

Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter and half year ended June 30, 2017

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Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Jeremy Rowe	Non-Executive
Jehanzeb Khan	Chief Executive	Sebastian Tan	Non-Executive
Bart Kaster	Non-Executive	Harris Mahmood	Executive
Zia Ur Rehman	Non-Executive (Independent)		

Audit Sub Committee

Zia Ur Rehman	Chairman
Mueen Afzal	Member
Bart Kaster	Member
Sebastian Tan	Member

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Jeremy Rowe	Member
Jehanzeb Khan	Member

Share Transfer Committee

Jehanzeb Khan	Chief Executive
Harris Mahmood	Chief Financial Officer
Sara Shah	Company Secretary

Chief Financial Officer

Harris Mahmood

Company Secretary

Sara Shah

Executive Management Team

Jehanzeb Khan	Chief Executive	Harris Mahmood	Chief Financial Officer
Rizwan Afzal	Operations Manager	Muhammad Rizwan	Supply Chain Manager
Usman Ali Jamil	HR Business Partner	Saad Mahmood Rashid	Business Manager - Decorative Paints
		M. Ismail Hussain Naqvi	Business Manager - Performance Coatings

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

346, Ferozepur Road,
Lahore - 54600
Tel: (042) 111-551-111
Fax: (042) 35835011
www.akzonobel.com/pk/paints

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, 2017

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, 2017.

Financial Performance

Raw material prices began to escalate during these six month. The voluntary oil supply reduction agreement by members of OPEC and some non-OPEC producers, which came into effect from January 1, 2017, provided some respite to falling crude oil prices which, coupled with global supply shortages, resulted in higher raw material costs for the Paint Industry.

Despite these inflationary trends, and despite the presence of a growing informal sector, your company has improved its turnover in first half of 2017 by 12%. This was on the back of increased channel engagement as well as due to the launch of innovative products. Increase in the demand for Automotive OEMs as well as the commencement of CPEC projects has also driven growth in the company's sales. In the recent Finance Act government extended the super tax for yet another year and hence the effective income tax rate remained at 35%. Profit after tax, however at PKR 295m and EPS at PKR 6.36 were 14% higher than the same period last year.

	PKR million					
	Quarter ended June 30,		Increase (Decrease) %	Six months ended June 30,		Increase (Decrease) %
	2017	2016		2017	2016	
Turnover	2,168	2,073	5	4,404	3,948	12
Net Sales Income	1,457	1,384	5	2,927	2,632	11
Gross Profit	582	597	(3)	1,170	1,136	3
Operating Results	204	192	6	429	377	14
Profit Before Tax	214	216	(1)	453	426	6
Profit After Tax	126	120	5	295	259	14
Earnings Per Share - Rs	2.72	2.58	5	6.36	5.58	14

The company contributed PKR 346m and PKR 643m to the national exchequer through taxes, duties and other levies during Q2 2017 and H1 2017 respectively.

Business Performance

In Pakistan's highly competitive paint market, the company was able to deliver a strong performance in the first half of the year and was able to effectively engage trade channel and end consumers. An effective Media campaign to support Dulux Weathershield Powerflexx continued on all major TV channels during the second quarter.

Sales to the tractor industry continued to increase as a result of a favorable change in the sales tax rate and government subsidies. The company was also able to sell paints and coatings to new energy and industrial projects.

Future Outlook

Prospects for Pakistan's economy appear positive in 2017 on the back of easing of energy supply shortages, accelerating progress on CPEC related projects, and an increased focus of federal/provincial governments on development projects in view of anticipated general elections in early 2018. However, an element of instability has been introduced into the system with the recent court judgment in the Panama Papers case.

The Company plans to remain focused on fulfilling customer needs, launching new products and strengthening relationships with existing customers and suppliers, whilst exploring opportunities for both organic and inorganic growth.

