Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the three months and six months period ended June 30, 2018

Contents

Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Jeremy Rowe	Non-Executive
Saad Mahmood Rashid	Chief Executive	Sebastian Tan	Non-Executive
David Teng	Non-Executive	Harris Mahmood	Executive
Ayesha Hamid	Non-Executive (Independent)		

Audit Sub Committee

Ayesha Hamid	Chairperson
Mueen Afzal	Member
Sebastian Tan	Member
Rehan Hamid	Secretary

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Jeremy Rowe	Member
Saad Mahmood Rashid	Member
Usman Ali Jamil	Secretary

Share Transfer Committee

Saad Mahmood Rashid	Chief Executive
Harris Mahmood	Chief Financial Officer
Sara Shah	Company Secretary

Chief Financial Officer

Harris Mahmood

Company Secretary

Sara Shah

Executive Management Team

Saad Mahmood Rashid	Chief Executive	Harris Mahmood	Chief Financial Officer
Farooq Ayub Khan	Operations Manager	Muhammad Rizwan	Supply Chain Manager
Usman Ali Jamil	HR Business Partner	Syed Ismail Hussain Naqvi	Business Manager, Performance Coatings
Usman Ali	National Sales Manager, Decorative Paints	Usman Hafaz	Head of Brand and Customer Marketing, Decorative Paints

Bankers

Citibank N.A.
Deutsche Bank Limited A.G.
United Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors

A. F. Ferguson & Co.,
Chartered Accountants

Registered Office

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Lahore-54600
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www.akzonobel.pk

Regional Office

11th Floor, Tower-A,
Technology Park, Street-8,
Sharah-e-Faisal, Karachi
Tel: (021) 32781441-6

Regional Office

Plot 3-A, Sector I-10/3,
Industrial Area
Islamabad
Tel: (051) 4435101-2

Shares Registrar

FAMCO Associates (Pvt) Ltd.
8-F, Nursery Block 6, P.E.C.H.S
Shahrah-e-Faisal, Karachi-74000
Tel: (021) 34380101-5
Fax: (021) 34380106

Review of the Directors

For the quarter and six months period ended June 30, 2018

The Directors are pleased to present their review along with the condensed interim financial statements of the Company for the six months ended June 30, 2018.

Financial Performance

First half of the year was impacted due to political uncertainty affecting consumer demand. Macro-economic challenges, the widening current account deficit and declining exchange foreign reserves, led the government to increase custom duties while the State Bank of Pakistan let PKR depreciate against major currencies, leading to devaluation of 18% since December 2017. As a result input prices increased for the business.

Despite these challenges, the company has continued its focus on customers and new business development. As a result turnover for the first half of 2018 grew by 6% as compared to same period last year. Price increases were announced on most products. However margins still remained under pressure. To manage profitability, the company took several cost saving initiatives, with manufacturing, selling and administrative expenses increasing by only 4% as compared to same period last year. Government extended the super tax charge this year and also announced to continue this for the next three years. This resulted in a tax expense of PKR 32m for the last year and a current year charge. Profit after tax at PKR 253m and EPS at PKR 5.46 were 14% lower than the same period last year.

PKR million

	Quarter ended June 30,		Increase (Decrease)	Six months ended June 30,		Increase (Decrease)
	2018	2017	%	**2018**	2017	%
Turnover	**2,358**	2,169	9	**4,683**	4,405	6
Net Sales Income	**1,571**	1,457	8	**3,128**	2,927	7
Gross Profit	**551**	581	(5)	**1,138**	1,170	(3)
Operating Results	**151**	204	(26)	**366**	429	(15)
Profit Before Tax	**171**	214	(20)	**403**	453	(11)
Profit After Tax	**90**	126	(29)	**253**	295	(14)
Earnings Per Share - Rs	**1.94**	2.72	(29)	**5.46**	6.36	(14)

The company contributed PKR 315m and PKR 598m to the national exchequer through taxes, duties and other levies during Q2 2018 and H1 2018 respectively.

Business Performance

Pakistan's highly competitive paint market remained under pressure due to slowdown in economic activity. The Company launched various promotional schemes to strengthen brand awareness. Sales to the tractor industry continued its healthy trend, on the back of higher demand and the company was also able to ramp up sales to a packaging coatings customer. Sales of protective coatings slowed down due to lower spending on infrastructure projects.

Future Outlook

The macroeconomic outlook for the economy appears to be bleak, with twin deficits in the fiscal and current accounts going unchecked. A new government is taking office in August and is expected to take remedial measures to address these challenges. However new policy measures will take time to translate into results. It is expected that GDP growth will slow down this calendar year and that inflation may be higher than expected.

Despite strong headwinds due to macro-economic conditions, the Company plans to remain focused on strengthening relationships with existing customers and suppliers, whilst exploring opportunities for both organic and inorganic growth.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

ڈائریکٹرز رپورٹ

30جون2018 کی پہلی سہ ماہی اور ششماہی کا جائزہ

اکزونوبیل کے بورڈ آف ڈائریکٹرز 30جون2018 کی سہ ماہی اور ششماہی کا جائزہ دینے پر مسرت محسوس کرتے ہیں

مالیاتی کارکردگی

سال کا پہلا نصف سیاسی غیر یقینی صورتحال کی وجہ سے متاثر ہوا۔ اس غیر یقینی صورتحال کی وجہ سے صارفین کی طلب پر بھی مرتب اثرات نمایاں ہوئے۔ موجودہ حالات میں ملک کے بڑھتے ہوئے اکاؤنٹ خساروں اور غیر ملکی کرنسی کے ذخائر میں کمی کی وجہ سے حکومت کو Custom Duties بڑھانا پڑی جبکہ اسٹیٹ بینک آف پاکستان نے PKR کو بڑی کرنسیوں کے مقابلے میں کم کردیا جس کے نتیجے میں روپے کی قدر میں 2017 کی مد میں 18 فیصد کمی دیکھی گئی۔ ان چیلنجز کے باوجود کمپنی اپنے کاروبار گاہکوں اور نئی کاروباری ترقی پر اپنی توجہ مرکوز رکھتی ہے۔ جس کی وجہ سے سال کی پہلی ششماہی کے دوران ٹرن اوور میں 6٪ کا اضافہ دیکھا گیا جو پچھلے سال کے مقابلے میں برابر رہا۔

مصنوعات پر قیمتوں میں اضافے کا اعلان کیا گیا جس کی وجہ خام مال کی قیمتوں ،میں اضافہ اور کرنسی کی قدر میں کمی بتائی جاتی ہے۔ اس کے باوجود مارجن اب بھی دباؤ میں رہا۔کمپنی نے منافع کی شرح کو برقرار رکھنے کیلئے گزشتہ سال کے اسی مدت کے مقابلے میں مختلف قیمتیں بچانے والے منصوبوں کی ابتدا کی جس کی وجہ سے مینوفیکچرنگ، فروخت اور انتظامی اخراجات کی مد میں 4 فیصد اضافہ ہوا۔ حکومت نے اس سال سپر ٹیکس بڑھا دیا اور اگلے تین سالوں کیلئے اس چارج کو جاری رکھنے کا اعلان کیا جس کے نتیجے میں گزشتہ سال اور موجودہ سال چارجز کیلئے PKR 32 M ٹیکس کی قیمت ہے۔ ٹیکس کی کٹوتی کے بعد منافع PKR 253 M اور EPS 5.46 رہا جو گزشتہ سال کے مقابلے میں 14 فیصد کم ہے۔ کمپنی نے Q2 اور H1-2018 میں PKR 315M اور 598M ٹیکسز اور ڈیوٹیز کی مد میں قومی خزانے میں جمع کروائے

کاروباری کارکردگی

معاشی سرگرمیوں میں کمی کی وجہ سے پاکستان کی انتہائی مسابقتی پینٹ مارکیٹ دباؤ میں رہی ہے۔ کمپنی نے برانڈ آگاہی کیلئے مختلف پرموشنل منصوبوں کا آغاز کیا۔ ٹریکٹر انڈسٹری کی فروخت نے اپنے بڑھتے ہوئے رجحان کو برقرار رکھا جس کے نتیجے میں کمپنی کو Packaging Coatings کو گاہکوں کو فروخت کرنے میں مدد ملی۔ انفراسٹرکچر پراجیکٹس پر کم سرمایہ کاری کی وجہ سے Protective Coatings کی سیل میں کمی رہی

مستقبل کے نقطہ نظر

موجودہ صورتحال میں ملکی معیشت میں بڑے پیمانے پر مالی اور موجودہ اکاؤنٹس میں خسارے کا امکان ہے۔ ایک نئی حکومت ماہ اگست میں اقتدار لے رہی ہے اور پر امید ہیں کہ ان چیلنجز کے حل کیلئے مؤثر اقدامات لے گی۔ تاہم نئی پالیسیوں کے اقدامات کے نتائج کو اثرانداز ہونے میں وقت درکار ہوگا۔ یہ توقع ہے کہ GDP کی تنزلی ہوگی جس کے تحت افراط زر توقع سے زیادہ ہو سکتا ہے۔

غیر یقینی صورتحال اور گزشتہ میکرو اقتصادی حالات کو مد نظر رکھتے ہوئے کمپنی موجودہ گاہکوں اور سپلائرز کے ساتھ تعلقات مضبوط بنانے پر توجہ مرکوز کرنے کا ارادہ رکھتی ہے۔ جبکہ نامیاتی غیر نامیاتی منصوبوں کی تلاش متوقع ہے۔

سکندر محمود راشد
(چیف ایگزیکٹیو)

معین افضل
(چیئرمین)

pwc

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF AKZO NOBEL PAKISTAN LIMITED
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Akzo Nobel Pakistan Limited as at June 30, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the three month period ended June 30, 2018 and June 30, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six month period then ended June 30, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is Hammad Ali Ahmad.

Chartered Accountants
Lahore
Dated: August 30, 2018

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▪KARACHI ▪LAHORE ▪ISLAMABAD

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT JUNE 30, 2018

	Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
		(Rupees in thousand)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	4	1,974,413	1,983,914
Intangible assets		1	9
Long term loans	5	84,764	85,553
Long term deposits and prepayments		5,842	6,240
Deferred tax asset - net		126,413	132,164
		2,191,433	2,207,880
CURRENT ASSETS			
Stores and spares		21,823	25,568
Stock in trade	6	956,890	587,044
Trade debts	7	1,083,050	739,593
Loans and advances		54,123	62,603
Trade deposits and short term prepayments		16,352	14,033
Other receivables	8	28,953	44,486
Income tax receivable		-	16,172
Interest accrued		1,755	4,496
Cash and bank balances	9	1,126,317	2,070,176
		3,289,263	3,564,171
		5,480,696	5,772,051
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 100,000,000 (2017: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital 46,443,320 (2017: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves			
Capital reserves		156,202	156,202
Revenue reserve		1,811,512	1,862,301
		1,967,714	2,018,503
Surplus on revaluation of property, plant and equipment		1,285,766	1,306,613
		3,717,913	3,789,549
NON - CURRENT LIABILITIES			
Deferred liabilities		60,427	58,062
		60,427	58,062
CURRENT LIABILITIES			
Trade and other payables	10	1,701,253	1,924,440
Provision for taxation		1,103	-
		1,702,356	1,924,440
CONTINGENCIES AND COMMITMENTS	11	-	-
		5,480,696	5,772,051

