

Akzo Nobel Pakistan Limited

Colors of sustainability

For the quarter and half year ended June 30, 2016

AkzoNobel



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Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter and half year ended June 30, 2016

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Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Michiel Franse	Non-Executive
Jehanzeb Khan	Chief Executive	Peter Tomlinson	Non-Executive
Bart Kaster	Non-Executive	Harris Mahmood	Executive
Zia Ur Rehman	Non-Executive (Independent)		

Audit Sub Committee

Zia Ur Rehman	Chairman
Mueen Afzal	Member
Bart Kaster	Member
Michiel Franse	Member

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Peter Tomlinson	Member
Jehanzeb Khan	Member

Share Transfer Committee

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

Chief Financial Officer

Harris Mahmood

Company Secretary

Sara Shah

Executive Management Team

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

Bankers

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

Habib Metropolitan Bank Limited
Habib Bank Limited

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors

A. F. Ferguson & Co.,
Chartered Accountants

Registered Office

346, Ferozpur Road,
Lahore - 54600
Tel: (042) 111-551-111
Fax: (042) 35835011

www.akzonobel.com/pk/paints

Shares Registrar

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

Review of the Directors

For the quarter and six months ended June 30, 2016

The Directors are pleased to present their review along with the condensed interim financial statements of the Company for six months ended June 30, 2016.

Financial Performance

Despite a continuing non-level playing field in the paints market, the company has improved its turnover in first half of 2016. This was on the back of increased investment in promotional schemes, channel engagement as well as an increase in customer base. Raw material prices continued to remain low and the company employed higher contribution margins earned in media spend and promotional schemes to increase brand pull and to secure volumes; consequently selling and distribution expenses increased by 16%. Although operating results at PKR 380m were 8% higher than last year, tax charges increased by PKR 30m as a result of super tax levied by the government in the Finance Bill 2016. Consequently profit after tax at PKR 259m and EPS at PKR 5.58 were just 2% higher than the same period last year.

	PKR million					
	Quarter ended June 30,		Increase (Decrease) %	Six months ended June 30,		Increase (Decrease) %
	2016	2015		2016	2015	
Turnover	2,073	1,952	6	3,948	3,603	10
Net Sales Income	1,384	1,360	2	2,632	2,509	5
Gross Profit	596	574	4	1,134	1,029	10
Operating Results	193	207	(7)	380	353	8
Profit Before Tax	216	225	(4)	426	393	8
Profit After Tax	120	140	(14)	259	253	2
Earnings Per Share - Rs	2.58	3.01	(14)	5.58	5.45	2

The company contributed PKR 339m and PKR 613m to the national exchequer through taxes, duties and other levies during Q2 2016 and H1 2016 respectively.

Business Performance

Major players in the paints industry remained aggressive and continued to pass on the benefit of lower raw material prices to the trade channel in order to secure shelf space. Your company was able to deliver strong performance in the first half and was able to effectively engage trade channel and end consumers by offering lucrative promotional schemes and by running an extensive media campaign.

The Company was able to expand its customer base and to secure new orders in the Protective Coatings and Automotive OEM markets while margins have improved on the back of a favourable product mix. The Company also continued its focus on business development for new products in the Specialty Chemicals portfolio.

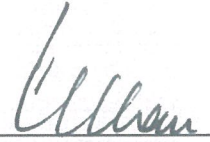
Future Outlook

Pakistan's economy continues to show signs of improvement, with consumer price inflation continuing to be in single digit and GDP growth the highest (4.7%) for the last eight years. Your Company continues to be confident and is committed to enhancing shareholders value by focusing on fulfilling customer needs, energy conservation, strengthening relationships with existing customers and suppliers, whilst exploring opportunities for both organic and inorganic growth.

