



BUXIY PAINTS

Annual Report
2016-2017

CONTENTS

Company Information	2
Notice of Annual General Meeting	3
Directors' Report	5
Directors' Profile	9
Key Financial and Operating Data	11
Statement of Compliance with Code of Corporate Governance	12
Auditors' Review Report To The Members	15
Auditors' Report	16
Balance Sheet	17
Profit and Loss Account	18
Statement of Comprehensive Income	19
Cash Flow Statement	20
Statement of Changes in Equity	21
Notes to the Financial Statements	22
Pattern of Shareholding	47
Form of Proxy	48

COMPANY INFORMATION**Board of Directors:**

Mr. Bashir Ahmed	Chairman
Mr. Shamshad Ali	Chief Executive Officer
Mr. H.P Kotwal	
Mr. Fakhru Arfin	
Mr. Muhammad Sami Shafi	
Mr. Saeed Mohammad Sheikh	
Mr. Muhammad Hanif Idrees	
Mr. Sheikh Asim Rafiq	(NIT Nominee)

Audit Committee:

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

**Human Resource and
Remuneration Committee :**

Mr. Bashir Ahmed	Chairman
Mr. 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
NIB Bank Limited
National Bank of Pakistan

Share Registrar :

THK Associates (Pvt.) Ltd.
Ground Floor, State Life Building No. 3
Dr. Zia Uddin Ahmed Road, P.O. Box No. 8533 Karachi
Ph: (92-21) 111-000-322
FAX: (92-21) 35655595

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 63rd Annual General Meeting of the shareholders of Buxly Paints Limited will be held at Cyrus Minwalla Colony Hall, Parsi gate, Mehmoodabad, Karachi on Saturday, October 28, 2017 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 29, 2016.
2. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 2017 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, 2018 and fix their remuneration.
4. To transact any other business with the permission of the chair.

By Order of the Board

Karachi: - October 06, 2017

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 Saturday, October 21, 2017 to Saturday, October 28, 2017 (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. Form of Proxy enclosed herewith.

DIRECTORS' REPORT

The Directors of your company are pleased to present the Annual Report of the Company alongwith the Audited Accounts and the Auditors' Report thereon for the year ended 30 June 2017. Financial Results are as follows:

	2017 (Rs.000's)
Financial Results:	
Profit before taxation	11,851
Less: Taxation	(3,375)
Profit after taxation	<u>8,476</u>
Earning Per Share	<u>Rs. 5.89</u>

Despite intensive competition your company has achieved sales value of Rs. 269.224 million as against Rs. 209.733 million of last year which is 28% higher. Gross profit achieved in 2017 amounts to Rs. 64.696 million as compared to Rs. 45.361 million for the year 2016. Gross profit as percentage to net sales increased from 21.6% of previous year to 24.0% of the year under review.

There has been macro economic level stability in the country. However due to political instability, business environment remained volatile throughout the financial year 2017. In spite of the prevailing challenges your company has shown impressive growth in sales along with improved gross profit margin. We expect the positive results to be continued.

Board of Directors

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

Board of Directors' Meetings

During the year, 6 (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	3
Mr. Fakhru Arfin	4
Mr. Muhammad Hanif Idrees	5
Mr. Saeed Muhammad Sheikh	5
Mr. Muhammad Sameeh Shafi	3
Mr. Sheikh Asim Rafiq (NIT Nominee)	2
Mr. Hameed Ahmed	2

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.

Earning Per Share

Earning Per share is Rs. 5.89 [2016: Rs. 3.57]

Auditors

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

Reasons for non declaration of dividend

Due to increasing need of working capital funds requirement, the Directors did not recommend any dividend for the year ended June 30, 2017.

Corporate and Financial Reporting Framework

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

- (i) The financial statements together with the notes thereon have been drawn up to the conformity with the repealed Companies Ordinance, 1984. These Statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- (ii) Proper books of accounts of the Company have been maintained.
- (iii) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates and are based on reasonable and prudent judgment.
- (iv) International financial reporting standards as applicable in Pakistan, have been followed in preparation of financial statements.
- (v) The system of internal control is satisfactory and has been effectively implemented.
- (vi) No statutory payment on account of taxes, duties, levies and charges is due from the Company.
- (vii) There are no significant doubts upon the Company's ability to continue as a going concern.
- (viii) There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations except for those highlighted by the auditors in their report. The management continues endeavoring to make your company fully compliant with these regulations.
- (ix) The key operating and financial data of last six years is provided hereafter.
- (x) Value of investment of employees' provident fund as on June 30, 2017 is Rs. 3.39m (2016: Rs. 3.05m).

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 29, 2017

مجلس نظمہ کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز 30 جون، 2017 کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ بعد آڈٹڈ اکاؤنٹس پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ فنانشل نتائج مندرجہ ذیل ہیں:

فنانشل نتائج	2017 (Rs.000's)
ٹیکس سے قبل منافع	11,851
ٹیکس	(3,375)
منافع بعد از ٹیکس	8,476
فی شیئر آمدنی	Rs. 5.89

شدید مقابلے کے باوجود آپ کی کمپنی نے 269.224 ملین روپے کی سیلز حاصل کی ہے جو کہ پچھلے سال کے 209.733 ملین روپے سے 28% تک بڑھی۔ 2017 میں 64.696 ملین روپے کا منافع حاصل ہوا جبکہ 2016 میں ہونے والا منافع 45.361 ملین روپے تھا۔ گزشتہ سال کے مقابلے میں زیرہ جائزہ سال میں نیٹ سیلز، کل منافع 21.6% سے 24.0% تک بڑھا۔

ملک میں میکرو اکنامک سطح مستحکم رہی ہے۔ البتہ سیاسی عدم استحکام کے باعث مالیاتی سال 2017 میں کاروباری ماحول غیر مستحکم رہا۔ موجودہ چیلنجز کے باوجود، آپ کی کمپنی کی سیلز میں شاندار اضافہ ہوا ہے۔ ہم امید رکھتے ہیں کہ مثبت نتائج جاری رہیں گے۔

بورڈ آف ڈائریکٹرز

موجودہ بورڈ آف ڈائریکٹرز میں نون ایگزیکٹو چیئرمین، چیف ایگزیکٹو آفیسر، 2 انڈیپنڈنٹ ڈائریکٹرز اور 4 نون ایگزیکٹو ڈائریکٹرز شامل ہیں۔

بورڈ آف ڈائریکٹرز کا اجلاس

اس سال کے دوران بورڈ آف ڈائریکٹرز کے 16 اجلاس منعقد ہوئے جن میں حاضری درج ذیل رہی ہے:

ڈائریکٹرز کے نام	حاضری
بشیر احمد	6
شمشاد علی	6
انجینیئر کوٹوال	3
فخر العارفین	4
محمد حنیف ادریس	5
سعید محمد شیخ	5
محمد سمیع شانی	3
شیخ عاصم رفیق (امیدوار برائے این آئی ٹی)	2
حمید احمد	2

جو ڈائریکٹر حضرات اجلاس میں شمولیت نہ کر سکے ان کی چھٹیاں منظور کی گئیں۔

آؤٹ کمیٹی

اس سال کے دوران آؤٹ کمیٹی کے 14 اجلاس منعقد کئے گئے۔

ہیومن ریورس کمیٹی

اس سال کے دوران ہیومن ریورس کمیٹی کا ایک اجلاس منعقد ہوا۔

شیئر ہولڈنگ کی تفصیل

شیئر ہولڈنگ کی تفصیلات کی اسٹیٹمنٹ اس کے بعد درج ہے۔

نی شیئر آمدنی

نی شیئر آمدنی 5.89 روپے ہے۔ [3.57 روپے: 2016]

آڈٹرز

موجودہ آڈٹرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس نے ریٹائرڈ ہوجانے کے بعد اپنی اہلیت کے باعث اپنی دوبارہ تقرری پیش کی ہے۔

ڈیویڈنڈ کا اعلان نہ ہونے کی وجوہات

ورکنگ کیپٹل فنڈ کی بڑھتی ہوئی ضرورت کی وجہ سے، 30 جون، 2017 کو اختتام پذیر ہونے والے سال کے لئے ڈائریکٹرز نے کوئی ڈیویڈنڈ تجویز نہیں کیا۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

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

i. فنانشل اسٹیٹمنٹس کو ان کے نوٹس کے ہمراہ 1984 کے منسوخ شدہ کمپنیز آرڈیننس کی مطابقت کے تحت تیار کیا گیا ہے۔ یہ اسٹیٹمنٹس کمپنی کے معاملات کی حالت، اس کے آپریشنز

کے نتائج، کیش فلو اور مساوات میں رد و بدل کو واضح طور پر پیش کرتی ہیں۔

ii. اکاؤنٹس کی مناسب کتابوں کو کمپنی نے برقرار رکھا ہے۔

iii. اکاؤنٹنگ کی موزوں پالیسیوں کا فنانشل اسٹیٹمنٹس کی تیاری میں یکساں طور پر اطلاق کیا گیا ہے، جو کہ پاکستان میں نافذ شدہ

بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز کے تحت 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 موثر طریقے سے لاگو کیا جا رہا ہے۔

vi. ٹیکس، فرائض اور لیوی سے منسلک کوئی بھی قانونی ادائیگی کمپنی پر واجب الادا نہیں۔

vii. کمپنی کا کاروباری حیثیت سے جاری رہنے کی قابلیت پر کوئی واضح شک و شبہات نہیں ہیں۔

viii. کارپوریٹ گورننس کی بہترین طریقوں میں سے کوئی بھی اہم دفعہ کو ترک نہیں کیا گیا، جیسا کہ لسٹنگ ریگولیشنز میں بیان ہے۔

ix. گزشتہ 6 سالوں کا آپریٹنگ اور فنانشل ڈیٹا الحاق شدہ ہے۔

xi. 30 جون، 2017 پر سرمایہ کار یوں کی قیمت 3.39 ملین روپے اور 2016 پر 3.05 ملین روپے ہے۔

اعترافات

کمپنی کے پراڈکٹس پر مسلسل معاونت کے لئے ہم اپنے معزز کسٹمرز کے شکر گزار ہیں اور مشکل اوقات میں ان تھک کوشش کے لئے پوری کسٹمر ٹیم بشمول ہمارا اسٹاف، وینڈرز، ڈیلرز

اور تمام کاروباری رفقاء کی کوششوں کو تسلیم کرنا چاہتے ہیں اور ہم ان کی مسلسل حمایت کے منتظر ہیں۔

چیف ایگزیکٹو آفیسر

ڈائریکٹر

کراچی، 29 ستمبر، 2017

Directors' Profile

Bashir Ahmed

Chairman

Mr. Bashir Ahmed is a well – known individual belonging to the corporate sector of Pakistan. His vast experience includes working at Singer Pakistan Ltd. as Director Marketing and later as CEO of Berger Paints Pakistan Ltd. Mr. Ahmed has received over three dozen Merit Awards during the span of his career for exceeding given objectives / targets.

Mr. Ahmed obtained his MBA from the Institute of Business Administration, Karachi in 1967. He has also participated in a highly rewarding International Management Development Course at Syracuse University, New York in 1978. He has also participated in numerous international and regional conferences during his career.

He plays a prominent role in the social sector of the country as well, and has previously been associated with an NGO Raast and served as its President as well. He is a member of Karachi Charitable Association and also an active member of Rotary Club of Karachi which has several ongoing charitable projects at present.

Mr. Ahmed served on the Board of Directors of several companies, including Shezan International, Shams Textile Mills Limited, Premier Textile Mills Limited, Pakistan Paper Products from 2006 – 2014.

Shamshad Ali

Chief Executive Officer

Mr. Shamshad Ali is a seasoned professional who has a cumulative exposure of working in Paint industry for more than 40 years in different capacities. He is a Finance & Accounts professional whose key areas of interest are Corporate Finance, Corporate & Secretarial Practices, Taxation and Audit.

In past, Mr. Ali served as Head of Finance, Head of Internal Audit and Company Secretary of Berger Paints Pakistan Limited, Buxly Paints Limited and Berger DPI (Private) Limited. He was also engaged with A.F. Ferguson & Co (one of leading Chartered Accountancy Firm of Pakistan). He was instrumental during his career in the area of negotiation with trade union and foreign reporting to the parent company.

Muhammad Sameeh Shafi

Director

Fakhrul Arfin

Director

Mr. Fakhrul Arfin has been engaged with Paint industry since 1982 when he assumed the role of Technical Manager – Decorative. He served this industry under different roles and in different local and international organizations including OLAYAN Technical Trading Co. and Berger Paints Pakistan Limited. During his career, he attended various technical trainings and courses organized by local and foreign organizations.

Mr. Arfin holds an MS in Polymer Science and a BS in Chemical Engineering from University of Akron, Ohio, USA.

Saeed Mohammad Sheikh

Director

Mr. Saeed Mohammad Sheikh studied Surface Coating Technology at Borrough Polytechnic, London (Now known as University of South Bank) and has a first class qualification of this institution. He also holds qualification of Advanced Paint and Polymer Technology from City & Guilds of London institute with second position in England in 1967. He is a graduate in Science from University of Karachi.

Mr. Sheikh served as a Paint Technologist for about 40 years in the industry, both in Pakistan and England. He retired as a Technical Director of Berger Paints Pakistan Limited after serving it for 30 years.

Sheikh Asim Rafiq

Director

Sheikh Asim Rafiq is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan and a Certified Internal Auditor from the Institute of Internal Auditors, USA.

Mr. Rafiq started his career from A.F. Ferguson & Co. and presently working as Head of Internal Audit at NITL. He has a work experience of over a decade, majorly in financial services sector. In addition to his responsibilities as Head of Internal Audit, He is also representing NITL as a Nominee Director in various other companies.

Muhammad Hanif Idrees

Director

An energetic, dynamic and innovative business / commercial person, having exposure of working in Pakistan and conducting short assignments in Singapore, China, Malaysia, Oman and Turkey. He possess rich and progressive experience of leadership in various areas of Business including Corporate Secretarial matters, Trade & Corporate Finance, Accounting, Information & Communications Technology (ICT) being the main discipline with Multinational and Foreign Affiliated organizations.

He is a Fellow member of the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). He is a Certified Director, accredited under internationally acclaimed Institutional Shareholder Services from Pakistan Institute of Corporate Governance. He is the visiting faculty for Institute of Business Administration (IBA) and also had been the visiting faculty for ICAP and ICMAP. He had been nominated on Technical Advisory Committee of ICAP (1996-98), Standing Sub -Committee for Taxation of OICCI (1995-96), Various Committees of KCCI (2005-2012). Currently, he is holding the position of Chief Financial Officer and Company Secretary at DHL Pakistan. (Private) Limited, a wholly owned subsidiary of Deutsche Post DHL.

H.P. Kotwal

Director

KEY FINANCIAL AND OPERATING DATA

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

2017 2016 2015 2014 2013 2012

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

NET ASSETS

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

FINANCED BY

Share Capital	14,400	14,400	14,400	14,400	14,400	14,400
Reserves	8,392	(84)	(5,219)	(7,285)	(7,973)	(8,105)
Surplus on Revaluation of Fixed Assets	60,435	60,435	60,435	60,435	-	-
	83,227	74,751	69,616	67,550	6,427	6,295
Long Term & Deferred Liabilities	-	-	-	-	-	-
Total	83,227	74,751	69,616	67,550	6,427	6,295

TURNOVER AND PROFIT

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

EARNING & DIVIDEND

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of listing regulations (rule book) of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent, non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Muhammad Hanif Idrees Mr. Saeed Mohammad Sheikh
Executive Directors	Mr. Shamshad Ali (CEO)
Non-Executive Directors	Mr. Bashir Ahmed (Chairman) Mr. H.P Kotwal Mr. Fakhru Arfin Mr. Muhammad Sameeh Shafi Mr. Sheikh Asim Rafiq (NIT Nominee)

The independent directors meet the criteria of independence under clause 5.19.1. (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than 07 (seven) listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the year.
5. The company has prepared "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. 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 alongwith the dates will be updated and their record will be maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executives and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence by a director elected by board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two directors have completed training program approved by SECP. Two directors has minimum 14 years of education and 15 years' experience on the board of listed company hence is exempt from directors training program (DTP). DTP was not arranged during the year however the company is planning to arrange training program for other directors as provided by code. Company is taking steps to complete the directors training program by 30 June 2018.
10. CFO/Company Secretary was appointed during the year who is an associate member of Institute of Cost and Management Accountants of Pakistan. There was no new appointment of Head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG. The company's board has developed evaluation criteria for carrying out performance evaluation of its members and chairman. First evaluation has been carried out in the year 2016-17.
15. The board has formed an Audit Committee. It presently comprises of three members, of whom one is non-executive director, one is independent and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR & Remuneration committee. It comprises of three members of whom two are non executive directors and the chairman of the committee is also a non executive director.
18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. 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, 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with except for the following towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.
 - Significant Policies (Para 06)
 - Training program for directors (Para 09)

For and on behalf of the Board of Directors
BUXLY PAINTS LIMITED

CHIEF EXECUTIVE



**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of **BUXLY PAINTS LIMITED** for the year ended 30 June 2017 to comply with the requirements of Listing Regulations of the Pakistan Stock Exchange where the company is listed.

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

As a part of our audit of 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 Code requires 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 of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured the compliance of this requirement to the extent of approval of related party transactions by the Board of Directors and upon recommendation of the Audit Committee. We have not carried out any procedures to determine 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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

Further, we highlight instances of non-compliance/in progress with the requirements of the Code as reflected in the paragraph 06 [Significant policies] and 09 [Training program for directors] in the statement of compliance.

Rahman Sarfaraz Rahim Iqbal Rafiq,
CHARTERED ACCOUNTANTS

Engagement Partner: A. Rahman Mir
LAHORE

Date: September 29, 2017



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **BUXLY PAINTS LIMITED** as at 30 June 2017 and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

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

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

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion –
 - i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2017 and of the profit, total comprehensive income, its cash flows & changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
Engagement Partner: A. Rahman Mir

LAHORE:

Date: September 29, 2017

Balance Sheet

As at 30 June 2017

	Note	2017 (Rupees in '000)	2016
ASSETS			
Non current assets			
Property and equipment	4	62,218	62,117
Investment properties	5	4,290	4,510
Long term loans and advances	6	1,703	2,278
Long term security deposits		91	91
Deferred taxation	7	-	-
		68,302	68,996
Current assets			
Stock-in-trade	8	32,254	14,554
Trade debts - unsecured	9	65,477	43,020
Advances and deposits	10	15,412	10,188
Prepayments and other receivables	11	2,505	7,648
Term deposit receipts / account	12	7,217	6,925
Mark up receivable		234	232
Current portion of long term loans and advances	6	530	742
Taxation - net		5,692	6,671
Cash and bank balances	13	18,192	16,632
		147,513	106,612
Total assets		215,815	175,608
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
5,000,000 (2016: 5,000,000) Ordinary shares of Rs.10 each		50,000	50,000
Issued, subscribed and paid-up capital	14	14,400	14,400
General Reserve		5,993	5,993
Accumulated profit/ (loss)		2,399	(6,077)
		22,792	14,316
Surplus on revaluation of fixed assets	15	60,435	60,435
Current liabilities			
Advance from related party	16	-	40,000
Markup Accrued		805	-
Short term borrowing - secured	17	39,834	-
Trade and other payables	18	91,949	60,857
		132,588	100,857
Contingencies and commitments	19		
Total equity and liabilities		215,815	175,608

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

Chief Executive Officer

Director

Profit and Loss Account

For the year ended 30 June 2017

	Note	2017 (Rupees in '000)	2016
Sales	20	269,224	209,733
Cost of sales	21	(204,528)	(164,372)
Gross profit		64,696	45,361
Distribution and selling expenses	22	(44,770)	(34,430)
Administrative expenses	23	(9,972)	(6,373)
		(54,742)	(40,803)
		9,954	4,558
Other income	24	4,360	4,223
		14,314	8,781
Finance cost	25	(1,571)	(352)
Other Charges	26	(892)	(1,148)
		(2,463)	(1,500)
Profit before tax		11,851	7,281
Taxation	27	(3,375)	(2,146)
Profit for the year		8,476	5,135
		(Rupees)	
Earnings per share - basic and diluted	28	5.89	3.57

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

Statement of Comprehensive Income

For the year ended 30 June 2017

	2017 (Rupees in '000)	2016
Profit after tax	8,476	5,135
Other comprehensive income:		
Surplus on property revaluation	-	-
Total comprehensive income	8,476	5,135

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

Chief Executive Officer

Director

Cash Flow Statement

For the year ended 30 June 2017

	Note	2017 (Rupees in '000)	2016
Cash flows from operating activities			
Profit before tax		11,851	7,281
Adjustments for:			
Depreciation		309	314
Finance cost		1,571	352
Mark-up on term deposit receipts		(379)	(290)
Provision against expired margin on letter of guarantees, earnest money and tender deposits		232	950
Provision against slow moving stocks		-	300
		13,584	8,907
(Increase) / decrease in current assets			
Stock-in-trade		(17,700)	6,134
Trade debts		(22,457)	(2,122)
Advances and deposits		(5,456)	1,205
Prepayments and other receivables		5,143	(2,953)
		(40,470)	2,264
(Decrease) / increase in current liabilities			
Trade and other payables		31,092	(970)
Net cash generated from operating activities		4,206	10,201
Income tax paid		(2,396)	(2,987)
Finance cost paid		(766)	(352)
Net cash generated from operations		1,044	6,862
Cash flows from investing activities			
Additions to property and equipment		(190)	(54)
Investment in term deposit receipts		(292)	(2,495)
Mark up received on term deposit receipts		377	331
Long term loans and advances - given		787	(233)
Net cash generated from / (used in) investing activities		682	(2,451)
Cash flows from financing activities			
Short term borrowing - secured		39,834	-
Advance from related party		(40,000)	-
Net cash (used in) investing activities		(166)	-
Net increase in cash and cash equivalents during the year		1,560	4,411
Cash and cash equivalents at beginning of the year		16,632	12,221
Cash and cash equivalents at end of the year	13	18,192	16,632

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

Chief Executive Officer

Director

Statement of Changes in Equity

For the year ended 30 June 2017

	Issued subscribed and paid-up capital	General reserve	Accumulated profit/ (loss)	Share capital and reserve	Surplus on revaluation of fixed assets	Total
	----- (Rupees in '000) -----					
Balance as at 01 July 2015	14,400	5,993	(11,212)	9,181	60,435	69,616
Total comprehensive income for the year	-	-	5,135	5,135	-	5,135
Balance as at 30 June 2016	14,400	5,993	(6,077)	14,316	60,435	74,751
Total comprehensive income for the year	-	-	8,476	8,476	-	8,476
Balance as at 30 June 2017	14,400	5,993	2,399	22,792	60,435	83,227

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

Notes to the Financial Statements

For the year ended 30 June 2017

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

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated 20 July 2017 communicated that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Hence, these financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Re-classification and re-arrangements

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

2.5 Use of estimates and judgments

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

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

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

- Estimated useful lives of property and equipment and measurement of revalued amounts (notes 3.1,3.2 and 4)
- Recognition of taxation and deferred taxation (notes 3.9 , 7 and 27)
- Provisions and contingencies (note 3.11 & note 19)
- Classification of investment properties (notes 3.3 and 5)
- Provision against trade debts and other receivables (notes 3.5, 9 and 11)
- Impairment (note 3.18)
- Stock-in-trade (notes 3.6 and 8)

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

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 5	Non Current Assets Held for Sale and Discontinued Operations (Amended)
IFRS 7	Financial Instruments: Disclosures (Amended)
IFRS 10	Consolidated Financial Statements (Amended)
IFRS 11	Joint Arrangements (Amended)
IFRS 12	Disclosure of Interests in Other Entities (Amended)
IAS 1	Presentation of Financial Statements (Amended)
IAS 16	Property, Plant and Equipment - (Amended)
IAS 19	Employee Benefits (Amended)
IAS 27	Separate Financial Statements (Amended)
IAS 28	Investment in Associates (Amended)
IAS 34	Interim Financial Reporting (Amended)
IAS 38	Intangible Assets- (Amended)
IAS 41	Agriculture (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:

Standard/Interpretation	IASB effective date (annual periods beginning on or after)
IFRS 2 Share-based Payments - (Amendments) Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
IFRS 10, IAS 28 IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 28 IAS 28 Investments in Associates and Joint Ventures (Amendments)	1 January 2018
IFRS 12 IFRS 10 Disclosure of Interests in Other Entities (Amendments)	1 January 2017
IFRS 4 IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	1 January 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	1 January 2018
IAS 7 Statement of Cash Flows (Amendments) Amendments resulting from disclosure initiative	1 January 2017
IAS 12 Income Taxes (Amendments) Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IAS 39 Financial Instruments : Recognition Recognition and Measurement	1 January 2018

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.

2.8 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The Company expects that these improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Standard	IASB effective date (annual periods beginning on or after)	
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 14	Regulatory Deferral accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

Owned

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

Depreciation on all property and equipment except land is charged on the reducing balance method at the rates specified in note 4.

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

	2017									
	Cost			As at 30 June 2017	Depreciation Rate %	Accumulated depreciation			As at 30 June 2017	Written down value as on 30 June 2017
	As at 1 July 2016	Additions	(Disposals)			As at 1 July 2016	Charge for the year	Reversal		
	----- (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
	----- (Rupees in '000) -----									
	2016									
	Cost			As at 30 June 2016	Depreciation Rate %	Accumulated depreciation			As at 30 June 2016	Written down value as on 30 June 2016
	As at 1 July 2015	Additions	(Disposals)			As at 1 July 2015	Charge for the year	(Reversal)/ transfers		
	----- (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	-	-	460	10	364	10	-	374	86
Vehicles	410	-	-	410	20	357	10	-	367	43
Office equipments	256	-	-	256	10	191	7	-	198	58
Computers	838	54	-	892	33	686	55	-	741	151
	63,743	54	-	63,797		1,598	82	-	1,680	62,117

4.1 Depreciation for the year has been allocated as follows:

		2017 (Rupees in '000)	2016
Distribution and selling expenses	22	18	16
Administrative expenses	23	71	66
		89	82

4.2 Fair value of land has been determined by an independent valuer in July 2013, 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 directors concurred to this valuation and consider it appropriate for this year also. Fair value has been assessed under 'fair value hierarchy: level 2'.

5. INVESTMENT PROPERTIES

	2017							
	Cost		Depreciation			Written down		
	As at 1 July 2016	Transfer 30 June 2017	As at 30 June 2017	Depreciation Rate %	As at 1 July 2016	Charge for the year	As at 30 June 2017	value 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

	2016							
	COST			DEPRECIATION			Written down	
	As at 1 July 2015	Transfer 30 June 2016	As at 30 June 2016	Depreciation Rate %	As at 1 July 2015	Charge for the year	As at 30 June 2016	value as at 30 June 2016
	------(Rupees in '000)-----				------(Rupees in '000)-----			
Leasehold land	192	-	192	-	87	-	87	105
Office building	5,408	-	5,408	5	771	232	1,003	4,405
	5,600	-	5,600		858	232	1,090	4,510

- 5.1** The company is currently recording investment property at cost. Had the investment property been measured at fair value, the value of property would have been Rs.10.911 million as per independent valuers' report of July 2013 to which directors concur and consider appropriate for this year also.

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

- land element has been valued at Rs. 4.821 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; and
- the building element has been valued at Rs. 6.090 million after taking into account the type and class of construction to compute the replacement value and thereafter applying depreciation factor of approximately 40% to arrive at the present assessed values.

- 5.2** Depreciation for the year has been allocated as follows:

		2017 (Rupees in '000)	2016
Distribution and selling expenses	22	44	46
Administrative expenses	23	176	186
		220	232

6 LONG TERM LOANS AND ADVANCES
- Secured, considered good

Employee loans	6.1	2,233	3,020
Receivable within one year		(530)	(742)
		1,703	2,278

- 6.1** This represents interest free loan to employees for the purpose of purchase of motor vehicles. These loans are secured against these motor vehicles and are recoverable in 60 equal monthly instalments. These loans have not been discounted to their present values as the financial impact is not material.

6.2 These loans include balances from following executive employees:

	2017 (Rupees in '000)	2016
Receivable at start of the year	291	783
Loan provided	-	-
Loan recovered	(291)	(492)
Receivable at year end	<u>-</u>	<u>291</u>

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

	2017 (Rupees in '000)	2016
Executive employees	<u>291</u>	<u>783</u>

7. DEFERRED TAXATION

The Company has not recognised deferred tax assets of Rs. 5.521 million (2016: Rs. 13.102 million) in respect of temporary differences amounting to Rs. 18.403 million (2016: Rs. 23.522 million) as per policy given in note 3.9.

8. STOCK-IN-TRADE

	2017 (Rupees in '000)	2016
Packing material	551	519
Work-in-process	895	757
Finished goods	35,565	18,035
	<u>37,011</u>	<u>19,311</u>
Provision against slow moving stocks:		
- Finished goods	8.1 (4,757)	(4,757)
	<u>32,254</u>	<u>14,554</u>

		2017	2016
		(Rupees in '000)	
8.1	Particulars of provision are as follows:		
	Opening balance	4,757	4,457
	Charge for the year	-	300
	Closing balance	<u>4,757</u>	<u>4,757</u>
9.	TRADE DEBTS - unsecured		
	Considered good	65,477	43,020
	Considered doubtful	12,986	12,986
		<u>78,463</u>	<u>56,006</u>
	Provision against debts considered doubtful	9.1 (12,986)	(12,986)
		<u>65,477</u>	<u>43,020</u>
		2017	2016
		(Rupees in '000)	
9.1	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>
10.	ADVANCES AND DEPOSITS		
	Advances - unsecured, considered good		
	Employees	185	110
	Deposits		
	Margin against letters of guarantee	5,612	3,235
	Earnest money and tender deposits	11,847	8,843
		<u>17,459</u>	<u>12,078</u>
	Provision against expired letter of guarantee, earnest money and security deposits	10.1 (2,232)	(2,000)
		<u>15,412</u>	<u>10,188</u>
10.1	Particulars of provision are as follows:		
	Opening balance	2,000	1,050
	Charge for the year	232	950
	Closing balance	<u>2,232</u>	<u>2,000</u>

		2017	2016
		(Rupees in '000)	
11.	PREPAYMENTS AND OTHER RECEIVABLES		
	Prepayments	233	224
	Sales tax receivable	2,237	2,024
	Insurance recoverable	-	5,400
	Employees' provident fund	35	-
		<u>2,505</u>	<u>7,648</u>

- 11.1** During the tax period of February 2011, the Company had declared a sales tax refund of Rs. 2.484 million in the sales tax return. Out of the above refund an amount of Rs. 1.022 million has been adjusted by the Company in revised return for the tax periods of February 2011 till June 2012. For remaining balance of Rs. 1.462 million a separate refund claim under section 66 of the Act has been filed by the Company.

The Company and its tax advisor are confident that the Company will be able to adjust the above tax credits. Accordingly, no provision has been recognized in the financial statements.

12.	TERM DEPOSIT RECEIPTS / ACCOUNT -HELD TO MATURITY	<u>7,217</u>	<u>6,925</u>
------------	--	--------------	--------------

These short term deposits carrying mark-up at the rates ranging from 5.25% to 8.30% (2016: 5.25% to 8.35%) per annum having maturities within one year. The term deposits are under lien against letter of guarantees issued by the banks.

13.	CASH AND BANK BALANCES		
	In hand	17	42
	At banks - in current accounts	18,175	16,590
		<u>18,192</u>	<u>16,632</u>

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017	2016		
(Number of Shares)			
1,257,288	1,257,288	Ordinary shares of Rs.10 each fully paid in cash	12,573
82,712	82,712	Ordinary shares of Rs.10 each fully paid for consideration other than cash	827
100,000	100,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	1,000
<u>1,440,000</u>	<u>1,440,000</u>		<u>14,400</u>

Issued, subscribed and paid-up capital at the year end included 926,087 (2016: 968,587) ordinary shares of Rs. 10 each, held by associated undertakings.

	2017 (Rupees in '000)	2016
15. SURPLUS ON REVALUATION OF FIXED ASSETS	60,435	60,435
15.1 The surplus is in respect of the land located at Plot No. X-3, Manghopir Road, S.I.T.E, Karachi. The plot is revalued on 18 July 2013 by an independent valuer M/s Iqbal A. Nanjee & Co. (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. 60.435 million. The aforementioned surplus amount has been credited to surplus on revaluation of fixed assets account to comply with the requirements of Section 235 of the Companies Ordinance, 1984.		
16. ADVANCE FROM RELATED PARTY	-	40,000
The company has repaid the advance of Rs. 40 million to M.S. Orchid (Private) Limited on March 28, 2017 by obtaining running finance facility from JS Bank Limited.		
17. SHORT TERM BORROWINGS - Secured	39,834	-
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. 67 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 3 months KIBOR + 2%.		
18. TRADE AND OTHER PAYABLES		
Trade creditors	18.1 88,380	56,456
Accrued expenses	375	1,400
Dividend payable	319	319
	89,074	58,175
Other liabilities		
Advances from customers	909	1,100
Workers' profit participation fund	18.2 656	410
Provision for compensated absences	362	362
Others	18.3 948	810
	2,875	2,682
	91,949	60,857
18.1 This includes payable to following associated undertakings:		
Berger Paints Pakistan Limited	75,992	46,440
M.S. Orchids (Pvt) Ltd	-	2,557
	75,992	48,997

2017 2016
(Rupees in '000)

18.2 Workers' profit participation fund

Balance as at 1 July		410	215
Charge for the year		637	391
Paid during the year		(391)	(196)
Balance as at 30 June		656	410

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

2017 2016
(Rupees in '000)

19. CONTINGENCIES AND COMMITMENTS
Contingencies

Letter of guarantees	19.1	12,829	10,160
Claim not acknowledged by the company	19.2	3,860	3,860
		16,689	14,020

19.1 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.

19.2 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.

Commitments:

19.3 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. The arrangement provides that Berger will construct a facility for production and warehousing on the subject land and utilize it for a period of 10 years from the date when building would become available for use. 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.

2017 2016
(Rupees in '000)

20. SALES

Gross sales		321,327	250,152
Sales tax and excise duty		(50,721)	(39,825)
		270,606	210,327
		(1,382)	(594)
Commission and discount		269,224	209,733

		2017	2016
		(Rupees in '000)	
21. COST OF SALES			
Opening Stock			
Packing material		519	1,078
Purchases			
Raw material		183,228	138,653
Packing material		20,978	13,065
		204,206	151,718
		204,725	152,796
Closing stock			
Packing material		(551)	(519)
Material consumed		204,174	152,277
Manufacturing expenses			
Toll manufacturing charges		16,879	12,520
		221,053	164,797
Work in process			
Opening stock		757	1,309
Closing stock		(895)	(757)
		(138)	552
Cost of goods manufactured		220,915	165,349
Finished goods			
Opening stock		18,035	23,058
Less: Destroyed by fire		-	(6,000)
Stock recovered from damaged stock		1,143	-
Closing stock		(35,565)	(18,035)
		204,528	164,372
22. DISTRIBUTION AND SELLING EXPENSES			
Salaries and other benefits	22.1	22,207	16,710
Insurance		128	200
Rent, rates and taxes		274	355
Carriage outward		5,839	3,749
Sample and packing		-	121
Advertising and promotional expenses		4,133	2,594
Travelling and conveyance		2,955	489
Printing and stationery		389	379
Postage, telephone and fax		78	78
Repairs and maintenance		-	44
Depreciation	4.1 & 5.2	62	62
Provision against expired letter of guarantee, earnest money and security deposits		232	950
Entertainment and welfare		259	191
Service charges		7,074	8,389
Fees and subscription		317	73
Sundry expenses		823	46
		44,770	34,430

22.1 Included herein is a sum of Rs. 0.38 million (2016: Rs. 0.35 million) in respect of staff retirement benefits.(Provident Fund)

		2017	2016
		(Rupees in '000)	
23. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	23.1	2,054	1,965
Directors' fee		470	228
Insurance		44	60
Printing and stationery		374	305
Postage, telephone and fax		106	154
Travelling and conveyance		133	37
Service charges		240	240
Auditor's remuneration	23.2	488	420
Fees and subscription		1,262	571
Legal and professional fees		468	361
Vehicle running expenses		-	239
Repairs and maintenance		444	267
Depreciation	4.1 & 5.2	247	252
Provision against slow moving stocks		-	300
Entertainment and welfare		599	376
Utilities Expenses		137	-
Balances written off	23.3	2,725	-
Miscellaneous expenses		181	598
		9,972	6,373

23.1 Included herein is Rs. 0.014 million (2016: Rs. 0.018 million) in respect of staff retirement benefits and a sum of Rs. 1.02 million (2016: Rs. 1.02 million) in respect of remuneration of Chief executive.

23.2 Auditors' remuneration

Statutory audit	275	250
Half yearly review	83	75
Other certifications	107	75
	465	400
Punjab Sales Tax @ 5%	23	20
	488	420

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

24. OTHER INCOME

Financial asset

Mark up on term deposit receipts	379	290
----------------------------------	-----	-----

Non financial asset

Royalty income	24.1	2,169	2,055
Misc. income		12	78
Rental income	24.2	1,800	1,800
		3,981	3,933
		4,360	4,223

24.1 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.

24.2 The Company has rented out one portion of the land and building to Berger Paints Pakistan Limited.

	2017 (Rupees in '000)	2016
25. FINANCE COST		
Bank charges	766	352
Mark-up on Short term running finance	805	-
	<u>1,571</u>	<u>352</u>
26. OTHER CHARGES		
Workers' Profit Participation Fund	637	391
Workers' Welfare Fund	255	157
Stock Loss- net	-	600
	<u>892</u>	<u>1,148</u>
27. TAXATION		
For the year	3,375	2,146
Deferred	7	-
	<u>3,375</u>	<u>2,146</u>
27.1 Current status of tax assessments		

The income tax assessments of the Company have been finalised upto and including the tax year 2016 (Income year ended 30 June 2016). 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 2011 to 2016) 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.

	2017 (Rupees in '000)	2016
27.2 Reconciliation of accounting profit and tax expense		
Profit before tax	11,851	7,281
Tax at the enacted tax rate of 31% (2016: 32%)	3,674	2,330
Tax effect due to minimum tax	-	(184)
Tax effect due to brought forward losses	(1,085)	-
Tax effect due to admissible and inadmissible expense	786	-
	<u>3,375</u>	<u>2,146</u>
28. EARNINGS PER SHARE		

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

	2017 (Rupees in '000)	2016
Profit for the year after tax	8,476	5,135
	(Shares in '000)	
Weighted average number of shares outstanding during the year	1,440	1,440
	(Rupees)	
Earnings per share	<u>5.89</u>	<u>3.57</u>

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive	Executives	Directors	Chief Executive	Executives	Directors
	(Rupees in '000)					
Directors' fee	-	-	470	-	-	228
Managerial remuneration	584	1,783	-	584	1,712	-
House rent allowance	262	800	-	262	770	-
Utilities	58	182	-	58	175	-
Conveyance	58	467	-	58	461	-
Medical allowance	58	-	-	58	-	-
	<u>1,020</u>	<u>3,232</u>	<u>470</u>	<u>1,020</u>	<u>3,118</u>	<u>228</u>
Number of persons	<u>1</u>	<u>4</u>	<u>7</u>	<u>1</u>	<u>4</u>	<u>6</u>

30. PLANT CAPACITY & PRODUCTION

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

	2017 (In liters)	2016
	<u>1,522,588</u>	<u>1,129,364</u>

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Related parties comprises of associated undertakings, directors of the Company, major share holders and their close family members and key management personnel and employment retirement benefits plans. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions at agreed rates. Further, contribution to defined contribution plan (provident fund) are made as per the terms of employment. Remuneration of key management personnel is in accordance with their terms of engagements. Balances due to/due from related parties are describe in note 6,16&18. Details of transactions with related parties are as follows:

	2017 (Rupees in '000)	2016
<u>Associated undertakings</u>		
Purchase during the year	<u>186,385</u>	<u>137,418</u>
Sale during the year	<u>961</u>	<u>519</u>
Rental expense and service charges	<u>5,568</u>	<u>3,608</u>
Toll manufacturing expenses incurred	<u>16,879</u>	<u>12,520</u>
Royalty income	<u>2,169</u>	<u>2,055</u>
Rental income	<u>1,800</u>	<u>1,800</u>
Service charges on advance for the year	<u>7,074</u>	<u>8,389</u>
License fee	<u>12</u>	<u>12</u>

Remuneration of key management perso - Refer note 29

Buxly Paints Limited Provident Fund

Company's contribution	<u>396</u>	<u>366</u>
(Receivable from)/Payable to Provident Fund	<u>35</u>	<u>Nil</u>

32. FINANCIAL INSTRUMENTS

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

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

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

Risk Management Framework

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

32.1 Credit risk

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

Exposure to credit risk

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

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

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

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

		2017	2016
		(Rupees in '000)	
Classification			
Loans and advances	Loans and receivables	2,233	3,020
Long term deposits	Loans and receivables	91	91
Trade debts	Loans and receivables	65,477	43,020
Mark up receivable	Loans and receivables	234	232
Other receivables	Loans and receivables	35	5,400
Advances and deposits	Loans and receivables	15,412	10,188
Term deposit receipts	Held to maturity	7,217	6,925
Bank balances	Loans and receivables	18,175	16,590
		108,874	85,466

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:

	2017		2016	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)		(Rupees in '000)	
Past due 0 - 30 days	35,753	-	25,385	-
Past due 31 - 60 days	12,431	-	10,586	-
Past due 61 - 180 days	16,276	-	5,987	-
More than 180 days	14,003	12,986	14,048	12,986
	78,463	12,986	56,006	12,986

The movement in provision for impairment of trade debts is given in note no. 9.1. 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-
NIB Bank Limited	PACRA	A1+	AA-
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.

32.2 Liquidity risk

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

Exposure to liquidity risk

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

	2017				
	Carrying amount	Contractual cash flows	Three months or less	Three months to one year	More than one year
------(Rupees in '000) -----					
Non-derivative financial liabilities					
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)	-	-
	131,023	(131,023)	(131,023)	-	-
	2016				
	Carrying amount	Contractual cash flows	Three months or less	Three months to one year	More than one year
------(Rupees in '000) -----					
Non-derivative financial liabilities					
Trade and other payables	59,347	(59,347)	(59,347)	-	-
	59,347	(59,347)	(59,347)	-	-

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 2017, if any.

32.3 Market risk

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

32.3.1 Currency risk

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

32.3.2 Interest rate risk

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

	Effective rate		Carrying amount	
	2017 (in percentage)	2016	2017 (Rupees in '000)	2016
Financial assets <i>F-ixed rate instruments</i>				
Term deposit receipts	5.25 to 8.30	5.25 to 8.35	7,217	6,925

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

32.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk.

32.4 Operational risk

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

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

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions; compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

- ethical and business standards;
- risk mitigation, including insurance where this is effective.

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

32.5 Fair value of financial instruments

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

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

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

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

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

33. CAPITAL MANAGEMENT

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

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

34. NUMBER OF EMPLOYEES

The total number of employees as at year end are 25 which are all permanent employees (30 June 2016: 24 including one contractual employees) and average number of employees were 24 (30 June 2016: 22).

35. PROVIDENT FUND DISCLOSURE

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

	2017	2016
	-----Rupees-----	
	Un-Audited	Audited
Size of the fund - total assets	4,607,092	3,573,899
Cost of Investments made	1,548,150	1,548,150
Percentage of investments made	34%	43%
Fair Value of investments	3,386,306	3,052,079

The break-up of cost of investments is:

	2017		2016	
	% of fund	Rupees	% of fund	Rupees
	22%	1,000,000	28%	1,000,000
	12%	548,150	15%	548,150
Defence Saving Certificates	34%	1,548,150	43%	1,548,150
Mutual Fund				

The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

36. EVENTS AFTER BALANCE SHEET DATE

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

37. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on September 29, 2017

Pattern of Shareholdings

As at 30 June 2017

NUMBER OF SHAREHOLDERS	SHARE HOLDINGS		NO OF SHARES HELD	PERCENTAGE
332	1 -	100	16,785	1.166
155	101 -	500	41,715	2.897
33	501 -	1,000	29,974	2.082
14	1,001 -	5,000	42,999	2.986
7	5,001 -	10,000	58,200	4.042
1	10,001 -	15,000	12,500	0.868
5	15,001 -	20,000	90,519	6.286
1	20,001 -	25,000	20,500	1.424
1	30,001 -	35,000	31,500	2.188
1	35,001 -	40,000	36,500	2.535
1	45,001 -	50,000	50,000	3.472
1	90,001 -	95,000	93,218	6.473
1	95,001 -	100,000	100,000	6.944
1	270,001 -	275,000	273,600	19.000
1	540,001	545,000	541,990	37.638
555			1,440,000	100.00

	CATEGORIES OF SHAREHOLDERS	NO OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	DIRECTORS, CEO AND CHILDREN	1	500	0.03
2	Associated Companies	2	815,590	56.64
3	NIT and ICP	2	93,318	6.48
4	Banks, DFI and NBFI	2	100,098	6.95
5	Modarbas and Mutual Funds	3	68,500	4.76
6	General Public (Local)	533	317,691	22.06
7	General Public (Foreign)	4	18,101	1.26
8	Others	8	26,202	1.82
		555	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		SHARES HELD	PERCENTAGE %
1	Mr. Bashir Ahmed	500	0.03

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 63rd Annual General Meeting of the Company to be held on October 28, 2017 and at any adjournment thereof.

Signed this _____ day of _____ 2017

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 by 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



📍 X/3, S.I.T.E. Manghopir Road,
Karachi - Pakistan.

☎ Tel: 021-32577702

📠 Fax: 021-32560468

🌐 www.buxly.com