Buxly

ANNUAL REPORT 2012

CONTENTS

COMPANY INFORMATION

Board of Directors:

Mr. Bashir Ahmed	Chairman
Mr. Shamshad Ali	Chief Executive Officer
Mr. H.P. Kotwal	
Mr. Sheikh Ajaz Majid	
Mr. Fakhrul Arfin	
Mr. Salman Tarik Kureshi	
Mr. Saeed Mohammad Sheikh	
Mr. Sheikh Asim Rafiq	(NIT Nominee)
Mr. Muhammad Hanif Idrees	(Alternate Director to Mr. Sheikh Ajaz Majid)

Audit Committee:

Mr. H.P. Kotwal	Chairman
Mr. Salman Tarik Kureshi	Member
Mr. Muhammad Hanif Idrees	Member

Human Resource and Remuneration Committee:

Mr. Saeed Mohammad Sheikh	Chairman
Mr. Fakhrul Arfin	Member
Mr. Shamshad Ali	Member

Company Secretary:
Mr. Shayan Mufti

Auditors:
KPMG- Taseer Hadi & Co.
Chartered Accountants

Legal Advisor:
Mr. Laiq Ahmed Khan

Bankers:
Habib Metropolitan Bank Limited
Habib Bank Limited
NIB Bank Limited
National Bank of Pakistan
MCB Bank Limited
Bank Alfalah

Share Registrar:
Noble Computer Services (Pvt.) Ltd.
Mezzanine Floor, House of Habib Building,
(Siddiqsons Tower), 3- Jinnah C.H. Society,
Main Shahrah-e-Faisal, Karachi-75350,
Ph: (92-21) 34325482-87
Fax: (92-21)34325442

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 58th Annual General Meeting of the shareholders of Buxly Paints Limited, Karachi will be held at Cyrus Minwalla Colony Hall, Parsi gate, Mehmoodabad, Karachi on Tuesday, October 30, 2012 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 31, 2011.

2. To receive, consider and approve the Audited Accounts of the Company for the year ended June 30, 2012 together with Directors' and Auditors' Reports thereon.

3. To appoint Auditors for the year ending June 30, 2013 and fix their remuneration. The present auditors M/s. KPMG Taser Hadi & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

SPECIAL BUSINESS:

4. To consider and, if thought fit, approve placement of the quarterly accounts of the Company on the company's website in accordance with the requirements of circular No.19 dated April 14, 2004 of the Securities and Exchange Commission of Pakistan instead of sending the same by post to the members.

To transact any other business with the permission of the chair.

By Order of the Board

Karachi: - October 03, 2012

Shayan Mufti
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 Monday, October 22, 2012 to Tuesday, October 30, 2012, (both days inclusive).
2. Any member of the Company entitled to attend and vote may appoint a Proxy to attend and vote instead of him/her. Proxies must be received at the registered office of the Company not less than 48 hours before the meeting.
3. Any individual Beneficial Owner of CDC entitled to attend and vote at this meeting must bring his/her CNIC or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her CNIC or Passport. Representative of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to notify any change in their addresses immediately to the Share Registrar of the Company.
5. Statement under section 160 (1) (b) of the companies Ordinance 1984 pertaining to item no. 4 of the notice and the draft resolution as required under section 164 (1) of the Companies Ordinance 1984 are attached herewith.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE 1984

To disseminate the quarterly financial results of the Company to the shareholders on timely basis and to save company's cost of printing quarterly accounts, it has been agreed that in future all quarterly accounts will be placed on the Company's website.

Therefore, the following resolution is required to be passed.

"Resolved that consent and approval of member be and is hereby sought for placement of quarterly accounts of the Company on its official website in accordance with the requirements of circular No.19 dated April 14, 2004 of the Securities and Exchange Commission of Pakistan."

"Further Resolved that Mr. Shayan Mufti, Company Secretary, be and is hereby authorized to make the aforesaid placement of quarterly accounts on the website and to give effect to the above resolutions and take all necessary steps as required under law or otherwise, for and on behalf of the Company in relation to the above placement of the quarterly accounts of the Company in accordance with the requirements of circular No.19 dated April 14, 2004 of the Securities and Exchange Commission of Pakistan instead of sending the same by post to the members."

DIRECTORS' REPORT TO THE SHARHOLDERS

The Directors are pleased to submit the Annual Report of your Company along with the Audited Accounts and the Auditors' Report thereon for the year ended 30 June 2012. Financial results are as follows:

Financial Results:	**2012 (Rupees. in '000')**
Profit before taxation	2,800
Less: Taxation	(1,147)
Profit after Taxation for the year	1,653
Earnings Per share	Rs. 1.15

The year under review was not different from last year regarding uncertainty of economic environment, deteriorating law and order situation and acute power crises. Your company managed to do well as its sales and margins improved during the year as compared to corresponding year.

Management of your Company has assured that, subject to economic upswing, they will try to carry the momentum built during the year.

1. **Board of Directors**

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

2. **Board of Directors' Meetings**

   During the year 6 (six) meetings of the Board of Directors were held.

Details of attendance by each member of the Board are as follows:

Name of Directors			Attendance
Mr. Bashir Ahmed		:	6
Mr. Shamshad Ali		:	6
Mr. H. P. Kotwal		:	6
Mr. Fakhrul Arfin		:	3
Mr. Salman Tarik Kureshi		:	4
Mr. Saeed Mohammad Sheikh		:	4
Mr. Sheikh Asim Rafiq	(NIT Nominee)	:	6
Mr. Muhammad Hanif Idrees	(Alternate to Mr. Sheikh Ajaz Majid)	:	6

3. **Pattern of Shareholdings.**
A statement showing the Pattern of shareholding appears on page No. 42

4. **Earning per share.**
Earning / (Loss) per share is Rs. 1.15 [2011: Rs. (4.65)]

5. **Auditors.**
The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment. On the recommendation of the Audit Committee, the Board has recommended their re-appointment.

6. **Reasons for non declaring dividend.**
The Directors did not recommend any dividend for the year ended June 30, 2012 as the Company has accumulated losses.

7. **Corporate and Financial Reporting Framework.**
The Board of Directors is taking adequate measures for the implementation of the revised regulations of the Code of Corporate Governance issued by the Security and Exchange Commission of Pakistan.

The Board of Directors confirms compliance with the Corporate and Financial Reporting Framework of the SECP's code of corporate governance of the following:

i The financial statement, prepared by the management of the Company, present fairly its state of affairs, the result of its operation, cash flows and changes in equity.
ii Proper Books of Account of the Company have been maintained.
iii International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
iv The system of internal control is satisfactory and continuous progress is being planned.
v There are no significant doubts upon the Company's ability to continue as a going concern.
vi No statutory payment on account of taxes, duties, levies and charges is due from the Company.
vii There has been no material departure from the best practices of corporate governance, as detailed in the listing Regulations.
viii One of the Board members has completed certificed trainging program.
ix. Key operating and financial data for last six years is annexed at page No. 7
x. Value of investment of employees provident fund based on latest audited accounts for the year ended June 30,2012 is Rs.1,330,016 (2011: Rs. 1,289,888).

The Directors appreciate the support received from Company's bankers, shareholders, employees and other stakeholders who continue to repose trust in your company.

Karachi : October 03, 2012 Chief Executive Officer Director

KEY FINANCIAL AND OPERATING DATA

	2012	2011	2010 (Restated)	2009	2008	2007	2006
	....Year Ended 30 June....						
	....(Rupees in thousand) ,....						
NET ASSETS							
Fixed Assets/Investment property (Net)	1,940	1,879	2,080	2,644	16,496	19,077	21,091
Long Term Loans and Deposits	91	91	91	180	230	230	180
Loans to Employees	889	737	655	120	660	702	355
Deferred Taxation		-	-	-	508	807	175
Net Current Assets	3,375	1,935	8,518	11,601	12,211	4,115	10,934
Total	6,295	4,642	11,344	14,545	30,105	24,931	32,735
FINANCED BY							
Share Capital	14,400	14,400	14,400	14,400	14,400	14,400	14,400
Reserves	(8,105)	(9,758)	(3,056)	(47)	10,453	4,186	11,606
Surplus on Revaluation of Fixed Assets	-	-	-	-	4,823	5,578	6,037
	6,295	4,642	11,344	14,353	29,676	24,164	32,043
Long Term & Deferred Liabilities	-	-	-	192	429	767	692
Total	6,295	4,642	11,344	14,545	30,105	24,931	32,735
TURNOVER AND PROFIT							
Turnover	114,662	81,038	96,036	96,786	137,781	303,257	306,103
Profit / (Loss) before tax	2,800	(5,892)	(2,099)	(6,856)	6,679	(6,995)	(12,999)
Taxation	(1,147)	(810)	(910)	2,489	825	(884)	(1,582)
Profit / (Loss) after tax	1,653	(6,702)	(3,009)	(9,345)	5,854	(7,879)	(14,581)
dividend				-	1,440	-	-
EARNING & DIVIDEND							
Earning / (Loss) per Rs. 10 share Rs.	1.15	(4.65)	(2.09)	(6.49)	4.07	(5.47)	(10.13)
Dividend per share- Rs.				-	1.00	-	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of Karachi and Lahore Stock Exchange Limited 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 Code 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	-
Executive Director	Mr.Shamshad Ali
Non-Executive Directors	Mr. Bashir Ahmed
	Mr. H.P. Kotwal
	Mr. Sheikh Ajaz Majid
	Mr. Fakhrul Arfin
	Mr. Salman Tarik Kureshi
	Mr. Saeed Mohammad Sheikh
	Mr. Sheikh Asim Rafiq (NIT Nominee)
	Mr. Muhammad Hanif Idrees (Alternate Director to Sheikh Ajaz Majid)

2 The directors have confirmed that none of them is serving as a director in more than 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 Development Finance Institution (DFI) or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4 No casual vacancy of the director occurred during the year.

5 The Company is preparing a ‘Code of Conduct’ in accordance with the revised Code which will be signed by all the directors and employees of the Company and it will be placed on the Company’s website.

6 The Board has developed a vision / mission statement and overall corporate strategy of the Company. A complete record of particulars of significant policies along with 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 Chief Executive Officer (CEO) and Company Secretary, 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 the 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 One of the Board members has completed the training program.

10 The Board has approved appointment of Chief Financial Officer (CFO) and Company Secretary including their remuneration and terms and conditions of employment. However, the CFO does not meet the qualification criteria as mentioned in the revised Code. The Board is taking measures to resolve this matter.

11 The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12 The financial statements of the Company were duly endorsed by the 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. There has been no change during the period.

14 The Company has complied with the corporate and financial reporting requirements of the Code.

15 The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the Committee who is not an independent director.

16 The meetings of the Audit Committee were held once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17 The Company has formed HR and Remuneration Committee in its Board meeting subsequent to year end.

18 The Board has outsourced the internal audit function to M/S Shekha &Mufti Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Company has not appointed / designated any person as the head of internal audit.

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 Institute of Chartered Accountants of Pakistan (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 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 We confirm that all other material principles, except those mentioned above, contained in the Code have been complied with.

For and on behalf of the Board of Directors

Karachi: October 03, 2012

Shamshad Ali
Chief Executive Officer

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Buxly Paints Limited ("the Company") to comply with the listing regulations of the respective Stock Exchanges where the Company is listed. The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. 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 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's 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.

Further, Listing Regulations notified by Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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.

As more fully explained in paragraphs 5,6,10,15,17 and 18 which describes certain non-compliances in respect of code of conduct and its placement on website, records of significant policies, qualification requirements of CFO, chairman / secretary of audit committee, requirements relating to HR and remuneration committee and appointment of head of internal audit respectively. We understand that these will be resolved by the management in future.

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 of Corporate Governance.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Muhammad Taufiq)

Date: 03 October 2012
Karachi

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Fax + 92 (21) 3568 5095
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Buxly Paints Limited ("the Company") as at 30 June 2012 and the related profit and 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 and 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 and 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 2012 and of the profits, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980,(XVIII OF 1980).

KPMG Taseer H&Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Muhammad Taufiq)

Date: 03 October 2012
Karachi

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

BALANCE SHEET AS AT 30 JUNE 2012

	Note	30 June 2012	30 June 2011
		(Rupees in '000')	
ASSETS			
Non current assets			
Property, plant and equipment	4	**491**	1,879
Investment property	5	**1,449**	-
Long term loans and advances	6	**889**	737
Long term deposits		**91**	91
Deferred taxation	7	**-**	-
		2,920	2,707
Current assets			
Stock-in-trade	8	**26,118**	18,988
Trade debts - unsecured	9	**35,089**	29,859
Current portion of long term loans and advances	6	**354**	232
Mark up receivable		**77**	66
Advances and deposits	10	**8,168**	7,962
Prepayments and other receivables	11	**5,643**	5,652
Taxation - net		**4,471**	8,518
Term deposit receipts	12	**150**	150
Cash and bank balances	13	**10,847**	3,970
		90,917	75,397
Total assets		**93,837**	78,104
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
5,000,000 (2011: 5,000,000) Ordinary shares of Rs.10 each		**50,000**	50,000
Issued, subscribed and paid-up capital	14	**14,400**	14,400
Reserves		**5,993**	5,993
Accumulated loss		**(14,098)**	(15,751)
		6,295	4,642
Current liabilities			
Short term running finance	15	**1,836**	2,822
Trade and other payables	16	**85,626**	70,625
Interest and mark-up accrued		**80**	15
		87,542	73,462
Contingencies and commitments	17		
Total equity and liabilities		**93,837**	78,104

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive Officer **Director**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	**30 June 2012**	30 June 2011
		(Rupees in '000')	
Sales - net	18	**114,662**	81,038
Cost of sales	19	**(95,981)**	(68,255)
Gross profit		**18,681**	12,783
Distribution and selling expenses	20	**(10,807)**	(9,466)
Administrative expenses	21	**(5,268)**	(8,353)
		(16,075)	(17,819)
		2,606	(5,036)
Other operating income	22	**956**	1,090
		3,562	(3,946)
Finance cost	23	**(556)**	(1,946)
Workers' Profit Participation Fund		**(150)**	-
Workers' Welfare Fund		**(56)**	-
		(762)	(1,946)
Profit / (loss) before tax		**2,800**	(5,892)
Taxation	24	**(1,147)**	(810)
Profit / (loss) for the year		**1,653**	(6,702)
Earning / (loss) per share - basic and diluted	25	**1.15**	(4.65)

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive Officer **Director**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	(Rupees in '000')	
Profit / (loss) after tax	**1,653**	(6,702)
Other comprehensive income	**-**	-
Total comprehensive income	**1,653**	(6,702)

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive Officer **Director**

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE 2012

	Note	**30 June 2012**	30 June 2011
		(Rupees in '000')	
Cash flows from operating activities			
Profit / (loss) before tax		**2,800**	(5,892)
Adjustments for:			
Depreciation		**96**	93
Gain on sale of property, plant and equipment		**-**	(43)
Financial charges		**556**	1,946
Mark-up on term deposit receipt		**(11)**	(13)
(Reversal) / provision for doubtful debts		**(196)**	1,452
Provision against slow moving stocks		**393**	233
		3,638	(2,224)
(Increase) / decrease in current assets			
Stock-in-trade		**(7,523)**	(4,967)
Trade debtors		**(5,034)**	9,234
Advances and deposits		**(328)**	3,777
Prepayments and other receivables		**9**	(2,411)
		(12,876)	5,633
Increase in current liabilities			
Creditors and accrued liabilities		**15,001**	39,163
Long term loans and advances		**(152)**	(82)
Net cash generated from operating activities		**1,973**	44,714
Income tax refund / (paid)		**2,900**	(1,254)
Finance cost paid		**(491)**	(1,996)
Net cash generated from operations		**8,020**	39,240
Cash flows from investing activities			
Addition to property, plant and equipment		**(157)**	(49)
Proceeds from sale of property, plant and equipment		**-**	200
Net cash (used in) / generated from investing activities		**(157)**	151
Net increase in cash and cash equivalents during the year		**7,863**	39,391
Cash and cash equivalents at beginning of the year		**1,148**	(38,243)
Cash and cash equivalents at end of the year	26	**9,011**	1,148

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive Officer **Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued, Subcribed and paid-up capital	General reserve	Accumulated (Loss)/Profit	Total
	------------------------- (Rupees in 000's)			---------------------
Balance as at 01 July 2010 - Restated	14,400	5,993	(9,049)	11,344
Total comprehensive income / (loss) for the year	-	-	(6,702)	(6,702)
Balance as at 30 June 2011	14,400	5,993	(15,751)	4,642
Total comprehensive income for the year	-	-	1,653	1,653
Balance as at 30 June 2012	**14,400**	**5,993**	**(14,098)**	**6,295**

The annexed notes 1 to 33 form an integral part of these financial statements.

Chief Executive Officer

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 Ordinance, 1984) with registered office in Karachi, Sindh and subsequently converted into a public limited company in May 1985. Its shares are listed on the Karachi and Lahore Stock Exchanges. 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 dated 06 January 2003, 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 same to the Company or designated party in Pakistan indicated by the Company. During the year, the registered office of the Company changed from D-31, South Avenue, S.I.T.E. Karachi, Pakistan to X-3, Manghopir Road, S.I.T.E. Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) issued by the International Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

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 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, 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 judgements 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 recognised 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.

Judgements 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 in the next year are discussed in note 30 to these financial statements.

2.5 Standards, interpretations and amendments to published approved accounting

standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning from the date specified below:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investmenta property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. These amendments have no impact on the financial statements of the Company.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entitypresent separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. These amendments have no impact on the financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on the Company’s financial statements.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. This improvement has no impact on the Company’s financial statements.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for period taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. This improvement is not relevant to the Company's financial statements.

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, plant and equipment

Owned

Property, plant and equipment are measured at cost less accumulated depreciation and any identified impairment loss. Cost includes expenditures that are directly attributable to the acquisition of asset.

Depreciation on all property, plant and equipment other than computers is charged on the reducing balance method at the rates specified in note 4. Depreciation on computers is charged on straight line method.

Residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant 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, plant 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 recognised 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 recognised, 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 recognised 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 recognised 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 capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the asset whichever is lower.

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 of leasehold land is suspended in accordance with the revised requirements of IAS 17.

Residual values and the useful lives of the assets are reviewed at least at each financial year-end and adjusted if impact of depreciation is significant.

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 property

Investment property is accounted for under cost model whereby the cost of the property other than land (if any) is depreciated over its estimated useful life applying the straight-line method. Land is not depreciated.

3.4 Staff retirement benefits

Defined contribution plan

The Company operates an approved 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 and cost of living allowance.

Defined benefit plan

The Company was operating unfunded approved gratuity scheme for all its permanent employees till 31 December 1996. Thereafter the scheme was discontinued and induction of the new employees to the scheme was stopped. The benefit to the existing members of the scheme was restricted to the gratuity payable as at 31 December 1996.

Compensated absences

The Company accounts for all accumulated compensated absences when employee render services that increase their entitlement to future compensated absences. Accrual is made for employees compensated absences on the basis of last drawn pay.

3.5 Trade debts

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised 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 materials, except for those in transit, work in process and finished goods are valued principally at the lower of weighted average cost and net realisable 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 realisable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

3.7 Revenue recognition

- Revenue from sale of goods is recognised when significant risk and rewards of ownership are transferred to the buyer i.e. when deliveries are made.

- Royalty and rent income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

- Interest income on bank deposits is recognised on time proportion basis using the effective Interest method.

3.8 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include bank overdrafts and form an integral part of the Company’s cash management.

3.9 Taxation

Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

Deferred

Deferred taxation is provided, using the balance sheet liability 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 recognised 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 recognised 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 cost. 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 amortised 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 if 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 for 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 recognised as a liability in the period in which the dividends are approved.

3.17 Earning 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 share holders 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 share holders 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 amortised 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 recognised 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 recognised 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, PLANT AND EQUIPMENT

	2012									
	Cost					Accumulated Depreciation				Written
	As at 1 July 2011	Additions	Transfer to investment property *(note 5)*	As at 30 June 2012	Rate %	As at 1 July 2011	For the year	Transfer to investment property *(note 5)*	As at 30 June 2012	down value as on 30 June 2012
	(Rupees in '000)					(Rupees in '000)				
Owned										
Leasehold land	1,536	-	(1,536)	-	-	87	-	(87)	-	-
Furniture and fixtures	460	-	-	460	10	313	15	-	328	132
Vehicles	410	-	-	410	20	282	26	-	308	102
Office equipments	256	-	-	256	10	157	10	-	167	89
Computers	508	157	-	665	33	452	45	-	497	168
	3,170	**157**	**(1,536)**	**1,791**		**1,291**	**96**	**(87)**	**1,300**	**491**

The Shareholders of the Company at their Extra Ordinary General Meeting held on 19 January 2011 authorised the sale of the Company owned land measuring 1.1 acres situated at X/3, Manghopir Road, S.I.T.E., Karachi. However, the company could not find a suitable buyer for the land accordingly the Board of Directors in their meetings held on 5 October 2011 and 28 October 2011, approved the division of Company's land into two portions as follows:

- To refurbish the Company's building on one portion and rent out to Berger Paints Pakistan Limited; and
- To put the other portion on sale or to obtain bank loan against the Company's land as deem fit by the directors.

The above mentioned arrangement was approved by the shareholders in their Annual General Meeting on 31 October 2011.

2011

	Cost				Rate	Accumulated Depreciation				Written
	As at 1 July 2010	Additions	(Disposals) transfers	As at 30 June 2011	%	As at 1 July 2010	For the year	(Disposals) / transfers	As at 30 June 2011	down value as on 30 June 2011
	(Rupees in '000)					(Rupees in '000)				
Owned										
Leasehold land	1,536	-	-	1,536	-	71	16	-	87	1,449
Plant and machinery	1,095	-	-	1,095	-	1,095	-	-	1,095	-
Furniture and fixtures	460	-	-	460	10	297	16	-	313	147
Vehicles	800	-	(390)	410	20	483	32	(233)	282	128
Office equipments	256	-	-	256	10	147	10	-	157	99
Computers	459	49	-	508	33	433	19	-	452	56
	4,606	49	(390)	4,265		2,526	93	(233)	2,386	1,879

5. INVESTMENT PROPERTY

	COST			Rate	DEPRECIATION			Written down
	As at 1 July 2011	**Transfer**	**As at 30 June 2012**	**%**	**As at 1 July 2011**	**Transfer**	**As at 30 June 2012**	**value as at 30 June 2012**
	(Rupees in '000)				**(Rupees in '000)**			
Leasehold land	-	**1,536**	**1,536**	-	**-**	**87**	**87**	**1,449**

5.1 During the current year , the Company rented out portion of the land to Berger Paints Pakistan Limited as approved by the Board of Directors and Shareholders of the Company (see note 4). Further, the remaining land is currently held for an undetermined future use, accordingly, the land has been classified as investment property in accordance with the requirements of International Accounting Standard 40 - Investment property.

5.1.1 The fair value of front portion of land (representing 0.46 acre), according to a valuation carried out by an independent valuer on 02 March 2012, amounted to Rs. 32.22 million. Market value of the total land (1.11 acre) prorated on the basis of the aforementioned valuation is approximately Rs. 77.75 million. The valuation was carried out by inquiring the market rates of similar sized plots in near vicinity from the real estate agents, keeping in view the location, size and availability of land in near vicinity.

5.1.2 Building and other structure on this land was constructed by Berger Paints Pakistan Limited (an assosciated undertaking) and therefore has not been included in the valuation and the asset of the Company.

5.1.3 The depreciation of the leasehold land was suspended in accordance with the requirements of revised IAS 17 - Leases.

		Note	2012	2011
			(Rupees in '000')	
5.2	Depreciation for the year has been allocated as follows:			
	Distribution and selling expenses	20	**19**	19
	Administrative expenses	21	**77**	74
			96	93
6.	**LONG TERM LOANS AND ADVANCES**			
	- Secured, considered good			
	Non - executive employee loans	6.1	**1,243**	952
	Written back during the year		**-**	17
			1,243	969
	Receivable within one year		**(354)**	(232)
			889	737

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 installments.

6.2 These loans have not been discounted to their present values as the financial impact is not material. Maximum aggregate balances due at the end of any month during the year were as follows:

	2012	2011
Non - executive employees	**1,366**	1,127

7. DEFERRED TAXATION

Deferred tax asset available for carry forward is recognised to the extent of the realisation of related tax benefit. The Company has not recognised deferred tax assets of Rs. 14.144 million (2011: Rs. 16.326 million) in respect of temporary differences amounting to Rs. 40.410 million (2011: Rs. 46.645 million).

		Note	2012	2011
			(Rupees in '000')	
8.	**STOCK-IN-TRADE**			
	Packing material		**1,097**	597
	Work-in-process	8.1	**6,401**	3,060
	Finished goods		**21,398**	17,716
			28,896	21,373
	Provision against slow moving stocks:			
	- Finished goods	8.2	**(2,778)**	(2,385)
			26,118	18,988

8.1 Work in process amounting to Rs. 6.401 million (2011: Rs. 3.060 million) is held by Berger Paints Pakistan Limited, an assosciated undertaking as at 30 June 2012.

8.2 Particulars of provision are as follows:

		2012	2011
	Opening balance	**2,385**	2,152
	Charge for the year	**393**	233
	Closing balance	**2,778**	2,385

		Note	2012	2011
9.	**TRADE DEBTS - unsecured**			
	Considered good		**35,089**	29,859
	Considered doubtful		**26,688**	26,884
			61,777	56,743
	Provision against debts considered doubtful	9.1	**(26,688)**	(26,884)
			35,089	29,859

9.1 Particulars of provision are as follows:

		2012	2011
	Opening balance	**26,884**	28,475
	(Reversal) / charge for the year	**(196)**	1,452
		26,688	29,927
	Write off during the year	**-**	(3,043)
	Closing balance	**26,688**	26,884

		2012	2011
10.	**ADVANCES AND DEPOSITS**		
	Advances - unsecured, considered good		
	Employees	**40**	64
	Written off during the year	**-**	(61)
		40	3
	Deposits		
	Margin against letters of guarantee	**2,636**	2,637
	Earnest money and tender deposits	**5,446**	5,240
	Central Depository Company of Pakistan Limited	**10**	10
	Suppliers	**21**	36
	Others	**15**	36
		8,128	7,959
		8,168	7,962

	Note	2012	2011
		(Rupees in '000')	
11. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments			
Insurance		**70**	67
Others		**161**	226
		231	293
Other receivables			
Sales tax receivable	11.1	**5,412**	5,359
		5,643	5,652

11.1 During the period from July 2009 to June 2011, the Company could not claim input tax amounting to Rs. 0.746 million in terms of Section 7 & 8 of the Sales Tax Act 1990. Accordingly, the Company has filed an application to the Commissioner Inland Revenue under section 74 of the Act for out of tax period adjustment of the aforementioned amount. The verification of input tax not claimed has been initiated by concerned tax office. The Company and its sales tax advisor are confident that the Company will be able to adjust the said tax credit. Accordingly, no provision has been recognized in the financial statements.

12. These term deposit receipts carrying mark-up at the rates ranging from 9.00% to 9.10% (2011: 9.00% to 9.10%) per annum having maturities upto January 2013.

	2012	2011
13. CASH AND BANK BALANCES		
In hand	**35**	49
At banks - in current accounts	**10,812**	3,921
	10,847	3,970

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
Number of Shares			(Rupees in '000')	
1,257,288	1,257,288	Ordinary shares of Rs.10 each fully paid in cash	**12,573**	12,573
82,712	82,712	Ordinary shares of Rs.10 each fully paid for consideration other than cash	**827**	827
100,000	100,000	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**1,000**	1,000
1,440,000	1,440,000		**14,400**	14,400

Issued, subscribed and paid-up capital at the year end included 1,171,299 (2011: 1,171,299) ordinary shares of Rs. 10 each, held by associated undertakings.

15. SHORT TERM RUNNING FINANCE - secured

This represents short term running finance facility of Rs. 2.213 million (2011: 45 million) obtained from Habib Metropolitan Bank Limited to finance the working capital requirements. The facility carries mark up at the rate of 2.5 percent above three months average KIBOR (2011: 2.5 percent above three months average KIBOR), payable quarterly with the floor of 12.5% per annum (2011: 12.5% per annum).

16.1 This facility is secured against registered first ranking (pari passu) hypothecation charge over stocks and receivables of the Company, amounting to Rs. 70 million (2011: Rs. 70 million). The facility will expire on 30 September 2012.

	Note	2012	2011
		(Rupees in '000')	
16. TRADE AND OTHER PAYABLES			
Creditors	16.1	**58,965**	42,278
Accrued liabilities			
Accrued expenses		**922**	1,245
Salaries payable		**-**	91
		922	1,336
Unclaimed dividend		**319**	319
		60,206	43,933
Other liabilities			
Advances from customers		**25,177**	26,558
Unfunded gratuity scheme	16.2	**7**	7
Workers' profit participation fund	16.3	**9**	(141)
Employees' provident fund		**27**	17
Commission payable		**64**	64
Others	16.4	**136**	187
		25,420	26,692
		85,626	70,625

16.1 Included herein is a sum of Rs. 53.813 (2011: Rs. 34.067) million due to Berger Paints Pakistan Limited, an associated undertaking.

16.2 With effect from 1 January 1997, the Company discontinued its unfunded staff gratuity scheme for all of its employees. The entitlement for gratuity, which was already earned by the employees at that date, was restricted to the date of discontinuance. Since the total liability payable by the Company has been provided for, actuarial valuation was not carried out.

16.3 Workers' profit participation fund

	2012	2011
Balance as at 1 July	**(141)**	3
Charge for the year	**150**	**-**
Payments made during the year	-	(144)
Balance as at 30 June	**9**	(141)

16.4 It includes payables on account of union subscription, EOBI, employee income tax and income tax on commissions.

Date: 05 October 2011
Karachi

	Note	2012	2011
		(Rupees in '000')	
17. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Letter of guarantees	17.1	**2,636**	2,637

17.1 These represent guarantees given against supplies to Government departments against their orders and in favour of Collector of Central Excise Department and Customs.

	2012	2011
18. SALES - net		
Gross sales	**134,105**	96,599
Sales tax and excise duty	**(18,497)**	(14,481)
	115,608	82,118
Commission and discount	**(946)**	(1,080)
	114,662	81,038
19. COST OF SALES		
Opening Stock		
Packing material	**597**	-
Purchases		
Raw material	**91,953**	63,912
Packing material	**7,183**	6,361
	99,136	70,273
	99,733	70,273
Closing stock		
Packing material	**(1,097)**	(597)
Raw and packing material consumed	**98,636**	69,676
Manufacturing expenses		
Toll manufacturing	**4,368**	2,949
Work in process		
Opening stock	**3,060**	2,335
Closing stock	**(6,401)**	(3,060)
	(3,341)	(725)
Cost of goods manufactured	**99,663**	71,900
Finished goods		
Opening stock	**17,716**	14,071
Closing stock	**(21,398)**	(17,716)
	95,981	68,255

		Note	2012	2011
			(Rupees in '000')	
20.	**DISTRIBUTION AND SELLING EXPENSES**			
	Salaries and other benefits	20.1	**7,586**	6,723
	Insurance		**11**	74
	Rent, rates and taxes		**240**	240
	Carriage outward		**2,135**	1,268
	Sample and packing		**5**	94
	Advertising and promotional expenses		**121**	356
	Vehicle running expenses		**-**	72
	Travelling and conveyance		**208**	50
	Printing and stationery		**28**	51
	Postage, telephone and fax		**25**	130
	Electricity and gas		**143**	113
	Repairs and maintenance		**7**	2
	Depreciation	5.2	**19**	19
	Entertainment and welfare		**64**	70
	Fees and subscription		**38**	46
	Sundry expenses		**177**	158
			10,807	9,466

20.1 Included herein is a sum of Rs. 0.116 million (2011: Rs. 0.105 million) in respect of staff retirement benefits.

		Note	2012	2011
21.	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	21.1	**1,764**	2,509
	Directors' fee		**250**	250
	Electricity, gas and water		**143**	274
	Insurance		**139**	214
	Printing and stationery		**550**	271
	Postage, telephone and fax		**137**	144
	Travelling and conveyance		**106**	252
	Service charges		**240**	857
	Auditor's remuneration	21.2	**400**	400
	Fees and subscription		**70**	138
	Legal and Professional fees		**222**	626
	Vehicle running expenses		**267**	11
	Repairs and maintenance		**15**	30
	Depreciation	5.2	**77**	74
	Provision against debts considered doubtful		**-**	1,452
	Loans and advances written off		**-**	44
	Provision against slow moving stocks		**393**	233
	Entertainment and welfare		**284**	86
	Sundry expenses		**-**	196
	Miscellaneous fee and taxes		**211**	292
			5,268	8,353

21.1 Included herein is Rs. 0.035 million (2011: Rs. 0.006 million) in respect of staff retirement benefits.

		Note	2012	2011
21.2	**Auditors' remuneration**		**(Rupees in '000')**	
	Statutory audit		**250**	250
	Half yearly review		**75**	75
	Others		**75**	75
			400	400
22.	**OTHER OPERATING INCOME**			
	Financial asset			
	Mark up on term deposit receipts		**11**	13
	Non financial asset			
	Gain on sale of property, plant and equipment		**-**	43
	Sale of scrap		**-**	34
	Royalty income	22.1	**599**	1,000
	Reversal of provision against doubtful debts		**196**	-
	Rental income	22.2	**150**	-
			945	1,077
			956	1,090

22.1 In 2007, the Company 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.

22.2 During the current year, the Company rented out one portion of the land to Berger Paints Pakistan Limited.

		2012	2011
23.	**FINANCE COST**		
	Mark-up on Short term running finance	**394**	1,767
	Bank charges	**162**	179
		556	1,946
24.	**TAXATION**		
	Current	**1,147**	810

24.1 Current status of tax assessments

The income tax assessments of the Company have been finalised upto and including the tax year 2011 (Income year ended 30 June 2011). The return for tax years 2003 to 2011 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 2007 to 2011) may be selected for detail audit within five years and the Commissioner of Income Tax may amend the assessment in case of objection raised in audit.

24.1.1 The tax charge for this year has been computed at the rate of 1% of turnover in accordance with the requirement of Income Tax Ordinance 2001.

	Note	2012	2011
		(Rupees in '000')	
24.2 Reconciliation of accounting profit and tax expense			
Profit / (loss) before tax		**2,800**	(5,892)
Tax at the enacted tax rate of 35% (2011: 35%)		**980**	(2,062)
Tax effect due to minimum tax		**1,147**	810
Tax losses on which deferred tax asset is not recognised		**(980)**	2,062
		1,147	810

25. EARNING / (LOSS) PER SHARE

Basic earning 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 earning per share.

	2012	2011
Profit / (loss) for the year after tax	**1,653**	(6,702)
	(Number of shares in '000')	
Weighted average number of shares outstanding during the year	**1,440**	1,440
	(Rupees)	
Earning / (loss) per share	**1.15**	(4.65)

26. CASH AND CASH EQUIVALENTS

	Note	2012	2011
		(Rupees in '000')	
Cash and cash equivalents comprise of:			
Cash and bank balances	13	**10,847**	3,970
Short term running finance	15	**(1,836)**	(2,822)
		9,011	1,148

27. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2012		2011	
	Chief Executive	**Executive**	Chief Executive	Executive
	(Rupees in '000)			
Managerial remuneration	**846**	**1,643**	515	583
House rent allowance	**259**	**702**	232	262
Utilities	**58**	**164**	51	59
Conveyance	**58**	**105**	51	58
Medical expenses	**58**	**-**	51	58
Entertainment allowance	**-**	**199**	-	-
	1,279	**2,813**	900	1,020
Number of persons	**1**	**4**	1	1

	2012	2011
	(in Liters)	

28. PLANT CAPACITY AND PRODUCTION

	2012	2011
Produced for the Company by a related party under toll	**543,969**	453,767
manufacturing agreement	**543,969**	453,767

29. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

Related parties comprises of Berger Paints Pakistan Limited, directors of the Company, major share holders and their close family members and key management personnel. The Company continues to have a policy whereby all transactions with related parties undertakings 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 are in accordance with their terms of engagements. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012	2011
Associated undertakings	(Rupees in '000')	
Berger Paints Pakistan Limited		
Purchase during the year	**91,953**	60,497
Rental expense and service charges	**3,608**	2,610
Toll manufacturing expenses incurred	**4,368**	2,949
Due to Berger Paints Pakistan Limited	**52,281**	34,067
Royalty income from Berger Paints Pakistan Limited - (under royalty agreement)	**599**	1,000
Rental income from Berger Paints Pakistan Limited - (under rent agreement)	**150**	-
National Bank of Pakistan - Current account	**28**	3
Remuneration of key management personnel		
Management remuneration	**2,091**	1,348
House rent and other benefits	**1,171**	822
Buxly Paints Limited Provident Fund		
Company's contribution	**76**	56
Payable to Provident Fund	**27**	17

30. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

30.1 Income taxes

In making the estimates for income taxes currently payable by the Company the management considers the current income tax law and the decision of appellate authorities on certain issues in the past.

30.2 Stock in trade

The Company reviews the net realisable value of stock in trade to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade with a corresponding affect on the amortisation charge and impairment. Net realisable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

30.3 Property, plant and equipment

The Company reviews the value of the assets for possible impairment on each reporting date basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

30.4 Trade debts

The Company reviews its debtors portfolio regularly to assess amount of any provision required against such trade debts.

31. 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

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.

31.1 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:

	2012	**2011**
	(Rupees in ‘000)	
Long term loans and advances	**889**	737
Long term deposits	**91**	91
Trade debts	**35,089**	29,859
Current portion of long term loans and advances	**354**	232
Mark-up receivable	**77**	66
Other receivables	**5,412**	5,359
Advances and deposits	**8,168**	7,962
Term deposit receipts	**150**	150
Bank balances	**10,812**	3,921
	61,042	48,377

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:

	2012 (Rupees in '000')		2011 (Rupees in '000')	
	Gross	**Impairment**	Gross	Impairment
Past due 0 - 30 days	**12,259**	**-**	5,537	-
Past due 31 - 60 days	**6,856**	**-**	5,185	-
Past due 61 - 180 days	**4,274**	**-**	4,948	-
Past due 180 - 365 days	**-**	**-**	964	-
Past due 365 days & above	**38,388**	**26,688**	40,109	23,918
	61,777	**26,688**	56,743	23,918

Past due by 365 days & above includes trade debts amounting to Rs. 11.700 million (2011: Rs. 13.225 million) in respect of decorative paints business, which will be collected by Berger Paints Pakistan Limited.

The movement in provision for impairment of trade debts is given in note no. 9.1

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

	Rating Agency	**Rating**	
		Short term	**Long term**
National Bank of Pakistan	JCR-VIS	A1+	AAA
Habib Bank Limited	JCR-VIS	A1+	AA+
MCB Bank Limited	PACRA	A1+	AA+
NIB Bank Limited	PACRA	A1+	AA-
Bank Alfalah Limited	PACRA	A1+	AA
Bank AL Habib Limited	PACRA	A1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Faysal Bank Limited	JCR-VIS	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.

31.2 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.

	2012				
	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	**60,449**	**(60,449)**	**(60,449)**	**-**	**-**
Mark-up payable	**80**	**(80)**	**(80)**	**-**	**-**
	60,529	**(60,529)**	**(60,529)**	**-**	**-**

	2011				
	Carrying amount	Contractual cash flows	Three months or less	Three months to one year	More than one year
Non-derivative financial liabilities	**(Rupees in '000)**				
Short term running finance	2,822	(2,837)	(2,837)	-	-
Trade and other payables	44,067	(44,082)	(44,082)	-	-
Mark-up payable	15	(15)	(15)	-	-
	46,904	(46,934)	(46,934)	-	-

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 having credit line available as at 30 June 2012 as specified in note 15 to these financial statements and 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 mark-up rates effective as at 30 June 2012 as disclosed in note 31.3.2 to these financial statements.

31.3 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.

31.3.1 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.

31.3.2 Interest rate risk

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

	2012	2011	**2012**	2011
	Effective Rate (in percentage)		**Carrying Amount (Rupees in '000)**	
Financial assets				
Fixed rate instruments:				
Term deposit receipts	**9.0 to 9.1**	9.0 to 9.1	**150**	150
Financial liabilities				
Variable rate instruments:				
Short term running finance	**16.03 to 16.82**	15.5 to 16.03	**1,836**	2,822

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 and 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

A change of 1% in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

	Profit & Loss 100 bps	
As at 30 June 2012	**-**	**-**
As at 30 June 2011	**(28)**	28

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

31.3.3 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.

31.4 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.

32. 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.

33. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on October 03, 2012.

Chief Executive Officer	**Director**

PATTERN OF SHAREHOLDINGS AS AT 30 JUNE 2012

NUMBER OF SHAREHOLDERS	SHARE HOLDINGS			NO. OF SHARES HELD
328	1	-	100	18,487
177	101	-	500	44,143
40	501	-	1,000	33,986
35	1,001	-	5,000	93,243
5	5,001	-	10,000	44,028
1	10,001	-	15,000	11,500
1	15,001	-	20,000	16,679
2	25,001	-	30,000	53,735
1	40,001	-	45,000	44,100
1	85,001	-	90,000	89,291
1	175,001	-	180,000	175,218
1	270,001	-	275,000	273,600
1	540,001	-	545,000	541,990
594				1,440,000

	CATEGORIES OF SHAREHOLDERS	NO. OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
1.	Individulas	577	300,686	20.88%
2.	Investment Companies	1	100	0.01%
3.	Joint Stock Companies	3	7,823	0.54%
4.	Directors	4	2,000	0.14%
5.	Associated Company	1	273,600	19.00%
6.	Modaraba Company	5	137,983	9.58%
7.	Mutul Funds	1	175,218	12.17%
9.	Foreign Investors	2	542,590	37.68%
	Total	**594**	**1,440,000**	**100.00%**

SHAREHOLDERS HOLDING 10% OR MORE VOTING INTEREST:

1. National Bank of Pakistan - Trusee NI (U) T Fund	175,218
2. Berger Paints Pakistan Limited	273,600
3. Slotrapaid Limited, BVI	541,990

DIRECTORS AND THEIR SPOUSES:

1. Mr. H.P.Kotwal	500	
2. Mr. Sheikh Ajaz Majid	500	
3. Mr. Bashir Ahmed	500	
4. Mr. Salman Tarik Kureshi	500	2,000

There was no trade during the year in the shares of the company by any **Director,CEO,CFO,** Company Secretry and their spouse and minor children.

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

FORM OF PROXY

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 fifty-eight Annual General Meeting of the Company to be held on 30 October 2012 and at any adjournment thereof.

Signed this ___________ day of __________2012

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:

a. 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.
b. Any Member of the Company entitled to attend and vote may appoint a Proxy to attend and vote instead of him/her person who is not a member.
c. If a member appoints more than one proxy and more than one instruments of proxy are deposited be a member with the Company, all such instruments of proxy shall be rendered invalid.
d. CDC shareholders and their proxies must each attach an attested photocopy of their Computerized National Identity Card of Passport with this proxy form.

Adding Value & Protection

Buxly has been manufacturing superior quality paints since 1933.The company's focus on quality and durability through constant research and development have kept the Buxly's name synonymous with customer's trust, generation after generation.

Today, Buxly offers a comprehensive range of products. From preparatory materials to finishing products for regular painting needs for buildings, industries and for extreme conditions and very specialized applications.

When you buy Buxly, you buy excellnce in protective and decorative finishes.

Buxly's - commitment to excellence in quality

- Extensive product Research & Development.
- Trained and dedicated professional staff.
- Emphasis on modern Quality Control techniques.