However, the recent “disallowance of input sales tax on services”, through the Finance Act 2016, was unexpected and will have a significant effect on profits. It will have a major impact on the cost of doing business in Pakistan. This amendment will also make formal tax paying sector more vulnerable against unfair competition from tax-evaders, which may ultimately affect bottom-lines and tax collection. The Company would request the Government restore the relevant sections in Sales Tax Act to rectify the threat to tax collection and investment levels in the country.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive

ڈائریکٹر رپورٹ

30 جون 2016 کی پہلی سہ ماہی اور ششماہی کا جائزہ

ایگزونوبل کے بورڈ آف ڈائریکٹر 30 جون 2016 کو ختم ہونے والے مالیاتی سال کی سہ ماہی اور ششماہی کا جائزہ پیش کرنے پر مسرت محسوس کرتے ہیں۔

مالیاتی کارکردگی

پینٹ مارکیٹ میں برابری کی سطح نا ہونے کے باوجود آپ کی کمپنی نے اپنی پہلی ششماہی آمدنی میں اضافہ کیا ہے۔ اس کارکردگی کا سبب بہتر پروموشنز سکیم میں سرمایہ کاری، کسٹمر کا اعتماد بحال رکھنا اور کسٹمر کی تعداد میں اضافہ ہے۔ خام مال کی قیمت میں بتدریج کمی کی وجہ سے کمپنی نے پروموشنز سکیم اور میڈیا کمپین میں سرمایہ کاری کی جس کی وجہ سے فروخت اور تقسیم کے خرچوں میں 16 فیصد اضافہ ہوا ہے۔ فنانس ایکٹ کے تحت سپرنٹیکس کے نفاذ کی وجہ سے کمپنی کے ٹیکس اخراجات میں 30 ملین کا اضافہ ہوا اس کے باوجود کمپنی کا منافع 259 ملین اور EPS 5.58 فیصد پچھلے 6 ماہ کے مقابلے میں 2 فیصد زیادہ ہے۔

کاروباری کارکردگی

تمام پینٹ مینیفیکچررز نے مارکیٹ میں اپنی جگہ برقرار رکھنے کیلئے خام مال کی کم قیمتوں سے فائدہ اٹھا کر بڑے پیمانے پر پروموشنز سکیموں میں سرمایہ کاری کی اس کے باوجود آپ کی کمپنی نے کسٹمر کا اعتماد بحال رکھا اور اچھی کارکردگی کا مظاہرہ کیا۔ کمپنی نے اپنی بہتر کارکردگی کے باعث Automotive OEM اور Protective Coating کی مارکیٹ بڑے اور منافع بخش منصوبے حاصل کیئے۔ کمپنی نے Speciality Chemicals کی مارکیٹ میں بھی اپنی کڑی نگاہ رکھی اور ساخت بنانے کی کوشش جاری رکھی ہے۔

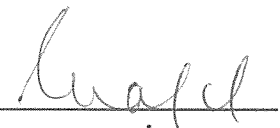
مستقبل کے نقطہ نظر

پاکستان کی معیشت بہتری کی طرف گامزن نظر آتی ہے جس کا اندازہ GDP کی پیداوار 4.7 فیصد تک بڑھنے سے لگایا جاسکتا ہے۔ مستقبل میں معیشت کو مد نظر رکھتے ہوئے کمپنی نے بہتری کی علامت ظاہر کی ہے۔ کمپنی مالیاتی اور غیر مالیاتی منصوبوں، کسٹمر کی ضروریات اور توانائی کے تحفظ کو پورا کرنے اور سپلائر کے ساتھ اپنے تعلقات مضبوط بنانے کی طرف گامزن ہے۔

فنانس ایکٹ 2016 کے تحت سروس سلائیٹس کی عدم ایڈجسٹمنٹ ایک ناگوار عمل ہے۔ جس کی وجہ سے بہت سے کمپنیوں کے اخراجات میں اضافہ ہوگا، منافعوں اور سرمایہ کاری کو دھچکا لگے گا۔ یہ ترمیم ٹیکس گوشوارے جمع کرانے والے اداروں کو ٹیکس نادینے والے اداروں کے مقابلے میں دشواری دے گی اور حکومت کی ٹیکس آمدنی میں بھی کمی ہوگی کمپنی حکومت سے استدعا کرتی ہے کہ اس ترمیم کو ختم کر دے۔



جہان زیب خان
چیف ایگزیکٹو



مبین فضل
چیرمین



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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Akzo Nobel Pakistan Limited ("the company") as at June 30, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with explanatory notes forming part thereof, for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2016.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

*A.F.FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk*



A·F·FERGUSON&Co.

Other matter

The financial statements of the company for the year ended December 31, 2015 were audited by another firm of Chartered Accountants who expressed an unqualified opinion thereon vide their report dated February 24, 2016.

A handwritten signature in blue ink, appearing to read 'S. Hammad Ali Ahmad', is written over the printed name.

Chartered Accountants

Name of engagement partner: Hammad Ali Ahmad

Lahore

Dated: August 23, 2016

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2016

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	----- (Rupees in thousand) -----	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	4	1,193,179
Intangible assets		1,253
Long term loans	5	84,352
Long term deposits and prepayments		4,966
Deferred tax asset - net		214,261
		<u>1,498,011</u>
CURRENT ASSETS		
Stores and spares		21,069
Stock-in-trade	6	498,038
Trade debts	7	561,194
Loans and advances		57,853
Trade deposits and short term prepayments		28,028
Interest accrued		3,246
Other receivables	8	14,235
Cash and bank balances	9	1,479,943
		<u>2,663,606</u>
		<u>18,751</u>
		<u>361,481</u>
		<u>459,082</u>
		<u>29,978</u>
		<u>18,804</u>
		<u>3,233</u>
		<u>16,213</u>
		<u>1,770,771</u>
		<u>2,678,313</u>
		<u>4,161,617</u>
		<u>4,215,833</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital		
100,000,000 (2015: 100,000,000) ordinary shares of Rs. 10 each		1,000,000
Issued, subscribed and paid-up capital		
46,443,320 (2015: 46,443,320) ordinary shares of Rs. 10 each		464,433
Reserves		
- Capital reserves		156,202
- Revenue reserves		1,339,537
Surplus on revaluation of property, plant and equipment		877,188
		<u>2,837,360</u>
		<u>464,433</u>
		<u>156,202</u>
		<u>1,383,041</u>
		<u>877,136</u>
		<u>2,880,812</u>
NON-CURRENT LIABILITIES		
Deferred liabilities		51,183
		48,440
CURRENT LIABILITIES		
Trade and other payables	10	1,253,078
Provision for taxation		19,996
		<u>1,273,074</u>
		<u>1,275,547</u>
		<u>11,034</u>
		<u>1,286,581</u>
CONTINGENCIES AND COMMITMENTS		
	11	
		<u>4,161,617</u>
		<u>4,215,833</u>

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

Mueen Afzal
Chairman

Jehanzeb Khan
Chief Executive

Harris Mahmood
Chief Financial Officer

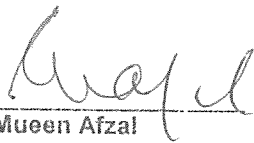
AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

Note	Quarter ended		Half year ended	
	June 30, 2015	June 30, 2015	June 30, 2016	June 30, 2015
----- (Rupees in thousand) -----				
Turnover	2,073,315	1,951,853	3,947,568	3,603,322
Sales tax, excise duty and discounts	(688,860)	(591,910)	(1,315,230)	(1,094,086)
Net Sales	1,384,455	1,359,943	2,632,338	2,509,236
Cost of sales	12 (788,903)	(785,801)	(1,498,711)	(1,480,292)
Gross profit	595,552	574,142	1,133,627	1,028,944
Selling and distribution expenses	(321,890)	(284,460)	(595,834)	(513,192)
Administrative and general expenses	(80,192)	(82,570)	(157,546)	(162,326)
Operating profit	193,470	207,112	380,247	353,426
Finance cost	13 (2,961)	(2,759)	(8,360)	(3,535)
Other charges	(14,604)	(16,666)	(30,050)	(31,050)
	(17,565)	(19,425)	(38,410)	(34,585)
Other income	14 40,514	36,927	84,410	74,016
Profit before taxation	216,419	224,614	426,247	392,857
Taxation	15 (96,400)	(84,745)	(167,241)	(139,594)
Profit for the period	120,019	139,869	259,006	253,263
Earnings per share - basic and diluted	Rupees 2.58	3.01	5.58	5.45


