

Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the three and nine months period ended September 30, 2018

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and Other Comprehensive Income
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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
Rehan Hamid	Acting Company Secretary

Chief Financial Officer

Harris Mahmood

Acting Company Secretary

Rehan Hamid

Executive Management Team

Saad Mahmood Rashid	Chief Executive	Harris Mahmood	Chief Financial Officer
Farooq Ayub Khan	Operations Manager	Muhammad Rizwan	Cluster Logistics Manager, Supply Chain
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.	Habib Metropolitan Bank Limited
Deutsche Bank Limited A.G.	Habib Bank Limited
United 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.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 nine months ended September 30, 2018

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

Financial Performance

Despite the uncertainty which comes with general elections and the macro-economic challenges faced by the economy, revenues registered a 4% growth in the first nine months of the year due to higher pricing and rising sales of Metal Coatings.

Raw material prices continued their upward trajectory since the start of the year primarily, due to currency devaluation and higher custom duties. PKR has devalued 25% against major currencies since December 2017. Price increases were taken on all product lines but margins remained lower than last year. To manage profitability, the company took several cost saving initiatives and as a result selling and administrative expenses remained the same as last year. The profit after tax, at PKR 308m and EPS at PKR 6.64 were 21% lower than the same period last year.

	PKR million					
	Quarter ended Sep 30,		Increase (Decrease)	Nine months ended Sep 30,		Increase (Decrease)
	2018	2017	%	2018	2017	%
Turnover	2,026	2,025	0	6,710	6,430	4
Net Sales Income	1,329	1,353	(2)	4,458	4,281	4
Gross Profit	412	517	(20)	1,554	1,687	(8)
Operating Results	63	138	(55)	433	571	(24)
Profit After Tax	55	94	(42)	308	390	(21)
Earnings Per Share - Rs	1.18	2.04	(42)	6.64	8.39	(21)

The company contributed PKR 253m (Q3 2017: PKR 192m) and PKR 851m (YTD 2017: PKR 835m) to the national exchequer through taxes, duties and other levies during the quarter and nine months ended September 30, 2018 respectively.

Business Performance

Economic turmoil and rising raw material costs forced all major competitors to implement price increases. Painting activity remained sluggish throughout the quarter and off-take remained slow. To engage the end consumer, a media campaign for Dulux Promise was launched. The campaign was spread across multiple mediums to create awareness and increase brand equity for the newly launched brand.

The company was also able to ramp up sales to packaging coatings customers. Sales of protective coatings slowed down due to lower spending on infrastructure projects.

Future Outlook

Going forward, several factors indicate the likelihood of increased volatility; further rupee devaluation is anticipated due to an increasing current account deficit. Rising inflation, higher interest rates and a decline in foreign direct investment are expected to impact demand in the short term. However, in medium term the situation is expected to improve as the new government settles in and economic policies take shape.

The Company is optimistic and aggressive with regards to its growth prospects through continued introduction of innovative products, increase in the customer base and improved service levels.


Mueen Afzal
Chairman


Saad Mahmood Rashid
Chief Executive

ڈائریکٹرز رپورٹ

30 ستمبر 2018ء کو ختم ہونے والی سہ ماہی اور نو ماہ کا جائزہ

لیکچر نوٹس کے ڈائریکٹرز 30 ستمبر 2018ء کو ختم ہونے والے نو ماہ کا جائزہ پیش کرنے پر مسرت و اطمینان سے ہیں۔

مالیاتی کارکردگی:

عام انتخابات اور معیشت کو پیش نظر بنانے کی وجہ سے غیر یقینی صورتحال جاری رہی۔ اس کے باوجود آمدنی میں سال کے مقابلے نو ماہ میں 4 فیصد اضافہ ہوا جس کی وجہ قیمتوں میں اضافہ اور ٹیکس کوٹنگز کی بڑھتی ہوئی فروخت تھی۔

