of the Company have been finalised upto and including the tax year 2018 (Income year ended 30 June 2018). The returns for income tax have been filed, according to section 120 of the Income Tax Ordinance 2001 which provides that return filed is deemed to be an assessment order. However, these returns (i.e. return for tax years 2014 to 2018) may be selected for detail audit within five years from the year end of the tax year in which the return has been filed and the Commissioner of Income Tax may amend the assessment in case of objection raised in audit.

### 27.2 Reconciliation of accounting profit and tax expense

Numerical reconciliation of accounting profit and tax expense has not been presented in these financial statements as the Company is chargeable to minimum tax under Section 113 of the Income Tax Ordinance, 2001

## 28. EARNINGS PER SHARE

Basic earnings per share has been computed by dividing net profit for the year after taxation by the weighted average number of shares outstanding during the year. There is no dilutive effect on the basic earnings per share.

		2019		2018
		(Rupees in '000)		
Loss for the year after tax		(15,695)		(5,395)
		(Shares in '000)		
Weighted average number of shares outstanding during the year		1,440		1,440
		(Rupees)		
Loss per share		(10.90)		(3.75)

## 29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2019			2018		
	Chief Executive *	Executives	Directors	Chief Executive	Executives	Directors
	(Rupees in '000)					
Directors' fee	-	-	413	-	-	480
Managerial remuneration	1,389	2,121	-	584	2,387	-
House rent allowance	625	505	-	262	1,074	-
Utilities	139	654	-	58	251	-
Conveyance	139	242	-	58	1,098	-
Medical allowance	19	425	-	58	-	-
	<u>2,311</u>	<u>3,947</u>	<u>413</u>	<u>1,020</u>	<u>4,810</u>	<u>480</u>
Number of persons	<u>2</u>	<u>2</u>	<u>7</u>	<u>1</u>	<u>2</u>	<u>7</u>

\* Two persons were served as chief executive one after the other.

2019                      2018  
(In litres)

## 30. PLANT CAPACITY & PRODUCTION

Produced for the Company by a related party under toll manufacturing agreement

1,247,522      1,678,591

## 31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Related parties comprises of associated undertakings, directors of the Company, major share holders and their close family members and key management personnel and employment retirement benefits plans. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions at agreed rates. Further, contribution to defined contribution plan (provident fund) are made as per the terms of employment. Remuneration of key management personnel is in accordance with their terms of engagements. Balances due to/due from related parties are describe in note 8 & 19. Details of transactions with related parties are as follows:

# Buxly Paints Limited

	2019	2018
	(Rupees in '000)	
<b><u>Associated undertakings</u></b>		
Purchase during the year	<u>184,360</u>	<u>239,189</u>
Sale during the year	<u>386</u>	<u>-</u>
Rental expense and service charges	<u>1,200</u>	<u>1,200</u>
Toll manufacturing expenses incurred	<u>19,752</u>	<u>28,679</u>
Royalty income	<u>1,415</u>	<u>1,971</u>
Rental income	<u>3,600</u>	<u>2,700</u>
License fee	<u>12</u>	<u>12</u>
<b><u>Buxly Paints Limited Provident Fund</u></b>		
Company's contribution	<u>570</u>	<u>461</u>
(Receivable from)/Payable to Provident Fund	<u>(261)</u>	<u>-</u>

Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.

S. No	Company Name	Basis of Relationship	Aggregate % of
1	Berger Paints Pakistan Limited	Share Holding	19%

## 32. FINANCIAL INSTRUMENTS

The objective of the Company's overall financial risk management is to minimize earnings volatility and provide maximum return to shareholders. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

### Risk Management Framework

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

## 32.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by the changes in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance for developments affecting a particular industry.

### Exposure to credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted and arise principally from loans and advances, advances and deposits, trade debts and security deposits.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 60 days to customers to reduce the credit risk.

The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

		2019	2018
		(Rupees in '000)	
	<b>Classification</b>		
Loans and advances	At amortised cost	2,615	3,162
Long term deposits	At amortised cost	91	91
Trade debts	At amortised cost	64,284	80,757
Mark up receivable	At amortised cost	188	170
Other receivables	At amortised cost	261	-
Advances and deposits	At amortised cost	14,985	15,511
Term deposit receipts	At amortised cost	7,217	7,217
Bank balances	At amortised cost	18,230	1,107
		<u>107,871</u>	<u>108,015</u>

## Credit Quality

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of trade debts which are neither past due nor impaired are given as below:

	2019		2018	
	Gross (Rupees in '000)	Impairment (Rupees in '000)	Gross (Rupees in '000)	Impairment (Rupees in '000)
Past due 0 - 30 days	30,051	133	39,972	-
Past due 31 - 60 days	9,981	71	21,202	-
Past due 61 - 180 days	17,388	455	16,640	-
More than 180 days	19,717	12,194	15,929	12,986
	<b>77,137</b>	<b>12,853</b>	<b>93,743</b>	<b>12,986</b>

The movement in provision for impairment of trade debts is given in note no. 11.1.

The credit quality of the Company's major banks is assessed with reference to external credit ratings which are as follows:

Bank	Rating Agency	Rating	
		Short term	Long term
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
JS Bank Limited	PACRA	A-1+	AA-
MCB Islamic Bank Limited	PACRA	A-1+	AAA
Bank AL Habib Limited	PACRA	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+

## Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

## 32.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

### Exposure to liquidity risk

The Company is exposed to liquidity risk in respect of its financial liabilities. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	<b>2019</b>				
	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Three months or less</b>	<b>Three months to one year</b>	<b>More than one year</b>
------(Rupees in '000)-----					
<b>Financial Liabilities at amortised cost</b>					
Short term borrowing - secured	62,303	(62,303)	(62,303)	-	-
Markup Accrued	1,407	(1,407)	(1,407)	-	-
Trade and other payables	126,213	(126,213)	(126,213)	-	-
	<b>189,923</b>	<b>(189,923)</b>	<b>(189,923)</b>	-	-

	<b>2018</b>				
	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Three months or less</b>	<b>Three months to one year</b>	<b>More than one year</b>
------(Rupees in '000)-----					
<b>Financial Liabilities at amortised cost</b>					
Short term borrowing - secured	43,193	(43,193)	(43,193)	-	-
Markup Accrued	987	(987)	(987)	-	-
Trade and other payables	126,011	(126,011)	(126,011)	-	-
	<b>170,191</b>	<b>(170,191)</b>	<b>(170,191)</b>	-	-

The Company'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, without incurring unacceptable losses or risking damage to the Company's reputation. The Company meets these requirements by financial assistance available from the associated company as and when the need arises.

The contractual cash flows relating to the above financial liabilities have been determined on the basis of applicable mark-up rates as at 30 June 2019, if any.

## 32.3 Market risk

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

### 32.3.1 Currency risk

As company do not have foreign currency debtors or foreign currency bank accounts, imports or exports therefore there is no exposure of the Company to foreign currency risk.

### 32.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate		Carrying amount	
	2019 (in percentage)	2018	2019 (Rupees in '000)	2018
<b>Financial assets - Fixed rate instruments</b>				
Term deposit receipts	5 to 8.35	5 to 6	7,217	7,217

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

#### Cash flow sensitivity analysis for variable rate instruments

The Company does not account for any variable rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

### 32.3.3 Other price risk

Other price risk is 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). The company is not exposed to any price risk.

## 32.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions; compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Senior management ensures that the Company's staff have adequate training and experience and fosters effective communication related to operational risk management.

## 32.5 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The table below analyzes financial instruments carried at fair values, the different levels have been defined as follows:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 33. CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for share holders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

## 34. NUMBER OF EMPLOYEES

The total number of employees as at year end are 17 which are all permanent employees (30 June 2018: 27) and average number of employees were 22 (30 June 2018: 26).

## 35. PROVIDENT FUND DISCLOSURE

The following information is based on the unaudited financial statements of the fund:

	2019	2018		
	-----Rupees-----			
	<b>Un-Audited</b>	<b>Audited</b>		
Size of the fund - total assets	<u>4,732,600</u>	<u>4,985,818</u>		
Percentage of investments made	<u>33%</u>	<u>31%</u>		
Fair Value of investments	<u>4,356,975</u>	<u>3,787,947</u>		
Cost of Investments made (Un-Audited)	<u>1,548,150</u>	<u>1,548,150</u>		
The break-up of cost of investments is:				
	2019		2018	
	% of fund	Rupees	% of fund	Rupees
Defence Saving Certificates	21%	1,000,000	20%	1,000,000
Mutual Fund	12%	548,150	11%	548,150
	<u>33%</u>	<u>1,548,150</u>	<u>31%</u>	<u>1,548,150</u>

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## **36. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE**

There is no event causing adjustment or disclosure in financial statements.

## **37. DATE OF AUTHORISATION**

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on October 04, 2019

# Buxly Paints Limited

## Pattern of Shareholding As at 30 June 2019

NUMBER OF SHAREHOLDERS	SHARE HOLDINGS		NO OF SHARES HELD	PERCENTAGE
328	1 -	100	16,872	1.172
171	101 -	500	45,477	3.158
32	501 -	1,000	29,605	2.056
21	1,001 -	5,000	62,519	4.342
3	5,001 -	10,000	26,200	1.819
2	10,001 -	15,000	25,500	1.771
4	15,001 -	20,000	73,019	5.071
1	30,001 -	35,000	31,500	2.188
1	35,001 -	40,000	36,500	2.535
1	55,001 -	60,000	60,000	4.167
1	90,001 -	95,000	93,218	6.473
1	120,001 -	125,000	124,000	8.611
1	270,001 -	275,000	273,600	19.000
1	540,001 -	545,000	541,990	37.638
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568			1,440,000	100.00

	CATEGORIES OF SHAREHOLDERS	NO OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	DIRECTORS, CEO AND CHILDREN	1	500	0.03
2	Associated Companies	2	815,590	56.64
3	NIT and ICP	1	100	0.01
4	Banks, DFI and NBFI	1	98	0.01
5	Modarbas and Mutual Funds	4	161,718	11.23
6	General Public (Local)	545	413,991	28.75
7	General Public (Foreign)	5	18,801	1.31
8	Others	9	29,202	2.03
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		568	1,440,000	100.00

SHAREHOLDERS HOLDING 10% OF MORE VOTING INTEREST		SHARES HELD	PERCENTAGE %
1	Berger Paints Pakistan Limited	273,600	19.00
2	Slotrapid Limited	541,990	37.64

#### DIRECTORS AND THEIR SPOUSES

1	Mr. Bashir Ahmed	500	0.03
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