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

	Note	Three months ended		Six months ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		(Rupees in thousand)			
Turnover		2,358,008	2,168,972	4,683,547	4,404,994
Sales tax and discounts		(786,729)	(711,580)	(1,555,317)	(1,477,682)
Net sales		1,571,279	1,457,392	3,128,230	2,927,312
Cost of sales	12	(1,019,968)	(876,325)	(1,989,955)	(1,757,229)
Gross profit		551,311	581,067	1,138,275	1,170,083
Selling and distribution expenses		(306,241)	(294,106)	(590,896)	(577,099)
Administrative and general expenses		(93,639)	(83,233)	(180,906)	(163,794)
Operating profit		151,431	203,728	366,473	429,190
Finance cost		(2,534)	(312)	(3,624)	(640)
Other charges	13	(12,540)	(19,397)	(34,531)	(34,632)
		(15,074)	(19,709)	(38,155)	(35,272)
Other income	14	34,916	29,726	74,582	58,902
Profit before taxation		171,273	213,745	402,900	452,820
Taxation	15	(81,211)	(87,339)	(149,433)	(157,673)
Profit for the period		90,062	126,406	253,467	295,147
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		90,062	126,406	253,467	295,147
Earnings per share - basic and diluted (Rupees)		1.94	2.72	5.46	6.36

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserve	Surplus on revaluation of property, plant and equipment	Total
		Share premium	Capital receipts	Unappropriated profit		
	(Rupees in thousand)					
Balance as on December 31, 2016 (audited)	464,433	156,006	196	1,590,787	1,347,799	3,559,221
Profit for the period	-	-	-	295,147	-	295,147
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	295,147	-	295,147
Incremental depreciation charge during the period - net of deferred tax	-	-	-	20,611	(20,611)	-
Transactions with owners of the Company recognized directly in equity						
Final dividend for the year ended December 31, 2016 @ Rs. 6.50 per share	-	-	-	(301,884)	-	(301,884)
Balance as on June 30, 2017 (un-audited)	464,433	156,006	196	1,604,661	1,327,188	3,552,484
Profit for the period	-	-	-	277,859	-	277,859
Other comprehensive income for the period	-	-	-	(40,794)	-	(40,794)
Total comprehensive income for the period	-	-	-	237,065	-	237,065
Incremental depreciation charge during the period - net of deferred tax	-	-	-	20,575	(20,575)	-
Balance as on December 31, 2017 (audited)	464,433	156,006	196	1,862,301	1,306,613	3,789,549
Profit for the period	-	-	-	253,467	-	253,467
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	253,467	-	253,467
Incremental depreciation charge during the period - net of deferred tax	-	-	-	20,847	(20,847)	-
Transactions with owners of the Company recognized directly in equity						
Final dividend for the year ended December 31, 2017 @ Rs. 7.00 per share	-	-	-	(325,103)	-	(325,103)
Balance as on June 30, 2018 (un-audited)	464,433	156,006	196	1,811,512	1,285,766	3,717,913

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Six months ended June 30, 2018	Six months ended June 30, 2017
	------- (Rupees in thousand) ------	
Cash flows from operating activities		
Profit before taxation	402,900	452,820
Adjustments for:		
Depreciation and amortization	74,827	68,124
Loss / (gain) on disposal of property, plant and equipment	443	(447)
Provision for employee benefits obligation	17,283	17,616
Provision / (reversal of provision) for doubtful debts	25,893	(13,796)
Provision for slow moving and obsolete stocks	8,432	6,224
Provision for slow moving and obsolete stores and spares	2,300	-
Provision no more required written back	(32,194)	-
Interest income	(33,934)	(37,603)
Profit before working capital changes	465,950	492,938
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
Stores and spares	1,445	(3,412)
Stock in trade	(378,277)	(241,294)
Trade debts	(369,350)	(315,705)
Loans and advances	8,480	13,821
Trade deposits and short term prepayments	(2,319)	(6,648)
Other receivables	15,533	5,350
	(724,488)	(547,888)
Decrease in current liabilities		
Trade and other payables	(184,542)	(69,976)
Net cash used in operations	(443,080)	(124,926)
Decrease in long term loans	789	1,682
Decrease / (increase) in long term deposits and prepayments	398	(2,081)
Employee benefits paid	(19,058)	(12,160)
Taxes paid	(126,407)	(160,094)
	(144,278)	(172,653)
Net cash used in operating activities	(587,358)	(297,579)
Cash flows from investing activities		
Payments for capital expenditure	(74,095)	(171,635)
Proceeds from disposal of property, plant and equipment	267	447
Interest received	36,676	39,468
Net cash used in investing activities	(37,152)	(131,720)
Cash flows from financing activities		
Dividend paid	(319,349)	(298,597)
Net cash used in financing activities	(319,349)	(298,597)
Net cash used in all activities	(943,859)	(727,896)
Cash and cash equivalents at the beginning of the period	2,070,176	1,948,948
Cash and cash equivalents at the end of the period	1,126,317	1,221,052

