



# **BUXLY** PAINTS

Annual Report  
2017 - 2018

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**COMPANY INFORMATION****Board of Directors:**

Mr. Bashir Ahme	Chairman
Mr. Shamshad Ali	Chief Executive Officer
Mr. H.P Kotwal	
Mr. Fakhrul Arfin	
Mr. S.T Kureshi	
Mr. Fareed Khan	
Mr. Muhammad Hanif Idrees	
Mr. Sheikh Asim Rafiq	(NIT Nominee)

**Audit Committee:**

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

**Human Resource and  
Remuneration Committee :**

Mr. Bashir Ahme	Chairman
Mr. H.P Kotwal	Member
Mr. Shamshad Ali	Member

**CFO & Company Secretary:**

Mr. Asad Ali

**Auditors:**

Rehman Sarfraz Rahim Iqbal Rafiq  
Chartered Accountants

**Legal Advisor:**

Mr. Laiq Ahmed Khan

**Bankers:**

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

**Share Registrar :**

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

**Registered Office:**

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

**Web Site Address:**

<http://www.buxly.com>

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 64<sup>th</sup> Annual General Meeting of the shareholders of Buxly Paints Limited will be held at Cyrus Minwalla Colony Hall, Parsi gate, Mehmoodabad, Karachi on Wednesday, October 24, 2018 at 10:00 a.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To confirm the minutes of the Annual General Meeting of the Company held on October 28, 2017.
2. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 2018 together with Directors' and Auditors' Report thereon.
3. To appoint M/S Rehman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants as Auditor of the Company for the year ending June 30, 2019 and fix their remuneration.
4. To transact any other business with the permission of the chair.

By Order of the Board

Karachi: - October 02, 2018

Asad Ali  
Company Secretary

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

**Note:**

1. The Share Transfer Books of the Company will remain closed from Wednesday, October 17, 2018 to Wednesday, October 24, 2018 (both days inclusive).
2. A member of the Company entitled to attend, speak and vote at this meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
3. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

**a) For Attending the Meeting**

- i. In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of Corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.



- b) For Appointing Proxies:
- i. In case of individuals, the account holder or sub account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
  - ii. The proxy form shall be witnessed by two persons whose name, addresses and CNIC numbers shall be mentioned.
  - iii. Attested copies of the CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
  - v. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
4. The form of proxy to be valid must be properly filled in/ executed and received at the Company's Registered Office not later than 48 hours before the time of meeting.
5. Members are requested to notify the Shares Registrar of the Company their email addresses for prompt communication along with any change in their postal addresses.
6. Members who have not yet submitted photocopies of their Computerized National Identity Card (CNIC) are requested to send the same to our Share Registrar at the earliest.
7. Pursuant to the requirement of Section 242 of the New Companies Act 2017, shareholders are MANDATORILY required to provide their bank account detail to receive their cash dividend directly into their bank accounts instead of receiving it through dividend warrants. In this regard and in pursuance of the directives of the SECP vide Circular no 18 of 2017 dated August 01, 2017, shareholders are requested to submit their written request (if not already provided) to the Company's Share Registrar, giving particulars of their bank details.
8. As per requirement of section 134 (1) (b) of the Companies Act 2017 read with SECP's Circular No. 10 of 2014 dated May 21, 2014, if certain members who hold ten percent of the total paid up capital or such other percentage as may be specified, reside in any other city, such members may demand the Company to provide them the facility of video-link to for attending the meeting and if the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to the date of the meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. The members should provide their consent as per the following format and submitted to the registered address of the Company;

**Consent Form for Video Conferencing Facility**

"I/we, \_\_\_\_\_ of \_\_\_\_\_, being a member of the Buxly Paints Limited, holder of \_\_\_\_\_ Account no. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_ (geographical location).

9. Form of Proxy enclosed herewith.

**TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH E -MAIL**

The Securities and Exchange Commission of Pakistan vide SRO 787(I)/2014 dated September 08, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors' and directors' report along with notice of annual general meeting to its members through e-mail. Members who wish to avail this facility can give their written consent. Standard request form has also been placed on website of the Company. The members are requested to send the information on the same to our shares registrar (M/s THK Associates Private Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi)

**TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH CD/DVD/USB**

SECP through its SRO 470(I)/2016 dated May 31, 2016 have allowed companies to circulate the annual balance sheet, profit and loss account, auditors' report and directors' report etc to its members through CD/DVD/USB at their registered addresses. However a shareholder may request to the Company Secretary or share registrar office at THK Associates Private Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi to provide at his/her registered address, free of cost, within one week of the demand.

**STATEMENT OF UNCLAIMED OR UNPAID AMOUNTS UNDER SECTION 244 OF THE COMPANIES ACT, 2017**

The Securities and Exchange Commission of Pakistan pursuant to section 244 read with section 510 of the Companies Act 2017 directs all Companies to submit a statement to the Commission through eServices portal (<https://eservices.secp.gov.pk/eServices/>) stating therein the number or amounts, as the case may be, which remain unclaimed or unpaid for a period of three years from the date it is due and any other instrument or amount which remain unclaimed or unpaid, as may be specified.

Through this notice, the shareholders are intimated to contact with the Company for any unclaimed dividend/shares within a period of seven days after publishing this notice to meet the compliance of SECP Direction no. 16 of 2017 dated 07 July 2017. The Shareholders are requested to contact the Company on its registered address regarding any unclaimed dividends or undelivered shares (if any).

## اطلاع برائے سالانہ اجلاس عام

بذریعہ مطلع کیا جاتا ہے کہ درج ذیل امور کی انجام دہی کے لیے سیکلے پینٹس لمیٹڈ کے حصص یافتگان (شیئرز ہولڈرز) کا 64 واں سالانہ اجلاس عام بدھ، 24 اکتوبر، 2018 کو صبح 10:00 بجے سائرس مینوالا کالونی ہال، پارسی گیٹ، محمود آباد، کراچی میں منعقد ہوگا۔

### عمومی امور:

- 1- مورخہ 28 اکتوبر، 2017 کو منعقد شدہ کمپنی کے سالانہ اجلاس عام کی کارروائی کی توثیق۔
- 2- 30 جون، 2018 کو ختم ہونے والے سال کے حوالے سے کمپنی کے آڈٹ شدہ حسابات اور ان پر ڈائریکٹرز اور آڈیٹرز کی رپورٹس کے ساتھ وصولی، ان پر غور و خوض اور منظوری۔
- 3- 30 جون، 2019 کو ختم ہونے والے سال کے لیے میسرز رحمان سرفراز رجیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس کی کمپنی کے آڈیٹرز کے طور پر تقرری اور ان کے مشاہرے کا تعین کرنا۔
- 4- چیئرمین کی اجازت سے دیگر کسی امور کی انجام دہی۔

حسب الحکم پورڈ

اسد علی

کمپنی سیکریٹری

کراچی: 102 اکتوبر، 2018

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

### نوٹ:

کمپنی کی متعلقہ حصص کی کتابیں (شیئرز ٹرانسفر بکس) بدھ، 17 اکتوبر، 2018 سے بدھ، 24 اکتوبر، 2018 (بشمول ہر دیوم) تک بند رہیں گی۔  
اجلاس میں شرکت کرنے، بولنے اور ووٹ دینے کا اہل رکن (ممبر) کسی دوسرے رکن (ممبر) کو اپنی جگہ شرکت کرنے، بولنے اور ووٹ ڈالنے کے لیے بطور پراکسی مقرر کر سکتا/سکتی ہے۔  
سی ڈی سی اکاؤنٹ ہولڈر کو بعد ازاں سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مقرر شدہ درج ذیل رہنما، اصولوں (گائیڈ لائنز) پر عمل کرنا ہوگا:

### a. اجلاس میں شرکت کے لیے

انفرادی اشخاص، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر کی صورت میں اور یا وہ شخص جس کی سیکیورٹیز گروپ اکاؤنٹ میں ہیں اور قواعد کے مطابق ان کے رجسٹریشن کی تفصیلات آپ لوڈ کر دی گئی ہیں، ان کا اجلاس میں شرکت کے وقت اپنی شناخت کی تصدیق کے لیے اپنا کمپیوٹر انز ڈیٹا قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ پیش کرنا ہوگا۔  
کارپوریٹ ادارے کی صورت میں، پورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ (پاور آف اٹارنی) مع نامزد شخص کے دستخط کے نمونے، اجلاس میں فراہم کرنا ہوں گے (اگر پہلے فراہم نہ کئے گئے ہوں)۔

### b. پراکسی کی تقرری کے لیے

- i انفرادی اشخاص، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور یا وہ شخص جس کی سیکیورٹیز گروپ اکاؤنٹ میں ہیں اور قواعد کے مطابق ان کے رجسٹریشن کی تفصیلات آپ لوڈ کر دی گئی ہیں، ہونے کی صورت میں ان کو - مذکورہ بالا مطلوبہ ضروریات کے مطابق پراکسی فارم جمع کرنا ہوگا۔
- ii پراکسی فارم کے لیے ایسے دو افراد کی گواہی درکار ہوگی، جن کے نام، پتے اور کمپیوٹر انز ڈیٹا قومی شناختی کارڈ نمبرز مذکور ہوں۔
- iii پراکسی فارم کے ساتھ پیشگی شل اوپنر اور پراکسی کے کمپیوٹر انز ڈیٹا قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول (کاپی) فراہم کرنا ہوں گی۔
- iv اجلاس کے وقت پراکسی کو اپنا اصل کمپیوٹر انز ڈیٹا قومی شناختی کارڈ یا اصل پاسپورٹ فراہم کرنا ہوگا۔
- v کارپوریٹ ادارے کی صورت میں، پراکسی فارم کے ساتھ پورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ (پاور آف اٹارنی) دستخط کے نمونوں کے ساتھ کمپنی کو فراہم کرنا ہوں گے (اگر پہلے فراہم نہ کئے گئے ہوں)۔

پراکسی فارم کے مؤثر ہونے کے لیے لازم ہے کہ اسے درست طور پر پُر کیا جائے کہ پراکسی فارم اجلاس کے وقت سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر کو موصول ہو جائے۔

اراکین (ممبرز) سے درخواست کی جاتی ہے کہ وہ فوری رابطے کے لیے کمپنی کے شیئرز رجسٹرار کو اپنے ای میل ایڈریسز فراہم کرنے کے پتے میں ہونے والی کسی بھی تبدیلی سے متعلق مطلع کریں۔

ایسے اراکین (ممبرز) جنہوں نے اب تک اپنے کمپیوٹر انز ڈیٹا قومی شناختی کارڈ کی نقول (فونو کاپی) جمع نہیں کرائی ہیں، ان سے گزارش کی جاتی ہے کہ وہ مذکورہ دستاویز فوری طور پر ہمارے شیئرز رجسٹرار کو ارسال کر دیں۔

- 7- نیوکینیزا ایکٹ 2017 کی شق 242 کی مطابق، حصص یافتگان (شیئرز ہولڈرز) کے لیے لازم ہے کہ وہ اپنے نقد منافع مقسمہ (کیش ڈیویڈنڈ) کی دستاویز (ڈیویڈنڈ وارنٹس) کے ذریعے وصولی کی بجائے اپنے اکاؤنٹ میں براہ راست وصولی کے لیے اپنے بینک اکاؤنٹ کی تفصیل فراہم کریں۔ اس سلسلے میں اور ایس ای سی کی ہدایات بحوالہ 2017 کے سرکل نمبر 18، تاریخ یکم اگست، 2017 کے مطابق حصص یافتگان (شیئرز ہولڈرز) سے گزارش کی جاتی ہے کہ وہ اپنے بینک کی تفصیلات کے کوائف درج کر کے اپنی تحریری درخواست کمپنی کے شیئرز رجسٹرار کے پاس جمع کرائیں (اگر پہلے فراہم نہ کی گئی ہوں)۔



کمپنیز ایکٹ 2017 کی سیکشن 134(1)(b) کے تحت ایس ای سی پی کے سرکلر نمبر 10 of 2014 بتاریخ: 21 مئی، 2014 کے ساتھ پڑھا جائے، کی مطلوبہ ضرورت کے مطابق اگر مخصوص اراکین (ممبرز) جوکل ادا شدہ سرمائے (پیڈ اپ کپٹل) کے 10 فیصد یا دینے گئے مخصوص تناسب کے حامل ہوں اور کسی اور شہر کے رہائشی ہوں، تو ایسے اراکین (ممبرز) کمپنی سے اجلاس میں شرکت کے لیے ویڈیو لنک کی سہولت کی فراہمی کا مطالبہ کر سکتے ہیں اور اگر کمپنی کو اجلاس کی تاریخ سے 10 ایام قبل ویڈیو کانفرنس کے ذریعے اجلاس میں شرکت کے حوالے سے جغرافیائی مقام پر رہائشی، مجموعی طور پر 10% یا زائد کی شیئر ہولڈنگ کے حامل اراکین کی جانب سے اظہار رضامندی/اجازت موصول ہوتی ہے، تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت کی فراہمی کے انتظامات کرے گی، بشرطیکہ اس شہر میں اس قسم کی سہولت دستیاب ہو۔ اراکین (ممبرز) اپنی رضامندی کا اظہار مندرجہ ذیل فارمیٹ کے مطابق فراہم کریں اور اسے کمپنی کے رجسٹرڈ پتے پر جمع کرائیں:

### ویڈیو کانفرنس کی سہولت کے لیے اظہار رضامندی کا فارم

میں/ہم بذریعہ ہذا \_\_\_\_\_ برائے \_\_\_\_\_ کیسے پینٹس لمیٹڈ کے رکن \_\_\_\_\_ اکاؤنٹ نمبر \_\_\_\_\_ کے حامل ہونے کی حیثیت سے \_\_\_\_\_ (جغرافیائی مقام) میں ویڈیو کانفرنس کی سہولت کے خواہشمند ہیں۔

### سالانہ مالی گوشواروں کی بذریعہ ای میل ترسیل

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے بذریعہ ایس آر او نمبر 787(I)/2014، بتاریخ: 08 ستمبر، 2014 کمپنیز کو یہ اجازت دی ہے کہ وہ اپنے اراکین (ممبرز) کو سالانہ اجلاس عام کی اطلاع کے ساتھ سالانہ بیلنس شیٹ، نفع و نقصان کے کھاتہ جات، آڈیٹرز اور ڈائریکٹرز کی رپورٹ بذریعہ ای میل ارسال کر دیں۔ اس سہولت کے حصول کے خواہشمند اراکین (ممبرز) اپنا تحریری اظہار رضامندی فراہم کر سکتے ہیں۔ اس حوالے سے کمپنی کی ویب سائٹ پر ایک اسٹینڈرڈ درخواست فارم بھی فراہم کیا گیا ہے۔ اراکین (ممبرز) سے درخواست کی جاتی ہے کہ وہ اس پر اپنی معلومات ہمارے شیئر رجسٹرار (ٹیکسز THK ایسوسی ایٹس پرائیویٹ لمیٹڈ، پہلی منزل، 40-C، بلاک-6، پی ای سی ایچ ایس، کراچی) کو ارسال کریں۔

### سالانہ مالی گوشواروں کی بذریعہ سی ڈی/ڈی وی ڈی/یو ایس بی ترسیل

ایس ای سی پی نے بذریعہ ایس آر او 470(I)/2016، بتاریخ: 31 مئی، 2016 کمپنیز کو یہ اجازت دی ہے کہ وہ اپنے اراکین (ممبرز) کو سالانہ بیلنس شیٹ، نفع و نقصان کے کھاتہ جات، آڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ ان کے رجسٹرڈ چوں پر بھیج دیں۔ ہر چند یہ کہ حصص یافتہ (شیئر ہولڈرز) مطالبے کے اندرون ایک ہفتے، اس کی اپنے رجسٹرڈ پتے پر بلا معاوضہ فراہمی کے حوالے سے کمپنی سیکریٹری یا شیئر رجسٹرار ٹی سی ایس ایس پرائیویٹ لمیٹڈ، پہلی منزل، 40-C، بلاک-6، پی ای سی ایچ ایس، کراچی سے درخواست کر سکتا/سکتی ہے۔

### کمپنیز ایکٹ 2017 کی دفعہ 244 کے تحت غیر دعویٰ شدہ یا غیر ادا شدہ رقوم کا گوشوارہ

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کمپنیز ایکٹ 2017 کی دفعہ 244، جسے دفعہ 510 کے ساتھ پڑھا جائے، کی روشنی میں تمام کمپنیز کو یہ ہدایت جاری کرتا ہے کہ وہ کمیشن کے پاس بذریعہ ای سرورس پورٹل (<https://eservices.secp.gov.pk/eServices/>) ایک گوشوارہ جمع کرائیں، جس میں مقررہ تاریخ سے تین سال کی مدت کے حوالے سے غیر دعویٰ شدہ یا غیر ادا شدہ رقوم یا تعداد (جیسی صورت ہو) یا دیگر انٹرمیڈیٹ یا رقم جو غیر دعویٰ شدہ یا غیر ادا شدہ ہیں (جو واضح کی جاسکتی ہیں) بیان کی جائیں۔

اطلاع دینے کے ذریعے، حصص یافتگان (شیئر ہولڈرز) کو مطلع کیا جاتا ہے کہ وہ SECP ڈائریکشن نمبر 16 of 2017 بتاریخ: 07 جولائی، 2017 کی تعمیل میں اس نوٹس کی اشاعت کے سات یوم کی مدت میں کسی بھی غیر دعویٰ شدہ منافع منقسم (ڈیویڈنڈ) حصص (شیئرز) کے حوالے سے کمپنی سے رابطہ کریں۔ حصص یافتگان (شیئر ہولڈرز) سے درخواست کی جاتی ہے کہ وہ کسی بھی غیر دعویٰ شدہ منافع منقسم (ڈیویڈنڈ) یا غیر تقسیم شدہ (اگر کوئی ہے) حصص (شیئرز) کے حوالے سے کمپنی سے اس کے رجسٹرڈ پتے پر رابطہ کریں۔



**DIRECTORS' REPORT**

The Directors of your company are pleased to present the Annual Report of the Company alongwith the Audit Accounts and the Auditors' Report thereon for the year ended 30 June 2018. Financial Results are as follows:

	2018 (Rs.000's)
<b>Financial Results:</b>	
<b>Loss before taxation</b>	(1,465)
Less: Taxation	(3,929)
<b>Loss after taxation</b>	<u>(5,394)</u>
<b>Loss Per Share</b>	Rs. (3.75)

**BUSINESS PERFORMANCE REVIEW**

Despite intense competition your company has achieved sales value of Rs. 314.298 million as against Rs. 269.224 million of last year which is 17.8% higher. Gross profit achieved in 2018 amounts to Rs. 48.153 million as compared to Rs. 64.696 million for the year 2017. Gross profit as percentage to net sales decreased from 24.0% from previous year to 15.32%. Though company witnessed sales growth of 17.8% over last year but due to increased cost of raw materials manufacturing expenditures and devaluation of Pak Rupee vs dollars, gross margins were eroded. We could not pass on effect of increased input to customers this year.

**OUTLOOK FOR THE YEAR 2019**

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

Your company is improving its gross margin by increasing selling prices and rationalizing the burden of increased raw material and manufacturing cost to the end users. We are hopeful for the favorable outcome in year 2019.

**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, (six) meetings of the Board of Directors were held and attendance was as follows:

Name of Directors	Attendance
Mr. Bashir Ahmed	6
Mr. Shamshad Ali	6
Mr. H.P Kotwal	4
Mr. Fakhrul Arfin	3
Mr. Muhammad Hanif Idrees	5
Mr. Fareed Khan	Joined Board on February 19, 2018 3
Mr. S.T.Kureshi	Joined Board on January 19, 2018 1
Mr. Sheikh Asim Rafiq (NIT Nominee)	4
Mr. Saeed Muhammad Sheikh	Resigned on Feb 14, 2018 1
Mr. Muhammad Sameeh Shafi	Died on November 27, 2017 1

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

### AUDIT COMMITTEE

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

### HUMAN RESOURCE COMMITTEE

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

### PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding is provided hereafter.

### (LOSS)/EARNING PER SHARE

(Loss)/Earning Per share is Rs. (3.75) [2017: Rs. 5.89]

### AUDITORS

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

### REASONS FOR NON DECLARATION OF DIVIDEND

Due to loss for the year, the Directors did not recommend any dividend for the year ended June 30, 2018.

### 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-9001-2018. Your company is also working to promote a quality conscious and safe working environment. Training sessions are conducted for employees to enhance the security aware

### 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, 2018 to date of the report and company has not entered into any commitment during the period, which would have adverse impact on the financial position of the company.

### CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

ANNUAL REPORT  
2017 - 2018

- (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 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 accounting estimates and are based on reasonable and prudent judgment.
- (iv) International financial reporting standards as applicable in Pakistan, have been followed in preparing 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 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, 2018 is Rs. 3.79m (2016: Rs. 3.38m)

**ACKNOWLEDGEMENT**

We are grateful to our valued customers for their continued patronage in the products of the company and wish to acknowledge the efforts of entire Buxly team, including our staff, vendors, dealers and all business partners for their untiring efforts in these challenging times and look forward to their continued support.

Chief Executive Officer

Director

Karachi: September 26, 2018



## مجلس نظمہ کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے سال کی کمپنی کی سالانہ رپورٹ بمعہ آڈیٹڈ اکاؤنٹس بخوشی پیش کرتے ہیں۔ مالیاتی نتائج درج ذیل ہیں:

مالیاتی نتائج:	2018 (روپے ہزار میں)
نقصان قبل از ٹیکس:	(1,465)
کم: ٹیکس	(3,929)
نقصان بعد از ٹیکس	(5,394)
نقصان فی شیئر	(3.75) روپے

کاروباری کارکردگی کا جائزہ:

تاہم شدید مسابقتی ماحول کے باوجود بھی کمپنی نے 314.298 ملین روپے کی سیلز ویلیو حاصل کی جو کہ گذشتہ سال روپے تھی یعنی اس سال 17.8% زیادہ کا حصول ممکن ہوا۔ مجموعی منافع سال 2018 میں 48.153 سال 2017 میں یہ منافع 64.696 ملین روپے تھا۔ نیٹ سیلز کے مجموعی منافع کے مطابق گذشتہ سال کے مقابلے سے گزر کر 15.32% ہو گئی ہے۔

تاہم کمپنی نے 17.8% کی سیلز گروتھ بھی دیکھی ہے لیکن خام مال کی بڑھتی ہوئی قیمتیں، مینوفیکچرنگ کے اخراجات اور روپے کی قدر میں کمی کے باعث مجموعی مارجنز میں مسائل تھے۔ ہم اس سال کسٹمرز پر بڑھتے ہوئے ان پٹ کے اثرات سال 2019 کے لیے نقطہ نظر:

حکومت کی تبدیلی کے باوجود مسلسل غیر یقینی صورتحال اور پاکستانی روپے کی مزید قدر میں متوقع کمی کے باعث سال ہوسکی۔ کمپنی کو آنے والے سال میں سیلز ویلیو کی زبردست گروتھ کے لیے مکمل تیاری کرنی ہوگی۔ بڑھتے ہوئے افر انٹرسٹ کی قیمت کے باعث منافع پر شدید اثرات مرتب ہونے کا اندیشہ ہے۔

کمپنی فروخت کی قیمتوں میں اضافہ کر کے اور اختتامی صارفین تک پہنچنے سے قبل خام مال اور مینوفیکچرنگ کے بڑھتے

بورڈ آف ڈائریکٹرز:

حالیہ بورڈ آف ڈائریکٹرز میں نان ایگزیکٹو چیئرمین، چیف ایگزیکٹو آفیسر، تین آزاد ڈائریکٹرز اور تین نان ایگزیکٹو -

بورڈ آف ڈائریکٹرز کے اجلاس:

چھ سالوں کے درمیان بورڈ آف ڈائریکٹرز کی میٹنگز کا انعقاد ہوا جس میں حاضری درج ذیل تھی۔

ڈائریکٹرز کے نام	حاضری
مسٹر بشیر احمد:	6
مسٹر شمشاد علی	6
مسٹر ایچ پی کوتوال	4
مسٹر فخر العارفین	3
مسٹر محمد حنیف ادریس	5
مسٹر فرید خان 19 فروری 2018 کو بورڈ جوائن کیا	3
مسٹر ایس ٹی قریشی 19 جنوری 2018 کو بورڈ جوائن کیا	1
مسٹر شیخ عاصم رفیق (INIT امیدوار)	4
مسٹر سعید محمد شیخ 14 فروری 2018 کو استعفیٰ دیا	1
مسٹر محمد سمیع شفیع 27 نومبر 2017 کو انتقال ہوا	1

جوڈائریکٹرز اجلاس میں حاضر نہ ہو سکے اُن کی چھٹیاں منظور کی گئیں،

سال کے دوران آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے۔

ہیومن ریسورس کمیٹی:

سال کے دوران ہیومن ریسورس کمیٹی کا ایک اجلاس منعقد ہوا۔

شیر ہولڈنگ کی تفصیل

شیر ہولڈنگ کی تفصیلات کی اسٹیٹمنٹ اس کے بعد فراہم کی جائے گی۔

نقصان / آمدنی فی شیئر:

نقصان / آمدنی فی شیئر (3.75) [2017:Rs.5.89] ہے۔

آڈیٹرز:

حالیہ آڈیٹرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس نے ریٹائر ہو جانے کے بعد اپنی اہلیت کے باعث اپنی ہے۔

ڈیویڈنڈ کے نان ڈیکلریشن کے لیے وجوہات:

سال میں ہونے والے نقصان کے باعث، ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لیے کوئی

صحت، تحفظ اور ماحولیات:

کسٹمر فو کسڈ ہونے کے ناطے کمپنی ماحول دوست آپریشنز، پروڈکٹس اور سروسز سے جڑی ہے۔ کمپنی 01-2018 ہے۔ کمپنی بہترین کوالٹی اور محفوظ کام کے ماحول کو فروغ دینے کے لیے بھی کام کر رہی ہے۔ ملازمین کے لیے تحفظ

خطرات وغیرہ یقینی صورتحال:

کمپنی فطری طور پر غیر یقینی صورتحال اور خطرات سے دوچار ہوتی ہے جن میں انتظامی، مارکیٹ، کمپلائنس اور مالیاتی ہیں۔ اس مقصد کے لیے کمپنی اندرونی و بیرونی اسٹیک ہولڈرز کے ساتھ کام کرتی ہے جس سے ممکنہ خطرات کو کم کیا جاسکتا

اندرونی مالیاتی کنٹرولز:

اندرونی مالیاتی کنٹرول کے معاملے میں ڈائریکٹرز اپنی ذمہ داریوں سے بخوبی آگاہ ہیں۔ مینجمنٹ اور آڈیٹرز (اند) گفت و شنید ان ضروری کنٹرولز کو ممکن بناتے ہیں جو کہ کمپنی نے لاگو کیے ہوتے ہیں۔

کارپوریٹ گورنمنٹ کے کوڈ سے کمپلائنس:

کارپوریٹ گورننس کے کوڈ کے ساتھ کمپلائنس کی اسٹیٹمنٹ رپورٹ کے ساتھ ملحق ہے۔

مادی تبدیلیاں:

30 جون 2018 سے اب تک کمپنی میں کوئی مادی تبدیلیاں رونما نہیں ہوئی ہیں اور اس دوران کمپنی کسی بھی کمٹمنٹ میں، جس سے کمپنی کی مالیاتی حیثیت پر شدید اثر پڑے گا۔



کارپوریٹ اور فنانسئیل رپورٹنگ فریم ورک:

ملک کے اسٹاک ایکسچینج میں فہرست ساز کوڈ آف کارپوریٹ گورننس کے قوانین کے مطابق ڈائریکٹرز مندرجہ ذیل بیا محسوس کرتے ہیں۔

i: فنانشل اسٹیٹمنٹس کو ان کے نوٹس کے ہمراہ کمپنیز ایکٹ 2017 کے تحت تیار کیا گیا ہے، کمپنی کی مینجمنٹ نے معاملات کی حالت، اس کے آپریشنز کے نتائج، کیش فلو اور مساوات میں رد و بدل کو واضح طور پر پیش کیا ہے۔

ii: اکاؤنٹس کی مناسب کتابوں کو کمپنی نے برقرار رکھا ہے۔  
پڑتی ہیں۔

iv: فنانشل اسٹیٹمنٹس کی تیاری پاکستان میں نافذ شدہ بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز کے تحت کی گئی ہے،

v: اندرونی کنٹرول کا سسٹم اچھا ہے اور اسے مؤثر طریقے سے لاگو کیا جا رہا ہے۔

vi: نوٹس میں ٹیکسز اور لیویز کے متعلق معلومات دی گئی ہے اور یہ فنانشل اسٹیٹمنٹ کا فارمنگ پارٹ ہیں۔

vii: کمپنی کے کاروباری حیثیت سے جاری رہنے کی قابلیت پر کوئی واضح شکوک و شبہات نہیں ہیں۔

viii: کارپوریٹ گورننس کی بہترین طریقوں میں سے کسی بھی اہم دفعہ کو ترک نہیں کیا گیا ہے جیسا کہ لسٹنگ ر ماسوائے ان کے جنہیں آڈیٹرز نے اپنی رپورٹ میں واضح کیا ہے۔ مینجمنٹ کمپنی کو ان اصولوں ضوابط کے مطابق کوششیں جاری رکھے گی۔

ix: گذشتہ 6 سالوں کا آپریٹنگ اور فنانشل ڈیٹا الحاق شدہ ہے۔

x: 30 جون 2018 کو ویلیو آف انویسٹمنٹ آف ایمپلائز پروویڈنٹ فنڈ 3.79m روپے ہے۔ (3.38m s. اعترافات:

کمپنی کے پروڈکٹس پر مسلسل معاونت کے لیے ہم اپنے معزز کسٹمرز کے شکر گزار ہیں اور مشکل اوقات میں انتھک کوبکسلے ٹیم بشمول ہمارا اسٹاف، وینڈرز، ڈیلرز، اور تمام کاروباری رفقاء کی کوششوں کو تسلیم کرتے ہیں اور ہم ان کی مسلسل ہیں۔

ڈائریکٹر

چیف ایگزیکٹو آفیسر

کراچی: 6 ستمبر 2018

## Review Report by the Chairman

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Buxly Paints Limited 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.

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as Satisfactory is based on an evaluation of integral components, including vision, mission and values, engagement in strategic planning, formulation of policies, monitoring the organization's business activities, monitor financial resource management, effective fiscal oversight, equitable treatment of all employees and efficiency in carrying out the Board's business.

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

Bashir Ahmed  
Chairman

September 26, 2018

### چیئر مین کی جانب سے نظر ثانی شدہ رپورٹ

کارپوریٹ گورننس کے ضابطے کی مطلوبہ ضرورت کے مطابق بکسلے پینٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کا عمل مکمل کر لیا گیا ہے۔ اس تشخیص کا مقصد بورڈ کی مجموعی کارکردگی اور موثریت نیز کمپنی کے لیے طے کئے گئے مقاصد سے متعلق توقعات کے حوالے سے ہدف کی جانچ کو یقینی بنانا ہے۔

30 جون، 2018 کو ختم ہونے والے مالی سال کے حوالے سے، بورڈ کی مجموعی کارکردگی اور موثریت کی تسلی بخش جانچ کی گئی ہے۔ بہتری کی جانب پیش قدمی ایک سلسلہ وار عمل ہے، جو عملی منصوبہ بندی کی جانب لے جاتا ہے۔ اطمینان بخش مجموعی تشخیص جن لازمی جزئیات پر منحصر ہے، ان میں نظریہ، اغراض و مقاصد، حکمت عملی کی منصوبہ بندی، پالیسیز کی ضابطہ بندی، ادارے کے کاروباری امور کی نگرانی، مالیاتی وسائل کا انتظام و انصرام، موثر مالی پیش بینی، تمام ملازمین سے منصفانہ سلوک اور بورڈ کے معاملات کی موثر انداز میں انجام دہی شامل ہیں۔

کمپنی کے بورڈ آف ڈائریکٹرز نے ایجنڈا نیز معاونتی تحریری مواد بشمول اس پر عمل کے حوالے سے مواد موزوں وقت میں بورڈ اور کمیٹی کی میٹنگز سے قبل وصول کیا۔ بورڈ نے اپنی ذمہ داریوں کو فوری طور پر بہتر انداز میں پورا کیا ہے۔ نان ایگزیکٹو اور آزاد ڈائریکٹرز اہم فیصلوں میں مساوی طور پر شامل ہیں۔



**BUXLY PAINTS LIMITED**  
**KEY FINANCIAL AND OPERATING DATA**

----- Year Ended 30 June -----						
2018	2017	2016	2015	2014	2013	2012
----- (Rupees in thousand) -----						

**NET ASSETS**

Fixed Aseets/Investment property (Net)	136,197	66,508	66,627	66,887	67,175	7,040	1940
Long Term Loans and Deposit	91	91	91	91	91	141	91
Loans to Employees	2,787	1,703	2,278	2,045	1,687	847	889
Deferred Taxation	-	-	-	-	-	-	-
Long term receivable	900	-	-	-	-	-	-
Net Current Assets	7,774	14,925	5,755	593	(1,403)	(1,601)	3,375
Total	<u>147,749</u>	<u>83,227</u>	<u>74,751</u>	<u>69,616</u>	<u>67,550</u>	<u>6,427</u>	<u>6,295</u>

**FINANCED BY**

Share Capital	14,400	14,400	14,400	14,400	14,400	14,400	14,400
Reserves	2,997	8,392	(84)	(5,219)	(7,285)	(7,973)	(8,105)
Surplus on Revaluation of Fixed Assets	130,352	60,435	60,435	60,435	60,435	-	-
	<u>147,749</u>	<u>83,227</u>	<u>74,751</u>	<u>69,616</u>	<u>67,550</u>	<u>6,427</u>	<u>6,295</u>

Long Term & Deferred Liabilitie	-	-	-	-	-	-	-
Total	<u>147,749</u>	<u>83,227</u>	<u>74,751</u>	<u>69,616</u>	<u>67,550</u>	<u>6,427</u>	<u>6,295</u>

**TURNOVER AND PROFIT**

Turnover	314,298	269,224	209,733	169,766	150,028	142,246	114,662
Profit / (Loss) before tax	(1,466)	11,851	7,281	3,823	2,199	843	2,800
Taxation	(3,929)	(3,375)	(2,146)	(1,757)	(1,511)	(711)	(1,147)
Profit / (Loss) after tax	(5,395)	8,476	5,135	2,066	688	132	1,653
Dividend	-	-	-	-	-	-	-

**EARNING & DIVIDEND**

Earning / (Loss) per Rs. 10 share Rs.	(3.75)	5.89	3.57	1.43	0.48	0.09	1.15
Dividend per share- Rs.	-	-	-	-	-	-	-

**Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017**

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

1. The total number of directors are 8 as per the following:

- a. Male: 8
- b. Female: None

Latest elections of the Board were held in October 2016 before these regulations came into force. The company shall comply with the requirement of at least one female director on its Board upon expiry of the term in 2019 as per clause 7 of the regulations.

2. The composition of board is as follows:

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

- 3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company
- 4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended will be maintained.
- 6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

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7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
  8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
  9. Two directors have completed training program approved by SECP. 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 the code to ensure compliance by the prescribed date.
  10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
  11. CFO and CEO duly endorsed the financial statements before approval of the board.
  12. The board has formed committees comprising of members given below:
    - a) Audit Committee  
Mr. Muhammad Hanif Idrees – Chairman  
Mr. Fareed Khan – Member  
Mr. Fakhrul Arfin - Member
    - b) HR and Remuneration Committee  
Mr. Bashir Ahmed - Chairman  
Mr. H.P Kotwal  
Mr. Shamshad Ali
- Presently HR and Remuneration committee include independent director, whereas chairman of HR and Remuneration committee is non-executive director as it was constituted under previous code. Board intends to align the composition in accordance with the new code in first board meeting of the next fiscal year.
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 (quarterly/half yearly/ yearly) of the committee were as per following:
    - a) Audit Committee 4 quarterly meetings
    - b) HR and Remuneration Committee 1 meeting



15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company. During the year, HIA resigned from his position and vacancy is filled after the balance sheet date.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

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Signature  
Bashir Ahmed  
Chairman

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Signature  
Shamshad Ali  
Chief Executive Officer



## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Buxly Paints Limited  
Review Report on the Statement of Compliance contained in Listed Companies  
(Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Buxly Paints Limited for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

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

Reference

- i. Paragraph 5
- ii. Paragraph 9
- iii. Paragraph 12
- iv. Paragraph 15

Description

- Significant policies
- Directors' Training Program
- Composition of Committees
- Resignation of Head of Internal Audit

Rahman Sarfaraz Rahim Iqbal Rafiq,  
Chartered Accountants  
Engagement Partner: Rashid Rahman Mir  
Place: Lahore.  
Date: 26 September, 2018





## **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, 2018, 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, 2018 and of the loss 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)	<b>First time application of third and fourth schedules to the Companies Act, 2017</b>	
	<p>In view of promulgation of the Companies Act 2017, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements, particularly change in accounting policy regarding surplus on revaluation of property.</p> <p>The changes are considered as a key audit matter in view of the significant changes in disclosures in the financial statements and failure in compliance may have financial &amp; reputational impact.</p> <p>Refer note 2.6 and note 4 to the financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Obtained understanding of the requirements regarding preparation, disclosure and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements.</li> <li>Reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential noncompliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance.</li> <li>Reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of Companies Act, 2017.</li> </ul>
(ii)	<b>Revaluation of Property</b>	
	<p>The Company has revalued its land as at June 30, 2018. Fair value has been determined by the management expert by enquiring market rates of similar size plots in near vicinity from the real estate agents and keeping in view the location, size and availability of the leasehold land. The Company has also transferred portion of its land from owned assets to investment property.</p> <p>Due to the materiality of the balances and the level of judgment involved, this was an area of focus for our audit.</p> <p>Refer to note 6.2 and 6.3 to the accompanying financial statements.</p>	<p>Our audit procedures includes the following:</p> <ul style="list-style-type: none"> <li>Evaluating the independence, competence and relevant experience of the external valuer engaged by the management.</li> <li>Assessing the scope of the valuation, judgments and assumptions used in the valuation and evaluating the methodology used.</li> <li>Ensuring the accuracy of value determined of relevant portion of land transferred from owned assets to Investment property.</li> <li>The amount of increase in surplus was</li> </ul>





		<p>recognized and incorporated in financial statements with the due approval of the board.</p> <ul style="list-style-type: none"> <li>Assessing the adequacy and appropriateness of disclosure in the financial statements.</li> </ul>
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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.

### **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 Rashid Rahman Mir

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
Chartered Accountants  
Lahore: 26 September, 2018

## Statement of Financial Position

As at June 30, 2018

	Note	2018	2017 (Re-stated)	1 July 2016 (Re-stated)
<b>ASSETS</b>				
<b>Non current assets</b>				
Property and equipment	6	131,608	62,218	62,117
Investment properties	7	4,589	4,290	4,510
Long term loans and advances	8	2,787	1,703	2,278
Long term receivable	9	900	-	-
Long term security deposits		91	91	91
Deferred taxation	10	-	-	-
		<b>139,975</b>	<b>68,302</b>	<b>68,996</b>
<b>Current assets</b>				
Stock-in-trade	11	61,146	32,254	14,554
Trade debts - unsecured	12	80,766	65,477	43,020
Advances and deposits	13	15,511	15,412	10,188
Prepayments and other receivables	14	6,084	2,505	7,648
Term deposit receipts / account	15	7,217	7,217	6,925
Mark up receivable		170	234	232
Current portion of long term loans and advances	8	375	530	742
Taxation - net		8,142	5,692	6,671
Cash and bank balances	16	1,139	18,192	16,632
		<b>180,551</b>	<b>147,513</b>	<b>106,612</b>
<b>Total assets</b>		<b>320,526</b>	<b>215,815</b>	<b>175,608</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorised capital				
5,000,000 (2017: 5,000,000) Ordinary shares of Rs.10 each		<b>50,000</b>	50,000	50,000
Issued, subscribed and paid-up capital	17	<b>14,400</b>	14,400	14,400
Capital reserves				
Surplus on revaluation of property	18	<b>130,352</b>	60,435	60,435
Revenue reserves				
General Reserve		<b>5,993</b>	5,993	5,993
Accumulated (Loss) / Profit		<b>(2,994)</b>	2,399	(6,077)
		<b>147,751</b>	83,227	74,751
<b>Current liabilities</b>				
Advance from related party		-	-	40,000
Markup Accrued		<b>987</b>	805	-
Unpaid Dividend		<b>217</b>	217	217
Unclaimed Dividend		<b>102</b>	102	102
Short term borrowing - secured	19	<b>43,193</b>	39,834	-
Trade and other payables	20	<b>128,277</b>	91,630	60,538
		<b>172,776</b>	132,588	100,857
Contingencies and commitments	21			
<b>Total equity and liabilities</b>		<b>320,526</b>	<b>215,815</b>	<b>175,608</b>

The annexed notes 1 to 39 form an integral part of these financial statements.



## Statement of Profit or Loss

For the year ended June 30, 2018

	Note	2018 (Rupees in '000)	2017
Sales	22	314,298	269,224
Cost of sales	23	(266,145)	(204,528)
Gross profit		48,153	64,696
Distribution and selling expenses	24	(40,283)	(44,770)
Administrative expenses	25	(10,117)	(9,972)
		(50,400)	(54,742)
		(2,247)	9,954
Other income	26	5,060	4,360
		2,813	14,314
Finance cost	27	(4,278)	(1,571)
Other Charges	28	-	(892)
		(4,278)	(2,463)
(Loss)/Profit before tax		(1,465)	11,851
Taxation	29	(3,929)	(3,375)
(Loss) / Profit for the year		(5,393)	8,476
		(Rupees)	
(Loss) / Earnings per share - basic and diluted	30	(3.75)	5.89

The annexed notes 1 to 39 form an integral part of these financial statements.

## Statement of Comprehensive Income

For the year ended June 30, 2018

	Note	2018 (Rupees in '000)	2017
Profit after tax		(5,393)	8,476
<b>Other comprehensive income:</b>			
<i>Items not to be reclassified to statement of profit or loss:</i>			
Revaluation surplus recognised during the year		92,923	-
Adjustment of surplus pertaining to property transferred to investment property		(23,006)	-
	18	69,917	
<b>Total comprehensive income</b>		<b>64,523</b>	<b>8,476</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

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## Statement of Cash Flows

For the year ended June 30, 2018

	Note	2018 (Rupees in '000)	2017
<b>Cash flows from operating activities</b>			
(Loss) / Profit before tax		(1,465)	11,851
Adjustments for:			
Depreciation		311	309
Finance cost		4,278	1,571
Mark-up on term deposit receipts		(377)	(379)
Rental Income		(900)	
Provision against expired margin on letter of guarantees, earnest money and tender deposits		-	232
		<u>1,847</u>	<u>13,584</u>
<b>(Increase) / decrease in current assets</b>			
Stock-in-trade		(28,892)	(17,700)
Trade debts		(15,289)	(22,457)
Advances and deposits		(99)	(5,456)
Prepayments and other receivables		(3,579)	5,143
		<u>(47,859)</u>	<u>(40,470)</u>
<b>(Decrease) / increase in current liabilities</b>			
Trade and other payables		<u>36,647</u>	<u>31,092</u>
Net cash (used in) / generated from operating activities		<u>(9,365)</u>	<u>4,206</u>
Income tax paid		(6,379)	(2,396)
Finance cost paid		(4,096)	(766)
Net cash (used in) / generated from operations		<u>(19,841)</u>	<u>1,044</u>
<b>Cash flows from investing activities</b>			
Additions to property and equipment		(83)	(190)
Investment in term deposit receipts		-	(292)
Mark up received on term deposit receipts		441	377
Long term loans and advances - given		(929)	787
Net cash (used in) / generated from investing activities		<u>(571)</u>	<u>682</u>
<b>Cash flows from financing activities</b>			
Short term borrowing - secured		<u>3,359</u>	<u>39,834</u>
Advance from related party		-	(40,000)
Net cash generated from/ (used in) financing activities		<u>3,359</u>	<u>(166)</u>
Net increase in cash and cash equivalents during the year		<u>(17,053)</u>	<u>1,560</u>
<b>Cash and cash equivalents at beginning of the year</b>		<u>18,192</u>	<u>16,632</u>
<b>Cash and cash equivalents at end of the year</b>	16	<u><u>1,139</u></u>	<u><u>18,192</u></u>

The annexed notes 1 to 39 form an integral part of these financial statements.



**Statement of Changes in Equity**  
*For the year ended June 30, 2018*

	Capital Reserves		Revenue Reserves		Total
	Issued subscribed and paid-up capital	Surplus on revaluation of property	General reserve	Accumulated profit/ (loss)	
----- (Rupees in '000) -----					
Balance as at July 1, 2016	14,400	-	5,993	(6,077)	14,316
Adjustment due to change in accounting policy note - 4	-	60,435	-	-	60,435
As at July 1, 2016 - restated	14,400	60,435	5,993	(6,077)	74,751
Total comprehensive income for the year	-	-	-	8,476	8,476
Balance as at 30 June 2017 - restated	14,400	60,435	5,993	2,399	83,227
Total comprehensive income for the year	-	69,917	-	(5,393)	64,523
<b>Balance as at 30 June 2018</b>	<b>14,400</b>	<b>130,352</b>	<b>5,993</b>	<b>(2,994)</b>	<b>147,750</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

## Notes to the Financial Statements

*For the year ended 30 June 2018*

### 1. NATURE AND STATUS OF THE COMPANY

The Company was incorporated in Pakistan in April 1954 as a private limited company under the Companies Act, 1913 (now the Companies Act, 2017) and subsequently converted into a public limited company in May 1985. Its shares are listed on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of paints, pigments, protective surface coating, varnishes and other related products under a toll manufacturing agreement with Berger Paints Pakistan Limited, at a specified toll manufacturing fees. As per the agreement, the Company will deliver the materials, packing, filling and other bulk components, together with other ingredients to Berger Paints Pakistan Limited, who will process the ingredients and pack the products and deliver the products to the Company or designated party in Pakistan indicated by the Company. The registered office of the Company is situated at X-3, Manghopir Road, S.I.T.E. Karachi, Sindh, Pakistan.

### 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 6)
- Recognition of taxation and deferred taxation (notes 3.9 , 10 and 29)
- Provisions and contingencies (note 3.11 & note 21)
- Classification of investment properties (notes 3.3 and 7)
- Provision against trade debts and other receivables (notes 3.5, 12 and 14)
- Impairment (note 3.18)
- Stock-in-trade (notes 3.6 and 11)

**2.6 Adoption of Approved Financial Reporting Standards that are effective and applicable to the Company**

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. These changes include change in respect of presentation and measurement of surplus on revaluation of property as fully explained in note 4 to these financial statements. Additional disclosures include but are not limited to, management assessment of sufficiency of tax provision in the financial statements (refer note 27.3), change in threshold for identification of executives (refer note 29), additional disclosure requirements for related parties (refer note 31) etc.



Following standards, amendments to standards and interpretations including amendments to interpretations become effective during the year. However, the applications of these amendments and interpretations did not have any material effect on the Company's financial statements.

- IFRS-12 Disclosure of Interests in Other Entities (Amended)
- IAS-7 Statement of Cash Flows - (Amended)
- IAS 12- Income Taxes - (Amended)

**2.7 Standards, interpretations and amendments to the published approved accounting standards not yet effective:**

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

- IFRS 1 - First-time Adoption of International Financial Reporting Standards - (Amended)-(effective for annual periods beginning on or after 1 January 2018) - Not notified by SECP.
- IFRS 2 - Share Based Payments - (Amended)-(applicable for annual periods beginning on or after 1 January 2018).
- IFRS 3 - Business Combinations - (Amended)-(applicable for annual periods beginning on or after 1 January 2019)
- IFRS 4 - Insurance contracts - (Amended)-(applicable for annual periods beginning on or after 1 January 2018). IFRS 17 will replace IFRS 4 as of 1 January 2021.
- IFRS 9 - Financial Instruments: Classification and Measurements - (applicable for annual periods beginning on or after 1 July 2018).
- IFRS 11 - Joint Arrangements (Amended by Annual Improvements to IFRS Standards 2015-2017 Cycle)- (applicable for annual periods beginning on or after 1 January 2019).
- IFRS 14 - Regulatory Deferral Accounts - (applicable for annual periods beginning on or after 1 January 2016) - Not notified by SECP.
- IFRS 15 - Revenue from Contracts with Customers - (applicable for annual periods beginning on or after 1 July 2018).
- IFRS 16 - Leases - (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17- Insurance Contracts - (effective for annual periods beginning on or after 1 January 2021) - Not notified by SECP.
- IAS 12- Income Taxes - (Amended)-(effective for annual periods beginning on or after 1 January 2019).
- IAS 19 - Employee Benefits-(Amended)- (effective for annual periods beginning on or after 1 January 2019).

- IAS 28 - Investments in Associates-(Amendments resulting from annual improvements 2014-2016 cycle)- (effective for annual periods beginning on or after 1 January 2018).
- IAS 28 - Investments in Associates-(Amended by Long-term Interests in Associates and Joint Ventures)- (effective for annual periods beginning on or after 1 January 2019).
- IAS 39 - Financial Instruments: Recognition and Measurement -(Amended)- (effective for annual periods beginning on or after 1 January 2018).
- IAS 40 - Investment Property - (Amended)-(applicable for annual periods beginning on or after 1 January 2018).
- IFRIC 22 - Foreign Currency Transaction and Advance Consideration - (applicable for annual periods beginning on or after 1 January 2018).
- IFRIC 23 - Uncertainty Over Income Tax Treatments - (applicable for annual periods beginning on or after 1 January 2019).

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Property and equipment

##### *Owned*

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

Depreciation on all property and equipment except land is charged on the reducing balance method at the rates specified in note 6.

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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet date. Depreciation of leasehold land is suspended since financial year ended 30 June 2012 in accordance with the revised requirements of IAS 17.

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



**3.4 Staff retirement benefits***Defined contribution plan*

The Company operates a provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees to the fund at the rate of 8.33% of basic salary.

*Compensated absences*

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

**3.5 Trade debts**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest rate method, if applicable, less provision for impairment losses, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are provided / written off.

**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, labour 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 significant risk and rewards of ownership are transferred to the buyer i.e. when deliveries are made.
- 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 balance sheet 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 balance sheet date and adjusted to reflect current best estimate.

**3.12 Financial assets and liabilities**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at fair value plus directly attributable transaction costs, if any and subsequently measured at amortized cost using effective interest rate method if applicable, less provision for impairment, if any.

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

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

**3.14 Trade and other payables**

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

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

**3.15 Foreign currencies**

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet 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***Financial assets*

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

*Non-financial assets*

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.



**4. Change in Accounting policy**

Effective 30 May 2017, the Companies Act, 2017 (Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance related to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified the presentation and accounting treatment relating to revaluation of property, plant and equipment which was not in accordance with the requirements of IAS 16 "Property Plant and Equipment" as applicable in Pakistan. Consequently, the Company changed its accounting policy for revaluation surplus on property and equipment in accordance with the requirement of accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Companies accounting policy for surplus on revaluation of property and equipment was in accordance with provision of Section 235 of the repealed Ordinance. Earlier, the revaluation surplus on property and equipment was shown as separate item below equity, in accordance with the presentation requirements of the repealed Ordinance. The accounting policy and presentation requirement relating to revaluation surplus on property and equipment has been changed to bring it in conformity with the requirement of IAS 16 "Property Plant and Equipment" as explained in note 6 to these financial statements. Due to change, the revaluation surplus on property and equipment is now presented in the statement of financial position and statement of changes in equity as a reserve i.e. part of equity.

In accordance with the requirements of IAS 8 "Accounting policies, estimates and errors", above explained changes in accounting policies has been accounted for retrospectively, with the restatement of the comparative information. As a result, a third statement of financial position as at the beginning of the preceding period is presented (i.e. July 2016).

**5. Significant transactions and events occurred during the year**

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

-During the year land has been revalued by an independent valuer increasing revaluation surplus to Rs. 130.352 million. note-18.

-During the Year a portion of land has been transferred from property and equipment to investment property. note- 6 & 7.

**6. PROPERTY AND EQUIPMENT**

2018										
Cost					Accumulated depreciation					
As at 1 July 2017	Additions	(Disposals) / (Transfer)	As at 30 June 2018	Depreciation Rate %	As at 1 July 2017	Charge for the year	Reversal	As at 30 June 2018	Written down value as on 30 June 2018	
(Rupees in '000)					(Rupees in '000)					
Owned										
Leasehold Land - Cost	1,334	-	(508)	826	-	-	-	-	-	826
- Revaluation	60,445	92,923	(23,006)	130,362	-	-	-	-	-	130,362
	61,779	92,923	(23,514)	131,188		-	-	-	-	131,188
Furniture and fixtures	547	-	-	547	10	387	16	-	403	144
Vehicles	410	-	-	410	20	376	7	-	383	27
Office equipments	269	-	-	269	10	204	7	-	211	58
Computers	982	83	-	1,065	33	802	72	-	874	191
	63,987	93,006	(23,514)	133,479		1,769	102	-	1,871	131,608
2017										
Cost					Accumulated depreciation					Written
As at 1 July 2016	Additions	(Disposals)	As at 30 June 2017	Depreciation Rate %	As at 1 July 2016	Charge for the year	(Reversal)/ transfers	As at 30 June 2017	down value as on 30 June 2017	
(Rupees in '000)					(Rupees in '000)					
Owned										
Leasehold Land - Cost	1,334	-	-	1,334	-	-	-	-	-	1,334
- Revaluation	60,445	-	-	60,445	-	-	-	-	-	60,445
	61,779	-	-	61,779	-	-	-	-	-	61,779
Furniture and fixtures	460	87	-	547	10	374	13	-	387	160
Vehicles	410	-	-	410	20	367	9	-	376	34
Office equipments	256	13	-	269	10	198	6	-	204	65
Computers	892	90	-	982	33	741	61	-	802	180
	63,797	190	-	63,987		1,680	89	-	1,769	62,218

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

		2018	2017
		(Rupees in '000)	
Distribution and selling expenses	24.1	20	18
Administrative expenses	25.1	82	71
		<b>102</b>	<b>89</b>

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

6.3. During the year, with the approval of the Board a portion of land has been transferred to investment property because it was no longer used by the Company and it was decided that the same is given on operating lease under arrangement to Berger Paints Pakistan Limited - an associated company.

## 7. INVESTMENT PROPERTIES

	2018							Written down value as at 30 June 2018
	Cost			Depreciation				
	As at 1 July 2017	Transfer	As at 30 June 2018	Depreciation Rate %	As at 1 July 2017	Charge for the year	As at 30 June 2018	
	(Rupees in '000)			(Rupees in '000)				
Leasehold land	192	508	700	-	87	-	87	613
Office building	5,408	-	5,408	5	1,223	209	1,432	3,976
	5,600	508	6,108		1,310	209	1,519	4,589
	2017							Written down value as at 30 June 2017
	Cost			Depreciation				
	As at 1 July 2016	Transfer	As at 30 June 2017	Depreciation Rate %	As at 1 July 2016	Charge for the year	As at 30 June 2017	
	(Rupees in '000)			(Rupees in '000)				
Leasehold land	192	-	192	-	87	-	87	105
Office building	5,408	-	5,408	5	1,003	220	1,223	4,185
	5,600	-	5,600		1,090	220	1,310	4,290

7.1 A portion of land is transferred from owned assets to investment property as referred in note 6.3.

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

a. land element has been valued at Rs. 97.142 million after enquiring market rates of similar sized plots in near vicinity from the real estate agents and keeping in view the location, size and availability of the land. The Land is situated at Manghopir Road, S.I.T.E, Karachi having area of 17,071 square feet. and

b. the building element has been valued at Rs. 10.055 million after taking into account the type and class of construction. Building is situated on a portion of the same land covering an area of 3,500 square feet.

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

		2018 (Rupees in '000)	2017
7.3 Depreciation for the year has been allocated as follows:			
Distribution and selling expenses	24.1	42	44
Administrative expenses	25.1	167	176
		<b>209</b>	<b>220</b>

## 8. LONG TERM LOANS AND ADVANCES

### - Secured, considered good

Employee loans	8.1	3,162	2,233
Receivable within one year		(375)	(530)
		<b>2,787</b>	<b>1,703</b>



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- 8.1** This represents interest free loan to employees for the purpose of purchase of motor vehicles. These loans are secured against these motor vehicles and was recoverable in 60 equal monthly instalments. During the year Company has changed its loan policy in respect of monthly instalments from 60 to 96. These loans have not been discounted to their present values as the financial impact is not material.

**2018                      2017**  
**(Rupees in '000)**

- 8.2** These loans include balances from following executive employees:

Receivable at start of the year	-	291
Loan recovered	-	(291)
Receivable at year end	-	-

The maximum aggregate balances due from executive employees at the end of any month during the year were as follows:

**2018                      2017**  
**(Rupees in '000)**

Executive employees	-	291
---------------------	---	-----

**9. LONG TERM RECEIVABLE**

The Company under operating lease arrangements has leased out portion of its land to an associated company as disclosed in note 21.4. 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.

- 9.1** At June 30, 2018, the future minimum lease payments under non-cancellable lease was receivable as follows:

**2018                      2017**  
**(Rupees in '000)**

Less than one year	1,800	-
Between one and five years	7,200	-
More than five years	8,100	-
	<b>17,100</b>	-

**10. DEFERRED TAXATION**

The Company has not recognised deferred tax assets of Rs. 6.544 million (2017: Rs. 5.521 million) in respect of temporary differences amounting to Rs. 18.374 million (2017: Rs. 18.403 million) as per policy given in note 3.9.

**11. STOCK-IN-TRADE**

	2018 (Rupees in '000)	2017 (Rupees in '000)
Packing material	3,059	551
Work-in-process	8,817	895
Finished goods	54,027	35,565
	<u>65,903</u>	<u>37,011</u>
Provision against slow moving stocks:		
- Finished goods	11.1 (4,757)	(4,757)
	<u>61,146</u>	<u>32,254</u>

**11.1 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>

**12. TRADE DEBTS - unsecured**

Considered good	80,766	65,477
Considered doubtful	12,986	12,986
	<u>93,752</u>	<u>78,463</u>
Provision against debts considered doubtful	12.1 (12,986)	(12,986)
	<u>80,766</u>	<u>65,477</u>

**12.1 Provision against debts considered doubtful:**

Opening balance	12,986	12,986
Charge for the year	-	-
Closing balance	<u>12,986</u>	<u>12,986</u>

**13. ADVANCES AND DEPOSITS**
**Advances - unsecured, considered good**

Employees	548	185
-----------	-----	-----

**Deposits**

Margin against letters of guarantee	6,629	5,612
Earnest money and tender deposits	10,566	11,847
	<u>17,195</u>	<u>17,459</u>
Provision against expired letter of guarantee, earnest money and security deposits	13.1 (2,232)	(2,232)
	<u>15,511</u>	<u>15,412</u>

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## 13.1 Particulars of provision are as follows:

Opening balance	2,232	2,000
Charge for the year	-	232
Closing balance	<u>2,232</u>	<u>2,232</u>

## 14. PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	(Rupees in '000)	
Prepayments	479	233
Sales tax receivable	5,605	2,237
Employees' provident fund	-	35
	<u>6,084</u>	<u>2,505</u>

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

	<u>7,217</u>	<u>7,217</u>
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These short term deposits carrying mark-up at the rates ranging from 5 % to 6% (2017: 5.25% to 8.30%) per annum having maturities within one year. The term deposits are under lien against letter of guarantees issued by the banks.

## 16. CASH AND BANK BALANCES

In hand	32	17
At banks - in current accounts	1,107	18,175
	<u>1,139</u>	<u>18,192</u>

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

2018	2017			
		(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 926,087 (2017: 926,087) ordinary shares of Rs. 10 each, held by associated undertakings.



		2018	2017
		(Rupees in '000)	
<b>18. SURPLUS ON REVALUATION OF PROPERTY</b>		<b>130,352</b>	<b>60,435</b>
<b>18.1</b>	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.		
	Movement in the surplus during the year was as follows:		
	Balance at the beginning of the year	60,435	60,435
	Add: Surplus recognized during the year	92,923	-
	Less: Adjustment of surplus pertaining to property transferred to investment property	(23,006)	-
	Balance at the end of the year	130,352	60,435
<b>19. SHORT TERM BORROWINGS - Secured</b>		<b>43,193</b>	<b>39,834</b>
	Company has entered into an agreement with JS Bank Limited for short term running finance facility under mark-up arrangement. This arrangement is secured against first hypothecation charge of Rs. 107 million over stocks and receivables of the company and additional comfort of first equitable mortgage charge of Rs. 67 million on industry property of the company situated at Plot # X-3, Manghopir Road, S.I.T.E., Karachi. The running finance facility carries mark-up of 1 months KIBOR + 2%.		
<b>20. TRADE AND OTHER PAYABLES</b>			
<b>Trade creditors</b>	20.1	124,034	88,380
<b>Accrued expenses</b>		375	375
		124,409	88,755
<b>Other liabilities</b>			
Advances from customers		2,210	909
Workers' profit participation fund	20.2	56	656
Provision for compensated absences		362	362
Others	20.3	1,240	948
		3,868	2,875
		128,277	91,630
<b>20.1</b>	This includes payable to following associated undertaking: Berger Paints Pakistan Limited	102,400	75,992
<b>20.2 Workers' profit participation fund</b>			
		2018	2017
		(Rupees in '000)	
	Balance as at 1 July	656	410
	Charge for the year	32	637
	Paid during the year	(632)	(391)
	Balance as at 30 June	56	656

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

### 21. CONTINGENCIES AND COMMITMENTS

#### Contingencies

Letter of guarantees	21.1	13,846	12,829
Claim not acknowledged by the company	21.2	3,860	3,860
		<u>17,706</u>	<u>16,689</u>

- 21.1** These represent guarantees given against supplies to Government departments against their orders, gas supply and in favour of Collector of Central Excise Department and Customs.

- 21.2** 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.

- 21.3** 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:

- 21.4** 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.

	2018	2017
	(Rupees in '000)	
<b>22. SALES</b>		
Gross sales	375,370	321,327
Sales tax and excise duty	(60,721)	(50,721)
	<u>314,649</u>	<u>270,606</u>
Commission and discount	(351)	(1,382)
	<u>314,298</u>	<u>269,224</u>

	2018	2017	
	(Rupees in '000)		
<b>23. COST OF SALES</b>			
<b>Opening Stock</b>			
Packing material	551	519	
<b>Purchases</b>			
Raw material	239,189	183,228	
Packing material	27,170	20,978	
	266,359	204,206	
	266,910	204,725	
<b>Closing stock</b>			
Packing material	(3,059)	(551)	
Material consumed	263,851	204,174	
<b>Manufacturing expenses</b>			
Toll manufacturing charges	28,679	16,879	
	292,530	221,053	
<b>Work in process</b>			
Opening stock	895	757	
Closing stock	(8,817)	(895)	
	(7,922)	(138)	
Cost of goods manufactured	284,608	220,915	
<b>Finished goods</b>			
Opening stock	35,565	18,035	
Stock recovered from damaged stock	-	1,143	
Closing stock	(54,027)	(35,565)	
	266,145	204,528	
<b>24. DISTRIBUTION AND SELLING EXPENSES</b>			
Salaries and other benefits	24.1	21,479	22,207
Insurance		145	128
Rent, rates and taxes		432	274
Carriage outward		8,500	5,839
Advertising and promotional expenses		2,653	4,133
Travelling and conveyance		5,188	2,955
Printing and stationery		772	389
Postage, telephone and fax		161	78
Repairs and maintenance		40	-
Depreciation	6.1 & 7.3	62	62
Provision against expired letter of guarantee, earnest money and security deposits		-	232
Entertainment and welfare		171	259
Service charges		-	7,074
Fees and subscription		629	317
Sundry expenses		51	823
		40,283	44,770

**24.1** Included herein is a sum of Rs. 0.41 million (2017: Rs. 0.38 million) in respect of staff retirement benefits.(Provident Fund)



		2018	2017
		(Rupees in '000)	
<b>25. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	25.1	4,199	2,054
Directors' fee		654	470
Insurance		128	44
Printing and stationery		295	374
Postage, telephone and fax		67	106
Travelling and conveyance		376	133
Service charges		600	240
Auditor's remuneration	25.2	488	488
Fees and subscription		1,114	1,262
Legal and professional fees		512	468
Repairs and maintenance		169	444
Depreciation	6.1 & 7.3	249	247
Entertainment and welfare		782	599
Utilities Expenses		469	137
Balances written off	25.3	-	2,725
Miscellaneous expenses		15	181
		<b>10,117</b>	<b>9,972</b>

**25.1** Included herein is Rs. 0.050 million (2017: Rs. 0.014 million) in respect of staff retirement benefits and a sum of Rs. 1.02 million (2017: Rs. 1.02 million) in respect of remuneration of Chief executive.

**25.2 Auditors' remuneration**

Statutory audit	275	275
Half yearly review	83	83
Other certifications	107	107
	<b>465</b>	<b>465</b>
Punjab Sales Tax @ 5%	23	23
	<b>488</b>	<b>488</b>

**25.3** These represent taxes withheld by customers in the past for which tax challans were not provided and therefore were no longer adjustable and hence written off.

**26. OTHER INCOME**

**Financial asset**

Mark up on term deposit receipts	377	379
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**Non financial asset**

Royalty income	26.1	1,971	2,169
Misc. income		12	12
Rental income	26.2	2,700	1,800
		<b>4,683</b>	<b>3,981</b>
		<b>5,060</b>	<b>4,360</b>

**26.1** 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.

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

	2018	2017
	(Rupees in '000)	
<b>27. FINANCE COST</b>		
Bank charges	573	766
Mark-up on Short term running finance	3,705	805
	<u>4,278</u>	<u>1,571</u>
<b>28. OTHER CHARGES</b>		
Workers' Profit Participation Fund	-	637
Workers' Welfare Fund	-	255
	<u>-</u>	<u>892</u>
<b>29. TAXATION</b>		
For the year	3,929	3,375
Deferred	10	-
	<u>3,929</u>	<u>3,375</u>

**29.1 Current status of tax assessments**

The income tax assessments of the Company have been finalised upto and including the tax year 2017 (Income year ended 30 June 2017). The returns for income tax have been filed under the Universal Self Assessment Scheme which provides that return filed is deemed to be an assessment order. However, these returns (i.e. return for tax years 2013 to 2017) 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.

	2018	2017
	(Rupees in '000)	
<b>29.2 Reconciliation of accounting profit and tax expense</b>		
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		
<b>29.3</b> As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:		

	2017	2016	2015
	(Rupees in '000)		
Provision as per Financial Statements	3,375	2,146	1,729
Tax Assessment	2,706	2,146	1,742
Excess / (Shortage)	669	-	(13)

### 30. 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.

	2018	2017
	(Rupees in '000)	
(Loss)/Profit for the year after tax	<u>(5,393)</u>	<u>8,476</u>
	(Shares in '000)	
Weighted average number of shares outstanding during the year	<u>1,440</u>	<u>1,440</u>
	(Rupees)	
(Loss)/Earnings per share	<u>(3.75)</u>	<u>5.89</u>

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

	2018			2017*		
	Chief Executive	Executives	Directors	Chief Executive	Executives	Directors
	(Rupees in '000)					
Directors' fee	-	-	480	-	-	470
Managerial remuneration	583	2,387	-	583	804	-
House rent allowance	262	1,074	-	262	362	-
Utilities	58	251	-	58	84	-
Conveyance	58	1,098	-	58	370	-
Medical allowance	58	-	-	58	-	-
	<u>1,020</u>	<u>4,810</u>	<u>480</u>	<u>1,020</u>	<u>1,620</u>	<u>470</u>
Number of persons	<u>1</u>	<u>2</u>	<u>7</u>	<u>1</u>	<u>1</u>	<u>7</u>

\* Comparatives have been amended to reflect changes in the definition of executive as per the Companies Act, 2017.

### 32. PLANT CAPACITY & PRODUCTION

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

	2018	2017
	(In litres)	
	<u>1,678,591</u>	<u>1,522,588</u>

### 33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Related parties comprises of associated undertakings, directors of the Company, major share holders and their close family members and key management personnel and employment retirement benefits plans. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions at agreed rates. Further, contribution to defined contribution plan (provident fund) are made as per the terms of employment. Remuneration of key management personnel is in accordance with their terms of engagements. Balances due to/due from related parties are describe in note 8 & 20. Details of transactions with related parties are as follows:

	2018	2017
	(Rupees in '000)	
<u>Associated undertakings</u>		
Purchase during the year	<u>239,189</u>	<u>186,385</u>
Sale during the year	<u>-</u>	<u>961</u>
Rental expense and service charges	<u>1,200</u>	<u>5,568</u>
Toll manufacturing expenses incurred	<u>28,679</u>	<u>16,879</u>
Royalty income	<u>1,971</u>	<u>2,169</u>
Rental income	<u>2,700</u>	<u>1,800</u>
Service charges on advance for the year	<u>-</u>	<u>7,074</u>
License fee	<u>12</u>	<u>12</u>



**Remuneration of key management personnel** - Refer note 31

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 shareholding
1	Berger Paints Pakistan limited	Share Holding	19%
			2018 2017 (Re-stated) (Rupees in '000)

**Buxly Paints Limited Provident Fund**

Company's contribution	33.1	461	390
(Receivable from)/Payable to Provident Fund		-	35

33.1 Comparative figure of contribution to Buxly Paints Limited Provident Fund has been restated to make numeric correction.

## 34. 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.

#### 34.1 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:

		2018	2017
		(Rupees in '000)	
	Classification		
Loans and advances	Loans and receivables	3,162	2,233
Long term deposits	Loans and receivables	91	91
Trade debts	Loans and receivables	80,766	65,477
Mark up receivable	Loans and receivables	170	234
Other receivables	Loans and receivables	-	35
Advances and deposits	Loans and receivables	15,511	15,412
Term deposit receipts	Held to maturity	7,217	7,217
Bank balances	Loans and receivables	1,107	18,175
		<b>108,024</b>	<b>108,874</b>

### 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:

	2018		2017	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Past due 0 - 30 days	39,972	-	35,753	-
Past due 31 - 60 days	21,202	-	12,431	-
Past due 61 - 180 days	16,640	-	16,276	-
More than 180 days	15,929	12,986	14,003	12,986
	<b>93,743</b>	<b>12,986</b>	<b>78,463</b>	<b>12,986</b>

The movement in provision for impairment of trade debts is given in note no. 12.1. In the opinion of the management no further provision is necessary for past due trade debts as these are considered good based on payment history.

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

Bank	Rating Agency	Rating	
		Short term	Long term
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
JS Bank Limited	PACRA	A1+	AA-
MCB Islamic Bank Limited	PACRA	A1	A
Bank AL Habib Limited	PACRA	A1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	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.

#### 34.2 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 balance sheet date to the contractual maturity date.

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



	2017				
	Carrying amount	Contractual cash flows	Three months or less	Three months to one year	More than one year
	----- (Rupees in '000) -----				
<b>Non-derivative financial liabilities</b>					
Short term borrowing - secured	39,834	(39,834)	(39,834)	-	-
Markup Accrued	805	(805)	(805)	-	-
Trade and other payables	90,384	(90,384)	(90,384)	-	-
	<b>131,023</b>	<b>(131,023)</b>	<b>(131,023)</b>	<b>-</b>	<b>-</b>

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company meets these requirements by financial assistance available from the associated company as and when the need arises.

The contractual cash flows relating to the above financial liabilities have been determined on the basis of applicable mark-up rates as at 30 June 2018, if any.

### 34.3 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.

#### 34.3.1 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.

#### 34.3.2 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	
	2018	2017	2018	2017
	(in percentage)		(Rupees in '000)	
Financial assets - Fixed rate instruments				
Term deposit receipts	5 to 6	5.25 to 8.3	7,217	7,217

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

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

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

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

**34.3.3 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.

**34.4 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.

**34.5 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).

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**35. 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.

**36. NUMBER OF EMPLOYEES**

The total number of employees as at year end are 27 which are all permanent employees (30 June 2017: 25) and average number of employees were 26 (30 June 2017: 24).

**37. PROVIDENT FUND DISCLOSURE**

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

	2018	2017 (Re-stated)
	-----Rupees-----	
	Un-Audited	Un-Audited
Size of the fund - total assets	4,827,355	4,570,711
Cost of Investments made	1,548,150	1,548,150
Percentage of investments made	32%	34%
Fair Value of investments	3,787,946	3,384,713

The break-up of cost of investments is:

	2018		2017	
	% of fund	Rupees	% of fund	Rupees
Defence Saving Certificates	21%	1,000,000	22%	1,000,000
Mutual Fund	11%	548,150	12%	548,150
	32%	1,548,150	34%	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.

37.1. Corresponding figures have been restated to make numeric correction.

**38. EVENTS AFTER BALANCE SHEET DATE**

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

**39. DATE OF AUTHORISATION**

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on \_\_\_\_\_.

**Buxly Paints Limited**  
**Pattern of Shareholdings**  
**As at 30 June 2018**

NUMBER OF SHAREHOLDERS	SHARE HOLDINGS		NO OF SHARES HELD	PERCENTAGE
326	1 -	100	16,588	1.152
170	101 -	500	43,885	3.048
33	501 -	1,000	29,765	2.067
15	1,001 -	5,000	40,235	2.794
4	5,001 -	10,000	32,700	2.271
1	10,001 -	15,000	12,500	0.868
3	15,001 -	20,000	53,019	3.682
1	20,001 -	25,000	24,500	1.701
1	30,001 -	35,000	31,500	2.188
1	35,001 -	40,000	36,500	2.535
1	50,001 -	55,000	50,500	3.507
1	55,001 -	60,000	60,000	4.167
1	90,001 -	95,000	93,218	6.473
1	95,001 -	100,000	99,500	6.910
1	270,001	275,000	273,600	19.000
1	540,001	545,000	541,990	37.638
561			1,440,000	100.00

	CATEGORIES OF SHAREHOLDERS	NO OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	DIRECTORS, CEO AND CHILDREN	2	1,000	0.07
2	Associated Companies	2	815,590	56.64
3	NIT and ICP	1	100	0.01
4	Banks, DFI and NBFI	1	98	0.01
5	Modarbas and Mutual Funds	4	161,718	11.23
6	General Public (Local)	537	311,691	21.65
7	General Public (Foreign)	4	18,101	1.26
8	Others	10	131,702	9.15
		561	1,440,000	100.00

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

**DIRECTORS AND THEIR SPOUSES**

1	Mr. Bashir Ahmed	500	0.03
2	Mr. H.P Kotwal	500	0.03



BLANK

## Form of Proxy

The Secretary  
Buxly Paints Limited  
X-3 Manghopir Road,  
S.I.T.E. Karachi.  
Karachi-75700, Pakistan

I/We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
being a member of Buxly Paints Limited and holder of \_\_\_\_\_  
(No. of Shares)

Ordinary Shares as per Share Register Folio No. \_\_\_\_\_ and/or CDC Participant I.D. No. \_\_\_\_\_  
and Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_ or  
failing him \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the 64<sup>th</sup> Annual General Meeting of the Company to be held on October 29, 2016 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018

**Witnesses:**

1. Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. or Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

CNIC No. or Passport No. \_\_\_\_\_

Signature on  
Rs. 5/-  
Revenue Stamp

(Signature should agree with the specimen  
signature registered with the Company)

**Note:**

- This Proxy form, duly completed and signed, must be received at the Registered Office of the Company, X/3, Manghopir Road, S.I.T.E., Karachi, not less than 48 hours before the time of holding the meeting.
- No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
- If a member appoints more than one proxy and more than one instruments of proxy are deposited be a member with the Company, all such instruments of proxy shall be rendered invalid.
- CDC shareholders and their proxies must each attach an attested photocopy of their National Identity Card of Passport with this proxy form.

The Company Secretary

**BUXLY PAINTS LIMITED**

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

AFFIX  
CORRECT  
POSTAGE