Automotive OEM sector is expected to continue the strong performance, while company will continue adding new customers and products to Specialty Chemicals, Metal and Protective Coatings portfolios.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive

ڈائریکٹرز رپورٹ

30 جون 2017 کی پہلی سہ ماہی اور ششماہی کا جائزہ

ایگزیکٹو بورڈ آف ڈائریکٹرز 30 جون 2017 کو ختم ہونے والی مالیاتی سال کی سہ ماہی اور ششماہی کا جائزہ دینے پر مسرت محسوس کرتے ہیں

مالیاتی کارکردگی:-

پچھلے چھ ماہ کے دوران خام مال کی قیمتوں میں اضافہ ہوا ہے جس کی وجہ تیل کی قیمت میں اضافہ اور خام مال کی قلت ہے۔ ان Inflationary رجحانات اور غیر رسمی شعبہ کی موجودگی کے باوجود آپ کی کمپنی نے اپنا ٹرن اوور 2017 کی پہلے چھ ماہ میں 12 فیصد بڑھایا ہے۔ ٹرن اوور میں اضافہ کی وجہ چینل Engagement کے ساتھ ساتھ جدید مصنوعات کا آغاز کرنا ہے۔ Automotive OEM کی شرح میں اضافے اور OPEC منصوبوں کے آغاز کے ساتھ کمپنی کی فروخت میں اضافہ دیکھا گیا ہے۔ حالیہ فنانس ایکٹ کے تحت حکومت نے Super Tax ایک اور سال کے لیے بڑھایا ہے۔ جس سے آئٹم ٹیکس کی شرح 35 فیصد تک بڑھ گئی تاہم ٹیکس کے بعد منافع PKR 295m اور EPS PKR 6.36 گزشتہ سال اسی مدت سے 14% زیادہ تھا۔ کمپنی نے ملک کے قومی خزانے میں ٹیکس محصولات کی مد میں PKR 346 m اور PKR 643m Q2 2017 اور H1 2017 کے دوران جمع کروائیں ہیں۔

کاروباری کارکردگی:-

پاکستان کے انتہائی مسابقتی پینٹ مارکیٹ میں کمپنی سال کی پہلی نصف میں مضبوط کارکردگی کا مظاہرہ کرنے میں کامیاب رہی اور پینٹ کی فروخت اور صارفین کو موثر طریقے سے مشغول رکھنے میں کامیاب رہی۔ سال کی دوسری سہ ماہی کے دوران تمام بڑے ٹی وی چینلز پر Dulux Powerflex Weather Shield کی میڈیا مہم برقرار رہی۔ ٹریڈ انڈسٹری کی فروخت میں سیلز ٹیکس کی شرح اور حکومتی سبسڈیوں میں مناسب تبدیلی کے نتیجے میں اضافہ ہوا۔ کمپنی نئی توانائی اور صنعتی منصوبوں کو پینٹ اور کونٹیک فروخت کرنے میں کامیاب رہی۔

مستقبل کے نقطہ نظر:-

2017 میں توانائی کی فراہمی کی قلت میں کمی، CPEC کے متعلقہ منصوبوں میں پیشرفت اور 2018 کے آغاز میں متوقع عام انتخابات کے حوالے سے ترقیاتی منصوبوں پر وفاقی/صوبائی حکومتوں پر توجہ مرکوز کرنے کی وجوہات کی بنا پر پاکستان کی معیشت کے امکانات مثبت نظر آتے ہیں۔ تاہم Panama Case کے حالیہ عدالتی فیصلے کی وجہ سے ملک کے نظام میں عدم استحکام کا عنصر مرتب ہوا ہے۔

کمپنی کسٹمرز کی ضروریات کو پورا کرنے، نئی مصنوعات متعارف کرنے اور موجودہ گاہکوں کے ساتھ تعلقات مضبوط کرنے کا ارادہ رکھتی ہے۔ اس کے ساتھ ساتھ نامیاتی اور غیر نامیاتی ترقی کے مواقع کی تلاش جاری رکھے گی۔ Automotive OEM شعبے کی توقع ہے کہ وہ مضبوط کارکردگی جاری رکھے گی۔ جبکہ کمپنی نئے کسٹمرز کو Specialty Chemicals اور Metal Protective Coatings کے Portfolio میں شامل کرنا جاری رکھے گی۔

جہان زیب خان
چیف ایگزیکٹو

معین افضل
چیرمین



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Akzo Nobel Pakistan Limited ("the Company") as at June 30, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with explanatory notes forming part thereof, for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2017.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 condensed interim financial information as of and for the half year ended June 30, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Name of engagement partner: Hammad Ali Ahmad

Lahore

Dated: August 28, 2017

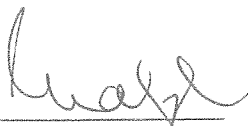
A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk

AKZO NOBEL PAKISTAN LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2017 (UN-AUDITED)

	Note	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
----- (Rupees in thousand) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,932,476	1,840,208
Intangible assets		209	674
Long term loans	5	85,358	87,040
Long term deposits and prepayments		6,739	4,658
Deferred tax asset - net		123,662	135,690
		<u>2,148,444</u>	<u>2,068,270</u>
CURRENT ASSETS			
Stores and spares		22,015	18,603
Stock-in-trade	6	703,619	468,549
Trade debts	7	822,701	493,199
Loans and advances		48,708	62,529
Trade deposits and short term prepayments		27,422	20,775
Other receivables	8	15,594	20,944
Income tax receivable		16,178	1,729
Interest accrued		2,889	4,754
Cash and bank balances	9	1,196,565	1,927,584
		<u>2,855,691</u>	<u>3,018,666</u>
		<u><u>5,004,135</u></u>	<u><u>5,086,936</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
100,000,000 (2016: 100,000,000) ordinary shares of Rs. 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital			
46,443,320 (2016: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves			
- Capital reserves		156,202	156,202
- Revenue reserve		1,604,662	1,590,787
		<u>1,760,864</u>	<u>1,746,989</u>
		<u>2,225,297</u>	<u>2,211,422</u>
Surplus on revaluation of property, plant and equipment		1,327,188	1,347,799
NON-CURRENT LIABILITIES			
Deferred liabilities		58,861	57,210
CURRENT LIABILITIES			
Trade and other payables	10	1,392,789	1,470,505
CONTINGENCIES AND COMMITMENTS			
	11	-	-
		<u>5,004,135</u>	<u>5,086,936</u>


The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

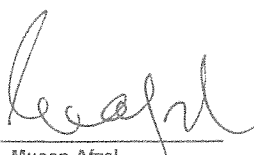
AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2017

	Note	Quarter ended		Half year ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
----- (Rupees in thousand) -----					
Turnover		2,168,122	2,073,315	4,404,144	3,947,568
Sales tax excise duty and discounts		(710,730)	(688,860)	(1,476,832)	(1,315,230)
Net Sales		1,457,392	1,384,455	2,927,312	2,632,338
Cost of sales	12	(876,325)	(787,779)	(1,757,229)	(1,496,093)
Gross profit		581,067	596,676	1,170,083	1,136,245
Selling and distribution expenses		(294,106)	(323,257)	(577,099)	(598,704)
Administrative and general expenses		(83,233)	(81,350)	(163,794)	(160,287)
Operating profit		203,728	192,069	429,190	377,254
Finance cost		(312)	(1,594)	(640)	(3,580)
Other charges	13	(19,397)	(14,570)	(34,632)	(31,837)
		(19,709)	(16,164)	(35,272)	(35,417)
Other income	14	29,726	40,514	58,902	84,410
Profit before taxation		213,745	216,419	452,820	426,247
Taxation	15	(87,339)	(96,400)	(157,673)	(167,241)
Profit for the period		126,406	120,019	295,147	259,006
Earnings per share - basic and diluted (Rupees)		2.72	2.58	6.36	5.58

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

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Mueen Afzal
Chairman


Jehanzeb Khan
Chief Executive

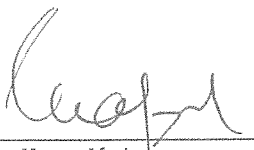

Harris Mahmood
Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2017

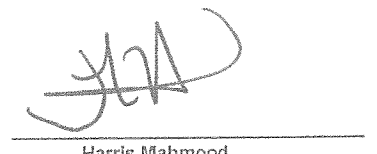
	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
----- (Rupees in thousand) -----				
Profit for the period	126,406	120,019	295,147	259,006
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>126,406</u>	<u>120,019</u>	<u>295,147</u>	<u>259,006</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

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Mueen Afzal
Chairman


Jehanzeb Khan
Chief Executive

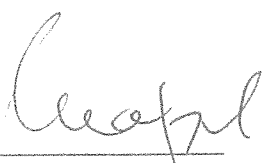

Harris Mahmood
Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

	Share capital	Capital reserves		Revenue reserve	Total
		Share premium	Capital receipts	Unappropriated profit	
(Rupees in thousand)					
Balance as on December 31, 2015 (audited)	464,433	156,006	196	1,383,041	2,003,676
Total comprehensive income for the period ended June 30, 2016					
Profit for the period	-	-	-	259,006	259,006
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	259,006	259,006
Incremental depreciation charge during the period - net of deferred tax	-	-	-	(628)	(628)
Transactions with owners of the Company recognized directly in equity					
Final dividend for the year ended December 31, 2015 @ Rs. 6.50 per share	-	-	-	(301,884)	(301,884)
Balance as on June 30, 2016 (un-audited)	464,433	156,006	196	1,339,535	1,960,170
Profit for the period	-	-	-	231,731	231,731
Other comprehensive income for the period	-	-	-	2,135	2,135
Total comprehensive income for the period	-	-	-	233,866	233,866
Incremental depreciation charge during the period - net of deferred tax	-	-	-	17,386	17,386
Balance as on December 31, 2016 (audited)	464,433	156,006	196	1,590,787	2,211,422
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	-	-	-	20,610	20,610
Transactions with owners of the Company recognized directly in equity					
Final dividend for the year ended December 31, 2016 @ Rs. 6.50 per share	-	-	-	(301,882)	(301,882)
Balance as on June 30, 2017 (un-audited)	464,433	156,006	196	1,604,662	2,225,297

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

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Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2017

Half year ended
June 30, 2017 **June 30, 2016**
 ----- (Rupees in thousand) -----

Cash flows from operating activities

Profit before taxation	452,820	426,247
Adjustments for:		
Depreciation and amortization	68,124	45,154
Gain on disposal of property, plant and equipment	(447)	(88)
Provision for employee benefits obligation	17,616	17,927
Reversal of provision for doubtful debts	(13,796)	(34,021)
Provision for slow moving and obsolete stocks	6,224	7,907
Interest income	(37,603)	(38,675)
	492,938	424,451

Movement in working capital:

Decrease / (increase) in current assets

Stores and spares	(3,412)	(2,318)
Stock-in-trade	(241,294)	(144,464)
Trade debts	(315,705)	(68,091)
Loans and advances	13,821	(27,875)
Trade deposits and short term prepayments	(6,648)	(9,224)
Other receivables	5,350	1,978
	(547,888)	(249,994)

Decrease in current liabilities

Trade and other payables	(69,976)	(25,123)
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Net cash (used in) / generated from operations

	(124,926)	149,334
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Long term loans	1,682	(6,030)
Long term deposits and prepayments	(2,081)	448
Employee benefits paid	(12,160)	(12,693)
Taxes paid	(160,094)	(140,369)
	(172,653)	(158,644)

Net cash used in operating activities	(297,579)	(9,310)
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Cash flows from investing activities

Payments for capital expenditure	(171,635)	(18,626)
Proceeds from disposal of property, plant and equipment	447	166
Interest received	39,468	38,662

Net cash (used in) / generated from investing activities	(131,720)	20,202
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Cash flows from financing activities

Dividend paid	(301,720)	(301,720)
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Net cash used in financing activities	(301,720)	(301,720)
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Net decrease in cash and cash equivalents

	(731,019)	(290,828)
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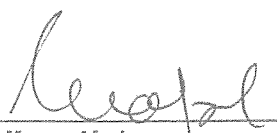
Cash and cash equivalents at the beginning of the year

	1,927,584	1,770,771
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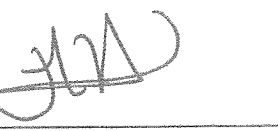
Cash and cash equivalents at the end of the year

	1,196,565	1,479,943
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The annexed notes 1 to 22 form an integral part of this condensed interim financial information.


 Mueen Afzal
 Chairman


 Jehanzeb Khan
 Chief Executive


 Harris Mahmood
 Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2017

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.

2 Basis of preparation

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 and further clarified through its press release dated July 20, 2017, companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017, shall prepare financial statements in accordance with the provisions of Companies Ordinance, 1984. Accordingly this condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 and is being submitted to the shareholders in accordance with Section 245 of Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued by Companies Ordinance, 1984 have been followed. The figures for the half year ended June 30, 2017 have been subjected to limited scope review as required by above-mentioned section of the Companies Ordinance, 1984. This condensed interim financial information does not include all information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended December 31, 2016, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been extracted from the un-audited condensed interim financial information for the six months period ended June 30, 2016.

2.2 Judgements and estimates

In preparing this condensed interim financial information, 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 financial statements as at and for the year ended December 31, 2016.

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).

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency.

3 Significant accounting policies

The accounting policies applied in this condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended December 31, 2016.

3.1 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, 2017 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 financial statements.

3.1.1 Amendments to published standards effective in current year

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 but the Company has not early adopted them. They are not expected to have a material impact on Company's financial statements.

Effective Date
(accounting periods
beginning on or after)

Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses	January 1, 2017
Amendments to IAS 7, Statement of cash flows	January 1, 2017

3.1.2 Standards, amendments and interpretations to existing standards not yet effective

IFRS 15, 'Revenue from Contracts with Customers'	January 1, 2018
IFRS 9, 'Financial Instruments'	January 1, 2018
Amendment to IFRS 9, 'Financial instruments', on general hedge accounting	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
IFRIC 23, 'Uncertainty over income tax'	January 1, 2019

4	Property, plant and equipment	Note	June 30, 2017 (Un-audited) (Rupees in thousand)	December 31, 2016 (Audited)
	Operating property, plant and equipment	4.1	1,878,381	1,712,717
	Capital work-in-progress	4.2	54,095	127,491
			<u>1,932,476</u>	<u>1,840,208</u>
4.1	Operating property, plant and equipment			
	Opening net book value		1,712,717	1,209,489
	Additions during the period	4.1.1	233,323	27,580
	Revaluation during the period		-	587,921
	Adjustments during the period		-	(989)
	Depreciation charged during the period		(67,659)	(111,284)
	Closing net book value		<u>1,878,381</u>	<u>1,712,717</u>
4.1.1	Following is the details of additions during the period:			
	Freehold Land		213,561	-
	Buildings on freehold land		143	698
	Plant and machinery		14,910	16,648
	Office Equipment		1,274	2,876
	Vehicles		-	1,058
	Furniture and equipment		3,435	6,300
			<u>233,323</u>	<u>27,580</u>
4.2	Capital work-in-progress:			
	Civil works and buildings		83	3,017
	Plant and machinery		49,508	33,021
	Equipments		4,504	165
	Advance paid for purchase of land		-	91,288
			<u>54,095</u>	<u>127,491</u>
5	Long term loans - Considered good			
	Due from executives and employees		111,683	110,430
	Receivable within one year		(26,325)	(23,390)
			<u>85,358</u>	<u>87,040</u>

5.1 The maximum aggregate amount of long term loans due from the Executives at the end of any month during the year was Rs. 81.45 million (December 31, 2016: Rs. 78.24 million).

6 Stock-in-trade

Out of the total carrying value of inventory Rs. 0.07 million (December 31, 2016: Rs. 0.73 million) is measured at net realizable value. As at June 30, 2017 stock has been written down by Rs. 0.04 million (December 31, 2016: Rs.0.33 million) to arrive at its net realizable value.

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		June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
		(Rupees in thousand)	
7	Trade debts		
	Considered good:		
	Secured	44,149	12,744
	Unsecured	1,226,699	1,006,915
		1,270,848	1,019,659
	Considered doubtful	235,727	249,523
		1,506,575	1,269,182
	Less: provision for:		
	Doubtful debts	(235,727)	(249,523)
	Discounts payable on sales	(448,147)	(526,460)
		(683,874)	(775,983)
		822,701	493,199

8 **Other receivables**

This includes balance amounting to Rs. 14.79 million (December 31, 2016: Rs. 19.39 million) receivable from associated undertakings.

		June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
		(Rupees in thousand)	
9	Cash and bank balances		
	Cash in hand	11,569	14,092
	Cash at bank - current accounts	241,496	95,942
	Short term deposits	943,500	1,817,550
		1,196,565	1,927,584

9.1 Cash and bank balances include cheques in hand amounting Rs. 168.19 Million (2016: 148.24 Million) and amounting USD 3,730 (2016: USD 3,730).

9.2 These represent Term Deposit Receipts placed with commercial banks under Shariah non-compliant arrangements. These carry mark-up at the rate of 5.25% (December 31, 2016: 5.00% to 5.20%) per annum and will mature on various dates latest by July 17, 2017.

9.3 The facility for running finance and issuance of letters of credit is available from Deutsche Bank amounting to Rs. 391 million (December 31, 2016: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2016: 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. 90 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. 248.92 million (December 31, 2016: Rs. 266.30 million) payable to related parties.

11 **Contingencies and commitments**

11.1 Claims against the Company not acknowledged as debts are as follows:

	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)	
		(Rupees in thousand)	
Sales tax authorities	40,612	40,612	
Others	10,000	10,000	
	50,612	50,612	

11.2 Commitments in respect of capital expenditure amounting to Rs. 62.65 million (December 31, 2016: Rs. 140.44 million).

11.3 Commitments in respect of forward foreign exchange contracts amounting to Rs. 11.07 million (December 31, 2016: Rs. 32.56 million).

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

Year	June 30,	December 31,
	2017 (Un-audited)	2016 (Audited)
	(Rupees in thousand)	
2017	8,184	14,581
2018	11,998	8,663
2019	9,916	6,575
2020	7,457	4,109
2021	2,862	1,775
	<u>40,417</u>	<u>35,703</u>
Payable not later than one year	14,857	14,581
Payable later than one year but not later than five years	25,560	21,122
	<u>40,417</u>	<u>35,703</u>

	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	----- (Rupees in thousand) -----			
12 Cost of Sales				
Raw and packing materials consumed	727,460	604,404	1,451,321	1,225,657
Manufacturing costs	<u>150,758</u>	<u>138,907</u>	<u>301,025</u>	<u>268,702</u>
	878,218	743,311	1,752,346	1,494,359
Opening work-in-process	11,680	27,594	11,873	11,863
Closing work-in-process	<u>(14,127)</u>	<u>(27,171)</u>	<u>(14,127)</u>	<u>(27,172)</u>
Cost of goods manufactured	<u>875,771</u>	<u>743,734</u>	<u>1,750,092</u>	<u>1,479,050</u>
Opening finished goods	283,514	234,413	241,509	162,754
Finished goods purchased	92,900	39,767	141,488	84,424
Closing finished goods	<u>(375,860)</u>	<u>(230,135)</u>	<u>(375,860)</u>	<u>(230,135)</u>
	<u>876,325</u>	<u>787,779</u>	<u>1,757,229</u>	<u>1,496,093</u>

13 This includes exchange loss amounting to Rs. 0.99 million (June 30, 2016: loss amounting to Rs. 1.94 million). It includes exchange loss from actual currency amounting to Rs. 1.34 million (June 30, 2016: loss amounting to Rs. 1.94 million) and exchange gain from forward contracts amounting to Rs. 0.35 million (2016: loss amounting to Rs. 0.003 million).

	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	----- (Rupees in thousand) -----			
14 Other income				
Income from financial assets				
Profit on short-term and call deposits	16,550	18,089	37,603	38,675
Exchange gain - net	-	295	-	-
Income from non-financial assets				
Scrap sales	1,305	3,200	3,391	6,516
Income from sale of fixed assets	-	88	447	88
Interest income on staff loans	280	-	1,148	-
Others				
Provisions no longer required and written back	11,591	16,277	13,796	34,021
Miscellaneous income	-	2,565	2,517	5,110
	<u>29,726</u>	<u>40,514</u>	<u>58,902</u>	<u>84,410</u>

	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
15 Taxation				
Current	71,383	54,766	120,436	119,948
Prior year	25,209	29,383	25,209	29,383
Deferred	<u>(9,253)</u>	<u>12,251</u>	<u>12,028</u>	<u>17,910</u>
	<u>87,339</u>	<u>96,400</u>	<u>157,673</u>	<u>167,241</u>

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Transactions with related parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (AkzoNobel N.V.), related group companies, directors of the Company, companies where directors also hold directorship, key employees and staff retirement funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim financial information is as follows:

	Quarter ended		Half year ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	----- (Rupees in thousand) -----			
Holding company				
Dividend paid - net of tax	205,977	205,977	205,977	205,977
Associates				
Purchase of goods, materials and services	70,658	17,651	174,642	86,720
Indenting commission income	2,829	7,220	4,285	13,242
Sale of goods and services	80	242	116	307
Reimbursement of expenses	2,256	2,444	4,544	5,242
Royalty	-	-	-	1,594
Contribution to staff retirement benefit plans	17,534	24,523	28,623	40,907

Transactions with key management personnel

Salaries and benefits of key management personnel for the six months period ended June 30, 2017 amounted to Rs. 71.84 million (June 30, 2016: Rs. 66.29 million) out of which Rs. 8.04 million (June 30, 2016: Rs. 7.60 million) relates to post employment benefits.

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 97.17 % (June 30, 2016: 98.26%) of the total revenue of the Company.

17.3 100% (June 30, 2016: 99.74%) sales of the Company relate to customers in Pakistan.

17.4 All non-current assets of the Company as at June 30, 2017 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 financial statements for the year ended December 31, 2016.

20 Ijarah rentals

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

Description	Half year ended	
	June 30, 2017	June 30, 2016
	(Rupees in thousand)	
Cost of sales	1,213	952
Selling and distribution expenses	2,673	2,291
Administrative and general expenses	4,058	3,638

ATK

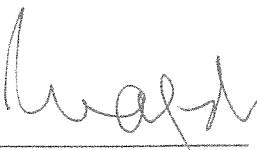
21 Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on August 28, 2017.

22 General

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

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Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer