Akzo Nobel
Pakistan Limited

AkzoNobel
Tomorrow's Answers Today

Financial Statements (Incorporating the effects of Demerger)

For the six months period ended December 31, 2011

Contents

Company Information

Board of Directors

Mueen Afzal	Chairman (Non-Executive)	James Thick	Non-Executive
Jehanzeb Khan	Chief Executive	Peter Tomlinson	Non-Executive
Bart Kaster	Non-Executive	Zia U Syed	Executive
Asad I A Khan	Non-Executive		

Audit & Remuneration Sub Committee of the Board

Audit Sub Committee		Remuneration Sub Committee	
Asad I A Khan	Chairman (Non-Executive)	Mueen Afzal	Chairman (Non-Executive)
Mueen Afzal	Non-Executive	Peter Tomlinson	Non-Executive
Bart Kaster	Non-Executive	Jehanzeb Khan	Chief Executive

Chief Financial Officer
Zia U Syed

Company Secretary
Nasir Jamal

Executive Management Team

Jehanzeb Khan	Chief Executive	Mohsin Raza Naqvi	Marketing Manager- Industrial Business
Rizwan Afzal	Operations Manager	Imran Qureshi	Business Manager- Decorative Business
Shahid Sultan Butt	Technical Manager (R&D)	Syed Imran Qutab	Marketing Manager- Refinish Business
Muddassir Khalid	Human Resource Manager	Bashar Rasheed	Supply Chain Manager
Fawad Mirza	Business Excellence & Compliance Manager	Zia U Syed	Chief Financial Officer

Bankers
Citibank N.A.
Deutsche Bank Limited A.G
Habib Bank Limited
Habib Metropolitan Bank Limited
Standard Chartered Bank Limited
United Bank Limited

Internal Auditors
Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors
KPMG Taseer Hadi & Co
Chartered Accountants

Registered Office
1st Floor, State Life Building 1-A
I.I. Chundrigar Road, Karachi- 74000
Tel: (021) 32427012, 32426597
Fax: (021) 32426752

Shares Registrar
FAMCO Associates (Pvt) Ltd
1st Floor, State Life Building 1-A
I.I Chundrigar Road, Karachi-74000
Tel: (021) 32427012, 32426597, 32420755, 32475606
Fax: (021) 32426752

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

REPORT OF THE DIRECTORS FOR THE PERIOD 1st JULY 2011 to 31st DECEMBER 2011

The Directors are pleased to present their report together with the audited financial statements of the Company for the period 1st July 2011 to 31st December 2011.

DE-MERGER OF THE PAINTS BUSINESS

In May 2011, the Board of Directors of ICI Pakistan Limited decided that the Paints Business of ICI Pakistan Limited would be separated from ICI Pakistan Limited and vested into another company, Akzo Nobel Pakistan Limited which will be listed on the Karachi, Lahore and Islamabad Stock Exchanges.

The Scheme of Arrangement for reconstruction of ICI Pakistan Limited envisaged separating its Paints undertaking inclusive of the Paints business and all assets, rights, liabilities and obligations pertaining thereto and vesting the Paints undertaking in Akzo Nobel Pakistan Limited against the issue of shares by Akzo Nobel Pakistan Limited to the shareholders of ICI Pakistan Limited.

The Scheme of Arrangement which was approved by the shareholders at the Extraordinary General Meeting on February 08, 2012 and sanctioned by the Honorable High Court of Sindh by its order announced on May 17, 2012. The Court Order was duly submitted to Securities Exchange Commission Pakistan and Akzo Nobel Pakistan Limited has become operational on June 01, 2012.

BUSINESS OVERVIEW

We have been in Paints business in Pakistan since 1965 and brands like Dulux and Paintex have become household names. With such extensive experience of knowing our customers' needs, and with the sophisticated technology and expertise acquired from being a part of the world's largest paints and coatings company AkzoNobel, we are appropriately placed to serve our customers in the field of Decorative, Industrial and Refinish paints and coatings segments.

During the last six months of 2011 the performance of the Company was affected by the continuing economic slowdown and reduced purchasing power of customers as well as an extended monsoon and tough security situation. As a consequence sales volumes remained subdued however; margins have improved due to relentless focus to preserve product quality by continuing to use the best raw materials and manufacturing processes in order to maintain consumer value. Innovation has always been a priority, and our R&D teams are continuously engaged in developing solutions and offering what customer will need.

We are committed to Health, Safety and Environment (HSE) and our record speak for itself. As a responsible corporate citizen we are and will continue to be involved with our communities in Corporate Social Responsibility (CSR) activities.

FINANCIAL PERFORMANCE

Despite the above challenges, the Company generated revenue of Rs 3,288m and made a profit before tax of Rs 285m.

	Rs. m
Turnover	3,288
Net Sales Income	2,446
Gross Profit	848
Profit Before Tax	285
Profit After Tax	188

FUTURE OUTLOOK

Energy shortages continued to impact the industrial sector negatively, and together with other macro-economic indicators like Rupee devaluation and inflationary pressure are also expected to undermine the business activities in the country. With stronger customer engagement, product innovation and with focus on margin management your Company is hopeful to overcome the difficult situation and remain poised to grow as the economic situation stabilizes.

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

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

(On the financial statements incorporating the effects of demerger)

We have audited the annexed balance sheet of **Akzo Nobel Pakistan Limited** ("the Company") as at 31 December 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion,

  i) the balance sheet together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies stated therein, except for the change as stated in note 8.3 with which we concur;

  ii) the expenditure incurred during the period was for the purpose of the Company's business; and

  iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part

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

thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of the profit, its cash flows and changes in equity for the period then ended; and

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

We draw attention to note 1 to the financial statements which describes the basis of these financial statements for the period ended 31 December 2011 which are being re presented after incorporating the effects of demerger. Our opinion is not qualified in respect of this matter.

KPMG Taseer Hadi & Co.

Date: 03 July 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Akzo Nobel Pakistan Limited
Balance Sheet
As at December 31, 2011
(Financial statements incorporating the effects of demerger)

Amounts in Rs' 000

	Note	2011
EQUITY AND LIABILITIES		
Share Capital and Reserves		
Authorised capital		
100,000,000 ordinary shares of Rs 10 each		**1,000,000**
Issued, subscribed and paid-up capital		
70 ordinary shares of Rs 10 each	3	**1**
Allocated share capital pursuant to the Scheme	3	**464,432**
Allocated capital reserves pursuant to the Scheme	3	**156,202**
Unappropriated profit		**4,206,787**
Total Equity		**4,827,422**
Surplus on Revaluation of Property, Plant and Equipment	4	**889,088**
Liabilities		
Non-Current Liabilities		
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	5	**25,061**
Current Liabilities		
Taxation payable		**76,572**
Trade and other payables	6	**801,901**
		878,473
Contingencies and Commitments	7	
Total Equity and Liabilities		**6,620,044**

Akzo Nobel Pakistan Limited
Balance Sheet
As at December 31, 2011
(Financial statements incorporating the effects of demerger)

Amounts in Rs' 000

	Note	**2011**
ASSETS		
Non-Current Assets		
Property, plant and equipment	8	**1,351,504**
Intangible assets	9	**71,933**
		1,423,437
Deferred tax asset - net	10	**183,658**
Long-term loans	11	**38,630**
Long-term deposits and prepayments	12	**1,894**
		224,182
		1,647,619
Current Assets		
Stores and spares	13	**36,310**
Stock-in-trade	14	**757,165**
Trade debts	15	**267,083**
Loans and advances	16	**36,584**
Trade deposits and short-term prepayments	17	**13,651**
Other receivables	18	**3,638,457**
Cash and bank balances	19	**223,175**
		4,972,425
Total Assets		**6,620,044**

The annexed notes 1 to 44 form an integral part of these financial statements.

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Profit and Loss Account
For the six months period ended December 31, 2011
(Financial statements incorporating the effects of demerger)

Amounts in Rs '000

	Note	**Six months period from July 1 to December 31, 2011**
Turnover	20	**3,288,511**
Sales tax, excise duty and discounts	21	**(842,091)**
Net sales		**2,446,420**
Cost of sales	22	**(1,598,540)**
Gross profit		**847,880**
Selling and distribution expenses	23	**(426,512)**
Administration and general expenses	24	**(270,279)**
Operating result		**151,089**
Financial charges	25	**(12,286)**
Other operating charges	26	**(29,401)**
		(41,687)
Other operating income	27	**175,550**
Profit before taxation		**284,952**
Taxation	28	**(97,271)**
Profit after taxation		**187,681**
		(Rupees)
Earnings per share - Basic and diluted	29	**8.08**

The annexed notes 1 to 44 form an integral part of these financial statements.

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Statement of Comprehensive Income
For the six months period ended December 31, 2011
(Financial statements incorporating the effects of demerger)

Amounts in Rs '000

	Six months period from July 1 to December 31, 2011
Profit for the period	**187,681**
Other comprehensive income	-
Total comprehensive income for the period	**187,681**

Surplus / (deficit) arising on revaluation on certain classes of property, plant and equipment has been reported in accordance with the requirements of the Companies Ordinance, 1984, as a separate line item below equity.

The annexed notes 1 to 44 form an integral part of these financial statements.

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Cash Flow Statement
For the six months period ended December 31, 2011

(Financial statements incorporating the effects of demerger)

	Amounts in Rs '000
Cash Flows from Operating Activities	
Profit before taxation	**284,952**
Adjustments for:	
Depreciation and amortisation	**67,096**
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	**7,693**
Mark-up on bank deposits and return on receivable from ICI Pakistan Limited	**(140,809)**
	218,932
Movement in:	
Working capital	**(314,152)**
Long-term loans	**11,752**
Long-term deposits and prepayments	**6,293**
Net cash used in operating activities	**(77,175)**
Cash Flows from Investing Activities	
Payments for capital expenditure	**(82,730)**
Profit / mark-up received from ICI Pakistan Limited	**129,979**
Profit / mark up received	**10,830**
Net cash generated from investing activities	**58,079**

Akzo Nobel Pakistan Limited
Cash Flow Statement
For the six months period ended December 31, 2011
(Financial statements incorporating the effects of demerger)

	Amounts in Rs '000
Cash Flows from Financing Activities	
Issuance of shares	1
Net cash generated from financing activities	1
Net decrease in cash and cash equivalents	(19,095)
Cash and cash equivalents transferred from ICI Pakistan Limited pursuant to the Scheme	242,270
Cash and cash equivalents at December 31 - note 19	223,175
Movement in Working Capital	
(Increase) / Decrease in current assets	
Stores and spares	(10,723)
Stock-in-trade	(42,679)
Trade debts	160,194
Loans and advances	(36,050)
Trade deposits and short-term prepayments	38,525
Other receivables	(232,796)
	(123,529)
Decrease in current liability	
Trade and other payables	(190,623)
	(314,152)

The annexed notes 1 to 44 form an integral part of these financial statements.

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Statement of Changes in Equity
For the six months period ended December 31, 2011
(Financial statements incorporating the effects of demerger)

Amounts in Rs '000

	Issued, subscribed and paid up capital	Allocated share capital	Allocated capital reserves	Unappropriated profit	Total
Transferred from ICI Pakistan Limited pursuant to the Scheme - note 3	-	464,432	156,202	4,018,997	4,639,631
70 ordinary shares of Rs 10 each fully paid in cash	1	-	-	-	1
Total comprehensive income for the six months period ended December 31, 2011	-	-	-	187,681	187,681
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation for the period - net of deferred tax - note 4	-	-	-	109	109
Balance as on December 31, 2011	**1**	**464,432**	**156,202**	**4,206,787**	**4,827,422**

The annexed notes 1 to 44 form an integral part of these financial statements.

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Notes to the Financial Statements
For the six months period ended December 31, 2011
(Financial statements incorporating the effects of demerger)

1. Status and Nature of Business

Akzo Nobel Pakistan Limited ("the Company") is a public unlisted company incorporated in Pakistan on August 25, 2011. The Company is engaged in the manufacture of paints. The Company's registered office is situated at Ground Floor, State Life Building, No. 1A, I.I. Chundrigar Road, Karachi-74000. The Company will be listed on Karachi, Lahore and Islamabad stock exchanges and an application in this respect has been filed.

In accordance with the Scheme of Arrangement "(the Scheme)" dated September 16, 2011 and approved by the shareholders of ICI Pakistan Limited on February 9, 2012 and sanctioned by the High Court of Sindh vide its order announced on May 17, 2012 and filed with the registrar of companies on June 1, 2012 ("Completion Date"), the Paints Business of ICI Pakistan Limited has been demerged with effect from July 1, 2011 ("Effective Date") and transferred to and vested in Akzo Nobel Pakistan Limited.

The Scheme envisages the reconstruction of ICI Pakistan Limited by:

(a) Separation of Paints Undertaking, as defined in the Scheme and transferring and vesting the same in Akzo Nobel Pakistan Limited against the future issue of the Paints shares to the Qualifying Shareholders; and

(b) Reduction in the share capital of ICI Pakistan Limited (attributable to the Paints Business) by 46.4 million ordinary shares having face value of Rs 464.4 million and issue of 46.4 million ordinary shares having face value of Rs 464.4 million of Akzo Nobel Pakistan Limited is to the shareholders of the Company as a consequence of the transfer to and vesting of the Paints Business in Akzo Nobel Pakistan Limited.

In accordance with the Scheme, the Non-Paints Businesses of ICI Pakistan Limited comprising Polyester, Soda Ash, Life Sciences and General and Specialty Chemicals businesses remain vested in ICI Pakistan Limited whilst the Paints Business has been demerged, transferred and vested in the Company.