گرنے کی قدر میں کمی اور سٹاک مارکیٹ میں اضافہ کی وجہ سے سال کے آغاز سے ہی خام مال کی قیمتوں میں اضافہ رہا۔ روپے کی قدر میں دسمبر 2017ء کی قدر میں 25 فیصد کمی دیکھی گئی۔ تمام پراڈکٹس کی قیمتوں میں اضافہ کیا گیا اس کے باوجود مارچن پیچھے سال کے تناسب میں کم رہا۔ منافع کی شرح کو برقرار رکھنے کیلئے کمپنی نے آؤٹ کی بیعت کے مختلف اقدامات کئے جسکی وجہ سے فروخت اور انتظامی اقدامات گزشتہ سال کے برابر رہے۔ ٹیکس کی کٹوتی کے بعد منافع PKR EPS/ PKR 308M سے 21 فیصد کم ہیں۔

کمپنی نے تیسری سہ ماہی میں قومی خزانہ میں مختلف ٹیکس اور ڈیویڈنڈ کی مدد میں PKR 253M خرچ کروائے۔


کاروباری کارکردگی:


اقتصادی بحران اور خام مال کی قیمتوں میں اضافے نے تمام بڑے شعبوں کو قیمتوں میں اضافے پر مجبور کیا۔ پیٹنٹس، سرمایہ کاری، نئی سہ ماہی میں کمی و ہار کا شکار رہی۔ صارفین کو منسلک رکھنے کیلئے ڈیولپمنٹس پر اس کی سیریاٹیم کا آغاز کیا گیا۔ نئے برانڈنگ پیمان اور برانڈ ایڈجسٹی کو بڑھانے کیلئے اس شعبہ کو مختلف سہ ماہی دسٹریکٹس پر چلایا گیا۔ تحقیقی پیٹنٹنگ کو انڈیا کے کاموں کو اضافی سٹیل کرنے میں کامیاب رہی جبکہ پروڈیگٹیو کوٹنگز کی سٹیل میں، انٹرا سٹریچر پروڈیگٹیو سٹیل پر کام سہ ماہی کی کارکردگی کی وجہ سے کمی رہی۔

مستقبل کے نقطہ نظر:

موجودہ مالیاتی کٹاؤٹ کے خسار کی وجہ سے روپے کی قدر میں مزید کمی ماننے والے وقت میں عدم استحکام میں اضافے کی نشانیوں سے رہی ہے۔ باہمی بین الاقوامی سرمایہ کاری میں اضافہ اور غیر ملکی سرمایہ کاری میں کمی و یونائیٹڈ سٹاٹسز کو ملحق ہے۔ تاہم، نئی حکومت کے اقتدار سنبھالنے اور اقتصادی پالیسی کے عمل درآمد ہوتے ہی موجودہ صورتحال میں بہتری کی توقع کی جا رہی ہے۔

کمپنی اپنی ترقی کے حتمی نقطے پر جانے انداز میں پرامید ہے اور اس کو پانچ سالہ سہ ماہی کے آغاز، صارفین کی تعداد میں اضافہ اور بہتر خدمات کا جذبہ جاری رکھے گی۔


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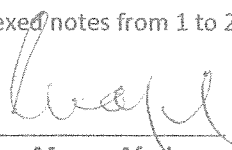
AKZO NOBEL PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT SEPTEMBER 30, 2018

	Note	Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2018	December 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,957,016	1,983,914
Intangible assets		-	9
Long term loans	5	74,612	85,553
Long term deposits and prepayments		5,707	6,240
Deferred tax asset - net		141,327	132,164
		<u>2,178,662</u>	<u>2,207,880</u>
Current assets			
Stores and spares		22,202	25,568
Stock in trade	6	860,408	587,044
Trade debts	7	993,092	739,593
Loans and advances		60,770	62,603
Trade deposits and short term prepayments		21,922	14,033
Other receivables	8	67,536	44,486
Income tax receivable		20,456	16,172
Interest accrued		2,530	4,496
Cash and bank balances	9	1,135,188	2,070,176
		<u>3,184,104</u>	<u>3,564,171</u>
		<u><u>5,362,766</u></u>	<u><u>5,772,051</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
100,000,000 (2017: 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 (2017: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves			
Capital reserves		156,202	156,202
Revenue reserve		1,876,675	1,862,301
		<u>2,032,877</u>	<u>2,018,503</u>
Surplus on revaluation of property, plant and equipment		1,275,354	1,306,613
		<u>3,772,664</u>	<u>3,789,549</u>
Non-current liabilities			
Deferred liabilities		61,814	58,062
Current liabilities			
Trade and other payables	10	1,528,288	1,924,440
		<u>1,528,288</u>	<u>1,924,440</u>
Contingencies and commitments	11		
		<u><u>5,362,766</u></u>	<u><u>5,772,051</u></u>

The annexed notes from 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 NINE MONTHS ENDED SEPTEMBER 30, 2018

Amounts in Rs '000

	Note	Three months ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Turnover		2,026,425	2,025,254	6,709,972	6,430,248
Sales tax and discounts		(696,966)	(671,796)	(2,252,283)	(2,149,478)
Net sales		1,329,459	1,353,458	4,457,689	4,280,770
Cost of sales	12	(917,439)	(836,361)	(2,903,961)	(2,593,590)
Gross profit		412,020	517,097	1,553,728	1,687,180
Selling and distribution expenses		(279,300)	(300,402)	(873,717)	(873,644)
Administrative and general expenses		(70,126)	(78,762)	(246,514)	(242,556)
Operating profit		62,594	137,933	433,497	570,980
Finance cost		(2,042)	(2,795)	(5,666)	(2,287)
Other charges	13	(20,906)	(11,960)	(55,438)	(46,522)
		(22,948)	(14,755)	(61,104)	(48,809)
Other income	14	48,557	15,015	118,709	68,843
Profit before taxation		88,203	138,193	491,102	591,014
Taxation	15	(33,451)	(43,700)	(182,884)	(201,373)
Profit for the period		54,752	94,493	308,218	389,641
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		54,752	94,493	308,218	389,641
Earnings per share					
- Basic and diluted (Rupees)		1.18	2.04	6.64	8.39

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


Mueen Afzal
Chairman


Saad Mahmood Rashid
Chief Executive

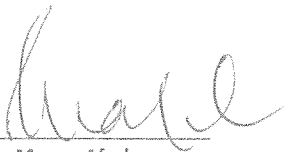

Harris Mahmood
Chief Financial Officer

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

Amounts in Rs '000

	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		
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	-	-	-	389,641	-	389,641
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the nine months period ended September 30, 2017	-	-	-	389,641	-	389,641
Incremental depreciation charge during the period - net of deferred tax	-	-	-	30,901	(30,901)	-
Transactions with owners of the Company recognised directly in equity						
Final dividend for the year ended December 31, 2016 @ Rs. 6.50 per share	-	-	-	(301,884)	-	(301,884)
Balance as on September 30, 2017 (un-audited)	464,433	156,006	196	1,709,445	1,316,898	3,646,978
Profit for the period	-	-	-	183,365	-	183,365
Other comprehensive loss for the period	-	-	-	(40,794)	-	(40,794)
Total comprehensive income for the three months period ended December 31, 2017	-	-	-	142,571	-	142,571
Incremental depreciation charge during the period - net of deferred tax	-	-	-	10,285	(10,285)	-
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	-	-	-	308,218	-	308,218
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	308,218	-	308,218
Incremental depreciation charge during the period - net of deferred tax	-	-	-	31,259	(31,259)	-
Transactions with owners of the Company recognised directly in equity						
Final dividend for the year ended December 31, 2017 @ Rs. 7.00 per share	-	-	-	(325,103)	-	(325,103)
Balance as on September 30, 2018 (un-audited)	464,433	156,006	196	1,876,675	1,275,354	3,772,664

The annexed notes from 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 NINE MONTHS ENDED SEPTEMBER 30, 2018

Amounts in Rs '000

	Nine months ended	
	September 30, 2018	September 30, 2017
Cash flows from operating activities		
Profit before taxation	491,102	591,014
Adjustments for:		
Depreciation and amortisation	111,684	102,275
Loss / (gain) on disposal of property, plant and equipment	940	(377)
Provision for employee benefits obligation	26,581	26,424
Provision / (reversal of provision) for doubtful debts	54,699	(9,940)
Provision for slow moving and obsolete stocks	24,294	10,254
Provision no more required written back	(32,193)	-
Interest income	(47,274)	(51,494)
Profit before working capital changes	629,833	668,156
Effect on cash flow due to working capital changes:		
<i>Decrease / (increase) in current assets</i>		
Stores and spares	3,366	(3,243)
Stock in trade	(297,658)	(280,194)
Trade debts	(308,198)	(326,432)
Loans and advances	1,833	3,854
Trade deposits and short term prepayments	(7,889)	(23,536)
Other receivables	(23,050)	2,777
	(631,596)	(626,774)
<i>(Decrease) / increase in current liabilities</i>		
Trade and other payables	(351,767)	74,782
Net cash (used in) / generated from operations	(353,530)	116,164
Decrease in long term loans	10,941	452
Decrease / (increase) in long term deposits and prepayments	533	(1,802)
Employee benefits paid	(30,994)	(18,782)
Tax paid	(196,330)	(219,750)
Net cash used in operating activities	(569,380)	(123,718)
Cash flows from investing activities		
Payments for capital expenditure	(94,752)	(208,310)
Proceeds from disposal of property, plant and equipment	359	447
Interest received	49,240	53,534
Net cash used in investing activities	(45,153)	(154,329)
Cash flows from financing activities		
Dividend paid	(320,455)	(300,026)
Net cash used in financing activities	(320,455)	(300,026)
Net cash used in all activities	(934,988)	(578,073)
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	1,135,188	1,370,875

The annexed notes from 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

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 nine months period ended September 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).

2.3 Functional and presentation currency

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

AKZO NOBEL PAKISTAN LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

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
IFRS 15, 'Revenue from Contracts with Customers'	July 1, 2018
IFRS 9, 'Financial Instruments'	July 1, 2018

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

	Effective Date (accounting periods beginning on or after)
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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		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2018	December 31, 2017
	Note		
4. Property, plant and equipment			
Operating property, plant and equipment	4.1	1,890,759	1,919,453
Capital work in progress	4.2	66,257	64,461
		<u>1,957,016</u>	<u>1,983,914</u>
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	84,281	346,286
Disposals / write-off (at net book value)		(1,300)	(165)
Depreciation charged during the period / year		(111,675)	(139,385)
Closing net book value		<u>1,890,759</u>	<u>1,919,453</u>
4.1.1 Following is the detail of additions during the period / year:			
Freehold land		-	214,561
Buildings on freehold land		11,057	10,053
Plant and machinery		57,868	102,368
Office equipment		9,809	4,009
Vehicles		1,482	-
Furniture and fixtures		4,065	15,295
		<u>84,281</u>	<u>346,286</u>
4.2 Capital work in progress			
Civil works and buildings		2,028	-
Plant and machinery		43,891	60,123
Equipment		1,023	4,338
Software		19,315	-
		<u>66,257</u>	<u>64,461</u>
5. Long term loans - considered good			
Due from executives and other employees		105,801	111,347
Receivable within one year		(31,189)	(25,794)
		<u>74,612</u>	<u>85,553</u>

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. 4.29 million (December 31, 2017: Nil) is measured at net realizable value. As at September 30, 2018 stock in trade has been written down by Rs. 0.17 million (December 31, 2017: Nil) to arrive at its net realizable value.

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	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2018	December 31, 2017
7. Trade debts		
Considered good:		
Secured	45,095	50,261
Unsecured	1,408,715	1,165,195
	1,453,810	1,215,456
Considered doubtful	206,327	211,659
	1,660,137	1,427,115
Provision for:		
Doubtful debts	(206,327)	(211,659)
Discounts	(460,718)	(475,863)
	(667,045)	(687,522)
	993,092	739,593

8. Other receivables

This includes balance amounting to Rs. 58.89 million (December 31, 2017: Rs. 32.55 million) receivable from associated undertakings.

	Note	Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2018	December 31, 2017
9. Cash and bank balances			
Cash in hand		24,938	17,501
Cash at bank - current accounts	9.1	464,250	288,375
Short term deposits	9.2	646,000	1,764,300
		1,135,188	2,070,176

9.1 Cash and bank balances include cheques in hand amounting Rs. 233.52 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 6.75% to 7.15% (December 31, 2017: 5.25% to 5.31%) per annum and will mature on various dates latest by October 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. 336.13 million (December 31, 2017: Rs. 333.88 million) payable to related parties. Out of this, Rs. 139.79 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.

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

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2018	December 31, 2017
Sales tax authorities	40,612	40,612
Others	10,000	10,000
	50,612	50,612

11.2 Commitments

11.2.1 Commitments in respect of capital expenditure amount to Rs. 64.06 million (December 31, 2017: Rs. 11.68 million). Out of this, Rs. 12.75 million relates to SAP Saturn implementation.

11.2.2 Commitments in respect of forward foreign exchange contracts amount to nil (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:

Year	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2018	December 31, 2017
2018	3,874	12,964
2019	15,487	12,240
2020	14,987	10,906
2021	10,237	6,126
2022	2,861	298
	47,446	42,534
Payable not later than one year	11,620	12,964
Payable later than one year but not later than five years	35,826	29,570
	47,446	42,534

12. Cost of sales

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Raw and packing materials consumed	591,253	591,457	2,234,326	2,042,778
Manufacturing costs	156,012	144,082	461,084	445,107
	747,265	735,539	2,695,410	2,487,885
Opening work in process	16,085	14,127	12,217	11,873
Closing work in process	(15,004)	(25,673)	(15,004)	(25,673)
Cost of goods manufactured	748,346	723,993	2,692,623	2,474,085
Opening finished goods	378,648	375,860	233,331	241,509
Finished goods purchased	101,053	78,744	288,615	220,232
Closing finished goods	(310,608)	(342,236)	(310,608)	(342,236)
	917,439	836,361	2,903,961	2,593,590

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13. This includes exchange loss amounting to Rs. 25.67 million (September 30, 2017: Rs. 2.64 million). It includes exchange loss from actual currency amounting to Rs. 25.23 million (September 30, 2017: Rs. 2.89 million) and exchange loss from forward contracts amounting to Rs. 0.44 million (September 30, 2017: exchange gain amounting to Rs. 0.25 million).

	Amounts in Rs '000			
	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
14. Other income				
Income from financial assets				
Profit on short term and call deposits	13,340	13,891	47,275	51,494
Interest Income on staff loans	-	-	-	-
Income from non-financial assets				
Scrap sales	1,717	1,124	5,326	4,515
Income from sale of fixed assets	-	-	-	377
Others				
Provisions no longer required and written back				
Doubtful debts	-	-	-	9,940
Others	-	-	32,193	-
Miscellaneous income	33,500	-	33,915	2,517
	48,557	15,015	118,709	68,843
	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
15. Taxation				
Current	48,365	59,182	168,299	179,618
Prior year	-	-	23,748	25,209
Deferred	(14,914)	(15,482)	(9,163)	(3,454)
	33,451	43,700	182,884	201,373

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:

	Amounts in Rs '000			
	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Holding Company				
Dividend paid - net of tax	-	-	221,821	205,977
Associates				
Purchase of goods, materials and services	90,528	51,236	323,630	225,878
Indenting commission income	1,655	2,441	2,240	6,726
Sale of goods and services	10,170	164	11,115	280
Reimbursement of expenses	4,080	3,606	16,514	8,151
Sale of Business	33,500	-	33,500	-
Contribution to staff retirement benefit plans	31,603	21,891	80,907	50,514

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

Transactions with key management personnel

Salaries and benefits of key management personnel for the nine months period ended September 30, 2018 amounted to Rs. 72.49 million (September 30, 2017: Rs. 96.95 million) out of which Rs. 7.35 million (September 30, 2017: Rs. 11.92 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 97.41% (September 30, 2017: 97.31%) of the total revenue of the Company.
- 17.3 99.89% (September 30, 2017: 99.89%) sales of the Company relate to customers in Pakistan.
- 17.4 All non-current assets of the Company as at September 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:

Description	Amounts in Rs '000	
	Nine months ended	
	September 30, 2018	September 30, 2017
Cost of sales	1,959	1,899
Selling and distribution expenses	3,490	3,888
Administrative and general expenses	4,248	6,195

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 become 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 nine months ended September 30, 2018.

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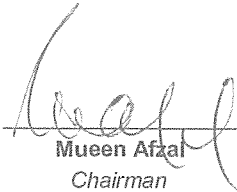
23. Date of authorization for issue

The condensed interim financial statements were authorized for issue in the Board of Directors meeting held on October 25, 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