

Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the three and nine months period ended September 30, 2019

Contents

- Company Information
- Review of the Directors
- Condensed Interim Statement of Financial Position
- Condensed Interim Statement of Profit or Loss
- Condensed Interim Statement of Other Comprehensive Income
- Condensed Interim Statement of Changes in Equity
- Condensed Interim Statement of Cash Flows
- Notes to the Condensed Interim Financial Statements

Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Frederic Moreux	Non-Executive
Saad Mahmood Rashid	Chief Executive	Sebastian Tan	Non-Executive
Oscar Wezenbeek	Non-Executive	Harris Mahmood	Executive
Ayesha Hamid	Non-Executive (Independent)		

Audit Sub Committee

Ayesha Hamid	Chairperson
Mueen Afzal	Member
Sebastian Tan	Member
Muhammad Ali Murtaza	Secretary

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Oscar Wezenbeek	Member
Saad Mahmood Rashid	Member
Usman Ali Jamil	Secretary

Share Transfer Committee

Saad Mahmood Rashid	Chief Executive
Harris Mahmood	Chief Financial Officer
Zunaira Dar	Company Secretary

Chief Financial Officer

Harris Mahmood

Company Secretary

Zunaira Dar

Head of Internal Audit

Muhammad Ali Murtaza

Executive Management Team

Saad Mahmood Rashid	Chief Executive
Farooq Ayub Khan	Operations Manager
Usman Ali Jamil	Country HR Manager

Harris Mahmood	Chief Financial Officer
Shahid Islam	National Sales Manager, Specialty Coatings
Usman Hafaz	Head of Brand and Customer Marketing, Decorative Paints

Bankers

Citibank N.A.
Deutsche Bank Limited A.G
Faysal Bank Limited

Habib Metropolitan Bank Limited
Habib Bank Limited

Internal Auditors

Ernst & Young Ford Rhodes,
Chartered Accountants

External Auditors

A. F. Ferguson & Co.,
Chartered Accountants

Registered Office

346, Ferozpur 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) 4447968

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, 2019

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, 2019.

Financial Performance

The economy faced many challenges in the first 9 months of the year due to substantial currency depreciation, a restrictive monetary policy stance and tax enforcement measures initiated by the government. This was a result of the government's economic stabilization program, prepared together with IMF. As a result, GDP growth is expected to be around 3% per annum in the next eighteen months. This will present challenges to the businesses. However, with government's policy for documentation having been introduced, we expect a more even playing field in the future.

Net sales declined by 4%, one of the main reasons for this was the sale of specialty chemicals business in 3rd quarter of 2018. High raw material costs and currency depreciation led to accelerated price increases, but this sustained profitability and, as a result, gross profit remained in line with that of last year. Tight controls over selling, distribution and general expenses helped improve operating profits of the company with a healthy 21% increase compared to same period last year. Operating charges increased largely due to currency exchange loss, in the absence of forward cover. Tax charge for the nine months declined because Super Tax was discontinued from Tax year 2020 for non-banking companies. Accordingly, profit after tax and EPS increased by 23% for the nine months ended 30th September 2019.

	PKR million					
	Quarter ended Sep 30,		Increase / (Decrease)	Nine months ended Sep 30,		Increase / (Decrease)
	2019	2018	%	2019	2018	%
Net Sales Income	1,233	1,329	(7)	4,267	4,458	(4)
Gross Profit	449	412	9	1,575	1,554	1
Operating Results	101	63	61	523	433	21
Profit Before Tax	131	88	49	543	491	11
Profit After Tax	90	55	65	379	308	23
Earnings Per Share - PKR	1.94	1.18	65	8.17	6.64	23

The Company contributed PKR 751 million to the national exchequer through taxes, duties and other levies for the nine months ended September 30, 2019.

Business Performance

As challenging economic conditions persisted throughout the year, paint activity declined due to low demand from the private consumer as well as public sector since government's development spending declined.

Future Outlook

The ongoing drive of the government to document the economy continues to affect the market, especially since retailers are resisting sales tax registration requirements. The Company believes that these initiatives, if implemented successfully, will create a more level playing field within the industry. As the tax enforcement regime becomes more effective in future, and GDP growth rate increases, the outlook for the company will continue to improve.


Mueen Afzal
Chairman


Saad Mahmood Rashid
Chief Executive

ڈائریکٹرز رپورٹ

30 ستمبر 2019 کو ختم ہونے والی سہ ماہی اور نو ماہ کا جائزہ

ایگزونوبل کے بورڈ آف ڈائریکٹرز 30 ستمبر 2019 کو ختم ہونے والے نو ماہ کیلئے کمپنی کے متعدد عبوری مالی بیانات کے ساتھ اپنا جائزہ پیش کرنے پر خوش ہیں۔

مالیاتی کارکردگی

کمپنی کو سال کی پہلے نو ماہ میں کرنسی کی انتہائی گراوٹ، حکومتی موقف کے تحت محدود معاشی پالیسی اور ٹیکس کے نفاذ جیسے اقدامات کی وجہ سے بہت سے چیلنجز کا سامنا رہا۔ یہ اس حکومتی معاشی استحکام پروگرام کا نتیجہ تھا جو IMF کے ساتھ ملکر تیار کیا گیا تھا۔ اس کے نتیجے میں آنے والے اٹھارہ ماہ میں GDP کی شرح نمو تقریباً 3% کے قریب ہونے کی توقع ہے۔ اس سے کاروباری اداروں کو کڑے امتحان کا سامنا کرنا پڑے گا تاہم حکومت کی متعارف کی گئی دستاویزی پالیسی کے بعد ہم مستقبل میں زیادہ بہتر مقابلے کی امید کرتے ہیں۔

2018 کی تیسری سہ ماہی میں Specialty Chemicals کاروبار کی فروخت درحقیقت خالص فروخت (Net Sale) میں 4% کمی کا باعث بنی۔ قیمتوں میں فوری اضافہ کے باعث خام مال کے اخراجات میں اضافہ اور کرنسی کی گراوٹ بنی لیکن اس کے نتیجے میں مجموعی منافع اس سال پچھلے سال کے مقابلے میں برقرار رہا۔ فروخت، تقسیم اور انتظامی اخراجات پر مکمل دسترس نے کمپنی کو پچھلے سال کی اسی مدت کے مقابلے میں 21% اضافی منافع کمانے میں مددگار رہی۔ فارورڈ کور کی عدم موجودگی اور کرنسی کے تبادلے کے نقصان کی وجہ سے جاری اخراج (Operating Charges) میں بڑی حد تک اضافہ ہوا۔ نان بیکاری کمپنیز کیلئے سال 2019 کے پہلے نو ماہ میں ٹیکس چارجز کو ختم کر دیا گیا کیونکہ 2020 سے سپر ٹیکس کے خاتمے کا اعلان ہو گیا تھا۔ اس کے مطابق 30 ستمبر 2019 کو ختم ہونے والے نو ماہ کیلئے ٹیکس اور EPS کے بعد منافع میں 23% اضافہ ہوا ہے۔

PKR million	30 ستمبر کو ختم ہونے والے نو ماہ	30 ستمبر کو ختم ہونے والے نو ماہ	اضافہ / کمی	30 ستمبر کو ختم ہونے والی سہ ماہی	30 ستمبر کو ختم ہونے والی سہ ماہی	
	2018	2019	%	2018	2019	
خالص فروخت آمدنی	4,458	4,267	(7)	1,329	1,233	
کل منافع	1,554	1,575	9	412	449	
آپریٹنگ نتائج	433	523	61	63	101	
منافع قبل از ٹیکس	491	543	49	88	131	
ٹیکس کے بعد منافع	308	379	65	55	90	
فی شیئر آمدنی	6.64	8.17	65	1.18	1.94	


کمپنی نے ستمبر 2019 میں نو ماہ میں قومی خزانہ میں مختلف ٹیکس اور ڈیوٹیوں کی مد میں PKR 751m جمع کرائے۔

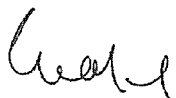
کاروباری کارکردگی

چونکہ پورے سال کڑے معاشی حالات برقرار رہے، حکومت کے ترقیاتی اخراجات میں کمی کے سبب ناصرف نجی صارفین بلکہ عوامی شعبے کی طرف سے بھی کم طلب، پینٹ سرگرمیوں میں کمی کا باعث بنی۔

مستقبل کے تناظر میں

حکومت کی معیشت کو دستاویزی بنانے کی جاری مہم کا اثر مارکیٹ پر پڑتا رہے گا، خاص طور پر جب سے خوردہ فروش سیکٹر ٹیکس رجسٹریشن کی مخالفت کر رہے ہیں۔ کمپنی کا خیال ہے کہ اگر ان اقدامات کو کامیابی کے ساتھ نافذ کیا گیا، تو صنعت کے اندر ایک اعلیٰ سطح کا رجحان پیدا ہوگا۔ چونکہ مستقبل میں ٹیکس کے نفاذ کا نظام یقینی امر ہے جو GDP میں اضافہ کا باعث ہوگا، کمپنی کا مستقبل بہتری کی جانب رواں دواں ہونے کے امکان ہیں۔


 محمد محمود راشد
 چیف ایگزیکٹو


 معین افضل
 چیئر مین

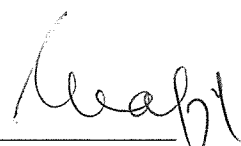
AKZO NOBEL PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

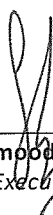
AS AT SEPTEMBER 30, 2019

	Note	Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,943,712	1,961,553
Right of use of asset	5	32,539	-
Intangible assets	6	-	37,668
Long term loans	7	61,865	66,747
Long term deposits and prepayments		4,269	5,713
Deferred tax asset - net		117,284	147,322
		<u>2,159,669</u>	<u>2,219,003</u>
Current assets			
Stores and spares		25,161	22,661
Stock in trade	8	1,019,154	668,882
Trade debts	9	965,828	741,838
Loans and advances		81,762	95,398
Trade deposits and short term prepayments		6,501	16,601
Other receivables	10	22,267	21,482
Income tax receivable		87,083	23,061
Interest accrued		4,914	7,141
Cash and bank balances	11	1,321,814	1,895,127
		<u>3,534,484</u>	<u>3,492,191</u>
		<u>5,694,153</u>	<u>5,711,194</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
100,000,000 (2018: 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 (2018: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves			
Capital reserves		156,202	156,202
Revenue reserve		2,109,886	1,974,430
		2,266,088	2,130,632
Surplus on revaluation of property, plant and equipment		1,234,811	1,264,962
		<u>3,965,332</u>	<u>3,860,027</u>
Non-current liabilities			
Deferred liabilities		64,321	61,568
Long term lease liabilities against right-of-use asset		10,148	-
		74,469	61,568
Current liabilities			
Trade and other payables	12	1,601,624	1,760,001
Current portion of lease liabilities against right-of-use asset		21,647	-
Unpaid dividend		3,084	2,986
Unclaimed dividend		27,995	26,612
		<u>1,654,352</u>	<u>1,789,599</u>
Contingencies and commitments			
	13		
		<u>5,694,153</u>	<u>5,711,194</u>

The annexed notes from 1 to 25 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 (UN-AUDITED)**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

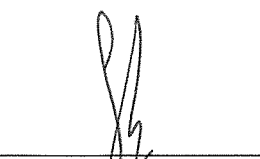
Amounts in Rs '000

	Note	Three months ended		Nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Turnover		1,865,267	2,026,425	6,405,281	6,709,972
Sales tax and discounts		(632,291)	(696,966)	(2,138,205)	(2,252,283)
Net sales		1,232,976	1,329,459	4,267,076	4,457,689
Cost of sales	14	(783,614)	(917,439)	(2,691,772)	(2,903,961)
Gross profit		449,362	412,020	1,575,304	1,553,728
Selling and distribution expenses		(272,171)	(279,300)	(791,098)	(873,717)
Administrative and general expenses		(76,624)	(70,126)	(261,126)	(246,514)
Operating profit		100,567	62,594	523,080	433,497
Finance cost		(2,299)	(2,042)	(13,985)	(5,666)
Other charges	15	(8,101)	(20,907)	(92,376)	(55,438)
		(10,400)	(22,949)	(106,361)	(61,104)
Other income	16	41,318	48,557	125,999	118,709
Profit before taxation		131,485	88,202	542,718	491,102
Taxation	17	(41,189)	(33,451)	(163,261)	(182,884)
Profit for the period		90,296	54,751	379,457	308,218
Earnings per share					
- Basic and diluted (Rupees)		1.94	1.18	8.17	6.64

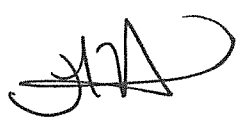
The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.



Mueen Afzal
Chairman



Saad Mahmood Rashid
Chief Executive



Harris Mahmood
Chief Financial Officer

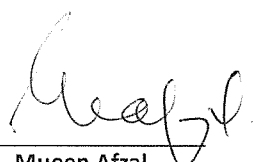
AKZO NOBEL PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Amounts in Rs '000

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit for the period	90,296	54,751	379,457	308,218
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>90,296</u>	<u>54,751</u>	<u>379,457</u>	<u>308,218</u>

The annexed notes from 1 to 25 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, 2019

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserve	Revaluation Surplus	Total
		Share premium	Capital receipts	Unappropriated profit	Property, Plant and Equipment	
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 nine months period ended September 30, 2018	-	-	-	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
Profit for the period	-	-	-	78,960	-	78,960
Other comprehensive loss for the period	-	-	-	8,403	-	8,403
Total comprehensive income for the three months period ended December 31, 2018	-	-	-	87,363	-	87,363
Incremental depreciation charge during the period - net of deferred tax	-	-	-	10,392	(10,392)	-
Balance as on December 31, 2018 (audited)	464,433	156,006	196	1,974,430	1,264,962	3,860,027
Net effect of change in accounting standard (IFRS 15)				(41,936)		(41,936)
Profit for the period	-	-	-	379,457	-	379,457
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	337,521	-	337,521
Incremental depreciation charge during the period - net of deferred tax	-	-	-	30,151	(30,151)	-
Transactions with owners of the Company recognised directly in equity						
Final dividend for the year ended December 31, 2018 @ Rs. 5.00 per share	-	-	-	(232,217)	-	(232,217)
Balance as on September 30, 2019 (un-audited)	464,433	156,006	196	2,109,886	1,234,811	3,965,332

The annexed notes from 1 to 25 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, 2019

Amounts in Rs '000

	Nine months ended	
	September 30, 2019	September 30, 2018
Cash flows from operating activities		
Profit before taxation	542,718	491,102
Adjustments for:		
Depreciation and amortisation	98,456	111,684
Loss / (gain) on disposal of property, plant and equipment	(801)	940
Provision for employee benefits obligation	26,719	26,581
Provision for doubtful debts	32,525	54,699
Provision for slow moving and obsolete stocks	11,102	24,294
Provision no more required written back	(19,405)	(32,193)
Interest expense	4,212	-
Interest income	(87,693)	(47,274)
Profit before working capital changes	607,833	629,833
Effect on cash flow due to working capital changes:		
<i>Decrease / (increase) in current assets</i>		
Stores and spares	(2,500)	3,366
Stock in trade	(361,374)	(297,658)
Trade debts	(256,515)	(308,198)
Loans and advances	13,636	1,833
Trade deposits and short term prepayments	5,145	(7,889)
Other receivables	(785)	(23,050)
	(602,393)	(631,596)
<i>(Decrease) in current liabilities</i>		
Trade and other payables	(80,274)	(351,767)
Net cash (used in) operations	(74,834)	(353,530)
Decrease in long term loans	4,882	10,941
Decrease in long term deposits and prepayments	1,444	533
Employee benefits paid	(27,571)	(30,994)
Tax paid	(190,940)	(196,330)
Net cash used in operating activities	(287,019)	(569,380)
Cash flows from investing activities		
Payments for capital expenditure	(146,280)	(94,752)
Proceeds from disposal of property, plant and equipment	801	359
Interest received	89,920	49,240
Net cash used in investing activities	(55,559)	(45,153)
Cash flows from financing activities		
Dividend paid	(230,735)	(320,455)
Net cash used in financing activities	(230,735)	(320,455)
Net cash used in all activities	(573,313)	(934,988)
Cash and cash equivalents at the beginning of the period	1,895,127	2,070,176
Cash and cash equivalents at the end of the period	1,321,814	1,135,188

The annexed notes from 1 to 25 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, 2019

1. Legal status and nature of business

Akzo Nobel Pakistan Limited ("the Company") is a public limited company registered under the Companies Ordinance, 1984 (now Companies Act, 2017) and is 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. 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 and statement of compliance

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.

2.2 Basis of Preparation

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, 2018, 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, 2018.

2.3 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, 2018.

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).

2.4 Functional and presentation currency

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

3. Standards, amendments and interpretations to accounting and reporting standards

3.1 Standards, amendments and interpretations to accounting and reporting standards that are effective in the current period

- 3.1.1 Effective from January 1, 2019, the Company has adopted IFRS 16 - 'Leases' which has replaced IAS 17, 'Leases.' The standard addresses recognition and measurement of leases for both lessor and lessee.
- 3.1.2 Effective from January 1, 2019, the Company has adopted IFRS 15 - 'Revenue from Contracts with Customers'. The standard addresses recognition and measurement of revenue from customers.

In addition to the above, 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, 2019 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 Standards, amendments and interpretations to accounting and reporting standards that are not effective in the 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:

Standards, amendments and interpretations	Effective Date (accounting periods beginning on or after)
- IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

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

In addition to the above, there are certain new standards, amendments and interpretations to accounting and reporting standards that are mandatory for the Company's accounting periods beginning on or after January 1, 2020 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.

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2019	December 31, 2018
	Note		
4. Property, plant and equipment			
Operating property, plant and equipment	4.1	1,850,006	1,895,907
Capital work in progress	4.2	93,706	65,646
		<u>1,943,712</u>	<u>1,961,553</u>
4.1 Operating property, plant and equipment			
Opening net book value		1,895,907	1,919,453
Impact of initial adoption - IFRS 15		(48,198)	-
Additions during the period / year (at cost)	4.1.1	101,005	126,407
Disposals / write-off (at net book value)		(252)	(1,624)
Depreciation charged during the period / year		(98,456)	(148,329)
Closing net book value		<u>1,850,006</u>	<u>1,895,907</u>

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2019	December 31, 2018
4.1.1 Following is the detail of additions during the period / year:		
Buildings on freehold land	8,492	11,856
Plant and machinery	90,469	96,004
Office equipment	2,044	11,907
Vehicles	-	1,472
Furniture and fixtures	-	5,168
	101,005	126,407
4.2 Capital work in progress		
Civil works and buildings	3,004	3,761
Plant and machinery	83,606	55,069
Equipment	7,096	6,816
	93,706	65,646
5. Right-of-use asset		
Impact of initial adoption - IFRS 16	63,924	-
Depreciation charged during the period / year	(23,167)	-
Decrease in other assets - trade deposits and prepayments	(8,218)	-
Closing net book value	32,539	-

6. Intangible assets

During the period the Company has derecognized its capital work in progress relating to the development of a new ERP system i.e. SAP Saturn against reimbursement of development costs from its parent entity Akzo Nobel N.V., a related party.

7. Long term loans - considered good

	(Un-audited)	(Audited)
	September 30, 2019	December 31, 2018
	Due from executives and other employees	85,284
Receivable within one year	(23,419)	(25,395)
	61,865	66,747

7.1 The maximum aggregate amount of long term loans due from the executives at the end of any month during the period was Rs. 26.26 million (December 31, 2018: Rs. 30.25 million).

8. Stock in trade

Out of the total carrying value of stock in trade, Rs. 2.18 million (December 31, 2018: Rs. 7.46 million) is measured at net realizable value. As at September 30, 2019 stock in trade has been written down by Rs. 0.22 million (December 31, 2018: Rs. 0.19 million) to arrive at its net realizable value.

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2019	December 31, 2018
9. Trade debts		
Considered good:		
Secured	30,938	51,272
Unsecured	1,275,232	1,166,338
	1,306,170	1,217,610
Considered doubtful	200,260	203,712
	1,506,430	1,421,322
Provision for:		
Doubtful debts	(200,260)	(203,712)
Discounts	(340,342)	(475,772)
	(540,602)	(679,484)
	965,828	741,838

10. Other receivables

This includes balance amounting to Rs. 5.84 million (December 31, 2018: Rs. 10.92 million) receivable from associated undertakings.

	Note	(Un-audited)	(Audited)
		September 30, 2019	December 31, 2018
		11. Cash and bank balances	
Cash in hand		9,035	17,112
Cash at bank - current accounts	11.1	362,497	290,751
Cash at bank - saving accounts		282	264
Short term deposits	11.2	950,000	1,587,000
		1,321,814	1,895,127

11.1 Cash and bank balances include cheques in hand amounting Rs. 199.02 million (December 31, 2018: 239.32 million) and US Dollars amounting to USD 332 (December 31, 2018: USD 8,332).

11.2 These represent term deposit receipts placed with commercial banks under conventional banking arrangements. These carry mark-up at the rate of 12.70% to 12.75% (December 31, 2018: 8.85% to 9.32%) per annum and will mature on various dates latest by October 30, 2018.

11.3 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, 2018: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2018: 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, 2018: Rs. 210 million), demand promissory note and counter guarantee / indemnity duly signed and stamped by the Company.

12. Trade and other payables

This includes balance amounting to Rs. 344.90 million (December 31, 2018: Rs. 470.43 million) payable to related parties. Out of this, Rs. 115.52 million (December 31, 2018: Rs. 118.68 million) relates to staff retirement funds.

13. Contingencies and commitments

13.1 Contingencies

13.1.1 During the current reporting period the Income Tax Department passed an order under section 161/205 of the Income Tax Ordinance, 2001, creating a demand of Rs. 102.3 million on account of non-deduction/ withholding of tax on payments under various heads. The matter was appealed by the Company before the CIR(A) who annulled the impugned demand and remanded back the case to the assessing officer with directions of re-examination. The management, in consultation with their tax advisor, is of the view that the tax matter will eventually be decided in the favor of the Company; therefore no provision has been made in these condensed interim financial statements.

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

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2019	December 31, 2018
Sales tax authorities	40,612	40,612
Others	-	10,000
	40,612	50,612

13.2 Commitments

13.2.1 Commitments in respect of capital expenditure amount to Rs. 30.21 million (December 31, 2018: Rs. 13.62 million).

13.2.2 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, 2018: Rs. 1,583 million).

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

Year	(Un-audited)	(Audited)
	September 30, 2019	December 31, 2018
2019	4,616	18,836
2020	17,985	18,336
2021	15,021	13,968
2022	8,662	6,102
2023	2,991	647
2024	459	-
	49,733	57,889
Payable not later than one year	18,227	18,836
Payable later than one year but not later than five years	31,506	39,053
	49,733	57,889

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
14. Cost of sales				
Raw and packing materials consumed	627,662	591,253	2,300,874	2,234,326
Manufacturing costs	139,418	156,012	428,418	461,084
	767,080	747,265	2,729,292	2,695,410
Opening work in process	19,918	16,085	9,312	12,217
Closing work in process	(25,530)	(15,004)	(25,530)	(15,004)
Cost of goods manufactured	761,468	748,346	2,713,074	2,692,623
Opening finished goods	354,431	378,648	250,360	233,331
Finished goods purchased	82,115	101,053	142,738	288,615
Closing finished goods	(414,400)	(310,608)	(414,400)	(310,608)
	783,614	917,439	2,691,772	2,903,961

15. This includes exchange loss amounting to Rs. 56.35 million (September 30, 2018: Rs. 25.67 million). It includes exchange loss from actual currency amounting to Rs. 56.35 million (September 30, 2018: Rs. 25.23 million) and exchange loss from forward contracts amounting to Rs. Nil million (September 30, 2018: exchange gain amounting to Rs. 0.44 million).

Amounts in Rs '000

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
16. Other income				
Income from financial assets				
Profit on short term and call deposits	29,660	13,340	87,694	47,275
Income from non-financial assets				
Scrap sales	1,521	1,717	7,060	5,326
Income from sale of fixed assets	648	-	801	-
Others				
Provisions no longer required and written back	-	-	25,686	32,193
Others	-	33,500	-	33,500
Miscellaneous income	9,489	-	4,758	415
	41,318	48,557	125,999	118,709

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
17. Taxation				
Current	26,607	48,365	120,153	168,299
Prior year	-	-	-	23,748
Deferred	14,582	(14,914)	43,108	(9,163)
	41,189	33,451	163,261	182,884

18. Transactions with related parties

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

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Holding Company				
Dividend paid - net of tax	-	-	158,444	221,821
Associates				
Purchase of goods, materials and services	35,208	90,528	183,134	323,630
Indenting commission income	-	1,655	1,500	2,240
Sale of goods and services	10,865	10,170	11,115	11,115
Reimbursement of expenses	24,689	4,080	42,023	16,514
Contribution to staff retirement benefit plans	43,736	31,603	80,907	80,907

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, 2019 amounted to Rs. 65.37 million (September 30, 2018: Rs. 72.49 million) out of which Rs. 7.58 million (September 30, 2018: Rs. 7.35 million) relates to post employment benefits.

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

19. Operating segments

- 19.1 These financial statements have been prepared on the basis of a single reportable segment.
- 19.2 Revenue from sale of paints and coatings represents 99.96% (September 30, 2018: 97.41%) of the total revenue of the Company.
- 19.3 99.86% (September 30, 2018: 99.89%) sales of the Company relate to customers in Pakistan.
- 19.4 All non-current assets of the Company as at September 30, 2019 are located in Pakistan.

20. 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.

21. 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, 2018.

22. 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	
	September 30, 2019	September 30, 2018
Cost of sales	2,001	1,959
Selling and distribution expenses	4,586	3,490
Administrative and general expenses	5,409	4,248

23. Subsequent events

There are no significant subsequent events that need to be disclosed for the nine months ended September 30, 2019.

24. Date of authorization for issue

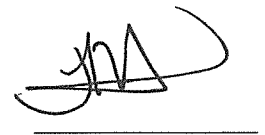
The condensed interim financial statements were authorized for issue in the Board of Directors meeting held on October 22, 2019.

25. General

- 25.1 Figures have been rounded-off to the nearest thousand rupees except as stated otherwise.
- 25.2 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