The separation from ICI Pakistan Limited and the transfer to and vesting in the Company of the Paints Undertaking in accordance with the Scheme shall be treated as having taken effect from the Effective Date (i.e. July 1, 2011) and from that time until the Completion Date (i.e. June 1, 2012), the Paints Undertaking was deemed to have been carried on for and on account and for the benefit of the Company by ICI Pakistan Limited. Therefore, these financial statements have been prepared from the Effective Date (i.e. July 1, 2011) of Scheme of Arrangement of Demerger which is earlier then the incorporation date (i.e. August 25, 2011).

A set of audited financial statements (representing the issued, subscribed and paid up capital of Rs 700) for the six months period ended December 31, 2011 have also been submitted to SECP in May 2012. In these financial statements, net assets relating to Paints were not transferred as the court approval sanctioning the demerger was not received by the date of authorisation of such financial statements (i.e. March 22, 2012).

Main features of the Scheme are summarized below:

a) Share Capital Split

From the Effective Date, the share capital, capital reserves and unappropriated profit have been split between the Paints and Non-Paints Businesses of ICI Pakistan Limited on the basis of the net assets of these Businesses as disclosed in the audited special purpose financial statements of ICI Pakistan Limited for the period ended June 30, 2011 approved by the Board of Directors on August 24, 2011.

The balance of surplus on revaluation of property, plant and equipment has been segregated between Paints and Non-paints Businesses on the basis of the valuation determined by an independent valuer on December 15, 2006.

The net assets of the Paints Business (i.e. the Company) represent 33.46% of the net assets of ICI Pakistan Limited as at the Effective Date with the Non-Paints Businesses accounting for the remaining 66.54%.

At the Effective Date, ICI Pakistan Limited had an issued share capital of Rs 1,388,023,000 divided into 138,802,300 ordinary shares of Rs 10 each. Rs 923,590,504 of this share capital were retained within ICI Pakistan Limited and the remaining Rs 464,432,496 has been transferred / allocated as part of the Paints Undertaking to the Company. The split of the share capital is based on 66.54:33.46 ratio (“the Split”).
On completion of the demerger and capital reduction, every shareholder of 100 Existing Shares in ICI Pakistan Limited at the Record Date (i.e. June 27, 2012) will receive:

i. 66.54 new shares in ICI Pakistan Limited, and
ii. 33.46 shares in the Company

The share certificates relating to Existing Shares held by the Qualifying Shareholders, at the Record Date (i.e. June 27, 2012) stand cancelled and surrender of the share certificates shall entitle each such Qualifying Shareholder to share certificates of ICI Pakistan Limited and the Company respectively for the number of fully paid shares to which such Qualifying Shareholder is entitled in each such company in accordance with the Scheme. The allotment of the Company’s shares and the allocation of Retained Shares (remaining shares of ICI Pakistan Limited) as described above shall be made within thirty days from the Record Date (i.e. June 27, 2012).

b) Transferred Operations

From the Effective Date, the entire Paints Undertaking has been separated from ICI Pakistan Limited and has been transferred to and vested in the Company.

Determination of Paints Undertaking in accordance with the Scheme:

- The properties, assets, rights, liabilities and obligations comprised in the Paints Undertaking including, without limitation, the capital reserves, revenue reserves, revaluation surplus and accumulated profits and losses of ICI Pakistan Limited relating to the Paints Business as reflected in the audited Special Purpose Financial Statements of ICI Pakistan Limited for the six months ended June 30, 2011.

- A balance sheet has been prepared by ICI Pakistan Limited, of the properties, assets, rights, liabilities and obligations of ICI Pakistan Limited comprised in the Paints Undertaking, as reflected in the books of accounts of ICI Pakistan Limited immediately preceding the Effective Date and which has been audited by KPMG Taseer Hadi & Co., Chartered Accountants.

- A balance sheet shall be prepared by ICI Pakistan Limited, of the properties, assets, rights, liabilities and obligations of ICI Pakistan Limited comprised in the Paints Undertaking, as reflected in the books of account of ICI Pakistan Limited as at the Completion Date, which shall be audited by KPMG Taseer Hadi & Co., Chartered Accountants within sixty (60) days from the Completion Date (i.e. June 1, 2012). Such balance sheet shall be prepared in accordance with the approved accounting standards as applicable in Pakistan as disclosed in Note 2.1 and shall include notes setting out the methodology and assumptions used in identifying the properties, rights, liabilities and obligations of ICI Pakistan Limited relating to the Paints Business.

- Any dispute between ICI Pakistan Limited and the Company as to the division of the assets, rights, liabilities and obligations referred to above shall be finally determined by A. F. Ferguson & Co., Chartered Accountants, within two (2) months of the written notification of the dispute by either party to the other. No objection to such division may be raised more than six (6) months after the Completion Date.

This is a common control transaction and therefore accounted for as a business combination under common control at carrying amount in these financial statements.

The demerger of Paints Business has resulted in the transfer of ICI Pakistan Limited's assets and liabilities to the Company on the basis of audited special purpose financial statements as at June 30, 2011. The details of the assets and liabilities transferred to the Company are disclosed below:

	Amounts in Rs '000
ASSETS	**June 30, 2011**
Non-Current Assets	
Property, plant and equipment	953,747
Intangible assets	81,825
	1,035,572
Deferred tax asset – net	212,744
Long-term loans	50,382
Long-term deposits and prepayments	8,187
	271,313
	1,306,885
Current Assets	
Stores and spares	25,587
Stock-in-trade	714,486
Trade debts	427,277
Loans and advances	534
Trade deposits and short-term prepayments	52,176
Other receivables	35,965
	1,256,025
Assets excluding cash and cash equivalents and inter-unit current account transferred from ICI Pakistan Ltd	2,562,910
Share capital, Capital reserves and Un-appropriated profit transferred	(4,639,631)
Surplus on revaluation of property, plant and equipment	(526,560)
LIABILITIES	
Non-Current Liabilities	
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	17,368
Current Liabilities	
Short term financing	67,743
Trade and other payables	991,317
	1,059,060
Liabilities transferred from ICI Pakistan Limited	(1,076,428)
Net Amount of transfers from ICI Pakistan Limited	(3,679,709)
Cash and cash equivalents and inter-unit current account transferred from ICI Pakistan Limited pursuant to the Scheme*	3,679,709
	-
***Cash and cash equivalents and inter-unit current account transferred from ICI Pakistan Limited pursuant to the Scheme include:**	
Cash and bank balances	310,013
Inter-company receivables	3,369,696
	3,679,709

2. Summary of Significant Accounting Policies

2.1 Statement of compliance

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

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except that certain classes of property, plant and equipment (i.e. Land, Building and Plant & Machinery) have been included at revalued amounts and certain exchange elements referred to in note 2.8 have been recognized in the cost of the relevant property, plant & equipment.