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

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

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Mueen Afzal
 Chairman


Jehanzeb Khan
 Chief Executive


Harris Mahmood
 Chief Financial Officer

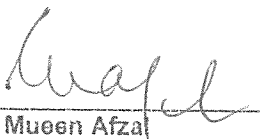
AKZO NOBEL PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	----- (Rupees in thousand) -----			
Profit for the period	120,019	139,869	259,006	253,263
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>120,019</u>	<u>139,869</u>	<u>259,006</u>	<u>253,263</u>

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

AK


Mueen Afzal
Chairman


Jehanzeb Khan
Chief Executive

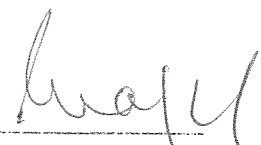

Harris Mahmood
Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

	Share capital	Capital reserves		Revenue reserve	Total
		Share premium	Capital receipts	Unappropriated profit	
(Rupees in thousand)					
Balance as on December 31, 2014 (audited)	464,433	156,006	196	1,093,428	1,714,063
Total comprehensive income for the period ended June 30, 2015					
Profit for the period	-	-	-	253,263	253,263
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	253,263	253,263
Incremental depreciation charge during the period - net of deferred tax	-	-	-	1,520	1,520
Transactions with owners of the Company recognized directly in equity					
Final dividend for the year ended December 31, 2014 @ Rs. 5.00 per share	-	-	-	(232,217)	(232,217)
Balance as on June 30, 2015 (un-audited)	464,433	156,006	196	1,115,994	1,736,629
Profit for the period	-	-	-	286,048	286,048
Other comprehensive loss for the period	-	-	-	(20,543)	(20,543)
Total comprehensive income for the period	-	-	-	265,505	265,505
Incremental depreciation charge during the period - net of deferred tax	-	-	-	1,542	1,542
Balance as on December 31, 2015 (audited)	464,433	156,006	196	1,383,041	2,003,676
Profit for the period	-	-	-	259,006	259,006
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	259,006	259,006
Incremental depreciation charge during the period - net of deferred tax	-	-	-	(628)	(628)
Transactions with owners of the Company recognized directly in equity					
Final dividend for the year ended December 31, 2015 @ Rs. 6.50 per share	-	-	-	(301,882)	(301,882)
Balance as on June 30, 2016 (un-audited)	464,433	156,006	196	1,339,537	1,960,172

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

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Mueen Afzal
Chairman


Jehanzeb Khan
Chief Executive


Harris Mahrnood
Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30, 2016

Half year ended
June 30, 2016 **June 30, 2015**
 ----- (Rupees in thousand) -----

Cash flows from operating activities

Profit before taxation	426,247	392,857
Adjustments for:		
Depreciation and amortization	45,154	63,812
(Gain) / Loss on disposal of property, plant and equipment	(88)	2,355
Provision for employee benefits obligation	17,927	18,297
(Reversal) / provision for doubtful debts	(34,021)	24,413
Reversal of provision no longer required	-	(6,802)
Provision for slow moving and obsolete stocks	7,907	-
Interest income	(38,675)	(37,803)
	424,451	457,129

Movement in working capital:

Decrease / (increase) in current assets

Stores and spares	(2,318)	274
Stock-in-trade	(144,464)	(69,606)
Trade debts	(68,091)	(119,052)
Loans and advances	(27,875)	(17,238)
Trade deposits and short term prepayments	(9,224)	(21,385)
Other receivables	1,978	(6,883)
	(249,994)	(233,890)

Decrease in current liabilities

Trade and other payables	(25,123)	(110,456)
--------------------------	----------	-----------

Net cash generated from operations

149,334 112,783

Long term loans	(6,030)	(7,195)
Long term deposits and prepayments	448	769
Employee benefits paid	(12,693)	(13,822)
Taxes paid	(140,369)	(136,050)

Net cash used in operating activities

(9,310) (43,515)