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

Mueen Afzal	Saad Mahmood Rashid	Harris Mahmood
Chairman	Chief Executive	Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

1 Legal status and nature of business

Akzo Nobel Pakistan Limited ("the Company") is a public limited company listed on the Pakistan Stock Exchange. The registered office of the Company and the factory is situated at 346, Ferozepur Road, Lahore. The Company is primarily involved in the manufacturing and sale of paints and coatings, and trading of specialty chemicals. The Company is a subsidiary of ICI Omicron B.V. which is a wholly owned subsidiary of Akzo Nobel N.V.

2 Basis of preparation

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

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

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

As allowed in the Companies Act, 2017, the option of presenting a combined 'Statement of Profit or Loss and other Comprehensive Income' instead of presenting separate 'Statement of Profit and Loss' and 'Statement of Comprehensive Income" has been opted to in these condensed interim financial statements. The change has been accounted for in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. These financial statements are being submitted to the shareholders in accordance with Section 237 of the Companies Act, 2017.

The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended December 31, 2017, whereas comparative condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been extracted from the un-audited condensed interim financial statements for the six months period ended June 30, 2017.

2.2 Judgements and estimates

In preparing these condensed interim financial statements, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the annual audited financial statements as at and for the year ended December 31, 2017.

2.2.1 Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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2.3 **Functional and presentation currency**

These condensed interim financial statements are presented in Pak Rupees which is also the Company's functional currency.

3 **Significant accounting policies**

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual audited financial statements of the Company for the year ended December 31, 2017 except for as follows:

3.1 **Surplus on revaluation of property, plant and equipment**

The Securities and Exchange Commission of Pakistan (SECP) vide circular No. 23, reference CLD/CCD/PR(11) / 2017, dated October 4, 2017 allowed companies whose financial year closes on or before December 31, 2017 to prepare their financial statements in accordance with provisions of the repealed Companies Ordinance, 1984. Section 235 of the repealed Companies Ordinance, 1984, specified the accounting treatment and presentation of surplus on revaluation of property, plant and equipment. This differed from the requirements under the IFRS (IAS 16 'Property, plant and equipment'). However, in the Companies Act, 2017 the relevant section has not been carried forward and companies are now required to follow the requirements as specified in IAS 16.

With effect from January 1, 2018 the Company has changed its accounting policy regarding the accounting treatment and presentation of surplus on revaluation of property, plant and equipment to ensure compliance with the IFRS regarding presentation, offsetting and transfers of surplus on revaluation of property, plant and equipment.

This change is considered to be a change in accounting policy in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. The impact of the same however, is not considered to be material to the financial statements of the Company and accordingly comparatives have not been restated in this regard. However, surplus on revaluation of property, plant and equipment previously shown separately, has now been presented as part of equity as per requirements of the applicable accounting and reporting standards.

3.2 **Standards, interpretations and amendments to published approved accounting standards**

There are certain standards, amendments to the approved accounting standards and new interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

3.2.1 **Amendments to published standards effective in current period**

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates. These do not have a material impact on Company's financial statements.

	Effective Date (accounting periods beginning on or after)
Annual improvements 2014 - 2016	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

3.2.2 **Standards, amendments and interpretations to existing standards not yet effective**

IFRS 15, 'Revenue from Contracts with Customers'	July 1, 2018
IFRS 9, 'Financial Instruments'	July 1, 2018
IFRS 16, 'Leases'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax'	January 1, 2019
IAS 19, 'Employee Benefits' in relation to plan amendments, curtailments or settlements	January 1, 2019
IAS 12: Annual Improvements to IFRS Standards 2015 - 2017 Cycle	January 1, 2019

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

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			June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
4	**Property, plant and equipment**	Note	-------- (Rupees in thousand) -------	
	Operating property, plant and equipment	4.1	1,916,729	1,919,453
	Capital work in progress	4.2	57,684	64,461
			1,974,413	1,983,914
4.1	**Operating property, plant and equipment**			
	Opening net book value		1,919,453	1,712,717
	Additions during the period / year (at cost)	4.1.1	72,805	346,286
	Disposals / write-off (at net book value)		(710)	(165)
	Depreciation charged during the period / year		(74,819)	(139,385)
	Closing net book value		1,916,729	1,919,453
4.1.1	Following is the detail of additions during the period / year:			
	Freehold land		-	214,561
	Buildings on freehold land		8,621	10,053
	Plant and machinery		50,098	102,368
	Office equipment		8,539	4,009
	Vehicles		1,482	-
	Furniture and fixtures		4,065	15,295
			72,805	346,286
4.2	**Capital work in progress**			
	Civil works and buildings		2,028	-
	Plant and machinery		47,310	60,123
	Equipment		1,490	4,338
	Software		6,856	-
			57,684	64,461
5	**Long term loans - considered good**			
	Due from executives and other employees		112,025	111,347
	Receivable within one year		(27,261)	(25,794)
			84,764	85,553

5.1 The maximum aggregate amount of long term loans due from the executives at the end of any month during the period was Rs. 30.25 million (December 31, 2017: Rs. 24.11 million).

6 Stock in trade

Out of the total carrying value of stock in trade, Rs. 1.68 million (December 31, 2017: Nil) is measured at net realizable value. As at June 30, 2018 stock in trade has been written down by Rs. 0.26 million (December 31, 2017: Nil) to arrive at its net realizable value.

		June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
7	**Trade debts**	-------- (Rupees in thousand) -------	
	Considered good:		
	Secured	75,172	50,261
	Unsecured	1,409,859	1,165,195
		1,485,031	1,215,456
	Considered doubtful	237,552	211,659
		1,722,583	1,427,115
	Provision for:		
	Doubtful debts	(237,552)	(211,659)
	Discounts	(401,981)	(475,863)
		(639,533)	(687,522)
		1,083,050	739,593

8 Other receivables

This includes balance amounting to Rs. 18.19 million (December 31, 2017: Rs. 32.55 million) receivable from associated undertakings.

		Note	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
			-------- (Rupees in thousand) -------	
9	**Cash and bank balances**			
	Cash in hand		20,046	17,501
	Cash at bank - current accounts	9.1	286,271	288,375
	Short term deposits	9.2	820,000	1,764,300
			1,126,317	2,070,176

9.1 Cash and bank balances include cheques in hand amounting Rs. 249.88 million (December 31, 2017: 209.23 million) and US Dollars amounting to USD 8,332 (December 31, 2017: USD 6,239).

9.2 These represent term deposit receipts placed with commercial banks under conventional banking arrangements. These carry mark-up at the rate of 5.75% to 5.80% (December 31, 2017: 5.25% to 5.31%) per annum and will mature on various dates latest by July 30, 2018.

9.3 The facility for running finance and issuance of letters of credit is available from Deutsche Bank A.G. amounting to Rs. 391 million (December 31, 2017: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2017: 1 month KIBOR plus 1% per annum) and is secured by parental guarantee from AkzoNobel N.V., first parri passu hypothecation charge over the current assets of the Company amounting to Rs. 210 million (December 31, 2017: Rs. 210 million), demand promissory note and counter guarantee / indemnity duly signed and stamped by the Company.

10 Trade and other payables

This includes balance amounting to Rs. 418.36 million (December 31, 2017: Rs. 333.88 million) payable to related parties. Out of this, Rs. 143.91 million (December 31, 2017: Rs. 147.09 million) relates to staff retirement funds.

11 Contingencies and commitments

11.1 Contingencies

11.1.1 The income tax department has disputed with the Company's treatment on certain tax matters for the tax year 2014 and 2016. In this regard, an order was issued by the department, thereby creating demand for Rs. 747.48 million and Rs. 454.48 million respectively, against the Company. The orders have been challenged by the Company before the CIR(A) and are currently pending decision. The management, in consultation with their tax advisor, is of the view that these tax matters will eventually be decided in the favor of the Company; therefore no provision has been made in these condensed interim financial statements.

11.1.2 Other claims against the Company not acknowledged as debts are as follows:

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	-------- (Rupees in thousand) -------	
Sales tax authorities	40,612	40,612
Others	10,000	10,000
	50,612	50,612

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11.2 **Commitments**

11.2.1 Commitments in respect of capital expenditure amount to Rs. 32.17 million (December 31, 2017: Rs. 11.68 million). Out of this, Rs. 20.05 million relates to SAP Saturn implementation.

11.2.2 Commitments in respect of forward foreign exchange contracts amount to Rs. 2.08 million (December 31, 2017: Rs. 11.23 million).

11.2.3 Commitment in respect of indemnity agreement signed with ICI Pakistan Limited to cover the possible outcome of the tax issues of ICI Pakistan Limited prior to demerger up to the extent of Rs. 1,583 million (December 31, 2017: Rs. 1,583 million).

11.2.4 Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles are as follows:

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	-------- (Rupees in thousand)	-------
Year		
2018	7,677	12,964
2019	15,151	12,240
2020	14,483	10,906
2021	9,677	6,126
2022	2,010	298
	48,998	42,534
Payable not later than one year	15,256	12,964
Payable later than one year but not later than five years	33,742	29,570
	48,998	42,534

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		------------ (Rupees in thousand)	---------------	
12 Cost of Sales				
Raw and packing materials consumed	774,168	727,460	1,643,073	1,451,321
Manufacturing costs	161,307	150,758	308,505	301,025
	935,475	878,218	1,951,578	1,752,346
Opening work in process	17,373	11,680	12,217	11,873
Closing work in process	(16,085)	(14,127)	(16,085)	(14,127)
Cost of goods manufactured	936,763	875,771	1,947,710	1,750,092
Opening finished goods	351,435	283,514	233,331	241,509
Finished goods purchased	110,418	92,900	187,562	141,488
Closing finished goods	(378,648)	(375,860)	(378,648)	(375,860)
	1,019,968	876,325	1,989,955	1,757,229

13 This includes exchange loss amounting to Rs. 12.28 million (June 30, 2017: Rs. 0.99 million). It includes exchange loss from actual currency amounting to Rs. 11.95 million (June 30, 2017: Rs. 1.34 million) and exchange loss from forward contracts amounting to Rs. 0.33 million (June 30, 2017: exchange gain amounting to Rs. 0.35 million).

		Three months ended		Six months ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		------------ (Rupees in thousand) ---------------			
14	**Other income**				
	Income from financial assets				
	Profit on short term and call deposits	14,178	16,550	33,934	37,603
	Interest Income on staff loans	-	280	-	1,148
	Income from non-financial assets				
	Scrap sales	1,830	1,305	3,609	3,391
	Income from sale of fixed assets	267	-	-	447
	Others				
	Provisions no longer required and written back				
	Slow moving and obsolete stocks	-	-	4,430	-
	Others	18,641	11,591	32,194	13,796
	Miscellaneous income	-	-	415	2,517
		34,916	29,726	74,582	58,902
15	**Taxation**				
	Current	77,195	71,383	119,934	120,436
	Prior year	23,748	25,209	23,748	25,209
	Deferred	(19,732)	(9,253)	5,751	12,028
		81,211	87,339	149,433	157,673

16 **Transactions with related parties**

The related parties comprise of the parent company (ICI Omicron B.V.), the ultimate parent company (AkzoNobel N.V.), related group companies, staff retirement funds, companies where Directors also hold directorship, Directors and key management personnel of the Company, and their close family members. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements are as follows:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	------------ (Rupees in thousand) ---------------			
Holding company				
Dividend paid - net of tax	221,821	205,977	221,821	205,977
Associates				
Purchase of goods, materials and services	112,163	70,658	232,752	174,642
Indenting commission income	201	2,829	585	4,285
Sale of goods and services	592	80	945	116
Reimbursement of expenses	11,333	2,256	12,434	4,544
Contribution to staff retirement benefit plans	15,888	17,534	32,596	28,623

The above transactions with related parties are carried out on mutually agreed terms and conditions.

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Transactions with key management personnel

Salaries and benefits of key management personnel for the six months period ended June 30, 2018 amounted to Rs. 52.17 million (June 30, 2017: Rs. 72.29 million) out of which Rs. 4.82 million (June 30, 2017: Rs. 8.04 million) relates to post employment benefits.

In addition, one Director and some of the executives are also provided with use of the Company cars, in accordance with the policy of the Company.

17 Operating segments

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

17.2 Revenue from sale of paints and coatings represents 97.54% (June 30, 2017: 97.17%) of the total revenue of the Company.

17.3 99.84% (June 30, 2017: 100.00%) sales of the Company relate to customers in Pakistan.

17.4 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

18 Fair value of financial assets and liabilities

The carrying amounts of long term loans equal their fair value and are determined using valuation model that considers the present value of expected future cash flows, discounted using a market rate of interest. As the input is unobservable market data, it is classified under level 3.

In case of other financial assets and financial liabilities that are expected to be settled within one year, carrying amounts are the reasonable approximation of the fair values.

19 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the annual audited financial statements for the year ended December 31, 2017.

20 Ijarah rentals

Company is engaged in a Shariah compliant arrangement with Orix Modaraba in respect of vehicles under operating lease / Ijarah contracts. Rentals in respect of aforementioned contracts are included in the condensed interim financial statements as under:

	Six months ended	
	June 30, 2018	**June 30, 2017**
Description	------- (Rupees in thousand) -----	
Cost of sales	1,323	1,213
Selling and distribution expenses	2,231	2,673
Administrative and general expenses	2,762	4,058

21 Sale of Specialty Chemicals Business

The Board of Directors of the Company in its meeting held on February 28, 2018 have considered and approved the sale, transfer and conveyance of the Specialty Chemicals Business of the Company as a going concern to Akzo Nobel Chemicals (SMC-Private) Limited, a wholly owned subsidiary of Akzo Nobel Chemicals Holding B.V. of Amsterdam, the Netherlands (an affiliate of Akzo Nobel N.V.). The sale and transfer will became effective on a mutually agreed completion date which is scheduled to be no later than December 31, 2018 at a price of Rs. 33.5 million.

22 **Subsequent events**

There are no significant subsequent events that need to be disclosed for the six months ended June 30, 2018.

23 **Date of authorization for issue**

The condensed interim financial statements were authorized for issue in the Board of Directors meeting held on August 30, 2018.

24 **General**

24.1 Figures have been rounded-off to the nearest thousand rupees except as stated otherwise.

24.2 Corresponding figures have been reclassified or arranged, wherever necessary for better and fair presentation. However, no significant reclassification / rearrangement has been made during the period.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer