Chairman's Review

I am pleased to present annual accounts of Berger Paints Pakistan Limited for the year ended on June 30, 2020. On behalf of the Board, we hope that you and your families are staying safe and healthy.

Despite the challenging backdrop, the Company has demonstrated its resilience and established a powerful platform for future growth. It will continue re-investing to capitalize on long term opportunities, with an enhanced dynamic product portfolio and expanded brand activities. Together with its strategic vision, the Company will ensure that it delivers sustainable value to all its stakeholders in the years ahead.

Given the significant public health concerns associated with the virus, the government placed stringent restrictions on public outings and gatherings. However, the restrictions associated to COVID-19 are being eased out now gradually and we hope that we would be able to hold our Annual General Meeting as per plan. Due to ongoing situation, however, we held our board meetings virtually. I assure you on behalf of Board of directors that in these exceptional circumstances we made all efforts to protect our people and people around us to ensure safety as first priority.

The emergence of COVID-19 has caused major disruptions to economic activity around the world including Pakistan. The country's economy demonstrated its worst performance in 68 years, posting a negative growth of 0.38% in FY2019-20, the drop in domestic and global demand compounded the strain on the economy. Monetary and fiscal policy interventions, such as interest rate reduction, payroll financing, announcement of stimulus package, have been made by government to ensure liquidity to cushion growth and employment.

In this situation, this has been a tough year for the Company and the business in the Country as a whole. Imports being significant part of our costs which are denominated in foreign currency, the devaluation had a great impact on our cost base, and in turn on our financial performance. The Country also experienced a sharp increase in the policy rates by 300bps translating into a rate of 13.25% and resulting into a higher interest-rate driven finance cost for your Company. The Country further experienced high inflationary pressures where the overall Consumer Price Index (CPI) grew by 12.6% on year-on-year basis. Consequent to these events, your Company's financial results were heavily impacted, and your Company reported a decrease in sales by 18%. However, due to better control over operating cost, Company was able to report Rs.74.307 million profit after tax for the year 2019-20.

During the year three board meetings were held and the Accounts for nine months ended on March 31, 2020 once vetted and recommended by the Audit Committee, were approved by the Board during the lockdown by circular resolution.

The Board ensured that all the legal and regulatory requirements have been complied with by the management of the Company. The Board also evaluated its own performance and that of its committees.

The Board will complete its term in October 2020 and new Board will be elected in the Annual General Meeting of the Company. I would like to record my appreciation to all the outgoing Directors, who performed their duties and responsibilities so well and contributed in guiding the Company's management team, through their vast personal areas of expertise.

On behalf of the Board, I wish to acknowledge the contributions of all our employees in the success of the Company, and also thank our shareholders, customers, suppliers, bankers for their support to the company

The Chairman

Dated: September 24, 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2020

The directors of your Company are pleased to present their review along with the audited financial statements of the Company for the year ended June 30, 2020.

ECONOMY OF PAKISTAN

Company witnessed yet another challenging year. The outbreak of COVID-19 restricted the economic activity through the world struck Pakistan, unfortunately at a time when the country was heading towards a semblance of economic stability. It further dampened the country's economic growth. The GDP growth reported as -0.40% in FY 20 compared with 1.9% in the previous.

However the current account deficit contracted by 73 % to USD 2.8 billion largely due to reduction in imports and modest increase in workers' remittances. The state Bank reduced the policy rate from 13.25% to 8% in June 2020 which was done with the aim to dilute the impact of the COVID-19 on the economic growth while trying to maintain financial stability.

Large Scale Manufacturing sector performance recorded a decline of 10.17% during the fiscal year 2020 compared with that of FY2019. Cost structure of businesses were adversely affected while consumers struggled hard to preserve their purchasing power. The last quarter saw pandemic further intensifying the economic distresses in the sector due to lock down of businesses.

BUSINESS PERFORMANCE

The sales activities were badly affected and stood at Rs.4,177 million which is 18% lower compared with Rs. 5,120 million in the corresponding period last year.

Selling, Marketing and Administrative expenses were Rs. 647 million compared with Rs. 850million of the previous year, resulting in a reduction in expenses by 23.85%.

The SBP policy rate was raised to 13.25 % resulting in a sharp increase in the financial cost to Rs. 190 million as compared with Rs. 165 million in the corresponding period of last year.

FINANCIAL PERFORMANCE
The financial position is summarized as follows:

Rupees in thousand	30-Jun-20	30-Jun-19
Operating Profit	229,002	266,362
Other operating income	84,041	31,681
	313,043	298,043
Finance Cost	190,050	165,067
Other Charges	8,461	19,978
	198,511	185,045
Profit before taxation	114,532	112,998
Taxation	40,225	12,173
Profit after taxation	74,307	100,825

Future Outlook

The overall economic outlook, global and domestic, remains uncertain. Gradual recovery in the country's economic activity is expected to take place in later half of the year. However, Sustainable economic growth shall also depend on the progress of creating additional revenue through increase in number of new tax payers and their ability to pay their share.

Again, the deteriorating state of foreign currency reserves for various reasons is likely to pose a challenge to business conditions and any further devaluation in Rupee against USD would continue to adversely affect the profitability of the company.

Despite difficulties the Company once again exhibited satisfactory performance. While macroeconomic environment is expected to improve gradually, cost reduction, cash flow generation and market execution remain as key operating priorities. With motivated sales team, the Company is well positioned to grow its market share and keep adding value to its stakeholder's wealth.

HEALTH, SAFETY & ENVIORNMENT (HSE)

We believe that it is our social and moral responsibility to provide safe work environment for all the employees. This will not only increase their commitment but also increase productivity. Your management is determined to provide necessary resources, and develop, and implement improve the current Health, Safety & Environment management system.

Some of the initiatives in this regard are as follows:

- BERGER has achieved a milestone of 4 million safe man hours without Lost Time Injury (LTI). This has been possible with the combined efforts of workers, contractors and the management.

- To promote safety culture, all Heads of Departments began to conduct the Risk Assessment of their respective areas identifying the potential risks and also suggesting the control measures to eliminate or minimize the risk. Moreover, Departmental Heads would deliver toolbox talk to the staff.

- No process change or modification is implemented without management of 'Change Process'.

- We have strictly implemented all the COVID-19 SOPs across the company. By doing this we successfully controlled the situation and no case reported. Lunch in multiple shifts help us in maintaining social distance, temperature checking at gate, implementation of all the personal protective equipment, placing hand sanitizer at different locations, face detection replaced with thumb impression are the some of the steps.

- CCTV vigilance of all the regional warehouses and offices on regular basis and action was taken as per EHS policy.

ENTERPRISE RISK MANAGEMENT -ERM

The Company is exposed to operational, financial and compliance risk which are mitigated through effective risk management framework, coupled with internal controls.

The Board of Directors has approved a Comprehensive Risk Management Policy and Framework. The objectives of the policy include assurance that the business activities are undertaken within approved risk appetite and tolerance levels.

Formally established, ERM program within the Company was overseen by the Board. The ERM framework serves as a base of ERM program ensuring comprehensive, consistent and efficient management of all material risks and opportunities. The key objective of the risk management system is to support business success and protect the Company through an opportunity-focused but risk-aware decision-making process.

The risk management system is intended to systematically and continually identify, assess, control, monitor and report risks and opportunities. It sets risk tolerance based on our overall corporate targets, in order support the achievement of strategic objectives and to enhance risk awareness through all level of Company employees.

BOARD OF DIRECTORS

During the year, three meetings of the Board of Directors were held and attendance was as follows:

Mr. Maqbool H. H. Rahimtoola	3
Dr. Mahmood Ahmad	3
Mr. Muhammad Naseem	3
Mr. Shahzad M. Hussain	3
Mr. Zafar A. Osmani	3
Mr. Mohammad Saeed	3
Mr. Sohail Osman Ali	3
Mr. Zafar Qidwai (alternate to Mr. Ilyas Sharif)	3

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

As allowed by SECP, under relaxation of rules due to COVID-19, The Accounts for the 3rd quarter ending March 31, 2020 were passed by circular resolution by the Board of Directors, after they had been discussed and recommended by the Audit Committee

All relevant other information has already been disclosed in Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 and note 39 to the financial statements.

AUDIT COMMITTEE

The internal control framework has been effectively implemented through an Internal Audit function outsourced by the board of Directors to a firm of Chartered Accountants which is independent of the External Auditors of the Company. The Company's system of internal control is sound in design and has been continuously evaluated for effectiveness and adequacy.
During the year the Audit committee of the board held 4 meetings.

HUMAN RESOURCE COMMITTEE

During the year two meetings of Human Resource committee were held.

CONSOLIDATED FINANCIAL STAEMENTS

Consolidated financial statements of the Company include Accounts of its subsidiaries, Berger DPI (Private) Limited, Berger Road Safety (Private) Limited.

HOLDING COMPANY

The holding company of Berger Paints Pakistan Limited is Messrs. Slotrapid Limited which is incorporated in the B.V.I.

PROFIT PER SHARE

The Earnings per share for the year is Rs. 3.63 (2019: Rs.4.93)

DIVIDEND

The Board of Directors of the Company has announced -10% final cash dividend i.e 0.363 per share for the year ended 30 June 2020 subject to approval of the shareholders in the Annual General Meeting.

AUDITORS

The present auditors, M/s KPMG Taseer Hadi & Co. Chartered Accountants will retire at the conclusion of the upcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Audit Committee of the Company has suggested and the Board has approved & recommended their re-appointment to the shareholders as auditors of the Company for the year ended 2020-21.

RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board. The Board approved pricing policy for related party transactions.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirement of the Code of Corporate Governance set out by the Pakistan Stock Exchange in their listing regulations relevant for the year ended 30 June 2020 were duly complied with. A statement to this effect is attached with the report.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2020 and its disclosure, as required by the Code of Corporate Governance appears on Page___.

STATEMENT OF CORPORATE FINANCIAL REPORTING FRAMEWORK

The Company has complied with all the requirements of the Code of Corporate Governance as required by the listing regulations.

Accordingly, the Directors are pleased to confirm the following:

i. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 2017. These statements present fairly the Company's state of affairs, the result of its operations, cash flow and changes in equity.
ii. The principal business activity of the Company is manufacturing, marketing and distribution of decorative and industrial paints and other related products.
iii. Proper books of accounts have been maintained by the Company.

iv. Appropriate accounting policies have been consistently applied in the preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan.

v. The accounting estimates, wherever required are based on reasonable and prudent judgment.

vi. International financial reporting standard, as applicable in Pakistan, have been followed in preparation of financial statements.

vii. The system of internal control is sound in design and has been effectively implemented.

viii. There are no significant doubts upon the Company's ability to continue as a going concern.

ix. There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

x. The key operating and financial data of the last six years is annexed.

xi. The value of investments of provident, gratuity and pension funds are at June 30, 2020:

	Rupees in Thousand
Berger Paints Executive Staff Pension Fund	54,023
Berger Paints Gratuity Fund	39
Berger Paints Provident Fund	260,404

xii. The directors, CEO, Executives and their Spouses and minor children did not carry out any trading in the shares of the Company.

CORPORATE SOCIAL RESPONSIBILITY (CSR) - ACTIVITIES

Berger believes and fully understands its social responsibilities which strengthen the bond between the Company and the society.

Following CSR Projects were taken up by Berger:

- Berger is pleased to share environment friendly initiative of using left over paint waste and to convert it into usable form which is then donated to schools in the underprivileged areas, in Mosques and Churches.
- Continuing our efforts to give back to the society Berger collaborated with I AM KARACHI (IAK) an NGO entrusted with the task for beautification of Karachi and to enhance the image of the city by painting larger than life murals and main walls of Karachi city. Berger provided free of cost paint and helped the organization by covering the labor cost of the activity. One of the major projects completed under IAK was painting of the tallest mural in the world in Karachi on Center Point Building. Leaving a mark on the skyline of Karachi permanently, Pepe Gaka painted "Rising Blue" the World's Tallest Mural by a solo artist stands at a height of 286.67 ft. It was painted as a tribute to the people of Karachi, by the Italian artist using the colors of Berger Paints on Center Point Building. It depicts Karachi's beautiful coastline's rising ocean levels, an awakening of conscience on climate change, and a nation that keeps rising despite all the falls and setbacks. It is now regarded as the best practice of public art in the city of over 20 million people with the collaboration of Berger Paints and I AM KARACHI. Another addition to our many accomplishments over the last 70 years in Pakistan.
- Berger also enhanced the aesthetics appeal of Karachi Zoo by painting wildlife images on the boundary walls and on the interior walls of the Karachi Zoo.
- Berger started a campaign under **"Truck Art -Child Finder"** and decided to join hands with **Roshni Helpline** to help find missing children. In its first phase, Berger provided paint for 20 trucks. Roshni Helpline received 313 calls in just one week and 4 children were reunited with their families. We, as part of this noble cause, feel proud of the contribution and appreciate the efforts of the partners who contributed towards the mission. This initiative was recognized on several Global platforms and won 2 silver and 3 bronze trophies.
- Berger took active participation during the challenging times of pandemic COVID-19 by helping and providing Food Hampers to all workers and staff companywide.
- We understand that there are many needy people among us who are deprived of healthy food which is a fundamental right of every human being. Berger is also participating in community by

providing food prepared at Berger Plant for its employees by sharing surplus food with needy children at Mosque situated near our factory premises.

On this 70th year since the formation of your company, the Directors take this opportunity to thank our shareholders and valued customers for their continued trust as indeed your Company appreciates the dedication demonstrated by all tiers of the Company employees.

ON THE BEHALF OF THE BOARD

Dr. Mahmood Ahmad
Chief Executive

Director:

Maqbool H.H.Rahimtoola

Lahore:
Dated:

24 September, 2020

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

INDEPENDENT AUDITOR'S REPORT

To the members of Berger Paints Pakistan Limited

Report on the audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Berger Paints Pakistan Limited ("the Company"), which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

KPMG

Following are the Key audit matters.

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	**Revenue** Refer to note 3.17 and 30 to the financial statements. The Company recognized net revenue of Rs. 4.17 billion from the sale of goods to domestic as well as export customers during the year ended 30 June 2020. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to a risk that revenue is recognized without transferring the risk and rewards.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls; • assessing the appropriateness of the Company's accounting policies for recording of sales and compliance of those policies with applicable accounting standards; • comparing a sample of sale transactions recorded during the year with sales invoices, gate pass, bill of ladings and relevant underlying documents; • comparing, on a sample basis, specific sales transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period; and • scanning for any manual journal entries relating to sales recorded during the year which were considered to be material or met other specific criteria for inspecting underlying documentation.
2.	**Valuation of Trade Debts** Refer to note 3.7 and 14 to the financial statements. As at 30 June 2020, the Company's gross trade debtors were Rs. 1,205.55 million against which provision for doubtful debts of Rs. 165.77 million were recorded. IFRS 9 requires the Company to make provision for financial assets (trade debts) using ECL approach as against the Incurred	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • review the methodology developed and applied by the management to estimate the ECL in relation to trade debts, evaluating the key assumptions used (historical and forward looking), the policies applied to assess ECL in respect of trade debts and testing the mathematical accuracy of the ECL model by re-performing calculation on test basis;

KPMG

Sr. No.	Key audit matters	How the matters were addressed in our audit
	Loss Model previously applied by the Company. Determination of ECL provision for trade debts requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information. We have considered this as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgements in this regard.	• assessing, on a sample basis, the accuracy of the data used for ECL computation; and • assessing the adequacy of disclosure made in the financial statements in accordance with the requirements of the applicable accounting and reporting standards.
3.	**Revaluation of property, plant and equipment** Refer to Note 3.2 and 6 to these financial statements The Company follows the revaluation model for subsequent measurement of land, building and plant and machinery. Latest revaluation was carried out on 30 June 2020. The valuation was performed by external valuer engaged by the Company. We identified the revaluation of the Company's property, plant and equipment as a key audit matter because the valuation involves a significant degree of judgment and estimation.	Our audit procedures, amongst others, included the following: • obtaining and inspecting the valuation reports prepared by the external expert engaged by the Company and on which the managements assessment of the valuation of the property, plant and equipment was based; • evaluating the information provided by the Company to the external professional valuer by inspecting the relevant underlying documentation; • involving property, plant and equipment valuation expert engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuation reports by the valuer engaged by the Company; and • assessing the completeness, appropriateness and adequacy of the disclosures in Company's financial statements in accordance with the requirements of the applicable accounting and reporting standards.

KPMG

KPMG Taseer Hadi & Co.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Kamran I. Yousafi.

KPMG Taseer Hadi & Co.

Lahore

Date: 08 October 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

Berger Paints Pakistan Limited

Statement of Financial Position

As at 30 June 2020

	Note	2020	2019
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,638,058**	1,177,145
Intangibles	7	**25,516**	26,696
Investments in related parties	8	**52,037**	54,504
Loan to related party - *secured*	9	**40,000**	-
Long term loans - *secured*	10	**23,974**	44,628
Deferred taxation	12	-	43,878
Long term deposits - *unsecured*	11	**17,875**	21,205
		1,797,460	1,368,056
Current assets			
Stores, spare parts and loose tools		**13,593**	16,906
Stock-in-trade	13	**1,085,933**	917,368
Trade debts - *unsecured*	14	**1,039,773**	1,461,014
Loans and advances	15	**156,048**	98,786
Loan to related party - *secured*	9	-	40,000
Trade deposits and short term prepayments	16	**34,038**	41,206
Other receivables	17	**104,579**	13,891
Tax refund due from Government - *net*		**250,706**	280,934
Short term investment	18	**32,195**	32,195
Cash and bank balances	19	**40,635**	76,625
		2,757,500	2,978,925
		4,554,960	4,346,981
EQUITY AND LIABILITIES			
Authorised share capital	20	**250,000**	250,000
Share capital and reserves			
Issued, subscribed and paid-up capital	20	**204,597**	204,597
Reserves	21	**1,017,475**	903,660
Revaluation surplus on property, plant and machinery - *net of tax*	22	**832,950**	472,012
		2,055,022	1,580,269
Non-current liabilities			
Long term financing - *secured*	23	**120,122**	89,635
Deferred Income	24	**2,077**	-
Staff retirement and other long term benefits	25	**134,369**	154,049
Deferred taxation	12	**15,453**	-
		272,021	243,684
Current liabilities			
Trade and other payables	26	**902,588**	1,192,513
Unclaimed dividend		**6,687**	5,980
Current maturity of staff retirement benefits	25	**4,158**	-
Interest / mark-up accrued on borrowings	27	**35,173**	39,432
Current maturity of long term financing	23	**227,759**	80,356
Short term borrowings - *secured*	28	**1,051,551**	1,204,747
		2,227,916	2,523,028
		2,499,937	2,766,712
Contingencies and commitments	29		
		4,554,959	4,346,981

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore	Chief Financial Officer	Chief Executive	Director

Berger Paints Pakistan Limited

Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020	2019
		(Rupees in thousand)	
Sales - *net*	30	**4,177,951**	5,120,444
Cost of sales	31	**(3,301,617)**	(4,004,021)
Gross profit		**876,334**	1,116,423
Selling and distribution costs	32	**(479,685)**	(665,377)
Administrative and general expenses	33	**(167,647)**	(184,684)
		(647,332)	(850,061)
Profit from operations		**229,002**	266,362
Other income	34	**84,041**	31,681
		313,043	298,043
Other expenses	35	**(8,461)**	(19,978)
Finance cost	36	**(190,050)**	(165,067)
		(198,511)	(185,045)
Profit before taxation		**114,532**	112,998
Taxation	37	**(40,225)**	(12,173)
Profit after taxation		**74,307**	100,825
		Rupees	Rupees
Earnings per share - *basic and diluted*	38	**3.63**	4.93

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore

Chief Financial Officer

Chief Executive

Director

Berger Paints Pakistan Limited

Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020	2019
		(Rupees in thousand)	
Profit after taxation		**74,307**	100,825
Other comprehensive income			
Items that are or maybe reclassified to statement of profit or loss			
Fair value loss on Investment classified as FVOCI	*8.2.1*	**(2,467)**	(12,783)
Items that will not be reclassified to statement of profit or loss			
Revaluation surplus on property, plant and equipment		**472,492**	-
Related deferred tax liability on revaluation surplus on property, plant equipment		**(52,117)**	-
Remeasurement gain on staff retirement benefits	*25.5*	**2,998**	3,391
Total comprehensive income for the year		**495,212**	91,433

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore

Chief Financial Officer

Chief Executive

Director

Berger Paints Pakistan Limited

Statement of Changes in Equity

For the year ended 30 June 2020

	Issued, subscribed and paid-up capital	Reserves – Capital: Share premium	Reserves – Capital: Surplus on revaluation on property, plant and machinery	Reserves – Capital: Fair value reserve	Reserves – Revenue: General reserve	Reserves – Revenue: Accumulated Profits	Total reserves	Total
	(Rupees in thousand)							
Balance as at 30 June 2018 - audited	181,864	56,819	509,131	21,707	285,000	465,141	1,337,798	1,519,662
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	-	(4,187)	(4,187)	(4,187)
Balance as at 01 July 2018	181,864	56,819	509,131	21,707	285,000	460,954	1,333,611	1,515,475
Total comprehensive income for the year ended 30 June 2019								
Profit for the year	-	-	-	-	-	100,825	100,825	**100,825**
Other comprehensive income for the year								
- Fair value loss on *Investment classified as FVOCI*	-	-	-	(12,783)	-	-	(12,783)	**(12,783)**
- Remeasurement of defined benefit obligation	-	-	-	-	-	3,391	3,391	**3,391**
Total comprehensive income for the year	-	-	-	(12,783)	-	104,216	91,433	**91,433**
Transfer of incremental depreciation from revaluation surplus on property, plant and machinery - *net of tax*	-	-	(17,632)	-	-	17,632	-	-
Transfer of revaluation surplus due to disposal of revalued assets	-	-	(15,581)	-	-	15,581	-	-
Transactions with the owners of the Company								
Final cash dividend at the rate of 12.5% (i.e. Rs. 1.25 per share) for the year ended 30 June 2018	-	-	-	-	-	(22,733)	(22,733)	**(22,733)**
Issue of Bonus shares at the rate of 12.5% (i.e. 1.25 shares for every 10 shares held)	22,733	(22,733)	-	-	-	-	(22,733)	-
Reversal of deferred tax due to change of rate	-	-	(3,906)	-	-	-	(3,906)	**(3,906)**
	22,733	(22,733)	(37,119)	-	-	10,480	(49,372)	**(26,639)**
Balance as at 30 June 2019	**204,597**	**34,086**	**472,012**	**8,924**	**285,000**	**575,650**	**1,375,672**	**1,580,269**
Balance as at 01 July 2019	**204,597**	**34,086**	**472,012**	**8,924**	**285,000**	**575,650**	**1,375,672**	**1,580,269**
Total comprehensive income for the year ended 30 June 2020								
Profit for the year	-	-	-	-	-	74,307	74,307	**74,307**
Other comprehensive income for the year								
- Fair value loss on *Investment classified as FVOCI*	-	-	-	(2,467)	-	-	(2,467)	**(2,467)**
- Revaluation surplus on property, plant and equipment			472,492				472,492	**472,492**
- Related deferred tax liability on revaluation surplus			(52,117)				(52,117)	**(52,117)**
- Remeasurement of defined benefit obligation	-	-	-	-	-	2,998	2,998	**2,998**
Total comprehensive income for the year	-	-	**420,375**	**(2,467)**	-	**77,305**	**495,213**	**495,213**
Transfer of incremental depreciation from revaluation surplus on property plant and machinery - *net of tax*	-	-	(59,277)	-	-	59,277	-	-
Transfer of revaluation surplus due to disposal of revalued assets	-	-	(160)	-	-	160	-	-
Transactions with the owners of the Company								
Final cash dividend at the rate of 10% (i.e. Re. 1 per share) for the year ended 30 June 2019	-	-	-	-	-	(20,460)	(20,460)	**(20,460)**
	-	-	**(59,437)**	-	-	**38,977**	**(20,460)**	**(20,460)**
Balance as at 30 June 2020	**204,597**	**34,086**	**832,950**	**6,457**	**285,000**	**691,932**	**1,850,425**	**2,055,022**

The annexed notes 1 to 52 form an integral part of these financial statements.

Lahore

Chief Financial Officer

Chief Executive

Director

	2020	2019
	(Liters in thousand)	
48 Production capacity		
Actual production	**31,330**	37,349

The capacity of the plant is indeterminable because it is a multi product plant involving varying processes of manufacturing. Actual production includes resin production of 12.54 million liters (2019: 15.11 million liters) which is used in the manufacture of the final product. The reason for shortfall during the year is explained in note 46.

49 Operating segments

49.1 These financial statements have been prepared on the basis of single reportable segment.

49.2 Revenue from sale of paints and allied represents 99.59% (2019: 99.51%) of the total revenue of the Company.

49.3 98.04% (2019: 98.06%) sales of the Company relates to customers in Pakistan.

49.4 All non-current assets of the Company as at 30 June 2020 are located in Pakistan.

50 Date of authorization for issue

These financial statements were authorized for issue on 24th Sep. 2020 by the Board of Directors of the Company.

51 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 24th September 2020 has proposed a final cash dividend of Re. 1.00 per share, for the year ended 30 June 2020, for approval of the members in the Annual General Meeting to be held on October 27, 2020

52 General

Figures have been rounded off to the nearest thousand of rupee unless otherwise stated.

Lahore	Chief Financial Officer	Chief Executive	Director

1 Reporting entity information

1.1 Berger Paints Pakistan Limited ("the Company") was incorporated in Pakistan on 25 March 1950 as a Private Limited Company under the Companies Act 1913 (now Companies Act, 2017) and was subsequently converted into a Public Limited Company. The Company is listed on the Pakistan Stock Exchange ("PSX"). The principle business activity of the Company is manufacturing and trading of paints, varnishes and other related items. Slotrapid Limited, based in British Virgin Island is the Holding Company. The aggregate percentage of holding is 52.05%. The registered office of the Company is situated at 36-Industrial Estate Kot-Lakhpat, Lahore and its only manufacturing facility is located at 28 Km Multan Road, Lahore.

2 Basis of preparation and statement of compliance

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiary and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

The Company has following investments:

Company name	Country of incorporation	Percentages of shareholding	Nature of business
Subsidiaries			
Berger DPI (Private) Limited	Pakistan	51.00%	Execution of contracts relating to application of road marking paints and installation of road safety equipment
Berdex Construction Chemicals (Private) Limited	Pakistan	51.96%	Merchandising and application of construction chemicals
Associate			
3S Pharmaceuticals (Private) Limited	Pakistan	49.00%	Manufacturing of medicines

2.2 Statement of compliance

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

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

- Islamic Financial Accounting Standards ("IFAS") issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

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

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

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value as referred to in note 3.4, the measurement of certain items of property, plant and equipment as referred to in note 22 at revalued amounts and recognition of certain staff retirement and other long term benefits as referred to in note 3.11 at present value and fair value respectively.

In these financial statements, except for the amounts reflected in the cash flow statement, all transaction have been accounted for on accrual basis.

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees ("Rs."), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest thousand rupees, except when otherwise indicated.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as disclosed in note 3.1.

3.1 Changes in significant accounting policy

3.1.1 IFRS 16 'Leases'

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As a result, the Company, as a lessee, has recognized right of use of asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Company has applied IFRS 16 using the modified retrospective approach as at 01 July 2019. Accordingly, the comparative information presented for 2019 has not been restated -i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below:

As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company now recognizes right of use assets and lease liabilities for material leases i.e. these leases are on statement on financial position.

The Company presents right-of-use asset in 'property, plant and equipment', as a separate line item with the same classification of underlying assets of the same nature that it owns.

Significant accounting policies

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

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The right to use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful life of right of use asset is determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right of use asset is disclosed in the property, plant and equipment as referred in note 6 to these financial statements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined i.e. the Company's incremental borrowing rate. The Company has used its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Short term leases

The Company has elected not to recognise the right of use asset and lease liability for short term leases of properties that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight line basis.

Transition

Previously, the Company classified leasehold land as finance lease under Ias-17. At transition leasehold land is reclassified under Right of use asset. The Company has already fully settled lease liability in respect of this asset, there is no impact on financial statements for the year as a result of adoption of IFRS-16 except for the aforementioned reclassification.

3.2 Property Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss, except for freehold and leasehold land, buildings thereon and plant and machinery, which are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus on property, plant and machinery account except for a reversal of deficit already charged to profit or loss. A revaluation deficit is recognized in profit or loss, except for a deficit directly offsetting a previous surplus, in which case the deficit is taken to revaluation surplus on property, plant and machinery account. The revaluation surplus on property, plant and machinery to the extent of the annual incremental depreciation based on the revalued carrying amount of the assets is transferred annually directly to retained earnings net of related deferred tax. Any accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings. All transfers to / from revaluation surplus on property, plant and machinery account are net of applicable deferred income tax. Further, the revaluation surplus on property, plant and machinery shall be utilized in accordance with IAS 16 - property, plant and equipment.

Depreciation on all property plant and equipment except freehold land is charged to profit or loss account using the straight line method whereby the cost less residual value of an asset is written off over its estimated useful life at the annual rates as disclosed in note 6.1. Residual values are reviewed at each statement of financial position date and adjusted if the impact on depreciation is significant.

Useful lives are regularly reviewed by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is put to use or capitalized while depreciation on assets disposed off is charged up to the month preceding the disposal.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of property, plant and equipment are represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in profit or loss account.

Maintenance and normal repairs are charged to profit or loss account as and when incurred. Major renewals and improvements are capitalized.

Capital work in progress is stated at cost less any identified impairment in value, if any. It consists of all expenditure and advances connected with specific assets incurred and made during installation and construction period. These are transferred to relevant property, plant and equipment category as and when assets are available for intended use.

3.2.1 Non financial assets impairment

The Company assesses at each statement of financial position date whether there is any indication that the assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to determine whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is charged to profit or loss account currently except for impairment loss on revalued assets, which is recognized directly against any revaluation surplus for the related asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

3.3 Intangibles

Intangibles are measured initially at cost. The cost of intangible comprise of its purchase price including non-refundable purchase taxes after deducting trade discounts and rebates and includes other costs directly attributable to acquisition. Cost incurred after the asset is in the condition necessary for it to operate in the manner intended by management are recognised in profit and loss account.

3.3.1 Computer software

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss.

Amortization on assets with finite useful life is charged to profit or loss account on straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on addition is charged form the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at annual rates as specified in note 7.

3.3.2 **Goodwill acquired in business combinations**

The purchase method of accounting is used to account for the acquisition of businesses by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, if any, at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities, if any, assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognized as goodwill. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment loss, if any.

3.3.3 **Impairment**

The Company assesses at each statement of financial position date whether there is any indication that intangible assets 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.4 **Investments in equity instruments of subsidiaries and associates**

Investments in subsidiaries and associates where the Company has significant influence are measured at cost less impairment, if any, in the Company's separate financial statements.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS-27 'Consolidated and separate financial statements'. Investments in associates, in the consolidated financial statements, are accounted for using equity method in accordance with IAS-28 'Investment in Associates'.

3.5 **Stores and spare parts**

These are valued at moving weighted average cost less any identified impairment except for items in transit, which are valued at invoice price and related expenses incurred. Items considered obsolete are carried at nil value. General stores and spare parts are charged to profit and loss currently. The Company reviews the carrying amount of stores on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores.

3.6 **Stocks-in-trade**

Stock-in-trade is valued at lower of weighted average cost and estimated Net Realizable Value ("NRV").

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials, packing materials and Semi-processed goods	Moving weighted average cost
Finished goods	Moving weighted average manufacturing cost
Finished goods purchased for resale	Moving weighted average cost
Stock in transit	Invoice value plus other charges paid thereon up to the reporting date

NRV signifies the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

Provision for obsolete and slow moving stock in trade is made on management estimate, whenever necessary.

3.7 Trade debts and other receivables

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

3.8 Cash and cash equivalents

Cash and cash equivalents comprise of running finance, cash balances, call deposits and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cashflows .

3.9 Taxation

Income tax expense comprises of current and deferred tax. It is recognised in profit or loss account except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in equity.

Current tax

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. Under / over paid amount of current tax is recorded as tax refundable / payable due from / to the Government.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Deferred tax

Deferred tax is recognized using the statement of financial position liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of all deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. In this regard, the effects on deferred taxation of the proportion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan.

3.10 Leases

3.10.1 Policy applicable before 1 July 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases along with corresponding lease liabilities are initially recognized at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in statement of profit or loss, unless they are directly attributable to qualifying assets.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3.10.2 Policy applicable after 1 July 2019

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases vehicles and properties for its operations. The entity recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The lease hold land classified as right-of-use asset is depreciated using the straight line method over the lease term. Leased vehicles classified as right of use asset are depreciated using straight line method over shorter of lease term or useful life. . The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term.

3.11 Employees benefits

3.11.1 Short term employee benefit

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.11.2 Defined benefit plan

The Company operates the following defined benefit schemes:

a) An approved and funded pension scheme for all executives; and
b) An approved and funded gratuity scheme for all its permanent employees.

Pension scheme

The Company offers Pension benefits to its executive staff. Monthly pension is calculated as one percent of the average basic salary of the last year multiplied with pensionable service.

Gratuity scheme

The Company offers Gratuity benefits to its all of its permanent employees, and is payable to employees having service in the Company for minimum five years. The Gratuity benefits provided by the Company is calculated by multiplying last drawn basic salary with number of years of service and gratuity factor.

Actuarial valuation are carried out using the 'Projected Unit Credit Method'. Contributions to the schemes are based on these valuations. Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, is recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plan are recognized in profit and loss account. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The main features of defined benefit schemes are mentioned in note 25.

3.11.3 Defined contribution plan

Provident fund

The Company also operates a recognized 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 10 percent of basic salary for executive and non-executive staff.

3.11.4 Other long term benefits - Accumulated compensated absences

The Company also provides for compensated absences for all eligible employees in accordance with the rules of the Company. The Company accounts for these benefits in the period in which the absences are earned. Employees are entitled to earned leaves of 21 days per annum. The unutilized leaves are accumulated subject to a maximum of 42 days. The unutilized accumulated leaves can be encashed at the time the employee leaves Company service. The accumulated leave balance in excess of 42 days of an employee is ignored while determining benefit obligations.

The Company uses the actuarial valuations carried out using the projected unit credit method for valuation of its accumulated compensating absences. Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit or loss. The amount recognised in the statement of financial position represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the profit or loss immediately in the year when these occur. The following significant assumptions have been used:

Discount rate	8.5% per annum
Expected rate of salary increase in future years	7.5% per annum

3.12 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

3.13 Provisions

Provisions are recognized when, the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimates of the obligations can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

3.14 Contingent assets

Contingent assets are possible assets those arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and are disclosed when inflow of economic benefits is probable. Contingent assets are not recognized until their realization become virtually certain.

3.15 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.16 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees which is the Company's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the statement of financial position date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end, exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to income currently. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

3.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of products, net of sales returns and discounts. The Company's customer arrangements contain a single performance obligation to transfer manufactured or purchased paints, varnishes and other related items.

3.18 Financial instruments

3.18.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

3.18.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, trade debts and other receivables.

Debt Instrument - FVOCI

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

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. However, the Company has no such instrument at the balance sheet date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, the Company has no such instrument at the statement of financial position date.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse

Impairment

Financial assets

The Company recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities comprise trade and other payables, long term and short term financing, liabilities against assets subject to finance lease and dividend payable.

3.18.3 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.19 Dividends and appropriations to general reserve

Dividends and appropriations to general reserves are recognized in the financial statements in the period in which these are approved.

3.20 Related party transactions

The Company enters into transactions with related parties on an arm's length basis except in circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

3.21 Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

3.22 Profit from operations

Profit from operations is the result generated from the continuing principal revenue producing activities of the Company. Profit from operations excludes other income, other expenses, finance costs and income taxes.

3.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

3.24 Government grants

The Company recognises benefit of a government loan at a below-market rate of interest as a government grant provided there is a reasonable assurance that the grant will be received and Company will comply with all attached conditions. The benefit of loan at below market rate of interest is measured as the difference between the initial carrying value of the loan in accordance with IFRS 9 and the proceeds received. The benefit is generally accounted for and presented as deferred grant in accordance with IAS 20 as a separate line item in statement of financial position. Subsequently, the grant is recognised in statement of profit or loss as other income, on a systematic basis over the periods in which the expenses for which the grant is intended to compensate.

4 **Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following International Financial Reporting Standards ("IFRS") as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the

COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS Standards 2018–2020 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 01 January 2022 and are not likely to have an impact on Company's financial statements.

5 Use of judgments and estimates

The preparation of these financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about 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. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

	Note
- Depreciation method, useful lives and residual values of property, plant and equipment	*3.2*
- Recoverable amount of assets / cash generating units and impairment	*3.2*
- Stock-in-trade	*3.6*
- Stores and spare parts	*3.5*
- Trade and other receivables	*3.7*
- Taxation	*3.9*
- Deferred taxation	*3.9*
- Staff retirement benefits and other long term benefits	*3.11*
- Provisions	*3.13*
- Lease classification	*3.10*

6 Property, plant and equipment

	Note	**2020**	2019
		(Rupees in thousand)	
Operating fixed assets	*6.1*	**1,570,784**	1,153,113
Capital work in progress	*6.6*	**67,274**	24,032
		1,638,058	1,177,145

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6.1 Operating fixed assets

	Useful life	Cost / revalued amount as at 01 July 2019	Additions / *adjustment / (deletions)	Elimination of gross carrying value against accumulated depreciation	Revaluation surplus / (deficit)	Cost / revalued amount as at 30 June 2020	Accumulated depreciation as at 01 July 2019	Depreciation charge / *adjustment / (deletions) for the year	Elimination of gross carrying value against accumulated depreciation	Accumulated depreciation as at 30 June 2020	Book value as at 30 June 2020
	30 June 2020										
	Years	----- (Rupees in thousand) -----									
Owned Asset											
Freehold land	-	484,413	-	-	177,508	661,921	-	-	-	-	661,921
Building on freehold land	20	289,313	8,544	(81,205)	66,307	282,959	64,126	17,079	(81,205)	-	282,959
Building on leasehold land	10-20	83,304	149	(18,116)	(1,471)	63,866	11,226	6,890	(18,116)	-	63,866
Plant and machinery	2.8-12.5	315,494	9,615 (4,226)	(165,922)	104,393	259,354	142,075	27,089 (3,107)	(165,922)	135	259,219
Laboratory equipment	10	43,658	1,967	-	-	45,625	20,700	3,488	-	24,188	21,437
Electric fittings	4 - 10	56,088	3,795 (1,076)	-	-	58,807	30,199	5,050 (468)	-	34,781	24,026
Computer and related accessories	4	30,756	412 (70)	-	-	31,098	25,634	2,742 (33)	-	28,343	2,755
Office equipment	4 - 10	22,644	803 (259)	-	-	23,188	7,680	2,318 (111)	-	9,887	13,301
Furniture and fixtures	10	30,801	- (45)	-	-	30,756	14,162	2,638 (12)	-	16,788	13,968
Motor vehicles	5	44,372	24,379 (11,691)	-	-	57,060	21,423	8,685 (2,575)	-	27,533	29,527
Subtotal		1,400,843	49,664 (17,367)	(265,243)	346,737	1,514,634	337,225	75,979 (6,306)	(265,243)	141,655	1,372,979
Right of Use Asset											
Leasehold land	48.5	98,333	-	(11,042)	110,514	197,805	8,838	2,204	(11,042)	-	197,805
Total		1,499,176	49,664 (17,367)	(276,285)	457,251	1,712,439	346,063	78,183 (6,306)	(276,285)	141,655	1,570,784

* It includes reclassification of fully depreciated asset (cost Rs. 1.04 million) from plant and machinery to electric fittings.

	30 June 2019							
	Useful life	Cost / revalued amount as at 01 July 2018	Additions / *adjustment / (deletions)	Cost / revalued amount as at 30 June 2019	Accumulated depreciation as at 01 July 2018	Depreciation charge / *adjustment / (deletions) for the year	Accumulated depreciation as at 30 June 2019	Book value as at 30 June 2019
	Years	------------------------ (Rupees in thousand) ------------------------						
Freehold land	-	528,173	2,957 (46,717)	484,413	-	-	-	484,413
Leasehold land	48.5	98,333	-	98,333	6,634	2,204	8,838	89,495
Building on freehold land	20	286,862	2,451	289,313	47,261	16,865	64,126	225,187
Building on leasehold land	10-20	63,848	19,456	83,304	5,299	5,927	11,226	72,078
Plant and machinery	2.8-12.5	308,412	13,887 (6,805)	315,494	117,090	30,688 (5,703)	142,075	173,419
Laboratory equipment	10	45,656	2,348 (4,346)	43,658	21,249	3,465 (4,014)	20,700	22,958
Electric fittings	4 - 10	64,462	2,793 (11,167)	56,088	33,592	4,158 (7,551)	30,199	25,889
Computer and related accessories	4	32,437	1,690 (3,371)	30,756	25,250	3,661 (3,277)	25,634	5,122
Office equipment	4 - 10	22,302	1,795 (1,453)	22,644	6,771	2,180 (1,271)	7,680	14,964
Furniture and fixtures	10	34,251	1,898 (5,348)	30,801	15,623	2,975 (4,436)	14,162	16,639
Motor vehicles	5	48,915	25,809 (30,352)	44,372	35,486	5,669 (19,732)	21,423	22,949
2019		1,533,651	75,084 (109,559)	1,499,176	314,255	77,792 (45,984)	346,063	1,153,113

* It includes reclassification of certain assets amounting to Rs. 2.06 million (accumulated depreciation Rs. 1.54 million) from electric fittings to building on freehold land and plant and machinery amounting to Rs. 1.49 million (accumulated depreciation Rs. 0.947 million) and Rs. 0.56 million (accumulated depreciation Rs. 0.56 million) respectively.

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6.2 **Disposal of operating assets**

The following operating fixed assets with a net book value exceeding Rs. 500,000 were disposed off during the year:

Particulars of assets	Sold to: Name	Sold to: Relationship with the Company	Cost / revalued Amounts	Accumulated depreciation	Book value	Sale proceeds / Insurance claim	Gain / (loss)	Mode of disposal
			---------- (Rupees	in	thousand)	----------		
Motor vehicles								
Suzuki Swift	Mr. Wasiq Naseer	Third Party	993	(50)	943	1,616	673	Auction
Honda City	Mr. Sajid Amaan	Employee	1,126	1	1,127	1,643	516	Employee - Final Settlement
Honda City	Mr. Shafiullah	Employee	1,043	-	1,043	1,431	388	Employee - Final Settlement
Honda City	Mr. Usman Rehan	Employee	1,362	-	1,362	999	(363)	Employee - Final Settlement
Honda City	Mr. Sohail Nasir	Third Party	1,325	-	1,325	2,365	1,040	Auction
Honda City	Mr. Amir Haneef	Employee	802	-	802	1,125	323	Employee - Final Settlement
Honda City	Mr. Farrukh Sulehri	Employee	1159	-	1159	1581	422	Employee - Final Settlement
Honda Civic	Mr. Khawar Nasir	Employee	604	-	604	706	102	Employee - Buy Back
Others including assets written off with book value less than Rs. 500,000			8,954	(6,256)	2,698	5,885	3,187	
2020			**17,368**	**(6,305)**	**11,063**	**17,351**	**6,288**	
2019			107,503	45,984	61,519	78,542	17,024	

6.3 Had freehold land and leasehold land, buildings on freehold and leasehold land and plant and machinery not been revalued, the carrying amount of these assets would have been as follows:

	2020	2019
	(Rupees in thousand)	
Freehold land	**348,086**	170,578
Leasehold land	**111,549**	1,068
Buildings on freehold land	**218,867**	155,391
Buildings on leasehold land	**62,030**	70,073
Plant and machinery	**236,307**	142,463
	976,839	539,573

6.4 The forced sale value of revalued property plant and machinery as per latest available revaluation reports are as follows;

Particulars	Revaluation Report Dates	Forced Sales Value (Rupees in thousand)
Freehold land	30 June 2020	**569,458**
Leasehold land	30 June 2020	**167,166**
Buildings on freehold land	30 June 2020	**220,291**
Buildings on leasehold land	30 June 2020	**21,622**
Plant and machinery	10 September 2020	**193,457**

6.5 Immovable Fixed Assets

Freehold lands of the Company are located at 28-Km, Multan Road, Lahore, measuring 92.80 Kanals and 36.10 kanals and Quaid-e-Azam Industrial Estate, Kot-Lakhpat, Lahore, measuring 4.04 Kanals.

Leasehold land of the Company is located at Sector I-10/3, Industrial Area, Islamabad, measuring 5.56 Kanals.

The buildings on freehold land, leasehold land and other immovable assets of the Company are constructed / located at above mentioned freehold lands and the land disclosed in note 43.

6.6 Capital work in progress

	Note	2020	2019
		(Rupees in thousand)	
Owned			
Civil works		**262**	-
Plant and machinery		**-**	206
Electrical Installations	*6.6.2*	**60,794**	-
Advances to suppliers		**6,200**	23,826
Others		**18**	-
	6.6.3	**67,274**	24,032

6.6.2 This includes borrowing costs capitalized for solar panel installation during the year ended 30 June 2020 amounting to Rs 6.51 million and 0.73 million against general and specific borrowings. The rate used to determine the amount of borrowing costs eligible for capitalisation was 13.15% and 3 month kibor plus 2% for general and specific borrowing respectively.

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6.6.3 This mainly relates to the installation of solar panels at factory premises.

6.7 The depreciation charge for the year has been allocated as follows:

	Note	2020	2019
		(Rupees in thousand)	
Cost of sales	31.1	**50,865**	53,506
Selling and distribution costs	32	**17,144**	15,030
Administrative and general expenses	33	**10,174**	9,256
		78,183	77,792

7 Intangibles

	Note	2020	2019
Computer software	7.1	**1,516**	2,696
Goodwill	7.2	**24,000**	24,000
		25,516	26,696

7.1 Computer software

This represents expenditure incurred on acquiring and implementing Enterprise Resource Planning software.

	Note	2020	2019
		(Rupees in thousand)	
Cost			
As at 01 July		**32,845**	32,845
Additions during the year		**565**	-
As at 30 June		**33,410**	32,845
Accumulated amortization			
As at 01 July		**30,149**	24,811
Amortization during the year	7.1.1	**1,745**	5,338
As at 30 June		**31,894**	30,149
Balance as at 30 June		**1,516**	2,696
Rate of amortization		**33.33%**	33.33%

7.1.1 The amortization charge for the year has been allocated as follows:

	Note	2020	2019
Cost of sales	31.1	-	352
Selling and distribution costs	32	**21**	314
Administrative and general expenses	33	**1,724**	4,672
		1,745	5,338

7.2 Goodwill

	Note	2020	2019
Packaging Ink Business	7.2.1	-	-
Powder Coating Business	7.2.2	**24,000**	24,000
		24,000	24,000

7.2.1 *Cost*	2020	2019
	(Rupees in thousand)	
Cost as at 30 June	**16,750**	16,750
Accumulated Impairment as at 30 June	**(16,750)**	(16,750)
Balance as at 30 June	-	-

7.2.2 This goodwill represents excess of purchase consideration paid by the Company for acquisition of the Powder Coating business over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. The recoverable amount of goodwill was tested for impairment as at 30 June 2020, by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS 36 "Impairment of Assets". The recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 11.19% pre tax rate and using terminal growth of 2.00%. The calculation of value in use is sensitive to discount rate and local inflation rates.

8 **Investments in related parties**	*Note*	**2020**	2019
		(Rupees in thousand)	
In equity instruments - at cost	*8.1*	**41,750**	41,750
Investment classified as FVOCI	*8.2*	**10,287**	12,754
	8.3	**52,037**	54,504

8.1 In equity instruments - ***at cost***

No. of shares - ordinary		Name of the Company	Percentage	**2020**	2019
				(Rupees in thousand)	
(i) Subsidiary companies - *unlisted*					
2020	2019				
765,000	765,000	Berger DPI (Private) Limited	51.00%	**2,550**	2,550
676,020	676,020	Berdex Construction Chemicals (Private) Limited	51.96%	**5,510**	5,510
		Less: Provision for impairment		**(5,510)**	(5,510)
				-	-
The face value of these shares is Rs. 10 each.				**2,550**	2,550
(ii) Associated Company - *unlisted*					
98,000	98,000	3S Pharmaceutical (Private) Limited	49.00%	**39,200**	39,200
				41,750	41,750

The face value of these shares is Rs. 100 each.

8.2 **Investment classified as FVOCI**	*Percentage*	**2020**	2019
		(Rupees in thousand)	
Buxly Paints Limited - *listed*			
273,600 (2019: 273,600) fully paid ordinary shares of Rs. 10 each	19.95%		
Market value - Rs. 37.60 per share (2019: Rs. 46.67 per share)			
	Note		
Cost		**3,830**	3,830
Fair value adjustment	*8.2.1*	**6,457**	8,924
		10,287	12,754

8.2.1 Fair value adjustment

	2020	2019
As at 01 July	**8,924**	21,707
Fair value loss	**(2,467)**	(12,783)
As at 30 June	**6,457**	8,924

9 This represents loan given to Berger Road Safety (Private) Limited, a related party at a markup rate of average borrowing rate of the Company plus 2% per annum and in case of absence of borrowing the Karachi inter Bank Offered Rate for the relevant period. As per original terms of the loan, it was repayable on 31 Dec 2019. However, the repayment date has been extended for further three years till October 2022 after obtaining special resolution from members in Annual General Meeting held on 24 October 2019. Accordingly this loan has been reclassified to non-current assets.

10 Long term loans - *secured*	Note	2020	2019
		(Rupees in thousand)	
Due from employees - *considered good*	*10.1*	**48,053**	60,900
Less: current portion shown under current assets	*15*	**(24,079)**	(16,272)
		23,974	44,628

10.1 These represent interest free loans provided to the employees of the Company in accordance with the terms of their employment, under a scheme for the purchase of motor vehicles. These loans are secured by keeping title of the underlying assets in the name of the Company till final settlement. The loan is recoverable over a period of three to ten years.

10.2 Directors of the Company were not given any loan during the year.

11 Long term deposits - *unsecured*	Note	2020	2019
		(Rupees in thousand)	
Considered good		**17,875**	21,205
Considered doubtful		**4,969**	4,588
		22,844	25,793
Less: provision for doubtful deposits	*11.1*	**(4,969)**	(4,588)
	11.2	**17,875**	21,205

11.1 Movement in provision for doubtful deposits

	2020	2019
Balance as at 01 July	**4,588**	4,588
Provision for the year	**381**	-
Balance as at 30 June	**4,969**	4,588

11.2 These include deposits given to utility companies, deposits against lease and tender deposits.

12 Deferred taxation	2020	2019
	(Rupees in thousand)	
Deferred tax liability on taxable temporary differences arising in respect of :		
- Accelerated tax depreciation	**(33,247)**	(45,612)
- Surplus on revaluation of fixed assets	**(90,014)**	(29,100)
Deferred tax asset on deductible temporary differences arising in respect of:		
- Provision for doubtful debts, other receivables and deposits	**56,827**	69,480
- Turnover tax credit	**42,000**	42,000
- Adjustment on initial application of IFRS 9	**-**	-
- Provision for slow moving stock	**8,981**	7,110
	107,808	118,590
	(15,453)	43,878

12.1 Movement in deferred tax balances is as follows:	Note	2020	2019
		(Rupees in thousand)	
As at 01 June		**43,879**	(9,000)
Recognized in profit and loss:			
- Accelerated tax depreciation including surplus on revaluation of fixed assets		**3,567**	12,464
- (Reversal) / Provision for doubtful debts, other receivables and deposits		**(12,653)**	6,577
- Turnover tax credit		**-**	42,000
- Provision for slow moving stock		**1,871**	1,411
- Impact of rate change		**-**	(5,667)
		(7,215)	56,785
Recognized to statement of changes in equity:			
- Impact of rate change		**-**	(3,906)
-Deferred tax liability on revaluations surplus of plant and machinery, building on freehold and leasehold land.		**(52,117)**	-
		(52,117)	(3,906)
		(15,453)	43,879

13 Stock-in-trade

	Note	2020	2019
Raw and packing materials			
- *in hand*		**601,825**	467,584
- *in transit*		**18,947**	144,028
		620,772	611,612
Semi processed goods		**71,550**	76,751
Finished goods			
- *Manufactured*	13.1	**395,307**	271,041
- *Trading*		**114,091**	67,194
		509,398	338,235
		1,201,720	1,026,598
Provision for slow moving and obsolete stocks			
- Raw material		**(51,095)**	(58,730)
- Semi processed goods		**(5,491)**	(4,271)
- Finished goods		**(59,201)**	(46,229)
		(115,787)	(109,230)
		1,085,933	917,368

13.1 Aggregate stocks with a cost of Rs. 39.81 million (2019: Rs. 42.86 million) are being valued at net realizable value of Rs. 36.59 million (2019: Rs. 37.30 million).

13.2 Details of stock-in-trade subject to charge as security are referred to in note 47 to the financial statements.

14 Trade debts - *unsecured*	Note	2020	2019
		(Rupees in thousand)	
Considered good			
Related parties	*14.1 & 14.2*	199,032	223,778
Others		840,741	1,237,236
		1,039,773	1,461,014
Considered doubtful			
Related parties		8,184	5,900
Others		157,588	202,883
		1,205,545	1,669,797
Provision for doubtful debts	*14.3*	(165,772)	(208,783)
		1,039,773	1,461,014

14.1 Trade debts include the following amounts due from the following related parties:

	Note	2020	2019
Dadex Eternit Limited - *related party*	*14.1.1*	29	-
Buxly Paints Pakistan Limited - *related party*	*14.1.2*	119,323	125,016
Berger Road Safety (Private) Limited - *subsidiary of Berger DPI (Private) Limited*	*14.1.3*	79,680	98,762
	14.1.4	199,032	223,778

14.1.1 Maximum aggregate balance due from the related party at the end of any month during the year was Rs. 0.18 million.

14.1.2 Maximum aggregate balance due from the related party at the end of any month during the year was Rs. 148.29 million.

14.1.3 Maximum aggregate balance due from the related party at the end of any month during the year was Rs. 75.38 million.

14.1.4 The Company has recognized ECL on these balances as at 30 June 2020 amounted to Rs. 8.18 million (2019: Rs. 5.9 million) .

14.2 Aging of related party balances	Note	2020	2019
		(Rupees in thousand)	
Considered good			
Past due 0 - 30 days		45,631	35,382
Past due 31 - 60 days		12,673	48,211
Past due 61 - 90 days		4,740	31,811
Past due 91 - 120 days		22,983	33,388
Past due 121 - 180 days		71,178	57,065
Past due 181 - 364 days		40,740	17,921
Past due over one year		1,088	-
		199,032	223,778

14.3 Movement in provision for doubtful debts

	Note	2020	2019
Balance as at 01 July		208,783	200,022
Adjustment on initial application of IFRS 9		-	5,897
Provision for the year	*33 & 31*	8,644	24,293
Bad debts written off		(30,451)	(2,529)
Bad debts recovered		(21,204)	(18,900)
Balance as at 30 June		165,772	208,783

15 Loans and advances

	Note	2020	2019
		(Rupees in thousand)	
Current portion of long term loans:			
Due from employees - *secured, considered good*	10	22,515	14,708
Due from employees - *considered doubtful*		1,564	1,564
		24,079	16,272
Less: provision for doubtful loans		(1,564)	(1,564)
Advances - unsecured, considered good:			
Employees		324	1,571
Suppliers		133,209	82,507
		133,533	84,078
		156,048	98,786

16 Trade deposits and short term prepayments

	Note	2020	2019
Trade deposits - *considered good*		22,114	26,814
Trade deposits - *considered doubtful*		9,716	9,221
		31,830	36,035
Provision for doubtful deposits	16.1	(9,716)	(9,221)
		22,114	26,814
Short term prepayments		11,924	14,392
		34,038	41,206

16.1 Movement in provision for doubtful deposits

	2020	2019
Balance as at 01 July	9,221	9,221
Provision for the year	495	-
Balance as at 30 June	9,716	9,221

17 Other receivables

	Note	2020	2019
Receivable from related parties	17.1	82,176	438
Export rebate		17,022	17,959
Provision for export rebate		(11,824)	(11,824)
		5,198	6,135
Accrued interest		545	731
Insurance claim receivable		16,660	6,587
		104,579	19,503

17.1 Other receivables include the following amounts due from the following related parties:

	Note	2020	2019
Considered good			
3S Pharmaceutical (Private) Limited - *related party*		1,044	-
Buxly Paints Pakistan Limited - *related party*		31,828	-
Berger Road Safety (Private) Limited - *subsidiary of Berger DPI (Private) Limited*	17.1.1	58,117	438
		90,989	438
Less: Provision for doubtful debts	17.2	(8,813)	-
		82,176	438

17.1.1 Maximum aggregate balance due from the related party at the end of any month during the year was Rs. 0.48 million.

17.1.2 This represents receivables related to sharing of common expenses under normal trade as per terms mutually agreed. This amount is not yet due.

17.2 Movement in provision for doubtful debts

	2020	2019
	(Rupees in thousand)	
Balance as at 01 July	-	-
Provision for the year	8,813	-
Balance as at 30 June	8,813	-

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18 **Short term investment**

This represents term deposit receipts which are mark-up based investments with conventional bank. The balance is under lien with commercial bank against letter of guarantee, maturing up to one year and carrying mark-up at rates ranging from 7.94% to 12.00% per annum (2019: 5.25% to 12.00% per annum).

	Note	2020	2019
19 Cash and bank balances		**(Rupees in thousand)**	
Cash at bank:			
- current accounts		**39,620**	75,505
Cash in hand		**1,015**	1,120
		40,635	76,625

20 Issued, subscribed and paid-up capital	2020	2019	2020	2019
	(Number of shares)		**(Rupees in thousand)**	
Authorised share capital				
Ordinary shares of Rs. 10 each	**25,000,000**	25,000,000	**250,000**	250,000
Issued, subscribed and paid-up share capital				
Voting ordinary shares of Rs. 10 each fully paid up in cash	**12,135,798**	12,135,798	**121,358**	121,358
Voting ordinary shares of Rs. 10 each issued as bonus shares	**8,323,912**	8,323,912	**83,239**	83,239
	20,459,710	20,459,710	**204,597**	204,597

20.1 As at 30 June 2020, Slotrapid Limited B.V.I., the Holding Company, and their nominees hold 10,649,314 (2019: 10,649,314) voting ordinary shares of Rs. 10.00 each representing 52.05 % (2019: 52.05 %) of the ordinary paid up capital of the Company.

20.2 ***Movement in number of shares***	Note	2020	2019
		(Rupees in thousand)	
Opening number of shares		**20,459,710**	18,186,409
Issue of bonus shares at the rate of 12.5% (i.e. 1.25 shares for every 10 shares)		-	2,273,301
Closing number of shares		**20,459,710**	20,459,710

21 Reserves			
Capital reserve:			
Share premium reserve	*21.1*	**34,086**	34,086
Fair value reserve	*21.2*	**6,457**	8,924
		40,543	43,010
Revenue reserve:			
General reserve		**285,000**	285,000
Accumulated profits		**691,932**	575,650
		976,932	860,650
		1,017,475	903,660

21.1 This reserve can be utilized by the Company for the purpose specified in section 81(2) of the Companies Act, 2017.

21.2 This represents surplus on revaluation of investment classified as FVOCI financial asset.

	2020	2019
	(Rupees in thousand)	
22 Revaluation surplus on property, plant and machinery - *net of tax*		
As at beginning of the year	**472,012**	509,131
Surplus arising on revaluation:		
Freehold and leasehold land	**288,022**	-
Building on freehold and leasehold land	**68,641**	-
Plant and machinery	**115,829**	-
	472,492	-
Deferred tax liability on revaluation surplus	**(52,117)**	-
	892,387	**509,131**
Net amount transferred to unappropriated profit on account of:		
Incremental depreciation - *net of deferred tax*	**(59,437)**	(33,213)
Effect of rate change	-	(3,906)
	(59,437)	**(37,119)**
As at end of the year	**832,950**	472,012

22.1 The surplus on revaluation of property, plant and equipment is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

22.2 The latest valuation of freehold land, leasehold land, building on freehold land, building on leasehold land and plant and machinery was carried out by Harvestor Enterprises and Co, an independent valuer on 30 June 2020. The valuation was determined by reference to current market value of the similar properties / assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively. During the year, deficit amounting to Rs. 15.20 million was charged to statement of profit or loss as a result of revaluation.

	Note	2020	2019
		(Rupees in thousand)	
23 Long term financing - *secured*			
Mark-up based financing from conventional banks:			
- JS Bank Limited	*23.3 (a)*	**200,000**	66,667
- JS Bank Limited (Solar Panel)	*23.1 (a)*	**7,740**	-
- Samba Bank	*23.1 (b)*	**34,827**	-
Islamic mode of financing:			
- First Habib Modarba	*23.2 (a)*	**13,332**	-
- First Habib Modarba	*23.2 (b)*	**2,399**	3,324
- Bank Islami	*23.2 (c)*	**89,583**	100,000
		347,881	169,991
Mark-up based financing from conventional banks:			
Current maturity shown under current liabilities	*23.3 (a)*	**(212,246)**	(66,667)
Islamic mode of financing:			
Current maturity shown under current liabilities		**(15,513)**	(13,689)
		(227,759)	(80,356)
		120,122	89,635

23.1 (a) This represents SBP financing scheme for renewable energy facility of Rs. 43 million to finance 0.38MW grid pegged solar power plant. In accordance with terms of the agreement, 20% of the facility amount has been released by JSBL in Nov 2019 and remaining 80% will be released after the completion of project. Principle terms of the loan are as follows:

Principle repayment

The outstanding balance is repayable in quarterly instalments of Rs. 0.43 million each ending in November 2024.

Rate of return

Markup is payable quarterly and charged at the rate of one month KIBOR plus 2% per annum (2019: Nil)

Security

The facility is secured against an equitable mortgage and first charge of Rs. 371 million on land and building of Lahore factory of the Company.

23.1 (b) This represents SBP re-financing scheme availed by the Company amounting to Rs. 38.42 million for payment of wages and salaries to the workers and employees of entity. As per the guidelines issued by ICAP, this loan has been discounted using market rate of interest to arrive at its present value and the related discounting impact is disclosed in note 24 to these financial statements.

Principle repayment

The outstanding balance is repayable in quarterly instalments of Rs. 4.80 million each ending in February 2023.

Rate of return

Markup is payable quarterly and charged at the rate of 3% per annum (2019: Nil)

Security

The facility is secured against a ranking charge over present and future fixed assets of the company amounting to Rs. 94 million .

23.2 (a) This represents a diminishing musharka facility of Rs. 15.05 million obtained for purchase of vehicle. Principle terms of loan are as follows:

Principle repayment

The outstanding balance is repayable in quarterly instalments of Rs. 0.44 million each ending in July 2024.

Rate of return

Profit is payable quarterly and charged at the rate of six month KIBOR plus 1.00 % per annum (2019: Nil).

Security

Vehicles to be registered in the name of employee and Hire purchase agreement will mark in favor of First Habib Modarba.

23.2 (b) This represents diminishing musharika facility of Rs. 5.28 million obtained in 2017, from First Habib Modarba for purchase of vehicle.

Principle repayment

The outstanding principal is repayable in 20 quarterly installments ending in February 2022.

Rate of return

Profit is payable quarterly and charged at the rate of six month's KIBOR plus 1.00% per annum (2019: six month's KIBOR plus 1.00% per annum).

Security

The facility is secured against charge over present and future current and fixed assets of the Company. The Company holds asset with joint ownership with the Modarba.

23.2 (c) This represents diminishing musharika facility of Rs. 100 million obtained in November 2018 for a period of 5 years, from Bank Islami to pay off conventional liabilities.

Principle repayment

The outstanding principal is repayable in monthly installments of Rs. 2.08 million each ending in November 2023 with a grace period of 1 year.

Rate of return

Mark-up is payable monthly and charged at the rate of six month KIBOR plus 1.75% per annum (2019: six month KIBOR plus 1.75% per annum) with floor of 10.00% and ceiling of 20.00%.

Security

The loan is secured against exclusive charge over plant and machinery and a ranking charge over present and future assets of the company amounting to Rs. 133 million.

23.3 (a) The Company obtained loan amounting to Rs. 200 million during the year for restructuring of statement of financial position. Subsequent to the year end, the Company has fully settled the liability on 30 July 2020.

24 Deferred Income	*Note*	**2020** (Rupees in thousand)	2019 (Rupees in thousand)
Government grants		**3,739**	-
		3,739	
less: Current portion of deferred income - government grants		**(1,662)**	-
		2,077	

25 Staff retirement and other long term benefits	*Note*	**2020** (Rupees in thousand)	2019 (Rupees in thousand)
Defined benefit plan			
Staff pension fund	*25.1*	**33,705**	36,621
Staff gratuity fund	*25.1*	**76,248**	90,373
		109,953	126,994
Other long term employee benefits			
Accumulating compensated absences	*25.13*	**24,416**	27,057
		134,369	154,051

Defined benefit plan

As mentioned in note 3.11 the Company operates an approved funded gratuity and pension schemes for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at 30 June 2020. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2020	2019
Valuation discount rate	**8.5%**	**12.5%**
Expected rate of increase in salary level	**7.5%**	**11.5%**
Rate of return on plan assets	**8.5%**	**12.5%**
Retirement age	**60 years**	60 years
Withdrawal Rates	**Age-Based (per appendix)**	Age-Based (per appendix)
Expected mortality rate	**SLIC (2001-05)**	SLIC (2001-05)

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		2020		2019	
		Pension	Gratuity	Pension	Gratuity
		---------- (Rupees in thousand) ----------			
25.1	**Statement of financial position reconciliation**				
	Present value of defined benefit obligation	87,728	76,288	88,089	90,412
	Fair value of plan assets	(54,025)	(39)	(51,468)	(39)
		33,703	76,249	36,621	90,373
	Current portion of defined benefit obligation	-	4,158	-	-
		33,703	80,407	36,621	90,373
25.2	**Movement in the fair value of plan assets is as follows:**				
	Fair value as at 01 July	51,468	39	50,514	95
	Expected return on plan assets	6,312	5	4,446	25
	Remeasurement (loss) / gain	(1,807)	(5)	(1,254)	(238)
	Company's contribution	1,442	16,768	-	11,211
	Benefits paid	(3,390)	(16,768)	(2,238)	(11,054)
	Fair value as at 30 June	54,025	39	51,468	39
25.3	**Movement in defined benefit obligation is as follows:**				
	Obligation as at 01 July	88,089	90,412	92,218	74,330
	Employees' contribution not paid to the fund by the Company	1,068	-	1,475	-
	Service cost	2,633	9,329	3,494	10,768
	(Gain) / loss on settlements	(8,796)	(10,645)	-	-
	Interest cost	10,799	10,253	8,199	6,192
	Benefits paid	(3,390)	(16,768)	(2,238)	(11,054)
	Current portion of defined benefits	-	(4,158)	-	-
	Remeasurement (gain) / loss	(2,675)	(2,135)	(15,059)	10,176
	Obligation as at 30 June	87,728	76,288	88,089	90,412
25.4	**Charge for the year - *net***				
	Current service cost	2,633	9,329	3,494	10,768
	Interest cost	10,799	10,253	8,199	6,192
	Expected return on plan assets	(6,312)	(5)	(4,446)	(25)
	(Gain) / loss on settlements	(8,796)	(10,645)		
		(1,676)	8,932	7,247	16,935
	Actual return on plan assets	4,505	-	3,192	(213)
25.5	**Movement in net liability in the balance sheet is as follows:**				
	Net liability as at 01 July	36,621	90,373	41,704	74,235
	Charge for the year	(1,676)	8,932	7,247	16,935
	Charge to other comprehensive income during the year	(868)	(2,130)	(13,805)	10,414
	Company's contribution	(1,442)	(16,768)	-	(11,211)
	Employees' contribution deducted but not paid to the fund	1,068	-	1,475	-
	Net liability as at 30 June	33,703	80,407	36,621	90,373

	2020		2019	
	Pension	**Gratuity**	Pension	Gratuity
	(Rupees in thousand)			
25.6 The charge for the year has been allocated as follows:				
Cost of sales	**(838)**	**4,466**	3,624	8,468
Selling and distribution costs	**(687)**	**3,662**	2,971	6,943
Administrative and general expenses	**(151)**	**804**	652	1,524
	(1,676)	**8,932**	7,247	16,935
25.7 Plan assets comprise the following:				
Defence Saving Certificates	**15,750**	**-**	13,250	-
Cash at bank	**2,395**	**39**	4,198	39
JS Islamic Hybrid Fund of Funds Mustahkem	**18,471**	**-**	18,471	-
NBP Fullerton Asset Management Ltd.	**17,407**	**-**	15,548	-
	54,023	**39**	51,467	39

25.8 Amounts for the current year and previous four years of the fair value of plan assets, present value of defined benefit obligation and deficit thereon is as follows:

As at 30 June	2020	2019	2018	2017	2016
	(Rupees in thousand)				
Present value of defined benefit obligation	**164,016**	178,501	166,548	130,969	106,517
Fair value of plan assets	**(54,064)**	(51,507)	(50,609)	(46,385)	(43,310)
Deficit	**109,952**	126,994	115,939	84,584	63,207
Experience adjustment:					
(Gain) / loss on obligations	**(4,810)**	(4,883)	1,674	2,444	3,187
Loss / (gain) on plan assets	**6,317**	4,471	4,720	368	(1,906)

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date.

25.9 Expected expense for next year

The expected expense to the pension and gratuity schemes for the year ending 30 June 2021 works out to Rs. 5.72 million and Rs. 15.31 million respectively.

25.10 The plans expose the Company to the actuarial risks such as:

Salary risks

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experiences is different. The effect depends upon beneficiaries' service / age distribution and the entitled benefits of the beneficiary.

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25.11 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 1.00% with all other variables held constant, the impact on the present value of the defined benefit obligation as at 30 June 2020 would have been as follows:

Impact on present value of defined benefit obligation as at 30 June 2020

	Change	Pension		Gratuity	
		Increase to	Decrease to	Increase to	Decrease to
		(Rupees in thousand)			
Discount rate	1.00%	**75,588**	**102,963**	**68,025**	**86,105**
Future salary	1.00%	**94,754**	**81,612**	**86,105**	**67,883**

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the statement of financial position.

25.12 Weighted average duration of the defined benefit obligation is 24 years and 08 years for pension and gratuity plans, respectively.

	2020	2019
25.13 Other long term employee benefits	(Rupees in thousand)	
Movement in accumulated compensated absences		
Balance as at 01 July	**27,057**	26,653
Provision during the year	**5,139**	4,457
Payments made during the year	**(7,780)**	(4,053)
Balance as at 30 June	**24,416**	27,057

25.14 Reconciliation of present value of liability

	2020	2019
Present value of liability as at 01 July	**27,057**	26,653
Service cost	**1,715**	3,896
Interest on defined benefit liability	**2,896**	2,216
Benefits paid	**(7,780)**	(4,053)
Benefits payable	**(2,112)**	-
Remeasurement gain	**528**	(1,655)
	22,304	27,057

25.15 Charge for the year

	2020	2019
Service cost	**1,715**	3,896
Interest on defined benefit liability	**2,896**	2,216
Remeasurement gain	**528**	(1,655)
	5,139	4,457

25.16 The charge for the year has been allocated as follows:

	2020	2019
Cost of sales	**2,570**	2,229
Selling and distribution costs	**2,107**	1,827
Administrative and general expenses	**463**	401
	5,140	4,457

25.17 The investments out of provident fund and pension fund as at 31 December 2019 have been made in accordance with the requirements of section 218 of the Companies Act, 2017.

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26 Trade and other payables

	Note	2020	2019
		(Rupees in thousand)	
Trade and other creditors		**482,741**	572,177
Import bills payable		**99,924**	324,476
Contract liabilities		**36,215**	56,420
Accrued expenses		**65,937**	30,366
Provision for infrastructure cess	*26.1*	**80,860**	68,609
Royalty payable to related parties - *unsecured*	*26.2*	**16,821**	39,119
Technical fee payable		**37,471**	32,729
Workers' Profits Participation Fund	*26.3*	**18,943**	11,132
Workers' Welfare Fund		**38,547**	36,236
Income tax deducted at source and EOBI payable		**1,299**	16,239
Insurance claim payable		**661**	661
Current portion of deferred income - government grants	*24*	**1,662**	-
Others		**21,507**	4,349
		902,588	1,192,513

26.1 Provision for infrastructure cess

	2020	2019
Balance as at 01 July	**68,609**	61,079
Provision for the year	**12,251**	7,530
Balance as at 30 June	**80,860**	68,609

26.2 This includes amount due to the following related parties:

	2020	2019
Slotrapid Limited B.V.I. - *The Holding Company*	**16,796**	38,823
Buxly Paints Limited - *Related party*	**25**	296
	16,821	39,119

26.3 Workers' Profits Participation Fund

	Note	2020	2019
Balance as at 01 July		**11,132**	12,753
Allocation for the year	*35*	**6,150**	6,568
Interest on funds utilized in the Company's business	*36*	**1,661**	838
		18,943	20,159
Payments during the year		-	(9,027)
Balance as at 30 June		**18,943**	11,132

Interest on outstanding liability towards Workers' Profit Participation Fund is charged at bank rate plus 2.50% per annum as required under the Companies Profits (Workers' Participation) Act, 1968.

27 Interest / mark-up accrued on borrowings

	2020	2019
	(Rupees in thousand)	
Mark-up based borrowings from conventional banks		
Long term financing - *secured*	**5,629**	2,077
Short term financing - *secured*	**3,052**	1,553
Short term running finances - *secured*	**26,492**	35,802
	35,173	39,432

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28 Short term borrowings - *secured*	Note	2020	2019
		(Rupees in thousand)	
Mark-up based borrowings from conventional banks			
Short term financing - *secured*	*28.1*	**141,976**	100,000
Short term running finance - *secured*	*28.2*	**909,575**	1,104,747
		1,051,551	1,204,747

28.1 Short term financing

This represents utilized amount of short term financing facilites under mark-up arrangements available from commercial banks aggregating to Rs. 490 million (2019: Rs. 100 million) which is a sublimit of running finance facilities as described in note 28.2 to the financial statements. These facilities are secured against joint pari passu charge on all present and future current assets, registered charge (mortagage and hypothecation) over the current assets of the Company and carry mark-up at rates ranging between 8.51% and 18.62% (2019: 7.72% and 12.09%) per annum, payable quarterly. Refer to note 47 for details of charge registered.

28.2 Short term running finances

This represents utilized amount of short term running finance facilities under mark-up arrangements available from commercial banks aggregating to Rs. 1,250 million (2019: Rs. 1,400 million). These facilities are secured against registered charge over the current assets of the Company and carry mark-up at rates ranging between 9.33% and 15.61% (2019: 8.60% and 12.09%) per annum, payable quarterly.

28.3 Unavailed credit facilities

The available facilities for opening of letters of credit and guarantees as at 30 June 2020 amounted to Rs. 1,700 million (2019: Rs. 2,684.07 million) out of which Rs. 1,376.38 million remained unavailed as at the reporting date (2019: Rs. 2,224.55 million).

29 Contingencies and commitments

29.1 Contingencies

- In 1987, the Company filed a suit against an ex-distributor ("the distributor") in the High Court of Sindh ("the court") for recovery of Rs. 8.89 million and damages amounting to Rs. 5.00 million on account of unpaid credit invoices for the products supplied by it to the distributor. However, the distributor in return also filed a counter claim of Rs. 78.15 million against the Company in the court on account of damages and compensation. Consequently on the basis of legal advice the management believes that it has a strong case and no financial obligation is expected to arise.

- The Sindh Revenue Board ("SRB") through assessment order 490/2014 dated 18 September 2014 raised sales tax demand of Rs. 39.34 million along-with penalty but excluding default surcharge on the grounds that the Company has received franchise services through its registered office in Karachi but had not paid sales tax on these services for the tax periods July, 2011 to June, 2013. Department (SRB) had inadvertently added all royalty figures appearing in accounts including royalty receivable, royalty payable, royalty expense and related party transfers for the calculation of tax on royalties. The Company, through its legal counsel, filed an appeal before the Commissioner (Appeals) SRB on the grounds that amount of sales tax is not correctly calculated and the provisions of Sindh Sales Tax on Services Act, 2011 are not applicable for the reason that the Company is managing its affairs from the province of Punjab as the head office and the manufacturing facility is located there. The Commissioner (Appeals) had reduced the demand to Rs. 8.18 million, against which the Company had filed an appeal before Appellate Tribunal SRB which is pending adjudication. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these financial statements.

- The Sindh High Court ("the Court") in the case of 'Kasim Textile' in its order of 7 May, 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a Company has assessed losses on which no tax is payable, the Company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Company may not be entitled to carry forward minimum tax paid in the tax year 2014 of Rs 39.12 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those may also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly minimum tax is adjusted against tax liability for the current year.

- During 2018, the Deputy Commissioner Inland Revenue issued show cause notices for collection of income tax under section 236G / 236H of the Income Tax Ordinance 2001. In this regard, the taxation officer raised demands of Rs. 19.90 million, Rs. 9.937 million, Rs. 19.10 million and Rs. 10 million for Tax years 2014, 2015, 2016 and 2017 vide assessment orders dated 28 March 2017, 02 February 2017, 12 June 2017 and 18 April 2018 respectively. The Company through its legal counsel filed appeals to Commissioner Inland Revenue Appeals ("CIR - A") against the said orders which are still pending. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these financial statements.

  The Additional Commissioner Inland Revenue ("ACIR") and Deputy Commissioner Inland Revenue ("DCIR"), while proceeding U/S 122 of the Income Tax Ordinance, 2001 created income tax demands of Rs. 484.38 million and 213.12 million for the Tax Years 2014 and 2016 respectively vide two separate orders. The Company had filed an appeal before Commissioner Inland Revenue Appeals, the Commissioner Inland Revenue Appeals remanded the case on some issues and confirmed additions to the tune of 32.99 Million and 9.2 Million for the tax year 2014 and 2016 respectively. An appeal against these orders were filed on 13 December 2019 and 02 July 2019 for the tax year 2014 and 2016 respectively which has not been heard. The management believes that it has a strong arguable case and matter will be decided in favor of the Company. Hence no provision has been recorded in these financial statements.

- For tax year 2016, the Commissioner Appeals - I, Lahore, vide its order number 25 dated 20 July 2018, deleted certains additions and remanded the case on certain issues and upheld the case on issue of contractor services which involves revenue of Rs. 10.67 million. Appeal against this order was filed on 17 August 2018 which has not been heard. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these financial statements.

- During the year, a notice from PRA having number PRA/Royalty/2016/12 dated 22 June 2016 involving an amount of Rs. 11.45 million as royalty fee and technical services for the period October 2012 to March 2015 was issued which is under investigation / adjudication proceedings. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these financial statements.

- The Additional Commissioner Enforcement Punjab Revenue Authority issued a show cause notice PRA/ENF-IV/WHT/BERGER/1161 dated 17 January 2019 and assessment order ENF-IV/29/05/2019 dated 25 April 2019 creating demand of Rs. 132 million u/s 52 read with 14 & 19 of Punjab Sales Tax on Services Act 2012. However, the Company through its legal counsel filed appeal before Commissioner Appeals PRA against the order of Additional Commissioner for which hearing is pending. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these financial statements.

- Various cases on account of income tax and sales tax matters involving an amount Rs. 24.83 million are also pending. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome in all these cases, hence no provision has been recorded in these financial statements.

29.2 Commitments

- Outstanding letters of credit as at 30 June 2020 amounted to Rs. 238.05 million (2019: Rs. 346.84 million) for purchase of raw and packing materials.

- Outstanding letters of guarantee as at 30 June 2020 amounted to Rs. 102.65 million (2019: Rs. 112.68 million).

- The amount of future rentals for Ijarah financing and the period in which these payments will become due are as follows:

	2020	2019
	(Rupees in thousand)	
Not later than one year	**6,649**	12,429
Later than one year and not later than five years	**7,677**	19,218
	14,326	31,647

30 Sales - *net*

Local	**6,114,410**	6,819,543
Export	**103,952**	135,220
	6,218,362	6,954,763
Less: Discounts	**(1,141,868)**	(904,927)
Sales tax	**(898,543)**	(929,392)
	(2,040,411)	(1,834,319)
	4,177,951	5,120,444

	Note	2020	2019
		(Rupees in thousand)	

31 Cost of sales

	Note	2020	2019
Finished goods as at 01 July		271,041	280,121
Cost of goods manufactured	31.1	3,357,143	3,917,058
Provision against slowing moving finished goods		12,972	(130)
Less: Finished goods as at 30 June	13	(395,307)	(271,041)
Consumption of finished goods purchased for resale	31.2	55,768	78,013
Cost of sales		3,301,617	4,004,021

31.1 Cost of goods manufactured

	Note	2020	2019
Raw and packing materials consumed		2,810,521	3,309,860
Freight and handling		127,835	128,556
Provision (reversed) / charged against raw and packing material		(7,635)	3,994
Stores and spare parts consumed		8,733	2,523
Salaries, wages and other benefits	31.1.1	195,426	241,026
Travelling and conveyance		3,628	3,946
Fuel, water and power		97,729	102,326
Legal and professional		1,646	2,062
Rent, rates and taxes		88	-
Insurance		8,608	9,026
Repairs and maintenance		23,478	32,868
Depreciation on property, plant and equipment	6.7	50,865	53,506
Amortization	7.1.1	-	352
Ijarah lease rentals		2,530	3,314
Printing and stationery		1,439	2,077
Communication		1,526	1,516
Revaluation deficit on plant and machinery	22	11,436	-
Others		12,869	15,646
		3,350,722	3,912,598
Opening stock of semi-processed goods	13	76,751	80,123
Closing stock of semi-processed goods	13	(71,550)	(76,751)
Provision charged during the year		1,220	1,088
Cost of goods manufactured		3,357,143	3,917,058

31.1.1 Salaries, wages and benefits include Rs. 4.46 million (2019: Rs. 8.47 million) in respect of gratuity, Rs. (0.83) million (2019: Rs. 3.62 million) in respect of pension fund, Rs. 2.56 million (2019: Rs. 2.23 million) in respect of compensated absences and Rs. 3.59 million (2019: Rs. 4.09 million) in respect of provident fund contribution.

31.2 The movement of finished goods purchased for resale is as follows:

	2020	2019
	(Rupees in thousand)	
Finished goods as at 01 July	67,194	90,915
Add: Finished goods purchased for resale during the year	102,665	54,292
Less: Consumption of finished goods during the year	(55,768)	(78,013)
Finished goods as at 30 June	114,091	67,194

	Note	2020	2019
		(Rupees in thousand)	

32 Selling and distribution costs

	Note	2020	2019
Salaries and other benefits	*32.1*	**280,926**	364,897
Travelling and conveyance		**2,774**	5,075
Rent, rates and taxes		**3,575**	3,937
Insurance		**9,425**	9,504
Fuel, water and power		**5,652**	6,181
Advertising and sales promotion		**107,317**	174,116
Technical services and royalty fee	*32.2*	**23,663**	49,673
Repairs and maintenance		**1,957**	2,939
Depreciation on property, plant and equipment	*6.7*	**17,144**	15,030
Amortization	*7.1.1*	**21**	314
Ijarah lease rentals		**2,842**	6,881
Provision for doubtful debts - *net of recoveries*	*14.3*	-	5,393
Printing and stationery		**1,676**	2,642
Legal and professional		**3,358**	2,907
Communication		**7,706**	7,130
Others		**11,649**	8,758
		479,685	665,377

32.1 Salaries and other benefits include Rs. 3.66 million (2019: Rs. 6.94 million) in respect of gratuity, Rs. (0.68) million (2019: Rs. 2.97 million) in respect of pension fund, Rs. 2.10 million (2019: Rs. 1.83 million) in respect of compensated absences and Rs. 7.49 million (2019: Rs. 9.91 million) in respect of provident fund contribution.

32.2 This represents royalty and technical fee paid to following companies;

Name / address of the party	Relationship with Company	2020	2019
		(Rupees in thousand)	
Nippon Paint Company Limited *(2-1-2 Oyodo – Kita, Kita-Ku, Osaka – 531-8511 Japan.)*	**Licensor**	**798**	4,252
Slotrapid Limited *Suit# 1 Akara Building, 24 De-Cantro Street, Wickham Cay 1, Road Town, Tortola, British Virgin Island.*	**Licensor (the Holding Company)**	**17,643**	38,823
Buxly Paints Limited *(X-3, Mangopir Road, S.I.T.E., Karachi.)*	**Licensor (Common Group)**	**52**	1,556
Nippon Bee Chemical Company Limited *(14-1, 2-Chome, Shodai-Ohtani, Hirakata City, Osaka 573, Japan.)*	**Licensor**	-	694
Oxyplast Belgium N.V. *(Hulsdonk 35-B 9042/Gent – Mendonk, Belgium.)*	**Licensor**	**5,170**	4,348
		23,663	49,673

	Note	2020	2019
		(Rupees in thousand)	

33 Administrative and general expenses

	Note	2020	2019
Salaries and other benefits	*33.1*	**97,486**	110,097
Directors' meeting fee		**3,400**	3,600
Travelling and conveyance		**5,282**	6,150
Rent, rates and taxes		**5,296**	6,822
Insurance		**5,098**	8,440
Auditors' remuneration	*33.2*	**2,820**	2,249
Fuel, water and power		**1,978**	1,975
Repairs and maintenance		**2,018**	2,501
Depreciation on property, plant and equipment	*6.7*	**10,174**	9,256
Amortization of computer software	*7.1.1*	**1,724**	4,672
Ijarah lease rentals		**2,850**	4,175
Printing and stationery		**802**	1,299
Legal and professional		**13,354**	13,973
Communication		**2,864**	2,764
Others		**12,501**	6,711
		167,647	184,684

33.1 Salaries and other benefits include Rs. 0.80 million (2019: Rs. 1.52 million) in respect of gratuity, Rs. (0.15) million (2019: Rs. 0.65 million) in respect of pension fund, Rs. 0.46 million (2019: Rs. 0.40 million) in respect of compensated absences and Rs. 4.45 million (2019: Rs. 6.53 million) in respect of provident fund contribution.

	Note	2020	2019
		(Rupees in thousand)	

33.2 Auditors' remuneration

	Note	2020	2019
Audit fee		**2,010**	1,490
Consolidation and half yearly review		**460**	518
Out of pocket expenses		**350**	241
	33.3	**2,820**	2,249

33.3 This amount is exclusive of provincial sales tax of 16%.

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	Note	2020	2019
		(Rupees in thousand)	

34 Other income - *net*

Income from financial assets

	Note	2020	2019
Mark-up on term deposit receipts and long term loan	34.1	**13,703**	12,150
Income from non financial assets			
Sale of scrap		**14,772**	15,296
Gain on disposal of property, plant and equipment		**6,288**	12,324
Rental income and other services charged to related parties		**6,645**	7,069
Recoveries from doubtful debts - net		**3,747**	-
Export rebate		**2,567**	2,653
Insurance claim			
Property plant and equipment		**-**	4,700
Others		**20,347**	2,676
Exchange gain / (loss)		**15,102**	(33,063)
Others	34.2	**870**	7,876
		70,338	19,531
		84,041	31,681

34.1 This includes interest income of Rs. 8.40 million (2019: 8.64 million) on loan given to Berger Road Safety, a related party.

34.2 This mainly includes penalty charged to suppliers and customers of Rs. 0.37 million (2019: Rs. 0.52 million).

35 Other expenses

	Note	2020	2019
		(Rupees in thousand)	
Impairment of goodwill		**-**	8,263
Reversal of doubtful loans		**-**	(201)
Workers' Welfare Fund		**2,311**	3,524
Workers' Profit Participation fund	26.3	**6,150**	6,568
Provision for export rebate		**-**	1,824
		8,461	19,978

36 Finance cost

	Note	2020	2019
Islamic mode of financing:			
- Long term financing (musharka) - *secured*	6.6.2	**9,570**	7,899
Mark-up based borrowings from conventional banks:			
- Long term financing - *secured*	6.6.2	**5,902**	11,228
- Short term financing - *secured*		**5,442**	23,927
- Short term running finances - *secured*		**153,357**	105,658
		164,701	140,813
Interest on WPPF	26.3	**1,661**	838
Bank charges		**14,118**	15,517
		190,050	165,067

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37 Taxation

	2020	2019
	(Rupees in thousand)	
Current		
- for the year	34,487	67,248
- prior year	(1,477)	-
	33,010	67,248
Deferred		
- current year	7,215	(55,075)
	40,225	12,173

37.1 The numerical reconciliation between the average tax rate and the applicable tax rate is as follows:

	2020	2019
Applicable tax rate	29.00%	29.00%
Tax effect of:		
- income under Final Tax Regime	0.87%	14.62%
- minimum tax	0.00%	16.25%
- tax credit	0.00%	0.00%
- temporary difference due to turnover tax credit	0.00%	-37.20%
- other temporary difference including rate adjustment	6.30%	-11.58%
- prior year adjustment	-1.29%	0.00%
- others	0.24%	-0.31%
Average effective tax rate charged to profit and loss account	35.12%	10.78%

37.2 Super tax under section 4(b) of the Income Tax Ordinance, 2001 is not applicable to the Company as the imputable income does not meet the threshold of Rs. 500 million.

37.3 The tax provision is charged by considering the provision of section 113 under the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and imports and income from other sources which is full and final discharge of Company's tax liability in respect of income arising from such source.

38 Earnings per share - *basic and diluted*

	2020	2019
	(Rupees in thousand)	
Profit after taxation	74,307	100,825
	2020	2019
	Number of shares	
Reconciliation of weighted average number of shares		
Voting ordinary shares of Rs. 10 each fully paid up in cash	12,135,798	12,135,798
Voting ordinary shares of Rs. 10 each issued as bonus shares	8,323,912	8,323,912
Weighted average number of shares outstanding during the year	20,459,710	20,459,710
	(Rupees)	
Earnings per share	3.63	4.93

38.1 No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options as at 30 June 2020, which would have an impact on earnings per share when exercised.

39 Cash and cash equivalents

	Note	2020	2019
		(Rupees in thousand)	
Cash and bank balances	19	40,635	76,625
Short term running finance - *secured*	28.2	(909,575)	(1,104,747)
		(868,940)	(1,028,122)

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40 Remuneration of Chief Executive, Directors and Executives

	2020			2019		
	Chief Executive	**Executives**	**Non-Executive Directors**	Chief Executive	Executives	Non-Executive Directors
	(Rupees in thousand)					
Managerial remuneration (including bonus)	**8,358**	**39,675**	**-**	12,727	52,458	-
Retirement and other long term benefits	**9,493**	**33,532**	**-**	12,909	36,152	-
House Rent Allowance	**5,454**	**17,223**	**-**	-	22,166	-
Utilities	**836**	**3,858**	**-**	-	4,926	-
Medical expenses	**-**	**1,933**	**-**	1,273	1,959	-
	24,141	**96,221**	**-**	26,909	117,661	-
Number of persons	**1**	**19**	**7**	1	24	7

40.1 Retirement and other long term benefits include benefits provided under provident fund, gratuity, pension and accumulated compensated absences.

40.2 Non-Executive Directors were paid meeting fee aggregating Rs. 3.4 million (2019: Rs. 3.6 million).

40.3 The Chief Executive and certain other executives of the Company are provided with free use of Company cars while the Chief Executive is provided boarding and lodging in the Company's guest house.

41 **Reconciliation of movement of liabilities to cash flows arising from financing activities**

	2020					
	Issued, subscribed and paid-up capital	Unclaimed Dividend	Long term financing	Short term borrowing	Accrued mark-up	Total
	(Rupees in thousand)					
As at 30 June 2019	204,597	5,980	169,991	1,204,747	39,432	**1,624,747**
Changes from financing cash flows						
Dividend paid	-	(19,753)	-	-	-	**(19,753)**
Financial charges paid	-	-	-	-	(194,309)	**(194,309)**
Long term financing	-	-	179,967	-	-	**179,967**
Total changes from financing cash flows	-	**(19,753)**	**179,967**	-	**(194,309)**	**(34,095)**
Other changes						
Change in borrowings	-	-	-	(153,196)	-	**(153,196)**
Dividend declared	-	20,460	-	-	-	**20,460**
Bonus issue	-	-	-	-	-	-
Interest expense	-	-	-	-	190,050	**190,050**
Total liability related other changes	-	**20,460**	-	**(153,196)**	**190,050**	**57,314**
As at 30 June 2020	**204,597**	**6,687**	**349,958**	**1,051,551**	**35,173**	**1,647,966**

42 **Number of employees**

	2020	2019
	(Number of persons)	
The Company has employed following number of persons:		
- As at 30 June	509	737
- Average number of employees	549	875

43 Transactions with related parties

The Company is a subsidiary of Slotrapid Limited, therefore all the subsidiaries and associates of the Holding Company are related parties of the Company. In addition related parties includes entities under common directorship, post employment benefit plans, directors and key management personnel. Amounts due from and due to related parties, remuneration of directors and key management personnel are disclosed in the relevant notes.

Material transactions with related parties are given below:

Name of parties, nature and basis of relationship	Holding Percentage	Nature of transaction	2020	2019
			(Rupees in thousand)	
Holding Company				
Slotrapid Limited B.V.I.	52.05%	Royalty expense	**17,643**	38,823
		Payment / Adjustment	**39,670**	38,516
		Dividend paid	**9,431**	11,519
Subsidiary				
Berger Road Safety (Private) Limited	-	Sales	**131,191**	171,576
(Wholly owned subsidiary of Berger DPI (Private) Limited)		Rental income and other services	**13,846**	14,509
		Common expenditures incurred	**25,324**	37,837
		Receipts / Adjustments	**20,207**	24,804
Associated				
3S Pharmaceutical (Private) Limited	49.00%	Common expenditures incurred	**606**	438
		Receipts / Adjustments	**-**	-
Related parties				
Buxly Paints Limited ("BPL") (Common Group)	19.95%	Sales	**196,660**	179,539
		Toll manufacturing income	**16,362**	22,356
		Royalty expense	**52**	1,556
		Rental expense	**1,812**	1,812
		Rental income and other services	**1,200**	1,200
		Common expenditures incurred	**18,909**	13,052
		Receipts / Adjustments	**5,500**	5,735

In addition to these transactions, the Company has an agreement with BPL for construction and use of warehouse on BPL's land located at X-3 Manghopir Road, S.I.T.E., Karachi for a term of ten years at a nominal monthly rent. After the aforementioned term of ten years, the company will handover the possession of the building to BPL free of cost.

Dadex Eternit Limited	-	Sales	**180**	257
Post employment benefit plans (Key Management Personnel)	-	Contribution to gratuity fund	**16,768**	11,211
		Contribution to pension fund	**1,442**	-
		Provident fund contribution	**31,086**	41,064

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44 Financial instruments

44.1 Risk management framework

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Company's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

44.1.1 Market risk

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

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the Euro, United States Dollar ("USD") and Japanese Yen ("JPY"). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to foreign entities. The Company's exposure to foreign exchange risk is as follows:

	2020	2019
	------ (In thousands) ------	
Statement of financial position items		
Trade and other payables - Euro	**(2)**	(8)
Net exposure - Euro	**(2)**	(8)
Trade and other payables - USD	**(378)**	(1,673)
Net exposure - USD	**(378)**	(1,673)
Trade and other payables - JPY	**(5,657)**	(32,036)
Net exposure - JPY	**(5,657)**	(32,036)

Off statement of financial position items

Outstanding letters of credit as at the year end are as follows:	(Amount in thousand)
GBP	(9)
Euro	(24)
AED	(33)
USD	(849)
JPY	(1,546)

The following significant exchange rates were applied during the year:

	2020	2019
	------- (In rupees) -------	
Rupees per Euro		
Average rate for the year	**175.05**	156.65
Reporting date rate - *selling*	**188.61**	186.99
Rupees per USD		
Average rate for the year	**158.26**	137.44
Reporting date rate - *selling*	**168.05**	164.50
Rupees per JPY		
Average rate for the year	**1.46**	1.24
Reporting date rate - *selling*	**1.56**	1.53

Sensitivity analysis

If the functional currency, at reporting date, had fluctuated by 5.00% against the Euro, USD and JPY with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 3.64 million (2019: Rs. 16.28 million) lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Foreign exchange risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

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

(ii) **Price risk**

Other price risk represents 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

Sensitivity analysis

The Company's investments in equity instrument of other entities are publicly traded on the PSX. The summary below explains the impact of increase on the Company's surplus of investment classified as FVOCI to change in market price. The analysis is based on the assumption that the market price had increased by 10.00% with all other variables held constant:

	Impact on equity	
	2020	2019
	(Rupees in thousands)	
Buxly Paints Limited	**1,029**	1,275

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

(iii) **Interest rate risk**

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at variable interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

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Fixed rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2020		2019	
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial liabilities**
	-----------------------Amount in thousand-----------------------			
Non-derivative financial instruments				
Short term investment	**32,195**	-	32,195	-
Bank balances - deposit accounts	-	-	-	-
	32,195	-	32,195	-

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 profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

Variable rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2020		2019	
	Financial assets	**Financial liabilities**	Financial assets	Financial liabilities
Non-derivative financial instruments	-----------------------Rupees in thousand-----------------------			
Short term investment	-	-	-	-
Short term borrowings - *secured*	-	**1,051,551**	-	1,204,747
Long term financing - *secured*	-	**347,881**	-	169,991
	-	**1,399,432**	-	1,374,738

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit before taxation by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit	
	2020	2019
Increase of 100 basis points	**(Rupees in thousand)**	
Variable rate instruments	**13,994**	13,747
Decrease of 100 basis points		
Variable rate instruments	**(13,994)**	(13,747)

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

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44.1.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To manage credit risk, the Company maintains procedures covering the application of credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on the credit control procedures implemented by the management.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date was as follows:

	Note	2020	2019
		(Rupees in thousand)	
Loans and receivables			
Loan to related party - *secured*	9	**40,000**	40,000
Long term loans - *secured*	*10*	**23,974**	44,628
Long term deposits	*11*	**17,875**	21,205
Loans and advances	*15*	**22,515**	14,708
Trade debts - *unsecured*	*14*	**1,039,773**	1,461,014
Trade deposits	*16*	**22,114**	26,814
Other receivables	*17*	**17,205**	2,618
Short term investment - *secured*	*18*	**32,195**	32,195
Bank balances	*19*	**39,620**	75,505
		1,255,271	1,718,687

Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2020	2019
Customers	**1,039,773**	1,461,014
Banking companies and financial institutions	**71,815**	107,700
Others	**143,683**	149,973
	1,255,271	1,718,687

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty.

(i) Long term loans

Long term loans represent interest free loans provided to the employees of the Company in accordance with the terms of their employment, under a scheme for the purchase of motor vehicles and motor cycles. These loans are secured by keeping title of the underlying assets in the name of the Company till final settlement. Hence, the management believes that no impairment allowance is necessary in respect of these long term loans.

(ii) Long term deposits

Long term deposits represent mainly deposits with Government institutions, hence the management believes that no impairment allowance is necessary in respect of these long term deposits.

(iii) Trade debts

The trade debts as at the statement of financial position date are classified in Pak Rupees. The Compay recognises loss allowances based on ECL model as fully explained in note 3.1.5.

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(iv) ***Bank balances***

The Company's exposure to credit risk against balances with various commercial banks is as follows:

	2020	2019
	(Rupees in thousand)	
Cash and bank balances		
In current accounts	39,620	75,505
In deposit accounts	-	-
Short term investment	32,195	32,195
	71,815	107,700

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

Banks	Rating Short term	Rating Long term	Rating Agency	2020	2019
				(Rupees in thousand)	
Bank Al Habib Limited	A1+	AA+	PACRA	19,111	27,478
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	15,915	17,798
United Bank Limited	A-1+	AAA	JCR-VIS	2,182	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	29	4,350
JS Bank Limited	A1+	AA-	PACRA	27,000	27,000
Al-Barka Bank Limited	A1	A	PACRA	711	711
Bank Alfalah Limited	A1+	AA+	PACRA	100	100
National Bank of Pakistan	A1+	AAA	PACRA	4,636	18,085
Summit Bank Limited	Suspended	Suspended	JCR-VIS	2	604
Bank Islami	A1	A+	PACRA	2,129	11,574
				71,815	107,700

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

Counterparties without external credit ratings

These include customers which are counter parties to trade debts. The Company recognises ECL for trade debts using the simplified approach as explained in note 3.13. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2020 (on adoption of IFRS 9) was determined as follows:

The aging of trade debts at the reporting date is:

	2020 Gross carrying amount	2020 Loss Allowance	2019 Gross carrying amount	2019 Loss Allowance
	(Rupees in thousand)			
Past due 0 - 30 days	415,641	10,859	512,313	16,576
Past due 31 - 60 days	88,360	2,310	337,171	7,151
Past due 61 - 90 days	20,993	798	240,226	8,691
Past due 91 - 120 days	85,598	3,711	141,732	5,952
Past due 121 - 180 days	191,608	12,597	268,337	17,132
Past due 181 - 364 days	258,083	25,340	112,700	12,829
Past due over one year	145,262	110,157	140,452	140,452
	1,205,545	165,772	1,752,931	208,783

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44.1.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, that are settled by delivering cash or other financial asset, or that such obligation will have to be settled in a manner unfavorable to Company. 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. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit limits.

The following are the contractual maturities of financial liabilities as at 30 June 2020:

	Carrying amount	**Contractual cash flow**	**Less than one year**	**One to five years**	**More than five years**
Non derivative financial liabilities			**(Rupees in thousand)**		
Long term financing - *secured*	**347,881**	**347,881**	**227,759**	**120,122**	-
Trade and other payables	**724,401**	**724,401**	**724,401**	-	-
Interest / mark-up accrued on borrowings	**35,173**	**35,173**	**35,173**	-	-
Short term borrowings - *secured*	**1,051,551**	**1,106,820**	**1,106,820**	-	-
	2,159,006	**2,214,275**	**2,094,153**	**120,122**	-

The following are the contractual maturities of financial liabilities as at 30 June 2019:

	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five years
Non derivative financial liabilities			(Rupees in thousand)		
Long term financing - *secured*	169,991	169,991	80,356	89,635	-
Trade and other payables	1,003,216	1,003,216	1,003,216	-	-
Interest / mark-up accrued on borrowings	39,432	39,432	39,432	-	-
Short term borrowings - *secured*	1,204,747	1,287,804	1,287,804	-	-
	2,417,386	2,500,443	2,410,808	89,635	-

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount.

44.2 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can access at measurement date (Level 1)
- 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 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy;

	Carrying amount				Fair value			
	Financial assets at amortised cost	FVOCI - equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees in thousand							
As at 30 June 2020								
Financial assets - measured at fair value								
Investment classified as FVOCI	-	10,287	-	10,287	10,287	-	-	10,287
Financial assets - at amortised cost								
Loan to related party - *secured*	40,000	-	-	40,000	-	-	-	-
Long term loans - *secured*	23,974	-	-	23,974	-	-	-	-
Long term deposits	17,875	-	-	17,875	-	-	-	-
Loans and advances	22,515	-	-	22,515	-	-	-	-
Trade debts	1,039,773	-	-	1,039,773	-	-	-	-
Trade deposits	22,114	-	-	22,114	-	-	-	-
Other receivables	17,205	-	-	17,205	-	-	-	-
Short term investment - *secured*	32,195	-	-	32,195	-	-	-	-
Cash and bank balances	39,620	-	-	39,620	-	-	-	-
	1,255,271	10,287	-	1,265,558	10,287	-	-	10,287
Financial liabilities - measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities - at amortised cost								
Long term financing - *secured*	-	-	347,881	347,881	-	-	-	-
Trade and other payables	-	-	724,401	724,401	-	-	-	-
Interest / mark-up accrued on borrowings	-	-	35,173	35,173	-	-	-	-
Short term borrowings - *secured*	-	-	1,051,551	1,051,551	-	-	-	-
	-	-	2,159,006	2,159,006	-	-	-	-

	Carrying amount				Fair value			
	Loans and receivables at amortised cost	FVOCI - equity instruments	Other financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
	Rupees in thousand							
As at 30 June 2019								
Financial assets - measured at fair value								
Investment classified as FVOCI	-	12,754	-	12,754	12,754	-	-	12,754
Financial assets - at amortised cost								
Loan to related party - *secured*	-	-	-	-	-	-	-	-
Long term loans - *secured*	44,628	-	-	44,628	-	-	-	-
Long term deposits	21,205	-	-	21,205	-	-	-	-
Loans and advances	14,708	-	-	14,708	-	-	-	-
Trade debts	1,461,014	-	-	1,461,014	-	-	-	-
Trade deposits	26,814	-	-	26,814	-	-	-	-
Other receivables	2,618	-	-	2,618	-	-	-	-
Short term investment - *secured*	32,195	-	-	32,195	-	-	-	-
Loan to related party - secured	40,000	-	-	40,000	-	-	-	-
Cash and bank balances	75,505	-	-	75,505	-	-	-	-
	1,718,687	12,754	-	1,731,441	12,754	-	-	12,754
Financial liabilities - measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities - at amortised cost								
Long term financing - *secured*	-	-	169,991	169,991	-	-	-	-
Trade and other payables	-	-	1,003,216	1,003,216	-	-	-	-
Interest / mark-up accrued on borrowings	-	-	39,432	39,432	-	-	-	-
Short term borrowings - *secured*	-	-	1,204,747	1,204,747	-	-	-	-
	-	-	2,417,386	2,417,386	-	-	-	-

44.3 Fair value versus carrying amounts

The Company has not disclosed the fair values of financial assets and liabilities which are for short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

44.4 Freehold land, leasehold land, building on freehold land, building on leasehold land and plant and machinery have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the values as disclosed. The valuations are conducted by an independent valuation expert appointed by the Company. The valuation expert used a market based approach to arrive at the fair value of the Company's land and building. The valuation was determined by reference to current market value of the similar properties / assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

45 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 30 June were as follows:	**2020** **Rupees**	2019 Rupees
Total debt	**1,434,605**	1,414,170
Total	**3,489,627**	2,994,439
Debt-to-equity ratio	**41%**	47%

Neither there were any changes in the Company's approach to capital management during the year.

46 Impact of COVID-19 (CORONA VIRUS)

During the year, the World Health Organization declared the Novel strain of Corona virus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. The federal and provincial governments of Pakistan also took various measures, including imposition of lockdown, from the end of March 2020 to contain the spread of Covid-19. This caused an overall economic slowdown and varying degree of disruption to the Company including the suspension of production, sales and operations.. However, the Government's initiative to subsequently relax the lockdown from the month of may along with various other incentives to businesses helped in reviving the demand for paint from June 2020 onwards.

The Company's has assessed following impacts of Covid-19 on carrying amounts of assets, liabilities, incomes and expenses. The details of the impacts are as follows:

i) Stock-in-trade increased by Rs. 168.57 million;

ii) Availed SBP refinancing for salaries amounting to Rs. 38 million as disclosed in note 23.1;

iii) Sales decreased by Rs. 942.49 million; and

iv) Less production reduce the expenses by Rs. 905.13 million.

47 Restriction on title and assets pledged as security	**2020**	2019
	(Rupees in thousand)	
Mortgages and charges		
First		
Hypothecation of all present and future current assets	**2,004,000**	2,004,000
Mortgage over land and building	**506,000**	506,000
Ranking		
Hypothecation of all present and future current assets	**1,135,334**	1,001,334

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DIRECTORS' REPORT

The Directors of the Holding Company present their report together with the audited consolidated financial statements for the year ended 30 June 2020.

MACROECONOMICS

During the year Group facedmultiple challenges including the outbreak of COVID-19 in later half of the year. The outbreak of COVID-19 restricted the economic activity through the world, including Pakistanhave experienced Socio-political economic meltdown after COVID-19 outbreak. Also the economy of our country is gravely affected and placed the nation in and economic crises that requires emergency. Negative GDP growth of -0.40%, decline in Large Manufacturing sector performance by 10.17% from last year. Cost structure of businesses were adversely affected while consumers struggled hard to preserve their purchasing power. The last quarter saw pandemic further intensifying the economic distresses in the sector due to lock down of businesses. Govt.took some measures to pull back the nosedived economy so as to protect the country from an economic collapselike reduction in SBP policy rate from 13.25% to 8% and provision of loans for Salaries & wages etc. to maintain financial stability in business

The sales activities were badly affected and stood at Rs.4.306 million which is 23.17% lower compared with Rs.5.306 million in the corresponding period last year.Selling, Marketing and Administrative expenses were Rs. 677.70 million compared with Rs.897.24 million of the previous year, resulting in a reduction in expenses by 32.39%.

	Rupees in Thousand
Profit before taxation	111,595
Taxation	(44,116)
Profit after taxation	67,479
Minority interest	5,893
Net profit for the year attributable to the Holding Company	67,479

FINANCIAL STATEMENTS

The audited accounts of the Holding Company for the year ended 30 June 2020 are annexed.

HOLDING COMPANY

The Holding Company of Berger Paints Pakistan Limited is M/s. Slotrapid Limited which is incorporated in the B.V.I.

PROFIT PER SHARE

The profit per share for the year is Rs.3.59 [2019: Rs.4.89].

AUDITORS

The present auditors M/s. KPMG TaseerHadi& Co., Chartered Accountants, shall stand retired and being eligible, have offered themselves for re-appointment.

CORORATE GOVERNANCE

A statement of corporate financial reporting framework appears in the Directors' Report of the Holding Company is annexed.

OTHER INFORMATION

All relevant other information has already been disclosed in Directors' Repot of the Holding Company.

ON THE BEHALF OF THE BOARD

Dr. Mahmood Ahmad
Chief Executive
24 September 2019

Mr. Maqbool H.H. Rahimtoola
Director

KPMG Taseer Hadi & Co.
Chartered Accountants
351 Shadman-1, Jail Road,
Lahore 54000 Pakistan
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INDEPENDENT AUDITOR'S REPORT

To the members of Berger Paints Pakistan Limited

Opinion

We have audited the annexed consolidated financial statements of Berger Paints Pakistan Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance and its consolidated cashflows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

KPMG

KPMG Taseer Hadi & Co.

Following are the Key audit matters.

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	**Revenue** Refer to note 3.16 and 30 to the consolidated financial statements. The Group recognized net revenue of Rs. 4.17 billion from the sale of goods to domestic as well as export customers during the year ended 30 June 2020. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Group and gives rise to a risk that revenue is recognized without transferring the control.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls; • assessing the appropriateness of the Group's accounting policies for recording of sales and compliance of those policies with applicable accounting standards; • comparing a sample of sale transactions recorded during the year with sales invoices, delivery challans, bill of ladings and other relevant underlying documents; • comparing, on a sample basis, specific sales transactions recorded just before and just after the financial year end date to determine whether the revenue had been recognized in the appropriate financial period; and • scanning for any manual journal entries relating to sales recorded during the year which were considered to be material or met other specific criteria for inspecting underlying documentation.
2.	**Valuation of Trade Debts** Refer to note 3.6 and 13 to the consolidated financial statements. As at 30 June 2020, the Group's gross trade debts amount to Rs. 1,205.55 million against which provision for doubtful debts of Rs. 165.77 million were recorded. IFRS 9 requires the Group to make provision for financial assets (trade debts) using ECL approach as against the Incurred Loss Model previously applied by the Group.	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • review the methodology developed and applied by the management to estimate the ECL in relation to trade debts, evaluating the key assumptions used (historical and forward looking), the policies applied to assess ECL in respect of trade debts and testing the mathematical accuracy of the ECL model by re-performing calculation on test basis;

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Sr. No.	Key audit matters	How the matters were addressed in our audit
	Determination of ECL provision for trade debts requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information. We have considered this as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgements in this regard.	• involving our specialists to assess the ECL model and significant estimates, assumptions and judgements applied in developing ECL; • assessing, on a sample basis, the accuracy of the data used for ECL computation; and • assessing the adequacy of disclosure made in the consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.
3.	**Revaluation of property, plant and equipment** Refer to Note 3.2 and 6 to these consolidated financial statements The Group follows the revaluation model for subsequent measurement of land, building and plant and machinery. Latest revaluation was carried out on 30 June 2020. The valuation was performed by external valuer engaged by the Group. We identified the revaluation of the Group's property, plant and equipment as a key audit matter because the valuation involves a significant degree of judgment and estimation.	Our audit procedures, amongst others, included the following: • obtaining and inspecting the valuation reports prepared by the external expert engaged by the Group and on which the management's assessment of the valuation of the property, plant and equipment was based; • evaluating the information provided by the Group to the external professional valuer by inspecting the relevant underlying documentation; • involving property, plant and equipment valuation expert engaged by us to assist in evaluating the appropriateness of valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuation reports by the valuer engaged by the Group; and • assessing the completeness, appropriateness and adequacy of the disclosures in Group's consolidated financial statements in accordance with the requirements of the applicable accounting and reporting standards.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

KPMG Taseer Hadi & Co.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kamran I. Yousafi.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Lahore

Date: 08 October 2020

Berger Paints Pakistan Limited

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020	2019
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,639,835	1,180,493
Intangibles	7	25,516	26,696
Investments in related parties	8	48,885	51,199
Long term loans - *secured*	9	23,974	44,628
Deferred taxation	11	-	52,847
Long term deposits - *unsecured*	10	17,875	22,190
		1,756,085	1,378,053
Current assets			
Stores, spare parts and loose tools		13,593	16,906
Stock-in-trade	12	1,099,028	932,717
Trade debts - *unsecured*	13	1,134,459	1,479,490
Loans and advances	14	162,877	105,794
Trade deposits and short term prepayments	15	34,038	41,206
Other receivables	16	46,924	13,891
Tax refund due from Government - *net*		310,610	332,900
Short term investment	17	32,195	32,195
Cash and bank balances	18	41,550	79,253
		2,875,274	3,034,352
		4,631,359	4,412,405
EQUITY AND LIABILITIES			
Authorised share capital	19	250,000	250,000
Share capital and reserves			
Issued, subscribed and paid-up capital	19	204,597	204,597
Reserves	20	1,029,881	917,001
Revaluation surplus on property, plant and machinery - *net of tax*	21	832,950	472,012
Total equity attributable to owners of Parent Company		2,067,428	1,593,610
Non-controlling interests		11,442	17,335
Total equity		2,078,870	1,610,945
Non-current liabilities			
Long term financing - *secured*	22	120,122	89,635
Deferred Income		2,077	-
Staff retirement and other long term benefits	24	134,369	154,049
Liabilities against assets subject to finance lease - *secured*	25	-	1,086
Deferred taxation	11	6,833	-
		263,401	244,770
Current liabilities			
Trade and other payables	26	962,674	1,225,162
Unclaimed dividend		6,687	5,980
Current maturity of staff retirement benefits	24	4,158	-
Interest / mark-up accrued on borrowings	27	35,173	39,432
Current maturity of long term financing	22	227,759	80,356
Current maturity of liabilities against assets subject to finance lease	25	1,086	1,013
Short term borrowings - *secured*	28	1,051,551	1,204,747
		2,289,088	2,556,690
		2,552,489	2,801,460
Contingencies and commitments	29		
		4,631,359	4,412,405

The annexed notes 1 to 51 form an integral part of these financial statements.

Lahore

Chief Financial Officer | Chief Executive | Director

Berger Paints Pakistan Limited

Consolidated Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020	2019
		(Rupees in thousand)	
Sales - *net*	30	**4,306,249**	5,304,887
Cost of sales	31	**(3,393,259)**	(4,141,189)
Gross profit		**912,990**	1,163,698
Selling and distribution costs	32	**(500,765)**	(701,811)
Administrative and general expenses	33	**(176,940)**	(195,435)
		(677,705)	(897,246)
Profit from operations		**235,285**	266,452
Other income	34	**75,264**	25,191
		310,549	291,643
Other expenses	35	**(8,461)**	(19,978)
Finance cost	36	**(190,646)**	(165,483)
		(199,107)	(185,461)
Share of profit of equity-accounted investee - *net of tax*		**153**	450
Profit before taxation		**111,595**	106,632
Taxation	37	**(44,116)**	(9,839)
Profit after taxation		**67,479**	96,793
Attributable to:			
Owners of the Parent Company		**73,372**	100,057
Non-controlling interests		**(5,893)**	(3,264)
		67,479	96,793

The annexed notes 1 to 51 form an integral part of these financial statements.

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Lahore | **Chief Financial Officer** | **Chief Executive** | **Director**

Berger Paints Pakistan Limited

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020	2019
		(Rupees in thousand)	
Profit after taxation		**67,479**	96,793
<u>Other comprehensive income</u>			
Items that are or may be reclassified to statement of profit or loss			
Fair value loss on *Investment classified as FVOCI*	*8.2.1*	**(2,467)**	(12,783)
Items that will not be reclassified to statement of profit or loss			
Revaluation surplus on property, plant and equipment		**472,492**	-
Related deferred tax liability on revaluation surplus on property, plant equipment		**(52,117)**	-
Remeasurement gain on staff retirement benefits	*24.5*	**2,998**	3,391
Total comprehensive income of the Parent Company for the year		**488,385**	87,401

The annexed notes 1 to 51 form an integral part of these financial statements.

Lahore

Chief Financial Officer **Chief Executive** **Director**

Berger Paints Pakistan Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Issued, subscribed and paid-up capital	Reserves: Capital: Share premium	Reserves: Capital: Surplus on revaluation on property, plant and machinery	Reserves: Capital: Fair value reserve	Reserves: General reserve	Reserves: Revenue: Accumulated profit	Total equity attributable to owners of the Parent Company	Non controlling Interests	Total
	-----	-----	-----	-----	(Rupees in thousand)	-----	-----	-----	-----
Balance as at 01 July 2018	181,864	57,619	509,131	21,707	205,000	475,063	1,450,384	20,599	1,470,983
Total comprehensive income for the year ended 30 June 2019									
Profit for the year	-	-	-	-	-	100,057	100,057	(3,264)	96,793
Other comprehensive income for the year									
- Fair value loss on *Investment classified as FVOCI*	-	-	-	(12,783)	-		(12,783)	-	(12,783)
- Remeasurement of defined benefit obligation	-	-	-	-	-	3,391	3,391	-	3,391
Total comprehensive income for the year	-	-	-	(12,783)	-	103,448	90,665	(3,264)	87,401
Transfer of incremental depreciation from revaluation surplus on property plant and machinery - *net of tax*	-	-	(17,632)	-	-	17,632	-	-	-
Transfer of revaluation surplus due to disposal of revalued assets	-	-	(15,581)	-	-	15,581	-	-	-
Transactions with the owners of the Company									
Final cash dividend at the rate of 12.5% (i.e. Rs. 1.25 per share) for the year ended 30 June 2018	-	-	-	-	-	(22,733)	(22,733)	-	(22,733)
Issue of Bonus shares at the rate of 12.5% (i.e. 1.25 shares for every 10 shares held)	22,733	(22,733)	-	-	-		-	-	-
Reversal of deferred tax due to change of rate	-	-	(3,906)	-	-		(3,906)	-	(3,906)
	22,733	(22,733)	(37,119)	-	-	10,480	(26,639)	-	(26,639)
Balance as at 30 June 2019	204,597	34,886	472,012	8,924	205,000	588,991	1,514,410	17,335	1,531,745
Total comprehensive income for the year ended 30 June 2020									
Profit for the year	-	-	-	-	-	73,372	73,372	(5,893)	67,479
Other comprehensive income for the year									
- Fair value loss on *Investment classified as FVOCI*	-	-	-	(2,467)	-	-	(2,467)		(2,467)
- Revaluation surplus on property, plant and equipment	-	-	472,492	-	-	-	472,492		472,492
- Related deferred tax liability on revaluation surplus	-	-	(52,117)	-	-	-	(52,117)		(52,117)
- Remeasurement of defined benefit obligation	-	-	-	-	-	2,998	2,998		2,998
Total comprehensive income for the year	-	-	420,375	(2,467)	-	76,370	494,278	(5,893)	488,385
Transfer of incremental depreciation from revaluation surplus on property plant and machinery - *net of tax*	-	-	(59,277)	-	-	59,277	-		-
Transfer of revaluation surplus due to disposal of revalued assets	-	-	(160)	-	-	160	-		-
Transactions with the owners of the Company									
Final cash dividend at the rate of 10% (i.e. Rs. 1 per share) for the year ended 30 June 2019	-	-	-	-	-	(20,460)	(20,460)		(20,460)
	-	-	(59,437)	-	-	38,977	(20,460)	-	(20,460)
Balance as at 30 June 2020	204,597	34,886	832,950	6,457	205,000	704,338	1,988,228	11,442	1,999,670

The annexed notes 1 to 53 form an integral part of these financial statements.

Lahore

Chief Financial Officer

Chief Executive

Director

1 Reporting entity

The Group comprises of the following companies:

Parent company

- Berger Paints Pakistan Limited

Subsidiary companies

- Berdex Construction Chemicals (Private) Limited
- Berger DPI (Private) Limited
- Berger Road Safety (Private) Limited - *subsidiary of Berger DPI (Private) Limited*

Associated company

- 3S Pharmaceuticals (Private) Limited

1.1 Berger Paints Pakistan Limited ("the Company") was incorporated in Pakistan on 25 March 1950 as a Private Limited Company under the Companies Act 1913 (now Companies Act, 2017) and was subsequently converted into a Public Limited Company. The Parent Company is listed on the Pakistan Stock Exchange ("PSX"). The principle business activity of the Parent Company is manufacturing and trading of paints, varnishes and other related items. Slotrapid Limited, based in British Virgin Island is the Holding Company. The aggregate percentage of holding is 52.05%. The registered office of the Parent Company is situated at 36-Industrial Estate Kot-Lakhpat, Lahore and its only manufacturing facility is located at 28 Km Multan Road, Lahore.

The Parent Company owns 51.00 percent of the share capital of Berger DPI (Private) Limited who in turn holds 99.00 percent share capital of the Berger Road Safety (Private) Limited. Further the Parent Company owns 51.96 percent of the share capital of Berdex Construction Chemicals (Private) Limited . The Group is a subsidiary of Slotrapid Limited British Virgin Islands ("The Holding Company").

Berdex Construction Chemicals (Private) Limited is under the process of members' voluntary winding up under the provisions of the Companies Act, 2017. Therefore, its financial statements have not been prepared on a going concern basis and the historical cost convention has been adjusted for realization of assets and liquidation of liabilities that might be necessary. The carrying value of its assets and liabilities as at 30 June 2020 approximates their realizable value.

Following is the pertinent information related to the Holding Company;

Particulars	***Related Information***
Registered Address	Suit # 1 Akara Building, 24 De-Cantro Street, Wickham Cay 1, Road Town, Tortola, British Virgin Island.
Principle Officer - President / Director	Vernon Emmanuel Salazar Zurita

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Particulars	***Related Information***
Aggregate Percentage of Holding	52.05%
Operational Status	Active

Auditor's opinion on latest financial statements of the Holding Company is not available as the country of incorporation does not have any such statutory requirement.

2 Basis of preparation and statement of compliance

2.1 Consolidated financial statements

These consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary companies as at 30 June 2020.

(a) Subsidiaries

The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying values of the investments held by the Parent Company have been eliminated against the shareholders' equity in the subsidiary companies.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intragroup balances, transactions, income and expenses and profits or losses resulting from intragroup transactions that are recognised in assets, are eliminated in full.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

(b) Non-controlling interest

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Parent Company. Non-controlling interest is presented as a separate item in the consolidated financial statements. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group and are recorded in the consolidated statement of profit or loss.

(c) Associates

Associates are all entities over which the Group has significant influence but not control. The Group's share of its associate's post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.2 Statement of compliance

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

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

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- Islamic Financial Accounting Standards "(IFAS)" issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

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

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

2.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value as referred to in note 3.17, the measurement of certain items of property, plant and equipment as referred to in note 21 at revalued amounts and recognition of certain staff retirement and other long term benefits as referred to in note 3.10 at present value and fair value respectively.

In these consolidated financial statements, except for the amounts reflected in the cash flow statement, all transaction have been accounted for on accrual basis.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees ("Rs."), which is the Group's functional and presentation currency. All financial information has been rounded to the nearest thousand rupees, except when otherwise indicated.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as disclosed in note 3.1.

3.1 Changes in significant accounting policy

3.1.1 IFRS 16 'Leases'

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As a result, the Group, as a lessee, has recognized right of use of asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group has applied IFRS 16 using the modified retrospective approach as at 01 July 2019. Accordingly, the comparative information presented for 2019 has not been restated -i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below:

<u>As a lessee</u>

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group now recognizes right of use assets and lease liabilities for material leases i.e. these leases are on statement on financial position.

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The Group presents right-of-use asset in 'property, plant and equipment', as a separate line item with the same classification of underlying assets of the same nature that it owns.

Significant accounting policies

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The right to use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of useful life of the right of use asset or the end of the lease term. The estimated useful life of right of use asset is determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right of use asset is disclosed in the property, plant and equipment as referred in note 6 to these consolidated financial statements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined i.e. the Group's incremental borrowing rate. The Group has used its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is re-measured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement.

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Short term leases

The Group has elected not to recognise the right of use asset and lease liability for short term leases of properties that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight line basis.

Transition

Previously, the Group classified leasehold land as finance lease under Ias-17. At transition leasehold land and motor vehicles are reclassified under Right of use asset. The Group has already fully settled lease liability in respect of this asset, there is no impact on consolidated financial statements for the year as a result of adoption of IFRS-16 except for the aforementioned reclassification.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss, except for freehold and leasehold land, buildings thereon and plant and machinery, which are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus on property, plant and machinery account except for a reversal of deficit already charged to consolidated statement of profit or loss. A revaluation deficit is recognized in consolidated statement of profit or loss, except for a deficit directly offsetting a previous surplus, in which case the deficit is taken to revaluation surplus on property, plant and machinery account. The revaluation surplus on property, plant and machinery to the extent of the annual incremental depreciation based on the revalued carrying amount of the assets is transferred annually directly to consolidated retained earnings net of related deferred tax. Any accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to consolidated retained earnings. All transfers to / from revaluation surplus on property, plant and machinery account are net of applicable deferred income tax. Further, the revaluation surplus on property, plant and machinery shall be utilized in accordance with IAS 16 - Property, plant and equipment.

Depreciation on all property plant and equipment except freehold land is charged to consolidated profit and loss account using the straight line method whereby the cost less residual value of an asset is written off over its estimated useful life at the annual rates as disclosed in note 6.1. Residual values are reviewed at each consolidated statement of financial position date and adjusted if the impact on depreciation is significant.

Useful lives are regularly reviewed by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is put to use or capitalized while depreciation on assets disposed off is charged up to the month preceding the disposal.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of property, plant and equipment are represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in consolidated statement of profit or loss.

Maintenance and normal repairs are charged to profit or loss account as and when incurred. Major renewals and improvements are capitalized.

Capital work in progress is stated at cost less any identified impairment in value, if any. It consists of all expenditure and advances connected with specific assets incurred and made during installation and construction period. These are transferred to relevant property, plant and equipment category as and when assets are available for intended use.

3.2.1 Non financial assets impairment

The Group assesses at each consolidated statement of financial position date whether there is any indication that the assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to determine whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is charged to the consolidated statement of profit or loss currently except for impairment loss on revalued assets, which is recognized directly against any revaluation surplus for the related asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

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3.3 Intangibles

Intangibles are measured initially at cost. The cost of intangible comprise of its purchase price including non-refundable purchase taxes after deducting trade discounts and rebates and includes other costs directly attributable to acquisition. Cost incurred after the asset is in the condition necessary for it to operate in the manner intended by Group's management are recognised in the consolidated statement of profit or loss.

3.3.1 Computer software

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss.

Amortization on assets with finite useful life is charged to consolidated profit or loss account on straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on addition is charged form the month in which the asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged at annual rates as specified in note 7.

3.3.2 Goodwill acquired in business combinations

The purchase method of accounting is used to account for the acquisition of businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, if any, at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities, if any, assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognized as goodwill. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment loss, if any.

3.3.3 Impairment

The Group assesses at each statement of financial position date whether there is any indication that intangible assets 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 amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in consolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.4 Stores and spare parts

These are valued at moving weighted average cost less any identified impairment except for items in transit, which are valued at invoice price and related expenses incurred up to the statement of financial position date. Items considered obsolete are carried at nil value. General stores and spare parts are charged to consolidated statement of profit and loss currently. The Group reviews the carrying amount of stores on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores.

3.5 Stocks-in-trade

Stock-in-trade is valued at lower of weighted average cost and estimated Net Realizable Value ("NRV").

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials, packing materials and Semi-processed goods	Moving weighted average cost

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Finished goods	Moving weighted average manufacturing cost
Finished goods purchased for resale	Moving weighted average cost
Stock in transit	Invoice value plus other charges paid thereon up to the reporting date

NRV signifies the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

Provision for obsolete and slow moving stock in trade is made on management estimate, whenever necessary.

3.6 Trade debts and other receivables

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

3.7 Cash and cash equivalents

Cash and cash equivalents comprise of running finance, cash balances, call deposits and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of statement of cashflows .

3.8 Taxation

Income tax expense comprises of current and deferred tax. It is recognised in consolidated profit or loss account except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in equity.

Current tax

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. Under / over paid amount of current tax is recorded as tax refundable / payable due from / to the Government.

The Group takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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Deferred tax

Deferred tax is recognized using the balance sheet liability method, on all major temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of all deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. In this regard, the effects on deferred taxation of the proportion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan.

3.9 Leases

3.9.1 Policy applicable before 1 July 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases along with corresponding lease liabilities are initially recognized at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in consolidated statement of profit or loss, unless they are directly attributable to qualifying assets.

Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated profit or loss on a straight-line basis over the period of the lease.

3.9.2 Policy applicable after 1 July 2019

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases vehicles and properties for its operations. The entity recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The lease hold land classified as right-of-use asset is depreciated using the straight line method over the lease term. Leased vehicles classified as right of use asset are depreciated using straight line method over shorter of lease term or useful life. . The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term.

3.10 Employees benefits

Short term employee benefit

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.10.1 Defined benefit plan

The Group operates the following defined benefit schemes:

a) An approved and funded pension scheme for all executives; and
b) An approved and funded gratuity scheme for all its permanent employees.

Pension scheme

The Group offers Pension benefits to its executive staff. Monthly pension is calculated as one percent of the average basic salary of the last year multiplied with pensionable service.

Gratuity scheme

The Group offers Gratuity benefits to its all of its permanent employees, and is payable to employees having service in the Group for minimum five years. The Gratuity benefits provided by the Group is calculated by multiplying last drawn basic salary with number of years of service and gratuity factor.

Actuarial valuation are carried out using the 'Projected Unit Credit Method'. Contributions to the schemes are based on these valuations. Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, is recognised immediately in consolidated statement of other comprehensive income. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plan are recognized in the consolidated statement of profit and loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The main features of defined benefit schemes are mentioned in note 24.

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3.10.2 Defined contribution plan

Provident fund

The Group also operates a recognized provident fund scheme for its employees. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate of 10 percent of basic salary for executive and non-executive staff.

3.10.3 Other long term benefits - Accumulated compensated absences

The Group also provides for compensated absences for all eligible employees in accordance with the rules of the Group. The Group accounts for these benefits in the period in which the absences are earned. Employees are entitled to earned leaves of 21 days per annum. The unutilized leaves are accumulated subject to a maximum of 42 days. The unutilized accumulated leaves can be encashed at the time the employee leaves Group service. The accumulated leave balance in excess of 42 days of an employee is ignored while determining benefit obligations.

The Group uses the actuarial valuations carried out using the projected unit credit method for valuation of its accumulated compensating absences. Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to the consolidated statement of profit and loss. The amount recognised in the statement of financial position represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the consolidated statement of profit and loss immediately in the period when these occur. The following significant assumptions have been used:

Discount rate	12.5% per annum
Expected rate of salary increase in	11.5% per annum

3.11 Contract liabilities

A contract liability is the obligation of the Group to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Group on account of contractual delays in delivery of performance obligations and incentive on target achievements.

3.12 Provisions

Provisions are recognized when, the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimates of the obligations can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

3.13 Contingent assets

Contingent assets are possible assets those arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and are disclosed when inflow of economic benefits is probable. Contingent assets are not recognized until their realization become virtually certain.

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3.14 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.15 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees which is the Group's functional and presentation currency using the exchange rates approximating those prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the statement of financial position date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the consolidated statement of profit and loss currently. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

3.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for sale of products, net of sales returns and discounts. The Group's customer arrangements contain a single performance obligation to transfer manufactured or purchased paints, varnishes and other related items, application of road marking paints and installation of various road safety equipments.

3.17 Financial instruments

3.17.1 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

3.17.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, deposits, trade debts and other receivables.

Debt Instrument - FVOCI

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss. However, the Group has no such instrument at the balance sheet date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to consolidated statement of profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets are not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss. However, the Company has no such instrument at the statement of financial position date.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate,
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Impairment

Financial assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets.

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The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

<u>Non-financial assets</u>

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

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An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in consolidated statement of profit or loss.

3.17.3 Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized consolidated statement of in profit or loss.

3.18 Dividends and appropriations to general reserve

Dividends and appropriations to general reserves are recognized in the consolidated financial statements in the period in which these are approved.

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3.19 Related party transactions

The Group enters into transactions with related parties on an arm's length basis except in circumstances where, subject to approval of the Board of Directors, it is in the interest of the Group to do so.

3.20 Operating profit

Consolidated operating profit is the result generated from the continuing principal revenue producing activities of the Group. Consolidated operating profit excludes other income, other expenses, finance costs, share of loss from associate and income taxes.

3.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in consolidated profit or loss as incurred.

3.22 Government grants

The Group recognises benefit of a government loan at a below-market rate of interest as a government grant provided there is a reasonable assurance that the grant will be received and Group will comply with all attached conditions. The benefit of loan at below market rate of interest is measured as the difference between the initial carrying value of the loan in accordance with IFRS 9 and the proceeds received. The benefit is generally accounted for and presented as deferred grant in accordance with IAS 20 as a separate line item in consolidtaed statement of financial position. Subsequently, the grant is recognised in consolidated statement of profit or loss as other income, on a systematic basis over the periods in which the expenses for which the grant is intended to compensate.

4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards ("IFRS") as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

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i. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately

ii. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

iii. there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS Standards 2018–2020 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

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- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

The above amendments are effective from annual period beginning on or after 01 January 2022 and are not likely to have an impact on Group's financial statements.

5 Use of judgments and estimates

The preparation of these consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about 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. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are:

		Note
-	Depreciation method, useful lives and residual values of property, plant and equipment	*3.2*
-	Recoverable amount of assets / cash generating units and impairment	*3.2*
-	Stock-in-trade	*3.5*
-	Stores and spare parts	*3.4*
-	Trade and other receivables	*3.6*
-	Taxation	*3.8*
-	Deferred taxation	*3.8*
-	Lease classification	*3.9*
-	Staff retirement benefits and other long term benefits	*3.10*
-	Provisions	*3.12*

	Note	**2020**	2019
		(Rupees in thousand)	
6 Property, plant and equipment			
Operating fixed assets	*6.1*	**1,572,561**	1,156,461
Capital work in progress	*6.6*	**67,274**	24,032
		1,639,835	1,180,493

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6.2 **Disposal of operating assets**

The following operating fixed assets with a net book value exceeding Rs. 500,000 were disposed off during the year:

Particulars of assets	Sold to		Cost / revalued Amounts	Accumulated depreciation	Book value	Sale proceeds / Insurance claim	Gain / (loss)	Mode of disposal
	Name	Relationship with the Company						
			(Rupees	in	thousand)			
Motor vehicles								
Suzuki Swift	Mr. Wasiq Naseer	Third Party	993	(50)	943	1,614	671	Auction
Honda City	Mr. Sajid Amaan	Employee	1,126	-	1,126	1,643	517	Employee - Final Settlement
Honda City	Mr. Shafiullah	Employee	1,043	-	1,043	1,431	388	Employee - Final Settlement
Honda City	Mr. Usman Rehan	Employee	1,361	-	1,361	999	(362)	Employee - Final Settlement
Honda City	Mr. Sohail Nasir	Third Party	1,325	-	1,325	2,365	1,040	Auction
Honda City	Mr. Amir Haneef	Employee	802	-	802	1,125	323	Employee - Final Settlement
Honda City	Mr. Farrukh Sulehri	Employee	1159	-	1159	1581	422	Employee - Final Settlement
Honda Civic	Mr. Khawar Nasir	Employee	604	-	604	706	102	Employee - Buy Back
Others including assets written off with book value less than Rs. 500,000			8,954	(6,256)	2,698	5,885	3,187	
2020			**17,367**	**(6,306)**	**11,061**	**17,349**	**6,288**	
2019			107,503	45,984	61,519	78,542	17,024	

6.1 Operating fixed assets

	Useful life	Cost / revalued amount as at 01 July 2019	Additions / *adjustment / (deletions)	Elimination of gross carrying value against accumulated depreciation	Revaluation surplus / (deficit)	Cost / revalued amount as at 30 June 2020	Accumulated depreciation as at 01 July 2019	Depreciation charge / *adjustment / (deletions) for the year	Elimination of gross carrying value against accumulated depreciation	Accumulated depreciation as at 30 June 2020	Book value as at 30 June 2020
		30 June 2020									
	Years	---------- (Rupees in thousand) ----------									
Freehold land	-	484,413	-	-	177,510	661,923	-	-	-	-	661,923
Building on freehold land	20	289,313	8,544	(81,205)	66,307	282,959	64,126	17,079	(81,205)	-	282,959
Building on leasehold land	10-20	83,304	149	(18,116)	(1,471)	63,866	11,226	6,890	(18,116)	-	63,866
Plant and machinery	2.8-12.5	328,502	9,615 (4,220)	(166,057)	104,393	272,227	153,260	27,441 (3,197)	(166,057)	11,455	260,772
Laboratory equipment	10	43,658	1,967	-	-	45,625	20,701	3,488	-	24,189	21,436
Electric fittings	4 - 10	56,888	3,795 (1,876)	-	-	58,807	30,199	5,050 (468)	-	34,781	24,026
Computer and related accessories	4	31,070	412 (79)	-	-	31,403	25,877	2,787 (33)	-	28,631	2,772
Office equipment	4 - 10	22,655	803 (259)	-	-	23,197	7,686	2,318 (111)	-	9,895	13,302
Furniture and fixtures	10	30,836	- (45)	-	-	30,791	14,191	2,642 (32)	-	16,801	13,990
Motor vehicles	5	48,186	24,379 (11,691)	-	-	60,874	25,237	8,685 (2,575)	-	31,347	29,527
2019		1,418,014	49,664 (17,367)	(265,378)	346,737	1,531,670	352,433	76,380 (6,390)	(265,378)	157,099	1,374,571
Right of Use Asset											
Leasehold land	48.5	98,333	-	(11,042)	110,514	197,805	8,838	2,204	(11,042)	-	197,805
Motor vehicles	5	11,492	-	-	-	11,492	10,107	1,200	-	11,307	185
2019		109,825	-	(11,042)	110,514	209,297	18,945	3,404	(11,042)	11,307	197,990
		1,527,839	49,664 (17,367)	(276,420)	457,251	1,740,967	371,378	79,784	(276,420)	168,406	1,572,561

*It includes reclassification of fully depreciated asset (worth Rs. 1.84 million) from plant and machinery to electric fittings.

6.1 Operating fixed assets

	30 June 2019							
	Useful life	Cost / revalued amount as at 01 July 2018	Additions / *adjustment / (deletions)	Cost / revalued amount as at 30 June 2019	Accumulated depreciation as at 01 July 2018	Depreciation charge / adjustment / (deletions) for the year	Accumulated depreciation as at 30 June 2019	Book value as at 30 June 2019
	Years	(Rupees in thousand)						
Freehold land	-	528,173	2,957 (46,717)	484,413	-	-	-	484,413
Leasehold land	48.5	98,333	-	98,333	6,634	2,204	8,838	89,495
Building on freehold land	20	286,862	2,451	289,313	47,261	16,865	64,126	225,187
Building on leasehold land	10-20	63,848	19,456	83,304	5,299	5,927	11,226	72,078
Plant and machinery	2.8-12.5	321,420	13,887 (6,805)	328,502	127,901	31,010 (5,703)	153,208	175,294
Laboratory equipment	10	45,656	2,348 (4,346)	43,658	21,250	3,465 (4,014)	20,701	22,957
Electric fittings	4 - 10	64,462	2,793 (11,167)	56,088	33,592	4,158 (7,551)	30,199	25,889
Computer and related accessories	4	32,742	1,690 (3,371)	31,061	25,446	3,708 (3,277)	25,877	5,184
Office equipment	4 - 10	22,311	1,795 (1,453)	22,653	6,779	2,180 (1,271)	7,688	14,965
Furniture and fixtures	10	34,286	1,898 (5,348)	30,836	15,629	2,978 (4,436)	14,171	16,665
Motor vehicles	5	52,729	25,809 (30,352)	48,186	39,300	5,669 (19,732)	25,237	22,949
2019		1,550,822	75,084 (109,559)	1,516,347	329,091	78,164 (45,984)	361,271	1,155,076
Leased								
Motor vehicles	5	11,492	-	11,492	8,260	1,847	10,107	1,385
2019		11,492	-	11,492	8,260	1,847	10,107	1,385
		1,562,314	75,084 (109,559)	1,527,839	337,351	80,011	371,378	1,156,461

*It includes reclassification of certain assets amounting to Rs. 2.06 million (Rs. 1.54 million depreciation) from electric fittings to building on freehold land and plant and machinery amounting to Rs. 1.49 million (Rs. 0.947 million depreciation) and Rs. 0.56 million (Rs. 0.56 million depreciation) respectively.

6.3 Had freehold land and leasehold land, buildings on freehold and leasehold land and plant and machinery not been revalued, the carrying amount of these assets would have been as follows:

	2020	2019
	(Rupees in thousand)	
Freehold land	**348,086**	170,578
Leasehold land	**111,549**	1,068
Buildings on freehold land	**218,867**	155,391
Buildings on leasehold land	**62,030**	70,073
Plant and machinery	**236,307**	142,463
	976,839	539,573

6.4 The forced sale value of revalued property plant and machinery as per latest available revaluation reports are as follows;

Particulars	Revaluation Report Dates	Forced Sales Value (Rupees in thousand)
Freehold land	30 June 2020	**569,458**
Leasehold land	30 June 2020	**167,166**
Buildings on freehold land	30 June 2020	**220,291**
Buildings on leasehold land	30 June 2020	**21,622**
Plant and machinery	10 September 2020	**193,457**

6.5 **Immovable Fixed Assets**

Freehold lands of the Group are located at 28-Km, Multan Road, Lahore, measuring 92.80 Kanals and 36.10 kanals and Quaid-e-Azam Industrial Estate, Kot-Lakhpat, Lahore, measuring 4.04 Kanals.

Leasehold land of the Group is located at Sector I-10/3, Industrial Area, Islamabad, measuring 5.56 Kanals.

The buildings on freehold land, leasehold land and other immovable assets of the Group are constructed / located at above mentioned freehold lands and the land disclosed in note 42.

6.6 **Capital work in progress**	*Note*	2020	2019
		(Rupees in thousand)	
Owned			
Civil works		**262**	-
Plant and machinery		**-**	206
Electrical Installations	*6.6.1*	**60,794**	
Advances to suppliers		**6,200**	23,826
Others		**18**	-
	6.6.2	**67,274**	24,032

6.6.1 This includes borrowing costs capitalized for solar panel installation during the year ended 30 June 2020 amounting to Rs 6.51 million and 0.73 million against general and specific borrowings. The rate used to determine the amount of borrowing costs eligible for capitalisation was 13.15% and 3 month kibor plus 2% for general and specific borrowing respectively.

6.6.2 This mainly relates to the installation of solar panels at factory premises.

6.7 The depreciation charge for the year has been allocated as follows:

	Note	2020	2019
		(Rupees in thousand)	
Cost of sales	31.1	**52,387**	55,673
Selling and distribution costs	32	**17,144**	15,030
Administrative and general expenses	33	**10,222**	9,307
		79,753	80,010

7 Intangibles

	Note	2020	2019
Computer software	7.1	**1,516**	2,696
Goodwill	7.2	**24,000**	24,000
		25,516	26,696

7.1 Computer software

This represents expenditure incurred on acquiring and implementing Enterprise Resource Planning software.

	Note	2020	2019
		(Rupees in thousand)	
Cost			
Cost as at 01 July		**32,845**	32,845
Additions during the year		**565**	-
Cost as at 30 June		**33,410**	32,845
Accumulated amortization			
Accumulated amortization as at 01 July		**30,149**	24,811
Amortization during the year	7.1.1	**1,745**	5,338
Accumulated amortization as at 30 June		**31,894**	30,149
Balance as at 30 June		**1,516**	2,696
Rate of amortization		**33.33%**	33.33%

7.1.1 The amortization charge for the year has been allocated as follows:

	Note	2020	2019
Cost of sales	31.1	-	352
Selling and distribution costs	32	21	314
Administrative and general expenses	33	1,724	4,672
		1,745	5,338

7.2 Goodwill

	Note	2020	2019
Packaging Ink Business	7.2.1	-	-
Powder Coating Business	7.2.2	**24,000**	24,000
		24,000	24,000

7.2.1 During the year, the management of the Group charged impairment on Ink Business goodwill due to significant declined sales and shift in the Group's focus towards other business lines.

	2020	2019
Cost	(Rupees in thousand)	
Cost as at 30 June	**16,750**	16,750
Accumulated impairment		
Accumulated impairment as at 01 July	**16,750**	8,487
Impairment charged during the year	-	8,263
Accumulated Impairment as at 30 June	**16,750**	16,750
Balance as at 30 June	-	-

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7.2.2 This goodwill represents excess of purchase consideration paid by the Parent Company for acquisition of the Powder Coating business over the fair value of identifiable net assets of the seller at the time of acquisition, net of impairment losses recognized in prior years. The recoverable amount of goodwill was tested for impairment as at 30 June 2020, by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS 36 "Impairment of Assets". The recoverable amount has been determined based on value in use calculations by discounting the five year cash flow projections prepared by management based on financial budgets and historical trends at 15.76% pre tax rate and using terminal growth of 2.00%. The calculation of value in use is sensitive to discount rate and local inflation rates.

8 Investments in related parties	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Equity accounted investment - *unlisted*	*8.1*	**38,598**	38,445
Investment classified as FVOCI	*8.2*	**10,287**	12,754
		48,885	51,199

8.1 Equity accounted investment - *unlisted*

	Percentage / Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Cost of investment			
3S Pharmaceutical (Private) Limited 98,000 (2019: 98,000) fully paid ordinary shares of Rs. 100 each	49.00%	**39,200**	39,200
Share of loss			
As at 01 July		**(755)**	(1,205)
Share of profit for the year		**153**	450
As at 30 June		**(602)**	(755)
Net investment as at 30 June		**38,598**	38,445

8.2 Investment classified as FVOCI

Buxly Paints Limited - *listed*

	Percentage / Note	2020	2019
273,600 (2019: 273,600) fully paid ordinary shares of Rs. 10 each	19.00%		
Market value - Rs. 37.60 per share (2019: Rs. 46.62 per share)			
Cost		**3,830**	3,830
Fair value adjustment	*8.2.1*	**6,457**	8,924
		10,287	12,754

8.2.1 Fair value adjustment

	2020	2019
As at 01 July	**8,924**	21,707
Fair value loss	**(2,467)**	(12,783)
As at 30 June	**6,457**	8,924

8.2.2 Summarised financial information in respect of associated company on the basis of financial statements for the year ended 30 June 2020 and 2019 are set out below:

	2020	2019
	(Rupees in thousand)	
Non current assets	64,850	67,267
Current assets	32,691	28,787
Non current liabilites	(10,635)	(9,067)
Current liabilities	(29,979)	(28,652)
Net assets - 100%	56,927	58,336
Percentage ownership interest	49.00%	49.00%
Group's share of net assets	27,894	28,585
Goodwill	9,860	9,860
Other adjustment	844	-
Carrying amount of interest in associated company	38,598	38,445
Revenue	41,688	44,336
Profit / (loss) for the year from operations	313	918
Group's share of loss - *post acquisition*	(602)	(755)

8.2.3 Summarised financial information in respect of subsidiary companies on the basis of financial statements for the year ended 30 June 2019 and 2018 are set out below:

	Berger DPI (Private)		Bredex Construction	
	2020	2019	2020	2019
	(---------- Rupees in thousand ----------)			
Non current assets	10,398	12,954	-	-
Current assets	240,408	196,463		
Current liabilities	(190,617)	(175,265)	-	-
Non current liabilites	(40,000)	(1,086)		
Net assets - 100%	20,189	33,066	-	-
Revenue	259,489	356,019	-	-
Profit / (loss) for the year from operations	(12,026)	(6,663)	-	-
% of Non-Controlling interests (NCI)	49%	49%	48%	48%
Share of net assets of NCI	9,893	16,202	-	-
Other adjustments	1,549	1,133	-	-
Carrying amount of NCI	11,442	17,335	-	-
Cash flows from				
- operating activity	(626)	(1,351)	-	-
- investing activity	-	-	-	-
- financing activity	(1,086)	(1,013)	-	-
Net decrease in cash and cash equivalents	(1,712)	(2,364)	-	-

9 Long term loans - *secured*	Note	2020 (Rupees in thousand)	2019
Due from employees - *considered good*	*9.1*	**48,053**	60,900
Less: current portion shown under current assets	*14*	**(24,079)**	(16,272)
		23,974	44,628

9.1 These represent interest free loans provided to the employees of the Parent Company in accordance with the terms of their employment, under a scheme for the purchase of motor vehicles. These loans are secured by keeping title of the underlying assets in the name of the Group till final settlement. The loan is recoverable over a period of three to ten years.

9.2 Directors of the Group were not given any loan during the year.

10 Long term deposits - *unsecured*	Note	2020 (Rupees in thousand)	2019
Considered good		**17,875**	22,190
Considered doubtful		**4,969**	4,588
		22,844	26,778
Less: provision for doubtful deposits	*10.1*	**(4,969)**	(4,588)
	10.2	**17,875**	22,190

10.1 Movement in provision for doubtful deposits

	2020	2019
Balance as at 01 July	**4,588**	4,588
Provision for the year	**381**	-
Balance as at 30 June	**4,969**	4,588

10.2 These include deposits given to utility companies, deposits against lease and tender deposits.

11 Deferred taxation	2020 (Rupees in thousand)	2019
Deferred tax liability on taxable temporary differences arising in respect of :		
- Accelerated tax depreciation	**(33,247)**	(46,221)
- Surplus on revaluation of fixed assets	**(90,014)**	(29,100)
Deferred tax asset on deductible temporary differences arising in respect of:		
- Provision for doubtful debts, other receivables and deposits	**64,958**	76,706
- Turnover tax credit	**42,000**	42,000
- Adjustment on initial application of IFRS 9	**-**	2,058
-Finance lease obligations	**489**	294
- Provision for slow moving stock	**8,981**	7,110
	116,428	128,168
	(6,833)	52,847

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11.1 Movement in deferred tax balances is as follows:	Note	2020	2019
		(Rupees in thousand)	
As at 01 June		52,847	(7,163)
Recognized in profit and loss:			
- Accelerated tax depreciation including surplus on revaluation of fixed assets		4,177	10,996
- (Reversal) / Provision for doubtful debts, other receivables and deposits		(13,457)	12,825
- Provision for impairment in capital work in progress			-
- Turnover tax credit		-	42,000
-Finance lease obligations		195	294
- Provision for slow moving stock		1,871	1,411
- Impact of rate change		-	(5,667)
- Others		-	-
		(7,214)	61,859
Recognized to revaluation surplus on property plant and machinery and accumulated profits and other adjustments:			
- Others		(349)	(3,907)
- Adjustment on initial application of IFRS 9		-	2,058
-Deferred tax liability on revaluations surplus of plant and machinery, building on freehold and leasehold land.		(52,117)	
		(52,466)	(1,849)
		(6,833)	52,847

12 Stock-in-trade

	Note	2020	2019
Raw and packing materials			
- *in hand*		614,920	482,933
- *in transit*		18,947	144,028
		633,867	626,961
Semi processed goods		71,550	76,751
Finished goods			
- *Manufactured*	12.1	395,307	271,041
- *Trading*		114,091	67,194
		509,398	338,235
		1,214,815	1,041,947
Provision for slow moving and obsolete stocks			
- Raw material		(51,095)	(58,730)
- Semi processed goods		(5,491)	(4,271)
- Finished goods		(59,201)	(46,229)
		(115,787)	(109,230)
		1,099,028	932,717

12.1 Aggregate stocks with a cost of Rs. 39.81 million (2019: Rs. 42.86 million) are being valued at net realizable value of Rs. 36.59 million (2019: Rs. 37.30 million).

12.2 Details of stock-in-trade subject to charge as security are referred to in note 46 to these consolidated financial statements.

13 Trade debts - *unsecured*	Note	2020	2019
		(Rupees in thousand)	
Considered good			
Related parties	13.1 & 13.2	118,891	125,016
Others		1,015,568	1,354,474
		1,134,459	1,479,490
Considered doubtful			
Others		205,952	240,797
		1,340,411	1,720,287
Provision for doubtful debts	13.3	(205,952)	(240,797)
		1,134,459	1,479,490

13.1 Trade debts include the following amounts due from the following related parties:

	Note	2020	2019
Dadex Eternit Limited - *related party*	13.1.1	29	-
Buxly Paints Pakistan Limited - *related party*	13.1.2	118,862	125,016
	13.1.3	118,891	125,016

13.1.1 Maximum aggregate balance due from the related party at the end of any month during the year was Rs. 0.18 million.

13.1.2 Maximum aggregate balance due from the related party at the end of any month during the year was Rs. 148.29 million.

13.1.3 The Group has recognized ECL on these balances as at 30 June 2020 amounting to Rs. 3.76 million (2019: Rs. 3.07 million) .

13.2 Aging of related party balances	Note	2020	2019
		(Rupees in thousand)	
Considered good			
Past due 0 - 30 days		30,128	22,193
Past due 31 - 60 days		10,610	32,518
Past due 61 - 90 days		3,039	14,445
Past due 91 - 120 days		16,112	15,700
Past due 121 - 180 days		48,552	32,583
Past due 181 - 364 days		10,450	7,577
		118,891	125,016

13.3 Movement in provision for doubtful debts

	Note	2020	2019
Balance as at 01 July		240,797	207,279
Adjustment on initial application of IFRS 9		-	7,097
Provision for the year	32	16,850	48,127
Bad debts written off		(30,491)	(2,806)
Bad debts recovered		(21,204)	(18,903)
Balance as at 30 June		205,952	240,797

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16.1 **Other receivables include the following amounts due from the following related parties:**

	Note	2020	2019
		(Rupees in thousand)	
Considered good			
Buxly Paints Pakistan Limited - *related party*	*16.1.1*	**31,828**	-
3S Pharmaceutical (Private) Limited - *related party*	*16.1.2*	**1,044**	438
		32,872	438
Less: Provision for doubtful debts		**(8,351)**	
		24,521	438

16.1.1 Maximum aggregate balance due from the related party at the end of any month during the year was Rs. 58.12 million.

16.1.2 Maximum aggregate balance due from the related party at the end of any month during the year was Rs. 1.04 million.

16.1.3 This represents receivables related to sharing of common expenses under normal trade as per terms mutually agreed. This amount is not yet due.

16.2 **Movement in provision for doubtful debts**

	2020	2019
	(Rupees in thousand)	
Balance as at 01 July	-	-
Provision for the year	**8,351**	-
Balance as at 30 June	**8,351**	-

17 Short term investment

This represents term deposit receipts which are mark-up based investments with conventional bank. The balance is under lien with commercial bank against letter of guarantee, maturing up to one year and carrying mark-up at rates ranging from 7.94% to 12.00% per annum (2019: 5.25% to 12.00% per annum).

18 Cash and bank balances

	2020	2019
	(Rupees in thousand)	
Cash at bank:		
- current accounts	**40,525**	78,123
Cash in hand	**1,025**	1,130
	41,550	79,253

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19 Issued, subscribed and paid-up capital

	2020	2019	2020	2019
	(Number of shares)		(Rupees in thousand)	
Authorised share capital				
Ordinary shares of Rs. 10 each	**25,000,000**	25,000,000	**250,000**	250,000
Issued, subscribed and paid-up share capital				
Voting ordinary shares of Rs. 10 each fully paid up in cash	**12,135,798**	12,135,798	**121,358**	121,358
Voting ordinary shares of Rs. 10 each issued as bonus shares	**8,323,912**	8,323,912	**83,239**	83,239
	20,459,710	20,459,710	**204,597**	204,597

19.1 As at 30 June 2020, Slotspid Limited B.V.I., the Holding Company, and their nominees hold 10,649,314 (2019: 10,649,314) voting ordinary shares of Rs. 10.00 each representing 52.05 % (2019: 52.05 %) of the ordinary paid-up capital of the Parent Company.

19.2 *Movement in number of shares*	Note	2020	2019
		(Rupees in thousand)	
Opening number of shares		**20,459,710**	18,186,409
Issue of bonus shares at the rate of 12.5% (i.e. 1.25 shares for every 10 shares)		-	2,273,301
Closing number of shares		**20,459,710**	20,459,710

20 Reserves

	Note	2020	2019
Capital reserve:			
Share premium reserve	20.1	34,086	34,086
Fair value reserve	20.2	6,457	8,924
		40,543	43,010
Revenue reserve:			
General reserve		285,000	285,000
Accumulated profits		704,336	588,991
		989,336	873,991
		1,029,881	917,001

20.1 This reserve can be utilized by the Parent Company for the purpose specified in section 81(2) of the Companies Act, 2017.

20.2 This represents surplus on revaluation of investment classified as FVOCI financial asset.

21 Revaluation surplus on property, plant and machinery - *net of tax*	2020	2019
	(Rupees in thousand)	
As at beginning of the year	**472,012**	509,131
Surplus / (deficit) arising on revaluation		
Freehold and leasehold land	268,021	-
Building on freehold and leasehold land	88,431	-
Plant and machinery	119,557	-
Revaluation deficit on plant and machinery	(4,028)	-
	472,102	-
Deferred tax liability on revaluation surplus	**(51,717)**	-
	892,397	509,131
Net amount transferred to unappropriated profit on account of		
Incremental depreciation - net of deferred tax	(59,437)	(33,213)
Effect of rate change	-	(3,906)
	(59,437)	(37,119)
Other adjustments	-	-
As at end of the year	**832,960**	472,012

21.1 The surplus on revaluation of property, plant and equipment is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

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21.2 The latest valuation of freehold land, leasehold land, building on freehold land, building on leasehold land and plant and machinery was carried out by Harvester Enterprises and Co, an independent valuer as 30 June 2020. The valuation was determined by reference to current market value of the similar properties / assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively. During the year, deficit amounting to Rs. 15.20 million was charged to consolidated statement of profit or loss as a result of revaluation.

22 Long term financing - *secured*	Note	2020	2019
		(Rupees in thousand)	
__The Parent Company__			
Mark-up based financing from conventional banks			
- JS Bank Limited	*22.2 (a)*	**200,000**	66,667
- JS Bank Limited (Solar Panel)	*22.1 (a)*	**7,740**	
- Samba Bank	*22.1 (b)*	**34,827**	
Islamic mode of financing			
- First Habib Modarba	*22.3 (a)*	**13,332**	-
- First Habib Modarba	*22.3 (b)*	**2,399**	3,324
- Bank Islami	*22.3 (c)*	**89,583**	100,000
		347,881	169,991
Mark-up based financing from conventional banks			
Current maturity shown under current liabilities	*22.2 (a)*	**(212,246)**	(66,667)
Islamic mode of financing			
Current maturity shown under current liabilities		**(15,513)**	(13,689)
		(227,759)	(80,356)
		120,122	89,635

22.1 (a) This represents SBP financing scheme for renewable energy facility of Rs. 43 million to finance 0.38MW grid pugged solar power plant. In accordance with terms of the agreement, 20% of the facility amount has been released by JSBL in Nov 2019 and remaining 80% will be released after the completion of project. Principle terms of the loan are as follows:

__Principle repayment__

The outstanding balance is repayable in quarterly instalments of Rs. 0.43 million each ending in November 2024.

__Rate of return__

Markup is payable quarterly and charged at the rate of one month KIBOR plus 2% per annum (2019: Nil).

__Security__

The facility is secured against an equitable mortgage and first charge of Rs. 371 million on land and building of Lalazar factory of the Parent Company.

22.1 (b) This represents SBP re-financing scheme availed by the Company amounting to Rs. 38.42 million for payment of wages and salaries to the workers and employees of entity. As per the guidelines issued by ICAP, this loan has been discounted using market rate of interest to arrive at its present value and the related discounting impact is disclosed in note 24 to these financial statements.

__Principle repayment__

The outstanding balance is repayable in quarterly instalments of Rs. 4.80 million each ending in February 2023.

__Rate of return__

Markup is payable quarterly and charged at the rate of 3% per annum (2019: Nil).

__Security__

The facility is secured against a ranking charge over present and future fixed assets of the Parent Company amounting to Rs. 34 million.

22.2 (a) This represents a long term loan of Rs. 200 million obtained in 2017, for restructuring of statement of financial position. Principle terms of loan are as follows:

__Principle repayment__

The outstanding balance is repayable in quarterly installments of Rs. 16.67 million each ending in April 2020.

Rate of return

Mark-up is payable quarterly and charged at the rate of three month KIBOR plus 0.75% per annum (2018: three month KIBOR plus 0.75% per annum).

Security

The loan is secured against an equitable mortgage and first charge amounting to Rs. 371.00 million on land and building of Lahore factory.

22.3 (a) The loan has been repaid in full during the year.

22.3 (b) This represents diminishing musharika facility of Rs. 5.28 million obtained in 2017, from First Habib Modarba for purchase of vehicle.

Principle repayment

The outstanding principal is repayable in 20 quarterly installments ending in February 2022.

Rate of return

Profit is payable quarterly and charged at the rate of six month's KIBOR plus 1.00% per annum (2018: six month's KIBOR plus 1.00% per annum).

Security

The facility is secured against charge over present and future current and fixed assets of the Parent Company. The Parent Company holds asset with joint ownership with the Modarba.

22.3 (c) This represents diminishing musharika facility of Rs. 100 million obtained in November 2018 for a period of 5 years, from Bank Islami to pay off conventional liabilities.

Principle repayment

The outstanding principal is repayable in monthly installments of Rs. 2.08 million each ending in November 2023 with a grace period of 1 year.

Rate of return

Mark-up is payable monthly and charged at the rate of six month KIBOR plus 1.75% per annum (2018: Nil) with floor of 10.00% and ceiling of 20.00%.

Security

The loan is secured against exclusive charge over plant and machinery and a ranking charge over present and future assets of the Parent company amounting to Rs. 133 million.

		Note	2020	2019
			(Rupees in thousand)	
23	**Deferred Income**			
	Government grants		3,739	-
			3,739	
	less: Current portion of deferred income - government grants		(1,662)	-
			2,077	
24	**Staff retirement and other long term benefits**			
	Defined benefit plan			
	Staff pension fund	*24.1*	33,705	36,620
	Staff gratuity fund	*24.1*	76,248	90,372
			109,953	126,992
	Other long term employee benefits			
	Accumulating compensated absences	*24.14*	24,416	27,057
			134,369	154,049

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Defined benefit plan

As mentioned in note 3.1 the Parent Company operates an approved funded gratuity and pension schemes for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at 30 June 2020. Projected Unit Credit method based on the following assumptions was used for these valuations:

	2020	2019
Valuation discount rate	**0.085**	12.5%
Expected rate of increase in salary level	**0.075**	11.5%
Rate of return on plan assets	**0.085**	12.5%
Retirement age	**60 years**	60 years
Withdrawal Rates	**Age-Based (per appendix)**	Age-Based (per appendix)
Expected mortality rate	**SLIC (2001-05)**	SLIC (2001-05)

	2020		2019	
			Pension	Gratuity
	---------- (Rupees in thousand) ----------			
24.1 Statement of financial position reconciliation				
Present value of defined benefit obligation	**87,728**	**76,288**	88,089	90,411
Fair value of plan assets	**(54,025)**	**(39)**	(51,468)	(39)
	33,703	**76,249**	36,621	90,372
Current portion of defined benefit obligation	**-**	**4,158**		
	33,703	**80,407**	36,621	90,372
24.2 Movement in the fair value of plan assets is as follows:				
Fair value as at 01 July	**51,468**	**39**	50,514	95
Expected return on plan assets	**6,312**	**5**	4,446	25
Remeasurement (loss) / gain	**(1,807)**	**(5)**	(1,254)	(238)
Company's contribution	**1,442**	**16,768**	-	11,211
Benefits paid	**(3,390)**	**(16,768)**	(2,238)	(11,054)
Fair value as at 30 June	**54,025**	**39**	51,468	39
24.3 Movement in defined benefit obligation is as follows:				
Obligation as at 01 July	**88,089**	**90,412**	92,218	74,330
Employees' contribution not paid to the fund by the Company	**1,068**	**-**	1,475	-
Service cost	**2,633**	**9,329**	3,494	10,768
(Gain) / loss on settlements	**(8,796)**	**(10,645)**	-	-
Interest cost	**10,799**	**10,253**	8,199	6,191
Benefits paid	**(3,390)**	**(16,768)**	(2,238)	(11,054)
Current portion of defined benefits	**-**	**(4,158)**	-	-
Remeasurement (gain) / loss	**(2,675)**	**(2,135)**	(15,059)	10,176
Obligation as at 30 June	**87,728**	**76,288**	88,089	90,411
24.4 Charge for the year - *net*				
Current service cost	**2,633**	**9,329**	3,494	10,768
Interest cost	**10,799**	**10,253**	8,199	6,191
Expected return on plan assets	**(6,312)**	**(5)**	(4,446)	(25)
(Gain) / loss on settlements	**(8,796)**	**(10,645)**		
	(1,676)	**8,932**	7,247	16,934
Actual return on plan assets	**4,505**	**-**	3,192	(213)

	2020		2019	
	Pension	**Gratuity**	Pension	Gratuity
24.5 Movement in net liability in the balance sheet is as follows:	------------------- **(Rupees in thousand)** -------------------			
Net liability as at 01 July	**36,621**	**90,373**	41,704	74,235
Charge for the year	**(1,676)**	**8,932**	7,247	16,934
Charge to other comprehensive income during the year	**(868)**	**(2,130)**	(13,805)	10,414
Company's contribution	**(1,442)**	**(16,768)**	-	(11,211)
Employees' contribution deducted but not paid to the fund	**1,068**	-	1,475	-
Net liability as at 30 June	**33,703**	**80,407**	36,621	90,372

24.6 The charge for the year has been allocated as follows:

	Pension 2020	**Gratuity 2020**	Pension 2019	Gratuity 2019
Cost of sales	**(838)**	**4,466**	3,624	8,467
Selling and distribution costs	**(687)**	**3,662**	2,971	6,943
Administrative and general expenses	**(151)**	**804**	652	1,524
	(1,676)	**8,932**	7,247	16,934

24.7 Plan assets comprise the following:

	Pension 2020	**Gratuity 2020**	Pension 2019	Gratuity 2019
Defence Saving Certificates	**15,750**	-	13,250	-
Cash at bank	**2,395**	**39**	4,198	39
JS Islamic Hybrid Fund of Funds Mustahkem	**18,471**	-	18,471	-
NBP Fullerton Asset Management Ltd.	**17,407**	-	15,548	-
	54,023	**39**	51,467	39

24.8 Amounts for the current year and previous four years of the fair value of plan assets, present value of defined benefit obligation and deficit thereon is as follows:

As at 30 June	**2020**	2019	2018	2017	2016
	------------------------ **(Rupees in thousand)** ------------------------				
Present value of defined benefit obligation	**164,016**	178,500	166,548	130,969	106,517
Fair value of plan assets	**(54,064)**	(51,507)	(50,609)	(46,385)	(43,310)
Deficit	**109,952**	126,993	115,939	84,584	63,207
Experience adjustment:					
(Gain) / loss on obligations	**(4,810)**	(4,883)	1,674	2,444	3,187
Loss / (gain) on plan assets	**6,317**	4,471	4,720	368	(1,906)

24.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date.

24.10 Expected expense for next year

The expected expense to the pension and gratuity schemes for the year ending 30 June 2021 works out to Rs. 5.72 million and Rs. 15.31 million respectively.

24.11 The plans expose the Parent Company to the actuarial risks such as:

Salary risks

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experiences is different. The effect depends upon beneficiaries' service / age distribution and the entitled benefits of the beneficiary.

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24.12 **Actuarial assumptions sensitivity analysis**

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 1.00% with all other variables held constant, the impact on the present value of the defined benefit obligation as at 30 June 2020 would have been as follows:

Impact on present value of defined benefit obligation as at 30 June 2020

		Pension		Gratuity	
	Change	Increase to	Decrease to	Increase to	Decrease to
		(Rupees in thousand)			
Discount rate	1.00%	75,588	102,963	68,025	86,105
Future salary	1.00%	94,754	81,612	86,105	67,883

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the statement of financial position.

24.13 Weighted average duration of the defined benefit obligation is 24 years and 08 years for pension and gratuity plans, respectively.

	2020	2019
	(Rupees in thousand)	
24.14 Other long term employee benefits		
Movement in accumulated compensated absences		
Balance as at 01 July	27,057	26,653
Provision during the year	5,139	4,457
Payments made during the year	(7,780)	(4,053)
Balance as at 30 June	24,416	27,057

24.15 **Reconciliation of present value of liability**

	2020	2019
Present value of liability as at 01 July	27,057	26,653
Service cost	1,715	3,896
Interest on defined benefit liability	2,896	2,216
Benefits paid	(7,780)	(4,053)
Benefits payable	(2,112)	-
Remeasurement gain	528	(1,655)
	22,304	27,057

24.16 **Charge for the year**

	2020	2019
Service cost	1,715	3,896
Interest on defined benefit liability	2,896	2,216
Remeasurement gain	528	(1,655)
	5,139	4,457

24.17 The charge for the year has been allocated as follows:

	2020	2019
Cost of sales	2,570	2,229
Selling and distribution costs	2,107	1,827
Administrative and general expenses	463	401
	5,140	4,457

24.18 The investments out of provident fund and pension fund as at 31 December 2019 have been made in accordance with the requirements of section 218 of the Companies Act, 2017.

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25 Liabilities against assets subject to finance lease

The amount of future minimum lease payments along with their present value and the periods during which they will fall due are:

	2020			2019
	Minimum lease payments	Future finance cost	Present value of lease liability	Present value of lease liability
	(Rupees in thousand)			
Not later than one year	**103**	**2**	**101**	1,013
Later than one year but not later than five years	-	-	-	1,086
	103	**2**	**101**	2,099

25.1 Berger DPI (Private) Limited has entered into lease agreements with financial institutions for vehicles. Lease rentals are payable on quarterly basis and include finance cost ranging from six months KIBOR plus 125 bps to 200 bps per annum (2019: six months KIBOR plus 125 bps to 200 bps per annum) which has been used as the discounting factor. It has the option to purchase the assets upon completion of lease period and has the intention to exercise such option.

26 Trade and other payables

	Note	2020	2019
		(Rupees in thousand)	
Trade and other creditors		**542,827**	588,750
Import bills payable		**99,924**	324,476
Contract liabilities		**36,215**	70,112
Accrued expenses		**65,937**	32,710
Provision for infrastructure cess	*26.1*	**80,860**	68,609
Royalty payable to related parties - *unsecured*	*26.2*	**16,821**	39,119
Technical fee payable		**37,471**	32,729
Workers' Profits Participation Fund	*26.3*	**18,943**	11,132
Workers' Welfare Fund	*26.4*	**38,547**	36,236
Income tax deducted at source and EOBI payable		**1,299**	16,262
Withholding tax payable		-	17
Insurance claim payable		**661**	661
Current portion of deferred income		**1,662**	-
Others		**21,507**	4,349
		962,674	1,225,162

26.1 Provision for infrastructure cess

	2020	2019
Balance as at 01 July	**68,609**	61,079
Provision for the year	**12,251**	7,530
Balance as at 30 June	**80,860**	68,609

26.2 This includes amount due to the following related parties:

	2020	2019
Slotrapid Limited B.V.I. - *the Holding Company*	**16,796**	38,823
Buxly Paints Limited - *related party*	**25**	296
	16,821	39,119

26.3 Workers' Profits Participation Fund

	Note	2020	2019
Balance as at 01 July		**11,132**	12,753
Allocation for the year	*35*	**6,150**	6,568
Interest on funds utilized in the Company's business	*36*	**1,661**	838
		18,943	20,159
Payments during the year		-	(9,027)
Balance as at 30 June		**18,943**	11,132

Interest on outstanding liability towards Workers' Profit Participation Fund is charged at bank rate plus 2.50% per annum as required under the Companies Profits (Workers' Participation) Act, 1968.

27 Interest / mark-up accrued on borrowings

	2020	2019
	(Rupees in thousand)	
Mark-up based borrowings from conventional banks		
Long term financing - *secured*	**5,629**	2,077
Short term financing - *secured*	**3,052**	1,553
Short term running finances - *secured*	**26,492**	35,802
	35,173	39,432

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28 Short term borrowings - *secured*	Note	2020	2019
		(Rupees in thousand)	
Mark-up based borrowings from conventional banks			
Short term financing - *secured*	*28.1*	**141,976**	100,000
Short term running finance - *secured*	*28.2*	**909,575**	1,104,747
		1,051,551	1,204,747

28.1 Short term financing

This represents utilized amount of short term financing facilites under mark-up arrangements available from commercial banks aggregating to Rs. 490 million (2019: Rs. 100 million) which is a sublimit of running finance facilities as described in note 28.2 to the financial statements. These facilities are secured against joint pari passu charge on all present and future current assets, registered charge (mortagage and hypothecation) over the current assets of the Parent Company and carry mark-up at rates ranging between 8.51% and 18.62% per annum (2019: 7.72% and 12.09%) per annum, payable quarterly. Refer to note 46 for details of charge registered.

28.2 Short term running finances

This represents utilized amount of short term running finance facilities under mark-up arrangements available from commercial banks aggregating to Rs. 1,250 million (2019: Rs. 1,400 million). These facilities are secured against registered charge over the current assets of the Parent Company and carry mark-up at rates ranging between 9.33% and 15.61% (2019: 8.60% and 12.09%) per annum, payable quarterly.

28.3 Unavailed credit facilities

The available facilities for opening of letters of credit and guarantees as at 30 June 2020 amounted to Rs. 1,700 million (2019: Rs. 2,684.07 million) out of which Rs. 1,376.38 million remained unavailed as at the reporting date (2019: Rs. 2,224.55 million).

29 Contingencies and commitments

29.1 Contingencies

The Parent Company

- In 1987, the Parent Company filed a suit against an ex-distributor ("the distributor") in the High Court of Sindh ("the court") for recovery of Rs. 8.89 million and damages amounting to Rs. 5.00 million on account of unpaid credit invoices for the products supplied by it to the distributor. However, the distributor in return also filed a counter claim of Rs. 78.15 million against the Company in the court on account of damages and compensation. Consequently on the basis of legal advice the management believes that it has a strong case and no financial obligation is expected to arise.

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- The Sindh Revenue Board ("SRB") through assessment order 490/2014 dated 18 September 2014 raised sales tax demand of Rs. 39.34 million along-with penalty but excluding default surcharge on the grounds that the Company has received franchise services through its registered office in Karachi but had not paid sales tax on these services for the tax periods July, 2011 to June, 2013. Department (SRB) had inadvertently added all royalty figures appearing in accounts including royalty receivable, royalty payable, royalty expense and related party transfers for the calculation of tax on royalties. The Company, through its legal counsel, filed an appeal before the Commissioner (Appeals) SRB on the grounds that amount of sales tax is not correctly calculated and the provisions of Sindh Sales Tax on Services Act, 2011 are not applicable for the reason that the Company is managing its affairs from the province of Punjab as the head office and the manufacturing facility is located there. The Commissioner (Appeals) had reduced the demand to Rs. 8.18 million, against which the Parent Company had filed an appeal before Appellate Tribunal SRB which is pending adjudication. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these financial statements..

- The Sindh High Court ("the Court") in the case of 'Kasim Textile' in its order of 7 May, 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a Company has assessed losses on which no tax is payable, the Company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Parent Company may not be entitled to carry forward minimum tax paid in the tax year 2014 of Rs 39.12 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those may also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly minimum tax is adjusted against tax liability for the current year.

- During 2018, the Deputy Commissioner Inland Revenue issued show cause notices for collection of income tax under section 236G / 236H of the Income Tax Ordinance 2001. In this regard, the taxation officer raised demands of Rs. 19.90 million, Rs. 9.937 million, Rs. 19.10 million and Rs. 10 million for Tax years 2014, 2015, 2016 and 2017 vide assessment orders dated 28 March 2017, 02 February 2017, 12 June 2017 and 18 April 2018 respectively. The Parent Company through its legal counsel filed appeals to Commissioner Inland Revenue Appeals ("CIR - A") against the said orders which are still pending. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these consolidated financial statements.

The Additional Commissioner Inland Revenue ("ACIR") and Deputy Commissioner Inland Revenue ("DCIR"), while proceeding U/S 122 of the Income Tax Ordinance, 2001 created income tax demands of Rs. 484.38 million and 213.12 million for the Tax Years 2014 and 2016 respectively vide two separate orders. The Parent Company has filed an appeal before Commissioner Inland Revenue Appeals which is pending adjudication. The management believes that it has a strong arguable case and matter will be decided in favor of the Parent Company. Hence no provision has been recorded in these consolidated financial statements.

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- For tax year 2016, the Commissioner Appeals - I, Lahore, vide its order number 25 dated 20 July 2018, deleted certains additions and remanded the case on certain issues and upheld the case on issue of contractor services which invloves revenue of Rs. 10,671,768. Appeal against this order was filed on 17 August 2018 which has not been heard. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these consolidated financial statements.

- During the year, a notice from PRA having number PRA/Royalty/2016/12 dated 22 June 2016 involving an amount of Rs. 11,446,800 as royalty fee and technical services for the period October 2012 to March 2015 was issued which is under investigation / adjudication proceedings. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these consolidated financial statements.

- The Additional Commissioner Enforcement Punjab Revenue Authority issued a show cause notice PRA/ENF-IV/WHT/BERGER/1161 dated 17 January 2019 and assesment order ENF-IV/29/05/2019 dated 25 April 2019 creating demand of Rs. 132 million u/s 52 read with 14 & 19 of Punjab Sales Tax on Services Act 2012. However, the Parent Company through its legal counsel filed appeal before Commissioner Appeals PRA against the order of Additional Commissioner for which hearing is pending. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome, hence no provision has been recorded in these consolidated financial statements.

- Various cases on account of income tax and sales tax matters involving an amount Rs. 24.83 million are also pending. The management on the basis of opinion of the tax advisor is hopeful of a favorable outcome in all these cases, hence no provision has been recorded in these consolidated financial statements.

29.2 Commitments

- Outstanding letters of credit as at 30 June 2020 amounted to Rs. 238.05 million (2019: Rs. 346.84 million) for purchase of raw and packing materials.

- Outstanding letters of guarantee as at 30 June 2020 amounted to Rs. 102.65 million (2019: Rs. 112.68 million).

- The amount of future rentals for Ijarah financing and the period in which these payments will become due are as follows:

	2020	2019
	(Rupees in thousand)	
Not later than one year	**6,649**	12,429
Later than one year and not later than five years	**7,677**	19,218
	14,326	31,647

30 Sales - *net*

	2020	2019
Local	**6,266,543**	7,003,986
Export	**103,952**	135,220
	6,370,495	7,139,206
Less: Discounts	**(1,141,868)**	(904,927)
Sales tax	**(922,378)**	(929,392)
	(2,064,246)	(1,834,319)
	4,306,249	5,304,887

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Travelling and conveyance		**3,628**	3,946
Fuel, water and power		**106,101**	113,143
Legal and professional		**1,646**	2,062
Rent, rates and taxes		**478**	3,394
Insurance		**8,608**	9,026
Repairs and maintenance		**25,398**	34,612
Depreciation on property, plant and equipment		**52,387**	55,673
Amortization	*7.1.1*	**-**	252
Ijarah lease rentals		**2,530**	3,314
Printing and stationery		**1,443**	2,088
Communication		**1,826**	1,516
Revaluation deficit on plant and machinery		**11,470**	-
Others		**14,416**	16,882
		3,442,364	4,046,847
Opening stock of semi-processed goods	*12*	**76,751**	80,125
Closing stock of semi-processed goods	*12*	**(71,550)**	(76,751)
Provision charged during the year		**1,220**	1,088
Cost of goods manufactured		**3,448,785**	4,051,309

31.1.1 Salaries, wages and benefits include Rs. 4.46 million (2019: Rs. 8.47 million) in respect of gratuity, Rs. (0.83) million (2019: Rs. 3.62 million) in respect of pension fund, Rs. 2.56 million (2019: Rs. 2.23 million) in respect of compensated absences and Rs. 3.59 million (2019: Rs. 4.09 million) in respect of provident fund contribution.

31.2 The movement of finished goods purchased for resale is as follows:

	2020	2019
	(Rupees in thousand)	
Finished goods as at 01 July	**67,194**	90,913
Add: Finished goods purchased for resale during the year	**102,665**	54,292
Less: Consumption of finished goods during the year	**(55,768)**	(78,013)
Finished goods as at 30 June	**114,091**	67,194

	Note	2020	2019
		(Rupees in thousand)	

31 Cost of sales

	Note	2020	2019
Finished goods as at 01 July		271,041	280,121
Cost of goods manufactured	31.1	3,448,785	4,051,307
Provision against slowing moving finished goods		12,972	(130)
Application cost		-	2,919
Less: Finished goods as at 30 June	12	(395,307)	(271,041)
Consumption of finished goods purchased for resale	31.2	55,768	78,013
Cost of sales		3,393,259	4,141,189

31.1 Cost of goods manufactured

	Note	2020	2019
Raw and packing materials consumed		2,866,998	3,397,589
Freight and handling		132,832	134,514
Provision charged / (reversed) against raw and packing material		(7,635)	3,994
Stores and spare parts consumed		10,311	4,297
Salaries, wages and other benefits	31.1.1	210,227	259,935
Travelling and conveyance		3,628	3,946
Fuel, water and power		106,101	113,143
Legal and professional		1,646	2,062
Rent, rates and taxes		478	3,394
Insurance		8,608	9,026
Repairs and maintenance		25,398	34,612
Depreciation on property, plant and equipment		52,387	55,673
Amortization	7.1.1	-	352
Ijarah lease rentals		2,530	3,314
Printing and stationery		1,443	2,088
Communication		1,526	1,516
Revaluation deficit on plant and machinery		11,470	-
Others		14,416	16,892
		3,442,364	4,046,847
Opening stock of semi-processed goods	12	76,751	80,123
Closing stock of semi-processed goods	12	(71,550)	(76,751)
Provision charged during the year		1,220	1,088
Cost of goods manufactured		3,448,785	4,051,307

31.1.1 Salaries, wages and benefits include Rs. 4.46 million (2019: Rs. 8.47 million) in respect of gratuity, Rs. (0.83) million (2019: Rs. 3.62 million) in respect of pension fund, Rs. 2.56 million (2019: Rs. 2.25 million) in respect of compensated absences and Rs. 3.59 million (2019: Rs. 4.09 million) in respect of provident fund contribution.

31.2 The movement of finished goods purchased for resale is as follows:

	2020	2019
	(Rupees in thousand)	
Finished goods as at 01 July	67,194	90,915
Add: Finished goods purchased for resale during the year	102,665	54,292
Less: Consumption of finished goods during the year	(55,768)	(78,013)
Finished goods as at 30 June	114,091	67,194

32 Selling and distribution costs

	Note	2020	2019
		(Rupees in thousand)	
Salaries and other benefits	*32.1*	289,015	375,801
Travelling and conveyance		2,975	5,075
Rent, rates and taxes		3,575	3,937
Insurance		10,495	10,613
Fuel, water and power		5,652	6,181
Advertising and sales promotion		109,617	176,900
Technical services and royalty fee	*32.2*	23,663	49,673
Repairs and maintenance		1,957	2,939
Depreciation on property, plant and equipment	*6.7*	17,144	15,030
Amortization	*7.1.1*	21	314
Ijarah lease rentals		2,842	6,881
Provision for doubtful debts - *net of recoveries*	*13.3*	8,206	26,386
Printing and stationery		1,691	2,652
Legal and professional		3,358	2,907
Communication		7,870	7,297
Revaluation deficit on plant and machinery		3,771	-
Others		8,053	9,225
		500,768	701,811

32.1 Salaries and other benefits include Rs. 3.66 million (2019: Rs. 6.94 million) in respect of gratuity, Rs. (0.68) million (2019: Rs. 2.97 million) in respect of pension fund, Rs. 2.10 million (2019: Rs. 1.83 million) in respect of compensated absences and Rs. 7.49 million (2019: Rs. 9.91 million) in respect of provident fund contribution.

32.2 This represents royalty and technical fee paid to following companies:

Name / address of the party	Relationship with Parent Company	2020	2019
		(Rupees in thousand)	
Nippon Paint Company Limited *(2-1-2 Oyodo – Kita, Kita-Ku, Osaka – 531-8511 Japan.)*	Licensor	798	4,252
Shirazi Limited *Suit 1 Akara Building, 24 De-Castro Street, Wickham Cay 1, Road Town, Tortola, British Virgin Island.*	Licensor (the Holding Company)	17,643	38,823
Buxly Paints Limited *(X-3, Manghopir Road, S.I.T.E., Karachi.)*	Licensor (Common Group)	52	1,556
Nippon Bee Chemical Company Limited *(14-1, 2-Chome, Shodai-Ohtani, Hirakata City, Osaka 573, Japan.)*	Licensor	-	694
Oxyplast Belgium N.V *(Hulsdonk 35-B 9042 Gent – Mendonk, Belgium.)*	Licensor	5,170	4,348
		23,663	49,673

33 Administrative and general expenses	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Salaries and other benefits	*33.1*	**101,786**	114,882
Directors' meeting fee		**3,400**	3,600
Travelling and conveyance		**5,282**	6,150
Rent, rates and taxes		**5,317**	6,822
Insurance		**5,098**	8,440
Auditors' remuneration	*33.2*	**3,070**	2,426
Fuel, water and power		**1,978**	1,975
Repairs and maintenance		**2,018**	2,501
Depreciation on property, plant and equipment	*6.7*	**10,222**	9,307
Amortization of computer software	*7.1.1*	**1,724**	4,672
Provision for doubtful advances and deposits			-
Ijarah lease rentals		**2,850**	4,175
Printing and stationery		**802**	1,299
Legal and professional		**13,968**	15,039
Communication		**2,864**	2,764
Others		**16,561**	11,383
		176,940	195,435

33.1 Salaries and other benefits include Rs. 0.80 million (2019: Rs. 1.52 million) in respect of gratuity, Rs. (0.15) million (2019: Rs. 0.65 million) in respect of pension fund, Rs. 0.46 million (2019: Rs. 0.40 million) in respect of compensated absences and Rs. 4.45 million (2019: Rs. 6.53 million) in respect of provident fund contribution.

33.2 Auditors' remuneration

33.2.1 KPMG Taseer Hadi & Co. - Auditor of the Parent Company

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
Audit fee		**2,010**	1,490
Consolidation and half yearly review		**460**	518
Out of pocket expenses		**350**	241
	33.3	**2,820**	2,249

33.2.2 Ahmad Usman Shabbir & Co. - Auditor of the Subsidiary Companies

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Audit fee	**250**	177
	3,070	2,426

33.3 This amount is exclusive of provincial sales tax of 16%.

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		Note	2020	2019
			(Rupees in thousand)	
34	**Other income** - *net*			
	Income from financial assets			
	Mark-up on term deposit receipts and long term loan		**13,755**	12,150
	Income from non financial assets			
	Sale of scrap		**14,772**	15,296
	Gain on disposal of property, plant and equipment		**6,288**	12,324
	Rental income and other services charged to related parties		**(7,202)**	(7,440)
	Recoveries from doubtful debts - net		**8,674**	-
	Export rebate		**2,567**	2,653
	Insurance claim		**20,438**	7,376
	Reversal of sale promotion provision		**-**	7,700
	Return on bank deposits		**-**	42
	Exchange gain / (loss)		**15,102**	(33,063)
	Others	*34.1*	**870**	8,153
			61,509	13,041
			75,264	25,191

34.1 This mainly includes penalty charged to suppliers and customers of Rs. 0.37 million (2019: Rs. 0.52 million).

		Note	2020	2019
			(Rupees in thousand)	
35	**Other expenses**			
	Impairment on goodwill		**-**	8,263
	Reversal / provision for doubtful loans		**-**	(201)
	Workers' Welfare Fund		**2,311**	3,524
	Workers' Profit Participation fund	*26.3*	**6,150**	6,568
	Provision for export rebate		**-**	1,824
			8,461	19,978
36	**Finance cost**			
	Islamic mode of financing:			
	- Long term financing (musharka) - *secured*			369
	Mark-up based borrowings from conventional banks:			
	- Long term financing - *secured*		**15,472**	18,758
	- Short term financing - *secured*		**5,442**	23,927
	- Short term running finances - *secured*		**153,357**	105,658
	- Liabilities against assets subject to finance lease - *secured*		**544**	376
			174,815	148,719
	Interest on WPPF	*26.3*	**1,661**	838
	Bank charges		**14,170**	15,557
			190,646	165,483

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37 Taxation

	2020	2019
	(Rupees in thousand)	
Current		
- for the year	38,379	71,698
- prior year	(1,477)	-
	36,902	71,698
Deferred		
- current year	7,214	(61,859)
	44,116	9,839

37.1 The numerical reconciliation between the average tax rate and the applicable tax rate is as follows:

	2020	2019
Applicable tax rate	29.00%	29.00%
Tax effect of:		
- income under Final Tax Regime	0.87%	14.62%
- minimum tax	0.00%	16.25%
- tax credit	0.00%	0.00%
- temporary difference due to turnover tax credit	0.00%	-37.20%
- other temporary difference including rate adjustment	6.30%	-11.58%
- prior year adjustment	-1.29%	0.00%
- others	0.24%	-0.31%
Average effective tax rate charged to profit and loss account	35.12%	10.78%

37.2 Super tax under section 4(b) of the Income Tax Ordinance, 2001 is not applicable to the Group as the imputable income does not meet the threshold of Rs. 500 million.

37.3 The tax provision is charged by considering the provision of section 113 under the Income Tax Ordinance, 2001. In addition to this, it also includes tax on exports and imports and income from other sources which is full and final discharge of Group's tax liability in respect of income arising from such source.

38 Cash and cash equivalents

	Note	2020	2019
		(Rupees in thousand)	
Cash and bank balances	*18*	41,550	79,253
Short term running finance - *secured*	*28.2*	(909,575)	(1,104,747)
		(868,025)	(1,025,494)

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39 Remuneration of Chief Executive, Directors and Executives

	2020			2019		
	Chief Executive	**Executives**	**Non-Executive Directors**	Chief Executive	Executives	Non-Executive Directors
	(Rupees in thousand)					
Managerial remuneration (including bonus)	**8,358**	**39,675**	**-**	12,727	52,458	-
Retirement and other long term benefits	**9,493**	**33,532**	**-**	12,909	36,152	-
House Rent Allowance	**5,454**	**17,223**	**-**	-	22,166	-
Utilities	**836**	**3,858**	**-**	-	4,926	-
Medical expenses	**-**	**1,933**	**-**	1,273	1,959	-
	24,141	**96,221**	**-**	26,909	117,661	-
Number of persons	**1**	**19**	**7**	1	24	7

39.1 Retirement and other long term benefits include benefits provided under provident fund, gratuity, pension and accumulated compensated absences.

39.2 Non-Executive Directors were paid meeting fee aggregating Rs. 3.4 million (2019: Rs. 3.6 million).

39.3 The Chief Executive and certain other executives of the Parent Company are provided with free use of Parent Company cars while the Chief Executive is provided boarding and lodging in the Parent Company's guest house.

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40 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2020						
	Issued, subscribed and paid-up capital	Unclaimed Dividend	Long term financing	Short term borrowing	Liabilities against assets subject to finance lease	Accrued mark-up	Total
	------------ (Rupees in thousand) ------------						
As at 30 June 2018	204,597	5,980	169,991	1,204,747	2,099	39,432	1,626,846
Changes from financing cash flows							
Dividend paid	-	(19,753)	-	-	-	-	**(19,753)**
Financial charges paid	-	-	-	-	-	(194,309)	**(194,309)**
Long term financing	-	-	179,967	-	-	-	**179,967**
Repayment of lease liability	-	-	-	-	(1,557)	-	**(1,557)**
Total changes from financing cash flows	-	(19,753)	179,967	-	(1,557)	(194,309)	(35,652)
Other changes							
Change in borrowings	-	-	-	(153,196)	-	-	**(153,196)**
Dividend declared	-	20,460	-	-	-	-	**20,460**
Interest expense	-	-	-	-	544	190,050	**190,594**
Total liability related other changes	-	**20,460**	-	**(153,196)**	**544**	**190,050**	**57,858**
As at 30 June 2019	**204,597**	**6,687**	**349,958**	**1,051,551**	**1,086**	**35,173**	**1,649,052**

41 **Number of employees**

The Group has employed following number of persons:

	2020	2019
	(Number of persons)	
- As at 30 June	531	766
- Average number of employees	570	901

42 Transactions with related parties

The related parties of the Group comprises Holding Company and its all the subsidiaries and associates, associated undertakings, entities under common directorship, post employment benefit plans, directors and key management personnel. Amounts due from and due to related parties, remuneration of directors and key management personnel are disclosed in the relevant notes.

Material transactions with related parties are given below:

Name of parties, nature and basis of relationship	Holding Percentage	Nature of transaction	2020	2019
			(Rupees in thousand)	
Holding Company				
Slotrapid Limited B.V.I.	52.05%	Royalty expense	**17643**	38,823
		Payment / Adjustment	**39670**	38,516
		Dividend paid	**9431**	11,519
Associated				
3S Pharmaceutical (Private) Limited	49.00%	Common expenditures incurred	**606**	438
		Receipts / Adjustments	-	-
Related parties				
Buxly Paints Limited ("BPL") (Common Group)	19.00%	Sales	**196,660**	179,539
		Toll manufacturing income	**16,362**	22,356
		Royalty expense	**52**	1,556
		Rental expense	**1,812**	1,812
		Rental income and other services	**1,200**	1,200
		Common expenditures incurred	**18,909**	13,052
		Receipts / Adjustments	**5,500**	5,735

In addition to these transactions, the Parent Company has an agreement with BPL for construction and use of warehouse on BPL's land located at X-3 Manghopir Road, S.I.T.E., Karachi for a term of ten years at a nominal monthly rent. After the aforementioned term of ten years, the group will handover the possession of the building to BPL free of cost.

Name of parties, nature and basis of relationship	Holding Percentage	Nature of transaction	2020	2019
			(Rupees in thousand)	
Dadex Eternit Limited	-	Sales	**180**	257
Post employment benefit plans (Key Management Personnel)	-	Contribution to gratuity fund	**16,768**	11,211
		Contribution to pension fund	**1,442**	-
		Provident fund contribution	**31,086**	41,064

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43 Financial instruments

43.1 Risk management framework

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Group's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Parent Company's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group's exposure to financial risk, the way these risks affect the financial position and performance and the manner in which such risks are managed is as follows:

43.1.1 Market risk

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

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the Euro, United States Dollar (USD) and Japanese Yen (JPY). Currently, the Group's foreign exchange risk exposure is restricted to the amounts payable to foreign entities. The Group's exposure to foreign exchange risk is as follows:

	2020	2019
	------ **(In thousands)** ------	
Statement of financial position items		
Trade and other payables - Euro	(2)	(8)
Net exposure - Euro	(2)	(8)
Trade and other payables - USD	(378)	(1,673)
Net exposure - USD	(378)	(1,673)
Trade and other payables - JPY	(5,657)	(32,036)
Net exposure - JPY	(5,657)	(32,036)

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Off statement of financial position items

Outstanding letters of credit as at the year end are as follows:

	(Amount in thousand)
GBP	**(9)**
Euro	**(24)**
AED	**(33)**
USD	**(849)**
JPY	**(1,546)**

The following significant exchange rates were applied during the year:

	2020	2019
	------- (In rupees) -------	
Rupees per Euro		
Average rate for the year	**175.05**	156.65
Reporting date rate - *selling*	**188.61**	186.99
Rupees per USD		
Average rate for the year	**158.26**	137.44
Reporting date rate - *selling*	**168.05**	164.50
Rupees per JPY		
Average rate for the year	**1.46**	1.24
Reporting date rate - *selling*	**1.56**	1.53

Sensitivity analysis

If the functional currency, at reporting date, had fluctuated by 5.00% against the Euro, USD and JPY with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 16.28 million (2018: Rs. 19.51 million) lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Foreign exchange risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

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

(ii) Price risk

Other price risk represents 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

Sensitivity analysis

The Parent Company's investments in equity instrument of other entities are publicly traded on the Pakistan Stock Exchange. The summary below explains the impact of increase on the Parent Company's surplus of investment classified as FVOCI to change in market price. The analysis is based on the assumption that the market price had increased / decreased by 10% with all other variables held constant:

	Impact on equity	
	2020	2019
	(Rupees in thousands)	
Buxly Paints Limited	**1,029**	1,275

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

(iii) Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at variable interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

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Fixed rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2020		2019	
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial liabilities**
	Amount in thousand			
Non-derivative financial instruments				
Short term investment	**32,195**		32,195	-
Bank balances - deposit accounts	-	-	-	-
	32,195	-	32,195	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in profit / mark-up / interest rates at the reporting date would not affect profit and loss account.

Variable rate financial instruments

The effective interest / mark-up rates for interest / mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Group's interest / mark-up bearing financial instruments as at the reporting date are as follows:

	2020		2019	
	Financial assets	**Financial liabilities**	Financial assets	Financial liabilities
Non-derivative financial instruments	**Rupees in thousand**			
Short term investment	-	-	-	-
Short term borrowings - *secured*	-	**1,051,551**	-	1,204,747
Long term financing - *secured*	-	**347,881**	-	169,991
	-	**1,399,432**	-	1,374,738

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit before taxation by amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Profit	
	2020	2019
Increase of 100 basis points	**(Rupees in thousand)**	
Variable rate instruments	**13,994**	13,747
Decrease of 100 basis points		
Variable rate instruments	**(13,994)**	(13,747)

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

43.1.2 **Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To manage credit risk, the Group maintains procedures covering the application of credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on the credit control procedures implemented by the management.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date was as follows:

	Note	**2020**	2019
		(Rupees in thousand)	
Loans and receivables			
Long term loans - *secured*	*9*	**23,974**	44,628
Long term deposits	*10*	**17,875**	22,190
Loans and advances	*14*	**22,515**	14,708
Trade debts - *unsecured*	*13*	**1,119,927**	1,479,490
Trade deposits	*15*	**22,114**	26,814
Other receivables	*16*	**17,205**	7,318
Short term investment - *secured*	*17*	**32,195**	32,195
Bank balances	*18*	**40,525**	78,123
		1,296,330	1,705,466

Concentration of credit risk

The Group identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2020	2019
	(Rupees in thousand)	
Customers	**1,119,927**	1,479,490
Banking companies and financial institutions	**72,720**	110,318
Others	**103,683**	115,658
	1,296,330	1,705,466

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty.

(i) Long term loans

Long term loans represent interest free loans provided to the employees of the Group in accordance with the terms of their employment, under a scheme for the purchase of motor vehicles and motor cycles. These loans are secured by keeping title of the underlying assets in the name of the Group till final settlement. Hence, the management believes that no impairment allowance is necessary in respect of these long term loans.

(ii) Long term deposits

Long term deposits represent mainly deposits with Government institutions, hence the management believes that no impairment allowance is necessary in respect of these long term deposits.

(iii) Trade debts

The trade debts as at the statement of financial position date are classified in Pak Rupees. The Group recognises loss allowances based on ECL model as fully explained in note 3.17.2.

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(iv) ***Bank balances***

The Group's exposure to credit risk against balances with various commercial banks is as follows:

	2020	2019
	(Rupees in thousand)	
Cash and bank balances		
In current accounts	**40,525**	78,123
In deposit accounts	-	-
Short term investment	**32,195**	32,195
	72,720	110,318

The credit quality of Group's bank balances can be assessed with reference to external credit rating agencies as follows:

Banks	Rating Short term	Rating Long term	Rating Agency	2020	2019
				(Rupees in thousand)	
Bank Al Habib Limited	A1+	AA+	PACRA	**19,111**	27,478
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**16,820**	20,416
United Bank Limited	A-1+	AAA	JCR-VIS	**2,182**	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	**29**	4,350
JS Bank Limited	A1+	AA-	PACRA	**27,000**	27,000
Al-Barka Bank Limited	A1	A	PACRA	**711**	711
Bank Alfalah Limited	A1+	AA+	PACRA	**100**	100
National Bank of Pakistan	A1+	AAA	PACRA	**4,636**	18,085
Summit Bank Limited	Suspended	Suspended	JCR-VIS	**2**	604
Bank Islami	A1	A+	PACRA	**2,129**	11,574
				72,720	110,318

Due to the Group`s long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counter parties on their obligations to the Group. Accordingly, the credit risk is minimal.

<u>Counterparties without external credit ratings</u>

These include customers which are counter parties to trade debts. The Group recognises ECL for trade debts using the simplified approach as explained in note 3.17.2. The analysis of ages of trade debts and loss allowance using the aforementioned approach as at 30 June 2019 (on adoption of IFRS 9) was determined as follows:

The aging of trade debts at the reporting date is:

	2020		2019	
	Gross carrying amount	**Loss Allowance**	Gross carrying amount	Loss Allowance
		(Rupees in thousand)		
Past due 0 - 30 days	**384,090**	**10,799**	499,040	16,492
Past due 31 - 60 days	**86,297**	**2,288**	321,341	7,015
Past due 61 - 90 days	**19,291**	**769**	222,617	8,448
Past due 91 - 120 days	**78,698**	**3,529**	123,655	5,563
Past due 121 - 180 days	**168,983**	**11,504**	242,788	16,065
Past due 181 - 364 days	**227,794**	**23,448**	101,435	11,908
Past due over one year	**164,880**	**153,615**	140,452	140,452
	1,130,033	**205,952**	1,651,328	205,943

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43.1.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities, that are settled by delivering cash or other financial asset, or that such obligation will have to be settled in a manner unfavorable to Group. The Group'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. The Group finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit limits.

The following are the contractual maturities of financial liabilities as at 30 June 2020:

	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five years
Non derivative financial liabilities			(Rupees in thousand)		
Long term financing - *secured*	**347,881**	**347,881**	**227,759**	**120,122**	-
Liabilities against assets subject to finance lease - *secured*	**1,086**		**103**	-	-
Trade and other payables	**784,487**	**784,487**	**784,487**	-	-
Interest / mark-up accrued on borrowings	**35,173**	**35,173**	**35,173**	-	-
Short term borrowings - *secured*	**1,051,551**	**1,106,820**	**1,106,820**	-	-
	2,220,178	**2,274,360**	**2,154,341**	**120,122**	-

The following are the contractual maturities of financial liabilities as at 30 June 2019

	Carrying amount	Contractual cash flow	Less than one year	One to five years	More than five years
Non derivative financial liabilities			(Rupees in thousand)		
Long term financing - *secured*	169,991	169,991	80,356	89,635	-
Liabilities against assets subject to finance lease - *secured*	2,099		1,046	1,086	-
Trade and other payables	1,022,133	1,022,133	1,022,133	-	-
Interest / mark-up accrued on borrowings	39,432	39,432	39,432	-	-
Short term borrowings - *secured*	1,204,747	1,287,804	1,287,804	-	-
	2,438,402	2,519,360	2,430,771	90,721	-

It is not expected that the cash flows on the maturity analysis could occur significantly earlier, or at significant different amount.

43.2 **Fair value measurement of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted price is readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and that price represents actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can access at measurement date (Level 1)
- 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 2)
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Carrying amount				Fair value			
	Financial assets at amortised cost	FVOCI - equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
As at 30 June 2020	(Rupees in thousand)							
Financial assets - measured at fair value								
Investment classified as FVOCI	-	10,287	-	10,287	10,287	-	-	10,287
Financial assets - at amortised cost								
Long term loans - *secured*	23,974	-	-	23,974	-	-	-	-
Long term deposits	17,875	-	-	17,875	-	-	-	-
Loans and advances	22,515	-	-	22,515	-	-	-	-
Trade debts	1,119,927	-	-	1,119,927	-	-	-	-
Trade deposits	22,114	-	-	22,114	-	-	-	-
Other receivables	17,205	-	-	17,205	-	-	-	-
Short term investment - *secured*	32,195	-	-	32,195	-	-	-	-
Cash and bank balances	40,525	-	-	40,525	-	-	-	-
	1,296,330	10,287	-	1,306,617	10,287	-	-	10,287
Financial liabilities - measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities - at amortised cost								
Long term financing - *secured*	-	-	347,881	347,881	-	-	-	-
Liabilities against assets subject to finance lease - secured	-	-	1,086	1,086	-	-	-	-
Trade and other payables	-	-	784,487	784,487	-	-	-	-
Interest / mark-up accrued on borrowings	-	-	35,173	35,173	-	-	-	-
Short term borrowings - *secured*	-	-	1,051,551	1,051,551	-	-	-	-
	-	-	2,220,178	2,220,178	-	-	-	-

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	Carrying amount				Fair value			
	Loans and receivables at amortised cost	Available for sale	Other financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
	---------------------------(Rupees in thousand)---------------------------							
As at 30 June 2019								
Financial assets - measured at fair value								
Available for sale investment	-	12,754	-	25,537	25,537	-	-	25,537
Financial assets - at amortised cost								
Long term loans - secured	44,628	-	-	54,360	-	-	-	-
Long term deposits	22,190	-	-	26,869	-	-	-	-
Loans and advances	14,708	-	-	15,271	-	-	-	-
Trade debts	1,479,490	-	-	1,237,001	-	-	-	-
Trade deposits	26,814	-	-	38,521	-	-	-	-
Other receivables	2,618	-	-	1,801	-	-	-	-
Short term investment - secured	32,195	-	-	42,275	-	-	-	-
Cash and bank balances	78,123	-	-	25,613	-	-	-	-
	1,700,766	12,754	-	1,467,248	25,537	-	-	25,537
Financial liabilities - measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities - at amortised cost								
Long term financing - *secured*	-	-	169,991	138,263	-	-	-	-
Liabilities against assets subject to finance lease - *secured*			2,099	3,593				
Trade and other payables	-	-	1,022,133	1,159,317	-	-	-	-
Interest / mark-up accrued on borrowings	-	-	39,432	16,465	-	-	-	-
Short term borrowings - *secured*	-	-	1,204,747	1,137,989	-	-	-	-
	-	-	2,438,402	2,455,627	-	-	-	-

43.3 **Fair value versus carrying amounts**

The Group has not disclosed the fair values of financial assets and liabilities which are for short term or repriced over short term. Therefore, their carrying amounts are reasonable approximation of fair value.

43.4 Freehold land, leasehold land, building on freehold land, building on leasehold land and plant and machinery have been carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the values as disclosed. The valuations are conducted by an independent valuation expert appointed by the Group. The valuation expert used a market based approach to arrive at the fair value of the Group's land and building. The valuation was determined by reference to current market value of the similar properties / assets. The most significant input into this valuation approach is price per acre for land, price per square foot for buildings and present operational condition and age of plant and machinery respectively. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

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44 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Group monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

	2020	2019
The debt-to-equity ratios as at 30 June were as follows:		
Total debt	**1,435,691**	1,416,269
Total	**3,503,119**	3,009,879
Debt-to-equity ratio	**41%**	47%

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

45 Impact of COVID-19 (CORONA VIRUS)

During the year, the World Health Organization declared the Novel strain of Corona virus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. The federal and provincial governments of Pakistan also took various measures, including imposition of lockdown, from the end of March 2020 to contain the spread of Covid-19. This caused an overall economic slowdown and varying degree of disruption to the Group including the suspension of production, sales and operations.. However, the Government's initiative to subsequently relax the lockdown from the month of may along with various other incentives to businesses helped in reviving the demand for paint from June 2020 onwards.

The Group's has assessed following impacts of Covid-19 on carrying amounts of assets, liabilities, incomes and expenses. The details of the impacts are as follows:

i) Stock-in-trade increased by Rs. 166.31 million;

ii) Availed SBP refinancing for salaries amounting to Rs. 38 million as disclosed in note 22.1;

iii) Sales decreased by Rs. 998.63 million; and

iv) Less production reduce the expenses by Rs. 967.47 million.

	2020	2019
	(Rupees in thousand)	
46 Restriction on title and assets pledged as security		
Mortgages and charges		
First		
Hypothecation of all present and future current assets	**2,004,000**	2,004,000
Mortgage over land and building	**506,000**	506,000
Ranking		
Hypothecation of all present and future current assets	**1,135,334**	1,001,334

		2020	2019
		(Liters in thousand)	
47	**Production capacity**		
	Actual production	**31330**	37,349

The capacity of the plant is indeterminable because it is a multi product plant involving varying processes of manufacturing. Actual production includes resin production of 12.54 million liters (2019: 15.11 million liters) which is used in the manufacture of the final product. The reason for shortfall during the year is explained in note 45

48 Operating segments

48.1 These consolidated financial statements have been prepared on the basis of single reportable segment.

48.2 Revenue from sale of paints and allied represents 99.63% (2018: 99.52%) of the total revenue of the Group.

48.3 98.37% (2018: 98.11%) sales of the Group relates to customers in Pakistan.

48.4 All non-current assets of the Group as at 30 June 2019 are located in Pakistan.

49 Date of authorization for issue

These financial statements were authorized for issue on 24th Sep 2020 by the Board of Directors of the Company.

50 Non adjusting events after the balance sheet date

The Board of Directors of the Company in its meeting held on 24th September 2020 has proposed a final cash dividend of Re. 1.00 per share, for the year ended 30 June 2020, for approval of the members in the Annual General Meeting to be held on October 27, 2020.

51 General

Figures have been rounded off to the nearest thousand of rupee unless otherwise stated.

Lahore | Chief Financial Officer | Chief Executive | Director

Berger Paints Pakistan Limited
Consolidated Statement of Cash Flow
For the year ended 30 June 2020

	Note	2020	2019
		(Rupees in thousand)	
Cash flow from operating activities			
Profit before taxation		111,592	106,632
Adjustments for non-cash and other items:			
Depreciation on property, plant and equipment	6.5	79,753	80,010
Amortization on computer software	7.1.1	1,745	8,338
Gain on disposal of property, plant and equipment	34	(6,288)	(17,024)
Provision charged against slow moving stock - net		6,887	4,952
Insurance claim	34	(20,438)	(2,676)
Revaluation deficit		15,241	-
Provision for doubtful debts	13.3 & 16.2	25,201	48,127
Bad debts written off	13.3	30,491	2,806
Provision for staff retirement and other long term benefits	24.4 & 24.16	12,395	32,192
Provision for trade deposits and short term prepayments	15.1	495	-
Provision for doubtful deposits	10.1	281	-
Share of profit of equity-accounted investee - net of tax	8.1	(153)	(450)
Finance cost	36	190,050	165,483
Reversal of doubtful loans	11	-	(203)
Impairment charged on Goodwill	7.2.1	-	8,263
Mark-up on term deposit receipts	34	(13,755)	(12,150)
		321,678	314,670
Operating profit before working capital changes		433,270	421,302
Working capital changes			
Increase / decrease in current assets:			
Stores, spare parts and loose tools		3,213	(1,134)
Stock-in-trade		(172,868)	80,370
Trade debts - unsecured		297,600	(203,300)
Loans and advances		(87,083)	94,308
Trade deposits and short term prepayments		6,673	10,551
Other receivables		(20,946)	3,347
		56,779	(107,554)
Decrease in current liabilities:			
Trade and other payables		(261,781)	(114,752)
Cash generated from operations		228,268	198,996
Finance cost paid		(194,309)	(142,340)
Taxes paid		(14,612)	(84,603)
Staff retirement and other long term benefits paid		(24,919)	(17,345)
Long term loans - *due from employees*		20,654	10,496
Long term deposits - *net*		3,934	4,679
		(209,252)	(228,913)
Net cash (used in) / generated from operating activities		19,016	(29,917)
Cash flow from investing activities			
Fixed capital expenditure		(93,470)	(92,908)
Sale proceeds from disposal of property, plant and equipment	6.2	17,349	78,542
Mark-up received on term deposit and long term loan		13,941	11,776
Short term investments		-	10,000
Net cash generated from / (used in) investing activities		(62,180)	7,092
Cash flow from financing activities			
Long term financing - *net*		179,967	31,728
Dividend paid		(19,753)	(21,509)
Lease rentals paid		(1,557)	(1,868)
Short term borrowings - *net*		41,976	(299,600)
Net cash used in financing activities		200,633	(291,249)
Net decrease in cash and cash equivalents		157,469	(314,074)
Cash and cash equivalents at beginning of the year		(1,025,494)	(711,420)
Cash and cash equivalents at end of the year	38	(868,025)	(1,025,494)

The annexed notes 1 to 51 form an integral part of these financial statements.

Lahore

Chief Financial Officer **Chief Executive** **Director**