Cash flows from investing activities

Payments for capital expenditure	(18,626)	(42,831)
Proceeds from disposal of property, plant and equipment	166	549
Interest received	38,662	39,431

Net cash generated from / (used in) investing activities

20,202 (2,851)

Cash flows from financing activities

Dividend paid	(301,720)	(229,937)
---------------	-----------	-----------

Net cash used in financing activities

(301,720) (229,937)

Net decrease in cash and cash equivalents

(290,828) (276,303)

Cash and cash equivalents at the beginning of the year

1,770,771 1,479,922

Cash and cash equivalents at the end of the year

1,479,943 1,203,619

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

Mueen Afzal
 Mueen Afzal
 Chairman

Jehanzeb Khan
 Jehanzeb Khan
 Chief Executive

Harris Mahmood
 Harris Mahmood
 Chief Financial Officer

AKZO NOBEL PAKISTAN LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM
FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2016

1 Legal status and nature of business

Akzo Nobel Pakistan Limited ("the Company") was incorporated in Pakistan on August 25, 2011 as a public unlisted company under the Companies Ordinance, 1984 subsequent to demerger of Paints Business of ICI Pakistan Limited with effect from July 01, 2011 in accordance with the Scheme of Arrangement. The Company is listed on Pakistan Stock Exchange. The registered office of the Company is situated at 346, Ferozepur Road, Lahore. The Company is primarily involved in the manufacturing of paints and trading of specialty chemicals.

2 Basis of preparation

2.1 Statement of compliance

This condensed interim financial information has been presented in condensed form in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and the directives issued under the Companies Ordinance, 1984. In case where requirements of Companies Ordinance 1984 differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Pakistan Stock Exchange. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with audited financial statements of the Company, for the year ended December 31, 2015.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended December 31, 2015, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been extracted from the un-audited condensed interim financial information for the six months period ended June 30, 2015.

2.2 Judgements and estimates

In preparing this condensed interim financial information, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the financial statements as at and for the year ended December 31, 2015.

2.2.1 Measurement of fair values

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

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

2.3 Functional and presentation currency

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

3 Significant accounting policies

The accounting policies applied in this condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended December 31, 2015.

2016

3.1 Standards, interpretations and amendments to published approved accounting standards

3.1.1 Amendments to published standards effective in current year

	Effective Date (accounting periods beginning on or after)
Disclosure Initiative - Amendments to IAS 1, 'Presentation of Financial Statements'	January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortization - Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets'	January 1, 2016
Annual Improvements to IFRSs 2012-2014 cycle: IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations', IFRS 7, 'Financial Instruments: Disclosures'	January 1, 2016
Annual Improvements to IFRSs 2012-2014 cycle: IAS 19, 'Employee Benefits' and IAS 34, 'Interim Financial Reporting'	January 1, 2016

The adoption of above amendments and improvements did not have any effect on the condensed interim financial information.

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

Standards or interpretation	Effective Date (accounting periods beginning on or after)
IFRS 15, 'Revenue from Contracts with Customers'	January 1, 2017
IFRS 9, 'Financial Instruments'	January 1, 2018
Amendments to IAS 12, 'Income Taxes'	January 1, 2017
Amendments to IAS 7, 'Statement of Cash Flows'	January 1, 2017

		June 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
4	Property, plant and equipment		
	Operating property, plant and equipment	4.1 1,179,966	1,209,489
	Capital work-in-progress	4.2 13,213	9,804
		<u>1,193,179</u>	<u>1,219,293</u>
4.1	Operating property, plant and equipment		
	Opening net book value	1,209,489	1,247,850
	Additions during the period	4.1.1 15,218	79,828
	Disposals/write-offs during the period at book value	(965)	(4,247)
	Depreciation charged during the period	(43,776)	(113,942)
	Closing net book value	<u>1,179,966</u>	<u>1,209,489</u>

4.1.1 Following is the details of additions during the period

Buildings on freehold land	698	4,003
Plant and machinery	9,718	67,166
Vehicles	-	64
Furniture and equipment	4,802	8,595
	<u>15,218</u>	<u>79,828</u>

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	June 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
4.2 Capital work-in-progress:		
Civil works and buildings	3,911	3,913
Plant and machinery	7,728	5,138
Equipments	517	753
Vehicles	1,057	-
	<u>13,213</u>	<u>9,804</u>
5 Long term loans - Considered good		
Due from executives and employees	108,404	98,326
Receivable within one year	(24,052)	(20,004)
	<u>84,352</u>	<u>78,322</u>

5.1 The maximum aggregate amount of long term loans due from the executive directors and other executives at the end of any month during the period was nil and Rs. 76.69 million (December 31, 2015: Nil and Rs. 71.42 million) respectively.

6 **Stock-in-trade**
Out of the total carrying value of inventory Rs. 0.19 million (December 31, 2015: Rs. 0.90 million) is measured at net realizable value. As at June 30, 2016 stock has been written down by Rs. 0.04 million (December 31, 2015: Rs.0.17 million) to arrive at its net realizable value.

	June 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
7 Trade debts		
Considered good:		
Secured	21,654	39,088
Unsecured	1,013,488	923,210
	1,035,142	962,298
Considered doubtful	259,761	294,282
	<u>1,294,903</u>	<u>1,256,580</u>
Less: provision for:		
Doubtful debts	(259,761)	(294,282)
Discounts payable on sales	(473,948)	(503,216)
	<u>(733,709)</u>	<u>(797,498)</u>
	<u>561,194</u>	<u>459,082</u>

8 **Other receivables**
This includes balance amounting to Rs. 13.35 million (December 31, 2015: Rs. 14.45 million) receivable from associated undertakings.

	June 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
9 Cash and bank balances		
Cash in hand	11,371	7,892
Cash at bank - current accounts	193,762	208,829
Short term deposits	1,274,810	1,554,050
	<u>1,479,943</u>	<u>1,770,771</u>

9.1 These represent Term Deposit Receipts placed with commercial banks under Shariah non-compliant arrangements. These carry mark-up at rate, ranging between 4.80% to 5.30% (December 31, 2015: 5.25% to 5.50%) per annum and will mature on various dates latest by July 27, 2016.

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- 9.2 The facility for running finance and issuance of letters of credit is available from Deutsche Bank amounting to Rs. 391 million (December 31, 2015: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2015: 1 month KIBOR plus 1% per annum) and is secured by parental guarantee from AkzoNobel N.V., first parri passu hypothecation charge over the current assets of the Company amounting to Rs. 90 million, demand promissory note and counter guarantee / indemnity duly signed and stamped by the Company.

The facility for issuance of letters of credit and discounting of local documentary bills payable is available from Habib Metropolitan Bank Limited amounting to Rs. 300 million (December 31, 2015: Rs. 300 million) carrying commission / mark-up at the rate of 0.075% (December 31, 2015: 0.075%) and relevant KIBOR per annum, respectively. The facility is secured by lien on import bills of lading / local documents and goods, import or local documents made to the order of the bank, trust receipt and accepted local documentary bills drawn under local letters of credit of approved banks without recourse to the Company.

10 Trade and other payables

This includes balance amounting to Rs. 287.261 million (December 31, 2015: Rs. 393.626 million) payable to related parties.

11 Contingencies and commitments

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

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in thousand)	
Sales tax authorities	91,087	91,087
Others	10,000	10,000
	<u>101,087</u>	<u>101,087</u>

- 11.2 Commitments in respect of capital expenditure amounting to Rs. 1.26 million (December 31, 2015: Rs. 7.33 million)

- 11.3 Commitments in respect of forward foreign exchange contracts amounting to Rs. 31.622 million (December 31, 2015: Rs. 27.474 million)

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

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in thousand)	
Year		
2016	8,641	17,918
2017	14,012	14,641
2018	7,818	8,447
2019	5,002	4,787
2020	1,812	698
2021	247	-
	<u>37,532</u>	<u>46,491</u>
Payable not later than one year	16,437	17,918
Payable later than one year but not later than five years	21,095	28,573
	<u>37,532</u>	<u>46,491</u>

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	----- (Rupees in thousand) -----			
12 Cost of Sales				
Raw and packing materials consumed	604,404	602,289	1,225,657	1,185,946
Manufacturing costs	140,031	130,917	271,319	253,616
	<u>744,435</u>	<u>733,206</u>	<u>1,496,976</u>	<u>1,439,562</u>
Opening work-in-process	27,594	12,262	11,863	10,069
Closing work-in-process	(27,171)	(15,611)	(27,171)	(15,611)
Cost of goods manufactured	<u>744,858</u>	<u>729,857</u>	<u>1,481,668</u>	<u>1,434,020</u>
Opening finished goods	234,413	201,890	162,754	165,826
Finished goods purchased	39,767	51,646	84,424	78,038
Closing finished goods	(230,135)	(197,592)	(230,135)	(197,592)
	<u>788,903</u>	<u>785,801</u>	<u>1,498,711</u>	<u>1,480,292</u>

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- 13 This includes exchange loss amounting to Rs. 1.942 million (2015: gain amounting to Rs. 4.166 million). It includes exchange loss from actual currency amounting to Rs. 1.938 million (2015: gain amounting to Rs. 4.107 million) and exchange loss from forward contracts amounting to Rs. 0.003 million (2015: gain amounting to Rs. 0.059 million)

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
----- (Rupees in thousand) -----				
14 Other income				
Income from financial assets				
Profit on short-term and call deposits	18,089	16,482	38,675	37,803
Exchange gain - net	295	-	-	4,166
Income from non-financial assets				
Scrap sales	3,200	3,390	6,516	6,377
Income from sale of fixed assets	88	279	88	-
Interest Income on staff loans	-	7,890	-	6,778
Others				
Provisions no longer required and written back	16,277	5,609	34,021	6,802
Miscellaneous income	2,565	3,277	5,110	12,090
	<u>40,514</u>	<u>36,927</u>	<u>84,410</u>	<u>74,016</u>
15 Taxation				
Current	84,149	96,360	149,331	158,783
Deferred	12,251	(11,615)	17,910	(19,189)
	<u>96,400</u>	<u>84,745</u>	<u>167,241</u>	<u>139,594</u>

16 Transactions with related parties

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

Holding company

Dividend paid - net of tax	205,977	158,443	205,977	158,443
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Associates

Purchase of goods, materials and services	17,651	66,525	86,720	112,445
Indenting commission income	7,220	5,715	13,242	7,591
Sale of goods and services	242	247	307	724
Reimbursement of expenses	2,444	10,234	5,242	27,072
Royalty	-	-	1,594	-
Contribution to staff retirement benefit plans	24,523	21,610	40,907	28,642

Transactions with key management personnel

Salaries and benefits of key management personnel for the six months period ended June 30, 2016 amounted to Rs. 66.29 million (June 30, 2015: Rs. 61.87 million) out of which Rs. 7.60 million (June 30, 2015: Rs. 8.37 million) relates to post employment benefits.

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17 Operating segments

- 17.1 These financial statements have been prepared on the basis of a single reportable segment.
- 17.2 Revenue from sale of paints represents 98.26% (June 30, 2015: 98.04%) of the total revenue of the Company.
- 17.3 99.74% (June 30, 2015: 99.70%) sales of the Company relate to customers in Pakistan.
- 17.4 All non-current assets of the Company as at June 30, 2015 are located in Pakistan.

18 Fair value of financial assets and liabilities

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

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

19 Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2015.

20 Ijarah rentals

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

Description	Half year ended	
	June 30, 2016	June 30, 2015
Cost of sales	952	816
Selling and distribution expenses	2,291	3,225
Administrative and general expenses	3,638	4,012

21 Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on August 23, 2016.

22 General

- 22.1 Figures have been rounded off to the nearest thousand rupees except as stated otherwise.
- 22.2 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation. Major reclassification includes Rs. 24.413 million which has been reclassified from administrative and general expenses to selling and distribution expenses in respect of provision for doubtful debts.

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Mueen Afzal
Chairman

Jehanzeb Khan
Chief Executive

Harris Mahmood
Chief Financial Officer