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 39.

2.3 Staff retirement benefits

The Company's retirement benefit plans comprise of provident funds, pensions, gratuity schemes and a medical scheme for eligible retired employees.

Defined benefit plans

Pursuant to the scheme, amounts equal to the value of all benefits accrued in respect of Paints Business employees in a funded pension scheme and a funded gratuity scheme for management staff of ICI Pakistan Limited and the amounts relating to the Paints Business employees standing to the credit of two registered contributory provident funds for the entire staff of ICI Pakistan Limited and a registered defined contribution superannuation fund for management staff of ICI Pakistan Limited, will be transferred to and vested in the trustees of similar funds being established by the Company for the benefit of its employees.

An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected average remaining working lives of employees as allowed under the relevant provision of IAS 19 "Employee Benefits". For the purpose of demerger, an actuarial valuation was carried out as at June 30, 2011, by Zahid & Zahid (Actuaries). The assets, liabilities and expenses in respect of benefit plans have been allocated to the Company on the basis of actuarial valuation and the Scheme of Arrangement for Demerger.

Past-service costs are recognized immediately in profit and loss account, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The gratuity scheme for non-management staff and the pensioners' medical scheme are unfunded.

The amount recognised in the financial statements in respect of retirement benefit plan of the Company are based on an actuarial valuation of all defined benefit schemes of ICI Pakistan Limited carried out as at December 31, 2011.

Defined contribution plans

ICI Pakistan Limited operates two registered contributory provident funds for the entire staff of the Company and a registered defined contribution superannuation fund for its management staff of the Company. These funds will be transferred to the Company after the Completion Date. In addition to this the Company also provides group insurance to all its employees.

2.4 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.5 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any.

2.6 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

2.7 Taxation

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

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

The profit earned after June 30, 2011 will be assessed in the books of Akzo Nobel Pakistan Limited.

Deferred

Deferred tax is recognised using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

The Company recognises a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further, the Company recognises deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

Deferred tax assets / liabilities on the Effective Date have been allocated on the basis of the temporary differences of assets and liabilities of respective businesses.

2.8 Property, plant and equipment and depreciation

Property, plant and equipment (except freehold land, buildings on freehold land and plant & machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, buildings on freehold land and plant & machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Capital work-in-progress is stated at cost. Cost of certain property, plant and equipment comprises historical cost, exchange differences recognised in accordance with the previous Fourth Schedule to the Ordinance, cost of exchange risk cover in respect of foreign currency loans obtained for the acquisition of property, plant and equipment upto the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken for specific projects.

Depreciation charge is based on the straight-line method whereby the cost or revalued amount of an asset is written off to profit and loss account over its estimated useful life after taking into account the residual value if material. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month of disposal.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably. Assets replaced, if any, are derecognized.

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus / deficit on revaluation of property, plant and equipment is transferred directly to retained earnings (unappropriated profits).

2.9 Intangible assets and amortization

Intangible assets with a finite useful life, such as certain software, licenses (including software licenses, etc.) and property rights, are capitalized initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

2.10 Impairment

Financial assets (including receivables*)*

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.11 Stores and spares

Stores and spares are stated at the lower of cost and net realizable value. Cost is determined using weighted average method.

2.12 Stock-in-trade

Stock-in-trade is valued at the lower of weighted average cost and estimated net realizable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and selling expenses.

2.13 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables (Refer note 36.7).

2.14 Foreign currency translation

Transactions denominated in foreign currencies are translated into Pak Rupees, at the foreign exchange rates prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates at the balance sheet date. Exchange differences are taken to the profit and loss account.

2.15 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.16 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer. For those products which are often sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

Profit on short-term deposits is accounted for on a time-apportioned basis using the effective interest rate method.

2.17 Financial expenses and financial income

Financial expenses are recognised using the effective interest rate method and comprise foreign currency losses and markup / interest expense on borrowings.

Financial income comprises interest income on funds invested. Markup / interest income is recognized as it accrues in profit and loss account, using the effective interest rate method.

2.18 Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance lease. Assets subject to finance lease are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Assets acquired under finance leases are depreciated in accordance with the Company's depreciation policy on property, plant and equipment. The finance cost is charged to profit and loss account and is included under financial charges.

2.19 Operating lease / Ijarah contracts

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

Payments made under operating leases / Ijarah contracts are recognized in the profit and loss account on a straight-line basis over the term of the lease.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current or deposit accounts held with banks. Running finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

2.21 Borrowings and their cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.22 Financial liabilities

All financial liabilities are initially recognised at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

2.23 Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

2.24 Off-setting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.25 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Amounts in Rs '000

3. Allocated share capital, capital reserves and unappropriated profit pursuant to the Scheme

3.1 Share capital, capital reserves and unappropriated profit have been allocated on the basis of the net assets ratio of Paints and Non-Paints Businesses. The details are given below:

3.1.1 As a result of transfer to and vesting of the net assets of the Paints Business in Akzo Nobel Pakistan Limited, the share capital of ICI Pakistan Limited (attributable to the Paints Business) will be reduced by 46,443,250 ordinary shares having face value of Rs 464.4 million.

3.1.2 46,443,250 ordinary shares having face value of Rs 464.4 million of Akzo Nobel Pakistan Limited will be issued to shareholders of the Company as a consequence of the transfer to and vesting of the Paints Business in Akzo Nobel Pakistan Limited.

3.2 Subsequent to the allotment of shares as described in note 1 (a) ICI Omicron B.V., which is a wholly owned subsidiary of Akzo Nobel N.V., will hold 75.81 percent of the share capital of the Company.

3.3 Issued, subscribed and paid-up capital are held by the nominees of ICI Omicron B.V., which is wholly owned subsidiary of Akzo Nobel N.V.

3.4 Capital Reserves	**December 2011**
Share premium - note 3.4.1	**156,006**
Capital receipts - note 3.4.1 & 3.4.2	**196**
	156,202

3.4.1 These amounts have been allocated and transferred to the Company pursuant to the Scheme.

3.4.2 Capital receipts represent the amount received from various Akzo Nobel companies overseas for the purchase of property, plant and equipment. The remitting companies have no claim to their repayments. The amount has been allocated and transferred to the Company pursuant to the Scheme.

4. Surplus on Revaluation of Property, Plant and Equipment

Allocated surplus on revaluation pursuant to the Scheme - note 4.1	**526,560**
Revaluation surplus - note 8.2 & 8.3	**371,024**
Deferred tax liability recognised on surplus - note 10	**(8,387)**
	362,637
Transfer to unappropriated profit in respect of incremental depreciation during the period - net of deferred tax	**(109)**
Balance as on December 31	**889,088**

4.1 The balance of surplus on revaluation of property, plant and equipment has been allocated on actual basis (i.e. recorded in the subsidiary record of businesses) determined by the an independent valuer on December 15, 2006.

5. Provisions for non-management staff gratuity and eligible retired employees' medical scheme - note 5.1	**25,061**

5.1 Staff Retirement Benefits

	Funded			Unfunded
	Pension	**Gratuity**	**Total**	
5.1.1 The amounts recognised in the profit and loss account (based on the charge suggested in actuarial valuation as at June 30, 2011) against defined benefit schemes are as follows:				
Current service cost	7,226	6,967	14,193	5,868
Interest cost	15,056	7,944	23,000	1,825
Expected return on plan assets	(4,124)	(5,251)	(9,375)	-
Net charge for the period from July 1 to December 31, 2011	18,158	9,660	27,818	7,693
5.1.2 Movements in the net asset / (liability) recognised in the balance sheet are as follows:				
Balance transferred from ICI Pakistan Limited pursuant to the Scheme	36,888	2,173	39,061	(17,368)
Net Charge - note 5.1.1	(18,158)	(9,660)	(27,818)	(7,693)
Contributions / payments during the period	-	-	-	-
Closing balance	18,730	(7,487)	11,243	(25,061)
5.1.3 The amounts recognised in the balance sheet are as follows:				
Fair value of plan assets - note 5.1.5	198,284	85,605	283,889	-
Present value of defined benefit obligation - note 5.1.4	(245,956)	(130,355)	(376,311)	(28,985)
Deficit	(47,672)	(44,750)	(92,422)	(28,985)
Unrecognised actuarial loss	66,402	37,263	103,665	3,924
Recognised asset / (liability)	18,730	(7,487)	11,243	(25,061)
5.1.4 Movement in the present value of defined benefit obligation:				
Balance transferred from ICI Pakistan Limited pursuant to the Scheme	222,370	117,334	339,704	26,953
Current service cost - note 5.1.1	7,226	6,967	14,193	5,868
Interest cost - note 5.1.1	15,056	7,944	23,000	1,825
Acturial loss / (gain)	1,304	(1,890)	(586)	(5,661)
Closing balance at the end of the period	245,956	130,355	376,311	28,985

Amounts in Rs '000

5.1.5 Movement in the fair value of plan assets:

	Funded			Unfunded
	Pension	Gratuity	Total	
Balance transferred from ICI Pakistan Limited pursuant to the Scheme	196,534	81,149	277,683	-
Expected return	4,124	5,251	9,375	-
Gain / (Loss)	(2,374)	(795)	(3,169)	
Contributions *	-	-	-	-
Benefits paid *	-	-	-	-
Closing balance at the end of the period	198,284	85,605	283,889	-
Contributions *	4,071	6,133	10,204	-
Benefits paid *	(54,414)	(17,391)	(71,805)	(12)

* Contributions and benefit paid in respect of funded pension, funded gratuity and unfunded gratuity and medical benefits (mentioned above) have been recorded in the books of ICI Pakistan Limited and will be transferred to the Company within sixty (60) days from the Completion Date.

5.1.6 Historical information

As at December 31	2011
Present value of defined benefit obligation	405,296
Fair value of plan assets	283,889
Deficit	121,407
Experience adjustment on plan liabilities	**3%**
Experience adjustment on plan assets	**(1%)**

5.1.7 Major categories / composition of plan assets are as follows:

Debt instruments	**67%**
Equity at market value	**31%**
Cash	**2%**

Mortality of active employees and pentioners is represented by the LIC (96-98) Table. The table has been rated down three years for mortality of female pensioners and widows.

The return on plan assets has been recorded in the books of ICI Pakistan Limited and will be transferred to the Company after the Completion Date.

5.1.8 The principal actuarial assumptions at the reporting date were as follows:

Discount rate	**13.00%**
Expected return on plan assets	**13.00%**
Future salary increases	**10.75%**
Future pension increases	**7.50%**

These figures are based on the actuarial valuation as at June 30, 2011 and December 31,2011. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service life of current members.

On and from the Completion Date, proportionate amounts in the ICI Pakistan Management Staff Gratuity Fund and the ICI Pakistan Management Staff Pension Fund relating to the Paints employees, shall transfer from the ICI Pakistan Management Staff Gratuity Fund and the ICI Pakistan Management Staff Pension Fund and vest in the trustees of similar funds established by the Company for the benefit of its employees.

5.1.9 Contributions to the provident fund and the defined contribution superannuation have been recorded in the books of ICI Pakistan Limited and will be transferred to the Company within sixty (60) days from the Completion Date.

6. Trade and Other Payables

Trade creditors - note 6.1	**488,118**
Bills payable	**6,421**
Sales tax, excise and custom duties	**3,257**
Accrued expenses	**206,082**
Technical service fee / royalty	**40,683**
Workers' profit participation fund - note 6.2 and note 26	**14,998**
Workers' welfare fund - note 6.2 and note 26	**5,815**
Advances from customers	**35,320**
Payable for capital expenditure	**1,207**
	801,901

6.1 The above balances include amounts due to the following associated undertakings:

ICI Paints UK (part of AkzoNobel group)	**498**
ICI Paints (Asia Pacific) Pte Limited (part of AkzoNobel group)	**16**
Akzo Nobel NV	**26,772**
International Paint Netherland (part of AkzoNobel group)	**163**
ICI Pakistan Limited	**6,135**
ICI Packaging Coatings (part of AkzoNobel group)	**1,875**
Akzo Nobel Car Refinishes BV	**5,520**
	40,979

6.2 This represents charge for the six months period ended December 31, 2011. The balance of WPPF and WWF as on the Effective Date were retained by ICI Pakistan Limited.

Amounts in Rs '000

		December 2011
7	**Contingencies and Commitments**	
7.1	Claims against the Company not acknowledged as debts are as follows:	
	Local bodies	**453**
	Sales Tax authorities	**91,087**
	Others	**25,224**
		116,764

7.2 A notice was issued by the Environmental Protection Authority (EPA) against the Paints factory located at Ferozpur road, Lahore. Pursuant to this an order was passed by the EPA for violation of certain provisions of the 'Act'. The Company is of the opinion that the order was not justified and has filed an appeal against the order in the Environmental Tribunal in Lahore, which is pending.

7.3 Commitments in respect of capital expenditure amounted to Rs 54.0 million.

7.4 Commitments for rentals under operating lease / ijarah contracts in respect of vehicles amounting to Rs 35.166 million are as follows:

Year	
2012	**13,053**
2013	**9,491**
2014	**7,751**
2015	**4,871**
	35,166
Payable not later than one year	**13,053**
Payable later than one year but not later than five years	**22,113**
	35,166

8. **Property, Plant and Equipment**

8.1 The following is a statement of property, plant and equipment:

Operating property, plant and equipment - note 8.2	**1,309,397**
Capital work-in-progress - note 8.6	**42,107**
	1,351,504

8.2 The following is a statement of operating property, plant and equipment:

	Freehold Land	Buildings on Freehold Land	Plant and machinery	Rolling stock and vehicles	Furniture and equipment	Total
		Note 8.3				
			2011			
Net carrying value basis						
At December 31, 2011						
Balances transferred from ICI Pakistan pursuant to the Scheme	**531,900**	**88,095**	**257,752**	**323**	**33,687**	**911,757**
Additions (at cost)	**-**	**15,186**	**58,763**	**-**	**9,871**	**83,820**
Revaluation (NBV) - note 8.3	**347,060**	**15,091**	**8,873**	**-**	**-**	**371,024**
Depreciation charge - note 8.5	**-**	**(11,373)**	**(31,955)**	**(10)**	**(13,866)**	**(57,204)**
Closing net book value (NBV)	**878,960**	**106,999**	**293,433**	**313**	**29,692**	**1,309,397**
Gross carrying value basis						
At December 31, 2011						
Cost / Revaluation	**878,960**	**216,137**	**790,239**	**3,224**	**84,234**	**1,972,794**
Accumulated depreciation	**-**	**(109,138)**	**(496,806)**	**(2,911)**	**(54,542)**	**(663,397)**
Net book value	**878,960**	**106,999**	**293,433**	**313**	**29,692**	**1,309,397**
Depreciation rate % per annum	**-**	**5 to 10**	**3.33 to 10**	**10 to 25**	**10 to 33.33**	

8.3 As at December 31, 2011 specific classes of operating assets (freehold land, buildings on freehold land and plant and machinery) of the Company were revalued by an independent valuer which has resulted in a surplus of Rs 371.024 million. Buildings on freehold land were transfered at cost from ICI Pakistan Limited on the Effective Date. The change in accounting policy has been applied prospectively in accordance with the requirements of IAS-16 'Property, Plant and Equipment' and IAS-8 'Accounting Policies, Change in Accounting Estimates and Errors'. Valuations for plant and machinery and building were based on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account of the age, condition and obsolescence. Land was valued on the basis of fair market value.

Amounts in Rs '000

		December 2011
8.4	Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have amounted to:	
	Net Book Value	
	Freehold land	**6,259**
	Buildings on freehold land	**91,908**
	Plant and machinery	**283,230**
		381,397

8.5 The depreciation charge for the period has been allocated as follows:

Cost of sales - note 22	**39,024**
Selling and distribution expenses - note 23	**11,802**
Administration and general expenses - note 24	**6,378**
	57,204

8.6 Capital work in progress pertains to plant and machinery only.

9. Intangible Assets

Net carrying value basis
period ended December 31, 2011

	Software	Licences	Under development	Total
Transferred from ICI Pakistan Limited pursuant to the Scheme	**7,748**	**8,725**	**65,352**	**81,825**
Additions at cost / (transfer)	**65,352**	**-**	**(65,352)**	**-**
Amortisation charge - note 9.1	**(4,549)**	**(5,343)**	**-**	**(9,892)**
Closing net book value (NBV)	**68,551**	**3,382**	**-**	**71,933**

Gross carrying amount
At December 31, 2011

	Software	Licences	Under development	Total
Cost	**76,220**	**12,317**	**-**	**88,537**
Accumulated amortisation	**(7,669)**	**(8,935)**	**-**	**(16,604)**
Net book value	**68,551**	**3,382**	**-**	**71,933**
Rate of amortisation % per annum	**20 to 50**	**20 to 50**	-	

9.1 The amortisation charge for the period has been allocated to administration and general expenses - note 24.

10. Deferred Tax Asset - net

	Transferred from ICI Pakistan Limited pursuant to the scheme	Charge (note - 28)	Recognised in surplus on revaluation (note - 4)	Closing
Deductible temporary differences				
Provisions for retirement benefits, doubtful debts and others	**262,871**	**(20,658)**	**-**	**242,213**
Taxable temporary differences				
Property, plant and equipment	**(50,127)**	**(41)**	**(8,387)**	**(58,555)**
	212,744	**(20,699)**	**(8,387)**	**183,658**

11. Long-Term Loans - Considered good

Due from Directors, Executives and Employees - note 11.1	**38,630**

11.1 Due from Directors, Executives and Employees

	Motor car	House building	Total
Due from Directors and Executives - note 11.2	28,891	18,236	**47,127**
Less: Receivable within one year - note 16	9,021	15,055	**24,076**
	19,870	3,181	**23,051**
Due from Employees			**22,235**
Less: Receivable within one year - note 16			**6,656**
			15,579
			38,630
Outstanding for period:			
- less than three years but over one year			**19,168**
- more than three years			**19,462**
			38,630

Amounts in Rs '000

		December 2011
11.2	**Reconciliation of the carrying amount of loans to Directors and Executives:**	
	Balance transferred from ICI Pakistan Limited pursuant to the Scheme	**50,382**
	Disbursements	**7,468**
	Repayments	**(10,723)**
	Balance at end of the period	**47,127**

11.3 Loans for purchase of motor cars and house building are repayable between two to ten years. These loans are interest free and granted to the employees including executives of the Company in accordance with their terms of employment.

11.4 The maximum aggregate amount of long-term loans due from the Executives at the end of any month during the period was Rs 49.742 million.

12. Long-Term Deposits and Prepayments

Deposits	**869**
Prepayments	**1,025**
	1,894

13. Stores and Spares

Stores (include in-transit Rs 7.874 million)	**7,874**
Spares (include in-transit Rs Nil)	**28,436**
	36,310

14. Stock-in-Trade

Raw and packing material (include in-transit Rs 274.474 million)	**490,206**
Work-in-process	**35,692**
Finished goods (include in-transit Rs 6.077 million)	**352,425**
	878,323
Less: Provision for slow moving and obsolete stocks - note 14.1	
- Raw material	**52,135**
- Finished goods	**69,023**
	121,158
	757,165

14.1 Movement of provision in stock-in-trade

Balance transferred from ICI Pakistan Limited pursuant to the Scheme	**134,745**
Charge for the period - note 24	**47,785**
Write-off	**(61,372)**
Provision as at December 31	**121,158**

15. Trade Debts

Considered good	
- Secured	**5,611**
- Unsecured	**569,457**
	575,068
Considered doubtful	**259,137**
	834,205
Less: Provision for:	
- Doubtful debts - note 36.6	**259,137**
- Discounts payable on sales	**307,985**
	567,122
	267,083

Amounts in Rs '000

		December 2011
16.	**Loans and Advances**	
	Considered good	
	Loans due from:	
	Directors and Executives - note 11.1	**24,076**
	Employees - note 11.1	**6,656**
		30,732
	Advances to:	
	Directors and Executives - note 16.1	**1,203**
	Contractors and suppliers	**3,978**
	Others	**671**
		5,852
		36,584
	Considered doubtful	**2,500**
		39,084
	Less: Provision for doubtful loans and advances - note 36.6	**2,500**
		36,584

16.1 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the period was Rs Nil and Rs 1.203 million respectively.

17.	**Trade Deposits and Short-Term Prepayments**	
	Trade deposits	**2,408**
	Short-term prepayments	**11,243**
		13,651
18.	**Other Receivables**	
	Considered good	
	Due from Associate - ICI Paints Vietnam (Part of Akzo Nobel group)	**93**
	Insurance claims	**8,317**
	Receivable from ICI Pakistan Limited - note 18.1	**3,609,775**
	Others	**20,272**
		3,638,457

18.1 This will be settled after the Completion Date pursuant to the Scheme. It was reported at Rs 3.546 billion in note 25 in the pre demerger financial statements of ICI Pakistan Limited for the year ended December 31, 2011. The increase is mainly due to an adjustment of the portion of interim dividend of ICI Pakistan Limited for the year 2011 of Rs 63.302 million (wrongly allocated to the Paints Business) in accordance with the Scheme.

19.	**Cash and Bank Balances**	
	Current accounts	**209,874**
	Cash in hand	**13,301**
		223,175

Amounts in Rs '000

		Six months period from July 1 to December 31, 2011
20.	**Turnover**	
	Export sales to Afghanistan	49,293
	Local sales	3,239,218
		3,288,511
21.	**Sales tax, excise duty and discounts**	
	Sales tax and excise duty	438,853
	Discounts to customers	403,238
		842,091
22.	**Cost of Sales**	
	Raw and packing materials consumed	
	Raw and packing materials transferred from ICI Pakistan Limited	240,104
	Purchases - note 22.2	1,492,636
		1,732,740
	Closing stock - note 14	(438,071)
	Raw material consumed	1,294,669
	Salaries, wages and benefits - note 22.1	44,206
	Stores and spares consumed	4,228
	Oil, gas and electricity	13,169
	Rent, rates and taxes	7,795
	Insurance	8,907
	Repairs and maintenance	6,001
	Depreciation charge - note 8.5	39,024
	Technical fees	14,352
	General expenses	37,580
	Work-in-process transferred from ICI Pakistan Limited	38,479
	Closing stock of work-in-process - note 14	(35,692)
	Cost of goods manufactured	1,472,718
	Finished goods transferred from ICI Pakistan Limited	430,459
	Finished goods purchased	26,550
		1,929,727
	Closing stock of finished goods - note 14	(283,402)
	Provision for obsolete stocks - note 24	(47,785)
		1,598,540

22.1 Staff retirement benefits

Salaries, wages and benefits include Rs 11.360 million in respect of staff retirement benefits.

22.2 This includes purchases from ICI Pakistan Limited of Rs 311.578 million during the period.

Amounts in Rs '000

23. Selling and Distribution Expenses

	Six months period from July 1 to December 31, 2011
Salaries and benefits - note 23.1	**129,173**
Repairs and maintenance	**4,918**
Advertising and publicity expenses	**96,918**
Rent, rates and taxes	**11,829**
Lighting, heating and cooling	**2,388**
Depreciation charge - note 8.5	**11,802**
Outward freight and handling	**110,376**
Travelling expenses	**11,971**
Postage, telegram, telephone and telex	**6,742**
General expenses	**40,395**
	426,512

23.1 Staff retirement benefits

Salaries, wages and benefits include Rs 19.030 million in respect of staff retirement benefits.

24. Administration and General Expenses

Salaries and benefits - note 24.2	**149,899**
Repairs and maintenance	**6,108**
Advertising and publicity expenses	**2,081**
Rent, rates and taxes	**1,422**
Insurance	**633**
Lighting, heating and cooling	**2,306**
Depreciation & amortisation charge - note 8.5 & 9.1	**16,270**
Provision for obsolete stocks - note 14.1	**47,785**
Travelling expenses	**5,465**
Postage, telegram, telephone and telex	**4,531**
General expenses	**33,779**
	270,279

24.1 The above administration and general expenses include allocation of expenses amounting to Rs 43.6 million and one-off demerger expenses of Rs 58.9 million incurred by ICI Pakistan Limited to the extent they relate to operations of the Paints Undertaking during the period.

24.2 Staff retirement benefits

Salaries, wages and benefits include Rs 26.816 million in respect of staff retirement benefits.

Amounts in Rs '000

		Six months period from July 1 to December 31, 2011
25.	**Financial Charges**	
	Discounting charges on receivables and others	**12,286**
26.	**Other Operating Charges**	
	Auditors' remuneration - note 26.1	**4,053**
	Donations - note 26.1	**4,535**
	Workers' profit participation fund - note 6	**14,998**
	Workers' welfare fund - note 6	**5,815**
		29,401

26.1 These amounts have been allocated by ICI Pakistan Limited, from the Effective Date, to the extent on estimated basis they relate to Paints Undertaking from July to December, 2011.

27.	**Other Operating Income**	
	Income from related party	
	Return on receivable from ICI Pakistan Limited - note 18.1	**129,979**
	Return from other financial assets	
	Profit on short-term and call deposits	**10,830**
	Exchange gain	**14,519**
	Income from non-financial assets	
	Scrap sales	**5,987**
	Others	
	Provisions no longer required written back - note 36.6	**14,235**
		175,550
28.	**Taxation**	
	Current	**76,572**
	Deferred - note 10	**20,699**
	Net tax charged - note 28.1	**97,271**
28.1	**Tax reconciliation**	
	Profit before taxation	**284,952**
	Tax @ 35%	99,733
	Tax impact on income under FTR of the current period	(4,311)
	Others	1,849
	Net tax charged	**97,271**
29.	**Earnings per share - Basic and diluted**	
	Profit after taxation for the period	**187,681**
		Number of shares
	Weighted average allocated number of shares during the period - note 29.1	**23,221,660**
		Rupees
	Earnings per share *	**8.08**

29.1 This includes 46,443,250 ordinary shares allocated share capital pursuant to the Scheme and 70 ordinary shares of Rs 10 each issued during the period (for details refer note 3.1).

* Annualised

Amounts in Rs '000

30. Remuneration of Directors and Executives

The aggregate amounts charged in the financial statements for the remuneration, including all benefits, to the Chairman, Chief Executive, Directors and Executives of the Company were as follows:

	Chairman	Chief Executive	Directors	Executives	Total
Managerial remuneration	-	6,290	-	51,800	58,090
Retirement benefits	-	1,483	-	14,316	15,799
Group insurance	-	8	-	678	686
Rent and house maintenance	-	-	-	17,243	17,243
Utilities	-	-	-	4,303	4,303
Medical expenses	-	77	-	2,385	2,462
	-	7,858	-	90,725	98,583
Number of persons	-	1	-	87	88

30.1 In addition to this, an amount of Rs 42.4 million on account of variable pay to employees has been recognised in the current period. This amount is payable in the year 2012 after verification of achievements against target.

31. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (Akzo Nobel N.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees (note 30) and staff retirement funds (note 5). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	Six months period from July 1 to December 31, 2011
Associated companies	
Provision of services	195,739
Purchase of goods and materials from ICI Pakistan Limited	311,578

32. Plant Capacity and Annual Production

- the capacity is indeterminable because this is multi-product plant.

Production (Thousands of litres) - note 32.1	12,579

32.1 The production is for the six months period from July 1, 2011 to December 31, 2011.

32.2 The annual production of the Company was 29,338 (thousands of litres).

33. Fair Value of Financial Assets and Liabilities

The carrying amounts of the financial assets and financial liabilities approximate their fair values and are determined on the basis of non observable market data.

Amounts in Rs '000

34. Financial Risk Management

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

The risk management activities of the Company was handled and governed by ICI Pakistan Limited and the management team of Paints business for the period from July 1, 2011 to December 31, 2011.

34.1 Risk Management Framework

The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management framework. The executives management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

35. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, currency risk and other price risk.

35.1 Interest Rate Risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date the interest rate profile of Company's interest-bearing financial instruments were:

	Carrying Amount 2011
Variable rate instruments	
Financial assets	**3,609,775**

Sensitivity analysis for variable rate instruments

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit after taxation for the year would have been Rs 36.1 million.

Amounts in Rs '000

35.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into are denominated in foreign currencies. The Company is exposed to foreign currency risk on sales and purchases, which are entered in a currency other than Pak Rupees. To hedge this risk the Company has entered into forward foreign exchange contracts for imports in 2011 in accordance with State Bank of Pakistan instructions and the Company's Treasury policy. The policy allows the Company to take currency exposure within predefined limits while open exposures are rigorously monitored.

	SGD	EURO	USD	GBP
	2011			
Due from Associates - note 18	-	-	93	-
	-	-	93	-
Trade and other payables	-	465	2,788	139
Due to Associates - note 6.1	16	34,167	163	498
	16	34,632	2,951	637
Gross balance sheet exposure	(16)	(34,632)	(2,858)	(637)

Significant exchange rates applied during the period were as follows:

	Average rate for the period	Spot rate as at December 31
	2011	
Rupees per		
EURO	120.48	116.13
USD	87.7	89.94
GBP	139.12	138.63
SGD	69.75	69.15

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will increase or decrease profit after tax for the period by Rs 0.38 million.

36. Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

		2011
36.1	**Financial Assets**	
	Long-term loans - note 11	38,630
	Long-term deposits - note 12	869
	Trade debts - note 15	267,083
	Loans and advances - note 16	36,584
	Trade deposits - note 17	2,408
	Other receivables - note 18	3,638,457
	Bank balances - note 19	209,874
		4,193,905

36.2 The Company has placed its funds with banks which are rated A-1 by Standard & Poor's and P-1 by Moody's.

36.3	**Financial Assets**	
	- Secured	3,685,951
	- Unsecured	507,954
		4,193,905

36.4 The ageing of bank balances, trade debts and loans and advances at the reporting date is as follows:

Not past due	404,869
Past due but not Impaired:	
Not more than three months	90,916
Past due and Impaired:	
More than three months and not more than six months	17,756
More than six months and not more than nine months	-
More than nine months and not more than one year	-
More than one year	261,637
	370,309
Less: Provision for:	
- Doubtful debts - note 15	259,137
- Doubtful loans and advances - note 16	2,500
	261,637
	513,541

Amounts in Rs '000

36.5 The maximum exposure to credit risk for past due and impaired at the reporting date by type of counterparty was:

Wholesale customers	**25,582**
Retail customers	**294,130**
End-user customers	**50,597**
	370,309
Less: Provision for:	
- Doubtful debts - note 15	**259,137**
- Doubtful loans and advances - note 16	**2,500**
	261,637
	108,672

36.6 Movement of provision for trade debts and loans and advances

	Trade Debts	Loans and Advances	Total
Transferred from ICI Pakistan Limited pursuant to the Scheme	**265,310**	**10,562**	**275,872**
Provision no longer required - note 27	**(6,173)**	**(8,062)**	**(14,235)**
	259,137	**2,500**	**261,637**

36.7 The recommended approach for provision is to assess the top layer (covering 50%) of trade receivables on an individual basis and apply a dynamic approach to the remainder of receivables. The procedure introduces a company-standard for dynamic provisioning:
• Provide impairment loss for 50% of the outstanding receivable when overdue more than 90 days, and
• Provide an impairment loss for 100% when overdue more than 120 days

36.8 Concentration Risk

The sector wise analysis of receivables, comprising trade debts, loans and advances and bank balances are given below:

	2011
Textile	**362**
Paper and Board	**660**
Chemicals	**1,316**
Pharmaceuticals	**885**
Construction	**9,903**
Transport	**28,832**
Paints	**484,262**
Bank	**209,874**
Others	**39,084**
	775,178
Less: Provision for:	**259,137**
- Doubtful debts - note 15	**2,500**
- Doubtful loans and advances - note 16	**261,637**
	513,541

37. Liquidity Risk

Liquidity Risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date.

	Carrying amount	Contractual cash flows	Less than one year
		2011	
Financial liabilities			
Trade creditors - note 6	488,118	488,118	(488,118)
Bills payable - note 6	6,421	6,421	(6,421)
Accrued expenses - note 6	206,082	206,082	(206,082)
Technical service fee / Royalty - note 6	40,683	40,683	(40,683)
Payable for capital expenditure - note 6	1,207	1,207	(1,207)
	742,511	742,511	(742,511)

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

38. Capital Risk Management

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

39. Accounting Estimates and Judgements

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 5 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuer and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. The future cash flows used in the impairment testing of assets is based on management's best estimates which may change in future periods. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Income Taxes

The tax year of the Company is June 30, 2012 and the financial statements have been prepared for the six months period ended December 31, 2011.

40. Standards or Interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2012. These standards except for IAS 19 *Employee Benefits* are either not relevant to the Company's operations or are not expected to have a material impact on the Company's financial statements:

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. These amendments have no material impact on the financial statements of the Company.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. These amendments have no material impact on the financial statements of the Company.

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

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. These amendments will impact the financial statements of the Company the effect of which has not been quantified.

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

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments have no material impact on the financial statements of the Company.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. These amendments have no material impact on the financial statements of the Company.

41. Post balance sheet event

Approval of demerger / discontinued operations

The financial statements of the Company have been reissued to take account of the effects of the demerger (after the Scheme was approved by the High Court of Sindh) from the effective date. The details are explained in note 1 to the financial statements.

42. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on July 03, 2012.

43. General

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

44. Corresponding Figures

There are no corresponding figures as this is the first year of the Company's incorporation.

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer