

Messrs Rahman Sarfaraz Rahim Iqbal Rafiq,
Chartered Accountants,
54 – P, Gulberg II,
Lahore – 54660.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE
GOVERNANCE FOR THE YEAR ENDED ON JUNE 30, 2020

Dear Sirs,

This letter is provided in connection with review report on statement of compliance with best practices of Code of Corporate Governance (CCG) for the year ended June 30, 2020 to the auditors of the Company.

We acknowledge Board's responsibility for compliance with the requirements of Code of Corporate Governance and confirm that the statement of compliance to the best practices for the year ended June 30, 2020 has been drawn up in conformity with the prescribed listing regulations and after enquires with other directors and officials of the company following representations are made to you during the course of captioned review:

The Company ensures representation of independent/non-executive directors and directors representing minority interests on its board of directors in accordance with the provision of Code of Corporate Governance Regulations, 2019. At present the board includes:

Category	Names
Independent Directors	Mr. Muhammad Hanif Idrees Mr. S.T. Kureshi Ms. Rubina Rizvi (Female Director)
Executive Directors	-
Non-Executive Directors	Mr. Bashir Ahmed Mr. Fakhru Arfin Mr. Sheikh Asim Rafiq (NIT Nominee) Mr. Shamshad Ali (Chairman)

1. All minutes of the meetings of shareholders, directors and committee of directors, are duly maintained as required under the laws and regulations.
2. The Independent directors meet the criteria of independence under section 166 of the Companies Act, 2017 and they have confirmed by declaration in this regards and submitted to Chairman in first BOD and that
 - a) They are aware of the duties and powers under the relevant laws and Company's governing documents and listing regulations.
 - b) They are not serving as directors of more than five other listed companies, including this company.
 - c) They have national tax registration numbers.
 - d) They have not been convicted by Court of competent jurisdiction as a defaulter for repayment of any loan to a bank, DFI, NBFIs or being a member of stock exchange has not been declared as defaulter.
 - e) Neither they nor their spouses are engaged in business of stock brokerage.

3. The Board was reconstituted on 28 October 2019, for a term of three (3) years. The company has prepared "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.
4. Board has duly adopted the Company vision/mission statement, overall corporate strategy. A complete record of particulars of significant policies alongwith the dates will be updated and their record will be maintained. Board has developed evaluation criteria for carrying out performance evaluation of its members and chairman. No evaluation has been carried out in the year 2019-20.
5. All board meetings were duly convened and were presided by the Chairman and the notices alongwith agenda were circulated not less than seven days before the meeting and the minutes of the said meetings were appropriately recorded and duly circulated.
6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
7. Directors of the company are fully aware of their duties and responsibilities under the relevant laws and regulations, including Code of Corporate Governance. Two directors have completed training program approved by SECP. Two directors have minimum 14 years of education and 15 years' experience on the board of listed company hence is exempt from directors training program (DTP). DTP was not arranged during the year however the company is planning to arrange training program for other directors as provided by code. Company is taking steps to complete 75% of the directors training program by 30 June 2021.
8. The appointment, remuneration and terms of employment of CEO, directors, Head of Internal Audit and other executives were duly approved/ratified by the Board of Directors and have been correctly disclosed in financial statements. The Board has approved appointment of Chief Financial Officer, 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 intends to segregate the positions as soon as possible.
9. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
10. It is confirmed that no buying and selling of shares was made during the year by the directors except as disclosed in Pattern of shareholding.
11. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
12. The Board of Directors has formed a Human Resource and Remuneration (HR & R) Committee and comprise of three members. Constitution of the committee is given below:

Sr.	Name of Director	Status of Director	Designation in the committee
1	Bashir Ahmed	Non-executive	Chairman
2	Shamshad Ali	Executive	Member
3	Ms. Rubina Rizvi	Independent	Member

The Board intends to appoint Independent Director as Chairman in the next board of directors meeting.

13. The Board of directors constituted three members of audit committee which met at least once in every quarter and held 4 meetings. Constitution of committee is as follows:

Sr.	Name of Director	Status of Director	Designation in the committee
1	Muhammad Hanif Idrees	Independent	Chairman
2	S.T.Kureshi	Independent	Member
3	Fakhrul Arfin	Non-executive	Member

14. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
15. CFO and CEO duly endorsed the financial statements before approval of the board.
16. 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.
17. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
18. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
19. In the Company, we confirm that all other material principles enshrined in the CCG have been complied with except as stated in paragraph 10 and 12 of the Statement of Compliance and as explained in paragraph 19 and towards which reasonable progress is being made by the company to seek compliance as soon as possible.

Yours faithfully,

For BUXLY PAINTS LIMITED


Chief Executive Officer


Company Secretary



Statement of Compliance with Listed Companies (Code of Corporate Governance)

Regulations, 2019

BUXLY PAINTS LIMITED

June 30, 2020

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: 6
 - b. Female: 1
2. The composition of the Board is as follows:

- | | |
|----------------------------|---|
| i) Independent Directors | Mr. Muhammad Hanif Idrees
Mr. S.T. Kureshi
Ms. Rubina Rizvi. |
| ii) Non-Executive Director | Mr. Bashir Ahmed
Mr. Fakhrul Arfin
Mr. Sheikh Asim Rafiq
Mr. Shamshad Ali (Chairman) |
| iii) Executive Directors | - |
| iv) Female Directors | Ms. Rubina Rizvi
The Chief Executive is not the director of the company. |

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board.

BUXLY PAINTS LIMITED

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of seven, two directors have completed directors training program (DTP) approved by SECP, two directors viz. Mr. Bashir Ahmad and Mr. S.T. Kureshi 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 DTP for remaining directors.
10. The Board has approved appointment of Chief Financial Officer, 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 intends to segregate the positions as soon as possible.
11. Chief Financial Officer and Chief Executive Officer 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. S.T. Kureshi- Member
Mr. Fakhru Arfin – Member |
| b) | HR and Remuneration Committee | Mr. Bashir Ahmed – Chairman (Non-Executive Director)
Ms. Rubina Rizvi – Member
Mr. Shamshad Ali – Member |

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 were 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 and the person in-charge is 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer,

Chief Financial Officer, Head of Internal Audit, Company Secretary or director of the company.

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 requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable)

Regulation – 24 (Paragraph 10 of the Statement) Presently position of CFO and Company Secretary is held by one person. Board intends to segregate the positions as soon as possible.

Regulation – 28 (Paragraph 12 of the Statement) Presently Chairman of HR and Remuneration Committee is Non-Executive Director. Board intends to appoint Independent director as chairman as soon as possible.



Signature
Shamshad Ali
Chairman

Dated: 26-09-2020



Signature
Adnan Iqbal
Chief Executive Officer

Buxly Paints Limited complies with all the requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 with respect to the composition, procedures and meetings of the Board of Directors and its committees. 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.

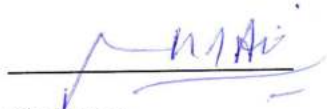
For the Purpose of Board evaluation, a comprehensive criteria has been developed. The Board has recently completed its annual self-evaluation for the year ended June 30, 2020 and I report that: The overall performance of the Board measured on the basis of approved criteria for the year was satisfactory. The overall assessment as Satisfactory is based on an evaluation of the following integral components, which have a direct bearing on Board's role in achievement of Company's objectives:

- 1. Diversity and Mix:** The Board members effectively bring the diversity to the Board and constitute a mix of independent and non-executive directors. The non-executive and independent directors were equally involved in all key matters and decisions of the Board.
- 2. Engagement in strategic planning:** Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, Society at large) whom the Company serves. The Board has a strategic vision of how the organization should be evolving over the next three to five years. Further, the Board has spent sufficient time on Strategy formulation and it has set annual goals and targets for the management in all major performance areas.
- 3. Diligence:** The Board members diligently performed their duties and thoroughly reviewed, discussed and approved Business Strategies, Corporate Objectives, plans, budgets, financial statements and other reports. It received clear and succinct agendas and supporting written material in sufficient time prior to board and committee meetings. The board met frequently enough to adequately discharge its responsibilities.
- 4. Monitoring of organization's business activities:** The Board remained updated with respect to achievement of Company's objectives, goals, strategies and financial performance through regular presentations by the management, internal and external auditors and other independent consultants. The Board provided appropriate direction and oversight on a timely basis.

5. Human Resource Management:

The Board, being cognizant of importance of human development, formed a human resource committee to look after human resource policies and training and development needs of employees, based on its vast experience in that field

6. Governance and Control Environment: The Board has effectively set the tone-at-the-top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of corporate governance and by promoting ethical and fair behavior across the company.



Chairman

Dated: September 26, 2020

BUXIY PAINTS LTD.

DIRECTORS' REPORT

The Directors of your company submit the Annual Report of the Company along with the Audited Accounts and the Auditors' Report thereon for the year ended 30 June 2020. Financial Results are as follows:

Financial Results:	2020 (Rs.000's)
Profit before taxation	4,180
Taxation	(4,128)
Profit after taxation	52
Earning per share	Rs. 0.04

MACROECONOMIC REVIEW

The emergence of COVID-19 has caused major disruptions to economic activity around the world including Pakistan. The Country's economy faced most challenging situation due to this pandemic. Monetary and fiscal policy interventions, such as interest rate reduction, payroll financing, announcement of stimulus packages, have been made to ensure liquidity to cushion growth and employment. On the fiscal front, weak collection and higher expenditures in 4QFY 20 mainly due to COVID-19 related development resulted in a fiscal deficit of 9.5% of GDP.

BUSINESS PERFORMANCE REVIEW

Despite intense competition, your company has achieved sales value of Rs. 275.216 million as against Rs. 256.670 million of last year which is 7.22% more than the last year. Gross profit achieved in 2020 amounts to Rs. 53.009 million as compared to Rs. 30.960 million for the year 2019. Gross profit increased to 19.29% from previous year to 12.06%. Increase in input costs adversely affected the performance of your company. Due to stringent cost control measures, selling, marketing and Administrative expenses restricted to Rs. 45.804 compared with 43.102 million of the last year resultantly the company reported after tax profit 0.052 million against after tax loss of Rs. 15.695 million.

FUTURE OUTLOOK

Although uncertainty is prevailing because of COVID-19, your company is fully geared up to have optimum sales growth in the coming year by exploring new ways of reaching its customers. However, expected inflationary pressure can adversely affect the profitability. Your Company is improving its gross

BUXIY PAINTS LTD.

margins by increasing selling prices and rationalizing the burden of increased raw material and manufacturing cost. We are hopeful for the positive outcome in year 2021.

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 meetings of the Board of Directors were held and attendance was as follows:

Name of Directors	Attendance
Mr. Bashir Ahmed	4
Mr. Shamshad Ali	4
Mr. Adnan Iqbal (CEO) from January 01, 2020	1
Ms. Rubina Rizvi from October 28, 2019	3
Mr. Fakhru Arfin	4
Mr. Muhammad Hanif Idrees	4
Mr. S.T.Kureshi	3
Mr. Sheikh Asim Rafiq (NIT Nominee)	4

Mr. Shamshad Ali has resigned from the position of Chief Executive Officer from January 01, 2020 and Mr. Adnan Iqbal has been appointed as Chief Executive Officer from January 01, 2020.

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.

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BUXIY PAINTS LTD.

EARNING PER SHARE

Earning/(Loss) Per share is Rs. 0.04 [2019: Rs. (10.90)]

AUDITORS

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

REASONS FOR NON DECLARATION OF DIVIDEND

Due to accumulated losses, the Directors of the Company did not recommend any dividend for the year ended June 30, 2020.

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, 2020 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.

BUXLY PAINTS LTD.

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, 2020 is Rs.5.140 million (2019: Rs.4.73 million) for the year ended June 30, 2020


Chief Executive Officer


Director

Karachi: September 26, 2020



Messrs Rahman Sarfaraz Rahim Iqbal Rafiq,
Chartered Accountants,
54 – P, Gulberg II,
Lahore – 54660.

AUDIT OF ACCOUNTS FOR THE YEAR ENDED ON 30 JUNE 2020

Dear Sirs,

This letter is provided in connection with your audit of the financial statements of **BUXLY PAINTS LIMITED** as on 30 June 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position and results.

We acknowledge management's responsibility for fair presentation in the financial statements of the financial position, results of operation, cash flows and changes in equity which are in conformity with prescribed accounting practices and legal requirements and confirm, to the best of our knowledge and belief and after making necessary inquiries from other directors and officials of the company, the following representations on material matter were made to you during the course of captioned audit.

1. All minutes of the meetings of members, directors, committees of directors and all financial and accounting records and related data have been properly maintained. We are not aware of any accounts, transactions or material agreements not properly approved, fairly described or recorded in the financial and accounting records, underlying the financial statements.
2. All transactions of sales, purchases, income, expenses, receipts and payments are incorporated in accordance with the policy followed in the past. None of the assets has been alienated except as disclosed in final accounts, stocks and stores are not valued at higher than their realisable value; the debts and advances etc. are fully recoverable excepting those which have been provided for and all liabilities including contingent liabilities are fully disclosed in the accounts.
3. Management fully understands that it is responsible for implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error. According to the assessment of management the risk that the financial statements may be materially misstated due to any uncorrected inaccuracies/misstatements or as a result of undetected fraud/error is negligible.
4. We are not aware of:
 - a) Any irregularities involving management or employees who have significant roles in the system of internal accounting control or any irregularities involving other employees which could have material effect on the financial statements or of any account, transaction or material agreements not fairly described and properly recorded in the financial and accounting records underlying the financial statements.
 - b) Any violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices that could have a material effect on the financial statements. The company has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
 - c) Any fraud, error or misstatements contained in financial statements including any suspected fraud or misstatements known to the management that have not been properly disclosed in the financial statements.
 - d) Any significant doubts about the company's ability to continue as a going concern.

5. 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

6. The company has obtained office premises on operating lease with annual rentals of Rs. 420,000 and uses a car for which annual rental of Rs. 546,093 are paid. The arrangement is for one year and at each year end it is re-evaluated and if need be, the arrangement is extended for one more year. The management considers these leases as low value leases and much below materiality level having minimal effect, hence management has elected to use the recognition exemption for these contracts. Accordingly, initial application of IFRS 16 did not have any impact on the opening assets, liabilities and retained earnings as of July 1, 2019 and on these financial statements in respect of lease contracts/ arrangements.

7. Property & Equipment including operating assets (land, building, vehicles, computers, equipment, furniture etc.), items of capital work in progress and unallocated capital expenditure (if any) amounting to Rs. 131.554 million as disclosed in the statement of financial position were correctly incorporated and valued in accordance with accounting policies consistently applied except land which is carried at fair value in this period and included no expenditure that could be properly charged to revenue. There were no additions and deletion to fixed assets during the year. Management carries out impairment assessment each year and did not find any indication of impairment in respect of any asset, therefore, no impairment on any asset needs to be recorded as recoverable amount exceeds the carrying values of assets.

8. We confirm that we have reviewed all financial assets and liabilities outstanding as on 30 June 2020 and have correctly classified them as either:

- Financial assets at fair value through profit or loss;
- Fair value through other comprehensive income;
- Amortized cost; and
- Financial liabilities in accordance with the requirements of IFRS 9 'Financial Instruments'.

9. The investment property comprises of land and building as disclosed in the statement of financial position were correctly incorporated and valued in accordance with accounting policies consistently applied and included no expenditure that could be properly charged to revenue. 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 to which directors concur and consider appropriate for this year.

- 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.

10. Long term loans and advances given amounting to Rs. 2.697 million including current maturity as disclosed in statement of financial position have been correctly reported and valued in accordance with accounting policies consistently applied. These loans have not been discounted to their present values as the financial impact is not material. Loans to employees do not include any loan due to executives.
11. All the long term investments and long term deposits as disclosed in the statement of financial position have been correctly reported and valued in accordance with the accounting policies consistently applied and after complying with all requirements under the law.
12. The Company under operating lease arrangements has leased out portion of its land to an associated company as disclosed in notes to the financial statements. With the approval of the board 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.
13. Deferred tax asset (net) amounting to Rs. 5.576 million has not been recognised in the financial statements as it is not probable that enough future taxable profits will be available in the future against which such deductible temporary differences will be utilised. Currently company is being subjected to minimum tax on the basis of turnover and this situation is likely to continue for foreseeable time.
14. Stock in trade valued at Rs. 72.243 million comprising the whole of the company's stocks wherever situated, stock held on behalf of other parties has been excluded. All executed sales have been invoiced to the customers and stocks relating to invoiced sales have been excluded. The stock has been valued in accordance with the accounting policies consistently applied except where change has been disclosed in the financial statement. Due provision amounting Rs. 4.757 million was made to reduce all slow moving, obsolete or unusable inventories to their estimated useful or scrap values.

Rates of conversion cost used in stock valuation has been correctly calculated and applied, and we have ensured that these rates are executed at arm's length transactions as mentioned in financial reporting standards followed.

15. Trade debts of Rs. 79.244 million, mark up receivable of Rs.11,047/-, advances & deposits of Rs. 10.218 million, prepayments and other receivables of Rs.0.613 million and taxation-net of Rs. 8.191 million as at 30 June 2020 represent bona fide claims and are not subject to discount except for normal cash discount (if any) and do not include any un-collectable amount. They do not include any amount which is collectable after a period of more than one year. Short term deposits of Rs.150,000/- carrying mark-up rates ranging 6% to 12% per annum. The term deposits are under lien against letter of guarantees issued by banks. All these deposits are maturing within next financial year therefore classified as current assets.

The amount of trade debts from the government amounting to Rs. 14,162,853 is undisputed and the same are always received with considerable delay historically, hence don't require provision for credit loss.

Following is the breakup of trade debtors;

Trade debts	92,424, 879
Remeasurement of Expected Credit Loss	<u>(13,181,252)</u>
	79,243,627

Provision against bad debts and expired letter of guarantee, earnest money and security deposits amounting to Rs. 13.181 million and 2.232 million respectively has been appropriately calculated as per provisions of IFRS-9 Financial Instruments and policy followed by the company and after considering reliability.

The aging of trade receivable at the reporting date is:

	2020		2019	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Past due 0 - 30 days	35,272	133	30,051	133
Past due 31 - 60 days	9,840	78	9,981	71
Past due 61 - 180 days	27,239	622	17,388	455
More than 180 days	20,073	12,348	19,717	12,194
	92,424	13,181	77,137	12,853

16. The company is maintaining only those bank accounts including those pertaining to long term loans, short term borrowings and other facilities which have been duly disclosed in the financial statements under various heads. The aggregate bank balance disclosed under the head cash & bank balances is Rs10.859 million. Cash in hand of Rs60,957/- was physically counted by management. All balances with banks are in agreement with bank statements/confirmations, where there are differences, bank reconciliation statements have duly been prepared and resulting entries (if any) have been duly incorporated in accounts. None of the banks disclosed are subject to any restriction or lien.
17. All current assets as disclosed by the statement of financial position are expected to produce the realisation, in the ordinary course of business, equal to at least the amounts at which they are stated.
18. Surplus on revaluation of fixed assets amounting to Rs. 130.352 million has been fully and properly disclosed in accordance with requirements of laws applicable. 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. The amount has been incorporated in the books of accounts with approval of board of directors on the basis of valuation report of independent valuers. Previously such revaluation was carried out in July 2013 by independent valuer M/s Iqbal A. Nanjee & Co. (Private) Limited.
19. Company has correctly disclosed in the Financial Statements long term facility. The term finance facility under the refinance scheme for payment of wages and salaries to the workers and employees of business concerns of State Bank of Pakistan has been obtained for an amount up to Rs. 6 Million for a term of 2.5 years with grace period of 6 months. This facility is sanctioned to finance wages and salaries of permanent, contractual, outsourced, daily wagers. 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. This facility is being repaid in 8 equal quarterly instalments ending on October 2022. It carries mark-up @ SBP rate + 3% p.a. The aforementioned facility has been obtained from JS Bank Limited and no markup is due yet.
20. Company has correctly disclosed in the Financial Statements 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 month KIBOR + 2%. Total limit available to the Company is amounting to Rs. 50 million. There are no other borrowing facilities whether long term or shorter which required to be disclosed.
21. All liabilities of the company of which we are aware are included in the financial statements as at 30th June, 2020 and are correctly disclosed. Creditors and other liabilities do not include any security or deposit received being utilised by the company except in accordance with the contract in writing. There are no other material liabilities including from banks /financial institutions, gains or losses, which have not been duly disclosed and there are no un-asserted claims or assessments, which have not been disclosed.
22. The company operates a provident fund scheme for its employees. Equal monthly contributions are made, both by the company and employees to the fund at the rate of 8.33% of basic salary.

The following information has been correctly disclosed in financial statements.

	2020	2019
	Un- Audited	Un- Audited
Size of the fund - total assets	5,140,598	4,732,600
Percentage of investments made	30%	33%
Fair Value of investments	4,735,653	4,356,975
Cost of Investments made (Un-Audited)	1,548,150	1,548,150

The break-up of cost of investments is:

	2020		2019	
	% of fund	Rupees	% of fund	Rupees
Defence Saving Certificates	19%	1,000,000	21%	1,000,000
Mutual Fund	11%	548,150	11%	548,150
	30%	1,548,150	31%	1,548,150

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.

23. Provision for tax has been correctly computed by professional accountant employed in the company in accordance with applicable laws and has been appropriately disclosed.
24. All contingencies and commitments listed below have been appropriately disclosed in the accounts:
- a. The guarantees amounted to Rs. 4.863 million (2019:14.940 million) given against supplies to Government departments against their orders, gas supply and in favour of Collector of Central Excise Department and Customs.
 - b. Guarantees are given against supplies to Government departments against their orders, gas supply and in favour of Collector of Central Excise Department & Customs.
 - c. 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 5,741,025/- for Tax Year 2014. Against such demand, the Company had filed the appeal before the Commissioner-IR (Appeals) who has passed 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.

- d. 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.

- e. 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:

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.

25. A listed company is required to deduct zakat from dividend paid during the year as per rate given under Zakat and Ushr Ordinance 1980 (XVIII of 1980). No zakat is deductible as no dividend has been paid by the company during the year.
26. Remuneration of chief executive, directors and executives of the company aggregating to Rs.8.195 million has been correctly disclosed in the accounts along with other benefits provided by the company. No perquisites and benefits in cash or in kind were provided to Directors, other than those disclosed in financial statements.
27. The production during the year ended 30 June 2020 is 1,123,069 /- litres under the toll manufacturing agreement with Berger Paints Limited.
28. The financial statements and appended notes include all disclosures necessary for a fair presentation of the financial position and results of operations of the company in accordance with prescribed accounting practices, and disclosures requirements as prescribed by IFRS/IAS, law and regulations to which the Company is subject.
29. The following (if required) have been properly recorded or disclosed in the financial statements:
- a) Related party transactions and related amounts receivable or payable, including sales, loans, transfers, leasing agreements and guarantees are as follows:

	2020	2019
	(Rupees in '000)	
<u>Associated undertakings</u>		
Purchase during the year	<u>193,435</u>	<u>184,360</u>
Sale during the year	<u>69</u>	<u>386</u>
Rental expense and service charges	<u>1,200</u>	<u>1,200</u>
Toll manufacturing expenses incurred	<u>19,950</u>	<u>19,752</u>
Royalty income	<u>27</u>	<u>1,415</u>
Rental income	<u>3,600</u>	<u>3,600</u>
License fee	<u>12</u>	<u>12</u>
<u>Buxly Paints Limited Provident Fund</u>		
Company's contribution	<u>451</u>	<u>570</u>
(Receivable from)/Payable to Provident Fund	<u>(407)</u>	<u>(261)</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%

There were no other related party transactions.

We have ensured that all the transactions carried out with related parties have been executed at arm's length.

- b) Arrangements with financial institutions involving compensation balances or other arrangements involving restrictions on cash balances, financing limits and line of credit or similar arrangements.
 - c) Arrangements (if any) to purchase assets previously sold except as disclosed in accounts.
 - d) Share capital repurchase options or agreements or share capital reserved for options, warrants, conversions, or other requirements.
 - e) Any other arrangements not in the ordinary course of business.
 - f) The Company has placed before the Audit Committee and upon recommendation of the Audit Committee place before the Board of Directors for their review and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternative pricing mechanism.
30. There are not any events after the statement of financial position date causing any adjustment to / disclosure in financial statements.
 31. No penalty in terms of money or otherwise other than those recorded and disclosed in financial statements, was imposed on the company under any law by any authority.

32. The aggregate amount charged in these financial statements for remuneration, including certain benefits to the chief executive, the director and executives of the Company, are as follows:

	2020			2019		
	Chief Executive *	Executives	Directors	Chief Executive	Executives	Directors
	(Rupees in '000)					
Directors' fee	-	-	400	-	-	413
Managerial remuneration	1,212	3,237	-	1,389	2,121	-
House rent allowance	464	1,193	-	625	505	-
Utilities	168	704	-	139	654	-
Conveyance	168	596	-	139	242	-
Medical allowance	54	-	-	19	425	-
	<u>2,066</u>	<u>5,730</u>	<u>400</u>	<u>2,311</u>	<u>3,947</u>	<u>413</u>
Number of persons	<u>2</u>	<u>3</u>	<u>7</u>	<u>2</u>	<u>2</u>	<u>7</u>

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

33. The number of employees of the company for the year ended 30 June 2020;
 Number of employees as at 30 June 2020 16
 Average number of employees during the year 17
34. As at the reporting date, recoverable amounts of all assets / cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.
35. A novel strain of corona virus (COVID-19) that was classified as a pandemic by the World Health Organization in March 2020, impacting countries globally. This pandemic has significantly affected all segments of economy. The fair value determination at the measurement date has become more challenging due to the uncertainty of the economic impact of COVID-19. The management while preparing financial statements is responsible to assess the possible impact of COVID -19 crisis on the company's liquidity, realisability of inventories /trade debts, continuity of operations and appropriate disclosures in this regard in the financial statements. The management therefore examined the following key areas to assess the COVID-19 impact in the Financial statements:
- Going concern assumption used for the preparation of the financial statements;
 - Expected credit losses (ECL) under IFRS 9;
 - The net realisable value (NRV) of inventory; and
 - The debt covenants of the loans obtained from the banks
- The Company expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and management have evaluated and concluded that there is no going concern uncertainty and there are no material implications of COVID-19 impacts that requires disclosures/ adjustments in these financial statements.
36. No other matters or occurrences have come to our attention upto the present time which would materially affect the financial statements and related disclosures for the year ended 30 June 2020, or although not affecting such financial statements/disclosures have caused or are likely to cause any material changes in the financial position, results of operations, cash flows and changes in equity that may materially affect the carrying value or classification of assets and liabilities.

Yours faithfully,
 For BUXLY PAINTS LIMITED


 Chief Executive


 Head of Finance Department

BUXLY PAINTS LIMITED.

Financial Statements For The
Year Ended 30 June 2020



**Review Report on the Statement of Compliance contained in Listed Companies
(Code of Corporate Governance) Regulations, 2019**

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Buxly Paints Limited

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Buxly Paints Limited for the year ended 30 June 2020 in accordance with the requirements of regulation 36 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 2020.



- 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

	<u>Reference</u>	<u>Description</u>
i.	Paragraph 10	Same Person – CFO / Company Secretary
ii.	Paragraph 12 (b) Also refer paragraph 19 for explanation.	Composition of HR and Remuneration Committee

 **Rahman Sarfaraz Rahim Iqbal Rafiq,**

Chartered Accountants

Engagement Partner: Rashid Rahman Mir

Place: Lahore

Date:

Statement of Compliance with Listed Companies (Code of Corporate Governance)

Regulations, 2019

BUXLY PAINTS LIMITED

June 30, 2020

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: 6
 - b. Female: 1
2. The composition of the Board is as follows:

i) Independent Directors	Mr. Muhammad Hanif Idrees Mr. S.T.Kureshi Ms. Rubina Rizvi.
ii) Non-Executive Director	Mr. Bashir Ahmed Mr. Fakhru Arfin Mr. Sheikh Asim Rafiq Mr. Shamshad Ali (Chairman)
iii) Executive Directors	-
iv) Female Directors	Ms. Rubina Rizvi

The Chief Executive is not the director of the company.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board.



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, 2020, 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, 2020 and of the profit and other comprehensive income, 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
(i)	COVID-19 - Impact	
	<p>A novel strain of corona virus (COVID-19) that was classified as a pandemic by the World Health Organization in March 2020, impacting countries globally. This pandemic has significantly affected all segments of economy. The fair value determination at the measurement date has become more challenging due to the uncertainty of the economic impact of COVID-19.</p> <p>Due to COVID-19 lockdowns and partial operations generally all business are adversely affected. The management while preparing financial statements is responsible to assess the possible impact of COVID -19 crisis on the company's liquidity, realisability of inventories /trade debts, continuity of operations and appropriate disclosures in this regard in the financial statements. Refer note 36 to the financial statements.</p> <p>The management therefore examined the following key areas to assess the COVID- 19 impact in the Financial statements:</p> <ul style="list-style-type: none"> • going concern assumption used for the preparation of the financial statements; • expected credit losses (ECL) under IFRS 9; • the net realisable value (NRV) of inventory; and • the debt covenants of the loans obtained from the banks <p>The assessment of COVID -19 impact involves significant management judgement in preparation of the financial statements, hence it has been considered as key audit matter.</p>	<p>In planning and performing audit, our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an overall understanding of the changes in financial reporting process and underlying controls in order to determine the appropriate audit strategy; • Evaluated management's going concern assessment by considering going concern factors at planning and finalization stage. whether going concern assumption is appropriate; • Assessed the reasonableness of forward-looking factors under the COVID-19 situation used by management in preparing ECL model; • Reviewed the computation of NRV of inventory and its reasonableness; • Reviewed the key debt covenants of the loan agreements and compliance with these covenants; and • Reviewed the adequacy of the disclosures made by the Company under the applicable financial reporting framework.

(ii)	Valuation of Trade Debts	
	<p>The Company has a significant balance of trade debts amounting to Rs 79.244 million. Provision against doubtful trade debts is based on loss allowance for Expected Credit Loss (ECLs) as disclosed in note 10 with related policies in 3.5 & 3.12.</p> <p>We identified recoverability of trade debts as a key audit matter as it involves significant judgment in determining the recoverable amount of trade debts.</p>	<p>Our audit procedures to assess the valuation of trade debts, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtain understanding of procedures and system of the company for recording and accounting such type of financial assets; • obtaining an understanding of the basis for the determination of provision required at the year end and the receivables collection process; and • checking the accuracy of the data on test basis extracted from the Company's accounting system which has been used to calculate the provision required including subsequent recoveries.
(iii)	Inventory existence and valuation	
	<p>As at the year end, the Company held inventories amounting to Rs. 72.243 million, after considering allowance for inventories obsolescence amounting to Rs. 4.757 million, as disclosed in note 9 with related policies in note 3.6 to the accompanying financial statements. The inventories obsolescence is calculated by taking into account the NRV of related inventories while mainly keeping in view the estimated selling price, forecasted inventories usage, forecasted sale volumes and product expiry dates.</p> <p>We have considered this area to be a key audit matter due to its materiality and significance in terms of judgments involved in estimating the NRV of underlying inventories.</p>	<ul style="list-style-type: none"> • 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 performing testing on a sample of items to assess the NRV of the inventories held and evaluating the adequacy of provision for slow moving and obsolete inventories as at the year end. • Further, our audit procedures included, amongst others, understanding and evaluating the appropriateness of the basis of identification of the obsolete inventories; evaluating the historical accuracy of allowance of inventories assessed by management by comparing the actual loss to historical allowance recognized, on a sample basis; testing the accuracy of the aging analysis of inventories, on a sample basis; testing cost of goods with underlying invoices and expenses incurred in accordance with inventory valuation method.

		<ul style="list-style-type: none"> We further tested the NRV of the inventories held by performing a review of sales close to and subsequent to the year- end and compared with the cost for a sample of products.
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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 not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

A blue ink handwritten signature or initials are present at the end of the text block.




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:

Buxly Paints Limited
Statement of Financial Position
As at June 30, 2020

	Note	2020	2019
ASSETS			
(Rupees in '000)			
Non current assets			
Property and equipment	4	131,554	131,637
Investment properties	5	4,201	4,390
Long term loans and advances	6	2,315	2,166
Long term receivable	7	4,500	2,700
Long term security deposits		141	91
Deferred taxation	8	-	-
		<u>142,711</u>	<u>140,984</u>
Current assets			
Stock-in-trade	9	72,243	63,546
Trade debts - unsecured	10	79,244	64,284
Advances and deposits	11	10,218	14,985
Prepayments and other receivables	12	613	4,415
Term deposit receipts / account	13	150	7,217
Mark up receivable		11	188
Current portion of long term loans and advances	6	382	449
Taxation - net		8,191	10,455
Cash and bank balances	14	10,859	18,284
		<u>181,911</u>	<u>183,823</u>
Total assets		<u>324,622</u>	<u>324,807</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
5,000,000 (2019: 5,000,000) Ordinary shares of Rs.10 each		<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid-up capital	15	14,400	14,400
Capital reserves			
Surplus on revaluation of property	16	130,352	130,352
Revenue reserves			
General Reserve		5,993	5,993
Accumulated (Loss)		(18,639)	(18,691)
		<u>132,106</u>	<u>132,054</u>
Non Current liabilities			
Long Term Finance	17	1,385	-
Current liabilities			
Markup Accrued		1,225	1,407
Current portion of long term Finance	17	462	-
Unpaid Dividend		217	217
Unclaimed Dividend		102	102
Short term borrowing - secured	18	45,882	62,303
Trade and other payables	19	143,243	128,724
		<u>191,131</u>	<u>192,753</u>
Contingencies and commitments	20	-	-
Total equity and liabilities		<u>324,622</u>	<u>324,807</u>

The annexed notes 1 to 38 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, 2020

	Note	2020	2019
(Rupees in '000)			
Sales	21	275,216	256,670
Cost of sales	22	<u>(222,117)</u>	<u>(225,710)</u>
Gross profit		53,099	30,960
Distribution and selling expenses	23	<u>(35,136)</u>	<u>(33,143)</u>
Administrative expenses	24	<u>(10,669)</u>	<u>(9,958)</u>
		<u>(45,805)</u>	<u>(43,101)</u>
		7,294	(12,141)
Other income	25	<u>4,258</u>	<u>5,538</u>
		11,552	(6,603)
Finance cost	26	(7,057)	(5,884)
Other charges		<u>(315)</u>	<u>-</u>
		(7,372)	(5,884)
Profit/(Loss) before tax		4,180	(12,487)
Taxation	27	(4,128)	(3,208)
Profit/(Loss) for the year		<u>52</u>	<u>(15,695)</u>
(Rupees)			
Earning/(Loss) per share - basic and diluted	28	<u>0.04</u>	<u>(10.90)</u>

The annexed notes 1 to 38 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, 2020

	<i>Note</i>	2020 (Rupees in '000)	2019 (Rupees in '000)
Profit/(Loss) after tax		52	(15,695)
Other comprehensive income / (loss):			
<i>Items not to be reclassified to statement of profit or loss:</i>			
Revaluation surplus recognised during the year		-	-
Adjustment of surplus pertaining to property transferred to investment property		-	-
	16	-	-
Total comprehensive income/(loss)		52	(15,695)

The annexed notes 1 to 38 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, 2020

	Capital Reserves		Revenue Reserves		Total
	Issued subscribed and paid-up capital	Surplus on revaluation of property	General reserve	Accumulated profit/(loss)	
Balance as at July 1, 2018	14,400	130,352	5,993	(2,996)	147,749
Total comprehensive (loss) for the year	-	-	-	(15,695)	(15,695)
Balance as at 30 June 2019	14,400	130,352	5,993	(18,691)	132,054
Total comprehensive income for the year	-	-	-	52	52
Balance as at 30 June 2020	14,400	130,352	5,993	(18,639)	132,106

----- (Rupees in '000) -----

The annexed notes 1 to 38 form an integral part of these financial statements.

M. M. M.

Chief Executive Officer

A. S. S.

Director

A. S. S.

Chief Financial Officer



Buxly Paints Limited
Statement of Cash Flows
For the year ended June 30, 2020

	Note	2020	2019
(Rupees in '000)			
Cash flows from operating activities			
Profit/(Loss) before tax		4,180	(12,487)
Adjustments for:			
Depreciation		272	302
Finance cost		7,057	5,884
Mark-up on term deposit receipts		(619)	(378)
Provision for doubtful debts		328	(133)
Rental Income		(1,800)	(1,800)
		9,418	(8,612)
(Increase) / decrease in current assets			
Stock-in-trade		(8,697)	(2,400)
Trade debts		(15,288)	16,606
Advances and deposits		4,767	526
Prepayments and other receivables		3,802	1,669
		(15,416)	16,401
(Decrease) / increase in current liabilities			
Trade and other payables		14,519	456
Net cash (used in) / generated from operating activities		8,521	8,245
Income tax paid		(1,864)	(5,521)
Finance cost paid		(7,239)	(5,464)
Net cash used in operations		(582)	(2,740)
Cash flows from investing activities			
Additions to property and equipment		-	(132)
Proceeds from term deposit receipts		7,067	-
Long term security deposits		(50)	-
Mark up received on term deposit receipts		796	360
Long term loans and advances - given		(82)	547
Net cash (used in) / generated from investing activities		7,731	775
Cash flows from financing activities			
Long term Finance		1,847	-
Short term borrowing - secured		(16,421)	19,110
Net cash generated from financing activities		(14,574)	19,110
Net increase in cash and cash equivalents during the year		(7,425)	17,145
Cash and cash equivalents at beginning of the year		18,284	1,139
Cash and cash equivalents at end of the year	14	10,859	18,284

The annexed notes 1 to 38 form an integral part of these financial statements.


 Chief Executive Officer


 Director


 Chief Financial Officer



Buxly Paints Limited
Notes to the Financial Statements
For the year ended June 30, 2020

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 arrangements, 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 4)
- Recognition of taxation and deferred taxation (notes 3.9, 8 and 27)
- Provisions and contingencies (note 3.11 & note 20)
- Classification of investment properties (notes 3.3 and 5)
- Provision against trade debts and other receivables (notes 3.5, 10.1 and 12)
- Impairment (note 3.18)
- Stock-in-trade (notes 3.6 and 9)

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

a) Standards and interpretations that have become effective but are not relevant to the 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 3 - Business Combinations - (Amendments resulting from Annual Improvements 2015–2017 Cycle)
- IFRS 11 - Joint Arrangements (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)
- IFRS 16 - Leases
- IFRS 16 - Leases - (Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification)
- IAS 12 - Income Taxes - (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)
- IAS 19 - Employee Benefits-(Plan amendment,curtailment or settlement)
- IAS 23 - Borrowing Costs-(Amendments resulting from annual improvements 2015-2017 cycle)
- IAS 28 - Investments in Associates-(Amended by Long-term Interests in Associates and Joint Ventures)
- IFRIC 23 - Uncertainty Over Income Tax Treatments

b) Forthcoming requirements not effective in current year and not considered relevant:

The following standards (revised or amended) and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

- IFRS 3 - Business Combinations - (Amended-definition of business)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework)-(applicable for annual periods beginning on or after 1 January 2022)
- IFRS 7 - Financial Instruments: Disclosures - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 9 - Financial Instruments - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 9 - Financial Instruments - (Amendments resulting from Annual Improvements to IFRS Standards 2018–2020)-(applicable for annual periods beginning on or after 1 January 2022)
- IAS 1- Presentation of Financial Statements - (Amended-definition of material)-(effective for annual periods beginning on or after 1 January 2020).
- IAS 1- Presentation of Financial Statements - (Amended Amendments regarding the classification of liabilities)-(effective for annual periods beginning on or after 1 January 2022).



- IAS 8- Accounting Policies , Changes in Accounting Estimates and Errors - (Amended-definition of material)-(effective for annual periods beginning on or after 1 January 2020).
- IAS 16- Plant property and equipment - (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use)-(effective for annual periods beginning on or after 1 January 2022).
- IAS 39 - Financial Instruments: Recognition and Measurement - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IAS 41- Agriculture - (Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements))-(effective for annual periods beginning on or after 1 January 2020).

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts
- IFRS 14 – Regulatory Deferral Accounts

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 4.

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 4.

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

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

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 statement of financial position 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. PROPERTY AND EQUIPMENT

	2020									
	Cost				Depreciation Rate %	Accumulated depreciation				
	As at 1 July 2019	Additions	(Disposals) / (Transfer)	As at 30 June 2020		As at 1 July 2019	Charge for the year	Reversal	As at 30 June 2020	Written down value as on 30 June 2020
(Rupees in '000)				(Rupees in '000)						
Owned	%									
Leasehold Land - Cost	826	-	-	826	-	-	-	-	-	826
- Revaluation	130,362	-	-	130,362	-	-	-	-	-	130,362
	131,188	-	-	131,188	-	-	-	-	-	131,188
Furniture and fixtures	586	-	-	586	10	420	17	-	437	149
Vehicles	410	-	-	410	20	388	4	-	392	18
Office equipments	329	-	-	329	10	222	11	-	233	96
Computers	1,098	-	-	1,098	33	944	51	-	995	103
	133,611	-	-	133,611		1,974	83	-	2,057	131,554
	2019									
	Cost				Depreciation Rate %	Accumulated depreciation				Written down value as on 30 June 2019
	As at 1 July 2018	Additions	(Disposals)	As at 30 June 2019		As at 1 July 2018	Charge for the year	(Reversal)/ transfers	As at 30 June 2019	
	(Rupees in '000)				(Rupees in '000)					
Owned	%									
Leasehold Land - Cost	826	-	-	826	-	-	-	-	-	826
- Revaluation	130,362	-	-	130,362	-	-	-	-	-	130,362
	131,188	-	-	131,188	-	-	-	-	-	131,188
Furniture and fixtures	547	39	-	586	10	403	17	-	420	166
Vehicles	410	-	-	410	20	383	5	-	388	22
Office equipments	269	60	-	329	10	211	11	-	222	107
Computers	1,065	33	-	1,098	33	874	70	-	944	154
	133,479	132	-	133,611		1,871	103	-	1,974	131,637

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

	2020	2019
	(Rupees in '000)	
Distribution and selling expenses	23	17
Administrative expenses	24	66
	83	103

4.2. 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.



5. INVESTMENT PROPERTIES

	2020							
	Cost			Depreciation	Depreciation			Written down
	As at	Transfer	As at		As at	Charge	As at	
	1 July		30 June	Rate	1 July	for the	30 June	value as at
2019		2020	%	2019	year	2020	30 June	
------(Rupees in '000)-----				------(Rupees in '000)-----				
Leasehold land	700	-	700	-	87	-	87	613
Office building	5,408	-	5,408	5	1,631	189	1,820	3,588
	<u>6,108</u>	<u>-</u>	<u>6,108</u>		<u>1,718</u>	<u>189</u>	<u>1,907</u>	<u>4,201</u>
	2019							
	Cost			Depreciation	Depreciation			Written down
	As at	Transfer	As at		As at	Charge	As at	
	1 July		30 June	Rate	1 July	for the	30 June	value as at
2018		2019	%	2018	year	2019	30 June	
------(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>

5.1 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.

- 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
- 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

	2020	2019
	(Rupees in '000)	
5.2 Depreciation for the year has been allocated as follows:		
Distribution and selling expenses	23	38
Administrative expenses	24	159
	<u>189</u>	<u>199</u>
6 LONG TERM LOANS AND ADVANCES		
- Secured, considered good		
Employee loans	6.1	2,615
Receivable within one year		(382)
	<u>2,315</u>	<u>2,166</u>

6.1 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.



7. 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.

7.1 At June 30, 2020, the maturity analysis of contractual undiscounted cashflows under non-cancellable lease was receivable as follows:

	2020	2019
	(Rupees in '000)	
Less than one year	1,800	1,800
Between one and five years	7,200	7,200
More than five years	4,500	6,300
	<u>13,500</u>	<u>15,300</u>

8. DEFERRED TAXATION

The Company has not recognised deferred tax assets of Rs. 5.576 million (2019: Rs. 6.502 million) in respect of temporary differences amounting to Rs. 19.227 million (2019: Rs. 18.225 million) as per policy given in note 3.9.

	2020	2019
	(Rupees in '000)	
9. STOCK-IN-TRADE		
Packing material	1,142	5,261
Work-in-process	3,060	1,439
Finished goods	<u>72,798</u>	<u>61,603</u>
	77,000	68,303
Provision against slow moving stocks:		
- Finished goods	9.1 (4,757)	(4,757)
	<u>72,243</u>	<u>63,546</u>

9.1 Particulars of provision are as follows:

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



	2020	2019
	(Rupees in '000)	
10. TRADE DEBTS - unsecured		
Considered good	79,244	64,284
Considered doubtful	13,181	12,853
	<u>92,425</u>	<u>77,137</u>
Provision against debts considered doubtful	10.1 (13,181)	(12,853)
	<u>79,244</u>	<u>64,284</u>
10.1 Provision against debts considered doubtful:		
Opening balance	12,853	12,986
Charge/(Reversal) for the year	328	(133)
Closing balance	<u>13,181</u>	<u>12,853</u>
11. ADVANCES AND DEPOSITS		
Advances - unsecured, considered good		
Employees	581	394
Advance to supplier	398	-
Deposits		
Margin against letters of guarantee	4,713	7,723
Earnest money and tender deposits	6,758	9,100
	11,471	16,823
Provision against expired letter of guarantee, earnest money and security deposits	11.1 (2,232)	(2,232)
	<u>10,218</u>	<u>14,985</u>
11.1 Particulars of provision are as follows:		
Opening balance	2,232	2,232
Charge for the year	-	-
Closing balance	<u>2,232</u>	<u>2,232</u>
12. PREPAYMENTS AND OTHER RECEIVABLES		
Prepayments	206	259
Sales tax receivable	-	3,895
Receiveable from employees' provident fund	407	261
	<u>613</u>	<u>4,415</u>
13. TERM DEPOSIT RECEIPTS / ACCOUNT -HELD TO MATURITY	<u>150</u>	<u>7,217</u>

These short term deposits carrying mark-up at the rates ranging from 6 % to 12% (2019: 5% to 8.35%) per annum having maturities within one year. The term deposits are under lien against letter of guarantees issued by the banks.



	2020	2019
	(Rupees in '000)	
14. CASH AND BANK BALANCES		
In hand	61	54
At banks - in current accounts	10,798	18,230
	<u>10,859</u>	<u>18,284</u>

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2020	2019			
	(Number of Shares)				
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 816,090 (2019: 816,090) ordinary shares of Rs. 10 each, held by directors and associated undertakings.

All the shares are similar with respect to their rights on voting board selection, first refusal and block voting.

16. SURPLUS ON REVALUATION OF PROPERTY	<u>130,352</u>	<u>130,352</u>
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16.1 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.

	2020	2019
	(Rupees in '000)	
Movement in the surplus during the year was as follows:		
Balance at the beginning of the year	130,352	130,352
Add: Surplus recognized during the year	-	-
Balance at the end of the year	<u>130,352</u>	<u>130,352</u>



	2020	2019
	(Rupees in '000)	
17. LONG TERM FINANCE-SECURED		
Opening balance	-	-
Obtained during the year	1,847	-
	<u>1,847</u>	<u>-</u>
Paid during the year	-	-
Less: Current portion	462	-
	<u>1,385</u>	<u>-</u>

A term finance facility under the refinance scheme for payment of wages and salaries to the workers and employees of business concerns of State Bank of Pakistan has been obtained for an amount up to Rs. 6 Million for a term of 2.5 years with grace period of 6 months. This facility is sanctioned to finance wages and salaries of permanent, contractual, outsourced, daily wagers. 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. This facility is being repaid in 8 equal quarterly instalments ending on October 2022. It carries markup @ SBP + 3% p.a. The aforementioned facility has been obtained from JS Bank Limited.

18. SHORT TERM BORROWINGS - Secured	<u>45,882</u>	<u>62,303</u>
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 (2019: Rs. 50 million).		

	2020	2019
	(Rupees in '000)	
19. TRADE AND OTHER PAYABLES-unsecured		
Trade creditors	<i>19.1</i> 139,261	124,211
Accrued expenses	748	571
	<u>140,009</u>	<u>124,782</u>
Other liabilities		
Contract liabilities	170	2,418
Workers' profit participation fund	<i>19.2</i> 318	93
Provision for compensated absences	362	362
Sales tax payable	1,275	-
Others	<i>19.3</i> 1,109	1,069
	<u>3,234</u>	<u>3,942</u>
	<u>143,243</u>	<u>128,724</u>
19.1 This includes payable to following associated undertaking: Berger Paints Pakistan Limited	127,174	112,703
19.2 Workers' profit participation fund		
Balance as at 1 July	93	56
Charge/ Adjustments for the year	225	37
Paid during the year	-	-
Balance as at 30 June	<u>318</u>	<u>93</u>
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. 4.863 million (2019:14.940 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 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 7

	2020	2019
21. SALES		
	(Rupees in '000)	
Gross sales	341,415	308,662
Sales tax and excise duty	<u>(50,790)</u>	<u>(49,696)</u>
	290,625	258,966
Commission and discounts	<u>(15,409)</u>	<u>(2,296)</u>
	<u>275,216</u>	<u>256,670</u>



	2020	2019	
	(Rupees in '000)		
22. COST OF SALES			
Opening Stock			
Packing material	5,261	3,059	
Purchases			
Raw material	193,435	185,225	
Packing material	17,429	23,133	
	<u>210,864</u>	<u>208,358</u>	
	216,125	211,417	
Closing stock			
Packing material	(1,142)	(5,261)	
Material consumed	<u>214,983</u>	<u>206,156</u>	
Manufacturing expenses			
Toll manufacturing charges	19,950	19,752	
	<u>234,933</u>	<u>225,908</u>	
Work in process			
Opening stock	1,439	8,817	
Closing stock	(3,060)	(1,439)	
	<u>(1,621)</u>	<u>7,378</u>	
Cost of goods manufactured	<u>233,312</u>	<u>233,286</u>	
Finished goods			
Opening stock	61,603	54,027	
Closing stock	(72,798)	(61,603)	
	<u>(11,195)</u>	<u>(7,576)</u>	
	<u>222,117</u>	<u>225,710</u>	
23. DISTRIBUTION AND SELLING EXPENSES			
Salaries and other benefits	23.1	18,709	17,653
Insurance		478	517
Rent, rates and taxes		1,032	516
Carriage outward		8,942	8,273
Advertising and promotional expenses		2,514	1,269
Travelling and conveyance		2,655	3,464
Printing and stationery		150	308
Postage, telephone and fax		196	189
Repairs and maintenance		125	173
Depreciation	4.1 & 5.2	55	61
Entertainment and welfare		107	189
Fees and subscription		99	471
Sundry expenses		74	60
		<u>35,136</u>	<u>33,143</u>

23.1 Included herein is a sum of Rs. 0.321 million (2019: Rs. 0.51 million) in respect of staff retirement benefits.(Provident Fund)



		2020	2019
		(Rupees in '000)	
24. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	24.1	5,570	5,174
Directors' fee		400	413
Insurance		87	74
Printing and stationery		415	251
Postage, telephone and fax		5	46
Travelling and conveyance		337	333
Service charges		600	600
Auditor's remuneration	25.2	465	465
Fees and subscription		155	392
Legal and professional fees		1,297	854
Repairs and maintenance		120	18
Depreciation	4.1 & 5.2	217	241
Entertainment and welfare		81	593
Utilities Expenses		592	504
Impairment Loss for Expected Credit Loss		328	-
		<u>10,669</u>	<u>9,958</u>

24.1 Included herein is Rs. 0.087 million (2019: Rs. 0.056 million) in respect of staff retirement benefits and a sum of Rs. 2.066 million (2019: Rs. 2.311 million) in respect of remuneration of Chief executive.

24.2 Auditors' remuneration

Statutory audit	275	275
Half yearly review	107	107
Other certifications	83	83
	<u>465</u>	<u>465</u>

25. OTHER INCOME

Financial asset

Mark up on term deposit receipts		619	378
Reversal of Provision for doubtful debts	10.1	-	133
		619	511

Non financial asset

Royalty income	25.1	27	1,415
Misc. income (License fee)		12	12
Rental income	25.2	3,600	3,600
		3,639	5,027
		<u>4,258</u>	<u>5,538</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.



	2020	2019
	(Rupees in '000)	
26. FINANCE COST		
Bank charges	650	617
Mark-up on Short term running finance	<u>6,407</u>	<u>5,267</u>
	<u><u>7,057</u></u>	<u><u>5,884</u></u>
27. TAXATION		
For the year	4,128	3,208
Deferred	8	-
	<u><u>4,128</u></u>	<u><u>3,208</u></u>

27.1 Current status of tax assessments

The income tax assessments of the Company have been finalised upto and including the tax year 2019 (Income year ended 30 June 2019). 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 2015 to 2019) 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.

	2020	2019
	(Rupees in '000)	
Profit/(Loss) for the year after tax	<u>52</u>	<u>(15,695)</u>
	(Shares in '000)	
Weighted average number of shares outstanding during the year	<u>1,440</u>	<u>1,440</u>
	(Rupees)	
Earning /(Loss) per share	<u>0.04</u>	<u>(10.90)</u>



29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2020			2019		
	Chief Executive *	Executives	Directors	Chief Executive	Executives	Directors
	(Rupees in '000)					
Directors' fee	-	-	400	-	-	413
Managerial remuneration	1,212	3,237	-	1,389	2,121	-
House rent allowance	464	1,193	-	625	505	-
Utilities	168	704	-	139	654	-
Conveyance	168	596	-	139	242	-
Medical allowance	54	-	-	19	425	-
	<u>2,066</u>	<u>5,730</u>	<u>400</u>	<u>2,311</u>	<u>3,947</u>	<u>413</u>
Number of persons	<u>2</u>	<u>3</u>	<u>7</u>	<u>2</u>	<u>2</u>	<u>7</u>

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

30. PLANT CAPACITY & PRODUCTION

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

2020 2019
(In litres)

1,123,069 1,247,522

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 7 & 19. Details of transactions with related parties are as follows:

	2020	2019
	(Rupees in '000)	
<u>Associated undertakings</u>		
Purchase during the year	<u>193,435</u>	<u>184,360</u>
Sale during the year	<u>69</u>	<u>386</u>
Rental expense and service charges	<u>1,200</u>	<u>1,200</u>
Toll manufacturing expenses incurred	<u>19,950</u>	<u>19,752</u>
Royalty income	<u>27</u>	<u>1,415</u>
Rental income	<u>3,600</u>	<u>3,600</u>
License fee	<u>12</u>	<u>12</u>
<u>Buxly Paints Limited Provident Fund</u>		
Company's contribution	<u>451</u>	<u>570</u>
(Receivable from)/Payable to Provident Fund	<u>(407)</u>	<u>(261)</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:



		2020	2019
		(Rupees in '000)	
	Classification		
Loans and advances	At amortised cost	2,697	2,615
Long term deposits	At amortised cost	141	91
Trade debts	At amortised cost	79,244	64,284
Mark up receivable	At amortised cost	11	188
Other receivables	At amortised cost	407	261
Advances and deposits	At amortised cost	10,218	14,985
Term deposit receipts	At amortised cost	150	7,217
Bank balances	At amortised cost	10,798	18,230
		<u>103,666</u>	<u>107,871</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:

	2020		2019	
	Gross (Rupees in '000)	Impairment (Rupees in '000)	Gross (Rupees in '000)	Impairment (Rupees in '000)
Past due 0 - 30 days	35,272	133	30,051	133
Past due 31 - 60 days	9,840	78	9,981	71
Past due 61 - 180 days	27,239	622	17,388	455
More than 180 days	20,073	12,348	19,717	12,194
	<u>92,424</u>	<u>13,181</u>	<u>77,137</u>	<u>12,853</u>

The movement in provision for impairment of trade debts is given in note no. 10.1.

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	PACRA	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	A
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.

	2020				
	Carrying amount	Contractual cash flows	Three months or less	Three months to one year	More than one year
------(Rupees in '000)-----					
Financial Liabilities at amortised cost					
Long Term Finance	1,847	(1,847)	-	-	(1,847)
Short term borrowing - secured	45,882	(45,882)	(45,882)	-	-
Markup Accrued	1,225	(1,225)	(1,225)	-	-
Trade and other payables	141,072	(141,072)	(141,072)	-	-
Unpaid Dividend	217	(217)	-	(217)	-
Unclaimed Dividend	102	(102)	-	(102)	-
	<u>190,345</u>	<u>(190,345)</u>	<u>(188,179)</u>	<u>(319)</u>	<u>(1,847)</u>

	2019				
	Carrying amount	Contractual cash flows	Three months or less	Three months to one year	More than one year
------(Rupees in '000)-----					
Financial Liabilities at amortised cost					
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)	-	-
Unpaid Dividend	217	(217)	-	(217)	-
Unclaimed Dividend	102	(102)	-	(102)	-
	<u>190,242</u>	<u>(190,242)</u>	<u>(189,923)</u>	<u>(319)</u>	<u>-</u>

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 2020, 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	
	2020	2019	2020	2019
	(in percentage)		(Rupees in '000)	
Financial assets - Fixed rate instruments				
Term deposit receipts	6 to 12	5 to 8.35	150	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 16 which are all permanent employees (30 June 2019: 17) and average number of employees were 17 (30 June 2019: 22).

35. PROVIDENT FUND DISCLOSURE

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

	2020	2019
	-----Rupees-----	
	Un-Audited	Un-Audited
Size of the fund - total assets	<u>5,140,598</u>	<u>4,732,600</u>
Percentage of investments made	<u>30%</u>	<u>33%</u>
Fair Value of investments	<u>4,735,653</u>	<u>4,356,975</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:		
	2020	2019
	% of fund	% of fund
	Rupees	Rupees
Defence Saving Certificates	19% 1,000,000	21% 1,000,000
Mutual Fund	11% 548,150	12% 548,150
	<u>30%</u> <u>1,548,150</u>	<u>33%</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. IMPACT OF COVID-19 (CORONA VIRUS)

A novel strain of corona virus (COVID-19) that was classified as a pandemic by the World Health Organization in March 2020, impacting countries globally. This pandemic has significantly affected all segments of economy. The fair value determination at the measurement date has become more challenging due to the uncertainty of the economic impact of COVID-19. The Company expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and management have evaluated and concluded that there is no going concern uncertainty and there are no material implications of COVID-19 impacts that requires disclosures/ adjustments in these financial statements.

37. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

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

38. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on September 26, 2020



Chief Executive Officer



Director



Chief Financial Officer

