

**AKZO NOBEL PAKISTAN
LIMITED**

**CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS
PERIOD ENDED JUNE 30, 2019**

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Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Gary Brown	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

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

Executive Management Team

Saad Mahmood Rashid	Chief Executive	Harris Mahmood	Chief Financial Officer
Farooq Ayub Khan	Operations Manager	Muhammad Rizwan	Supply Chain Manager
Usman Ali Jamil	Country HR Manager	Shahid Islam	National Sales Manager, Specialty Coatings
Usman Ali	National Sales Manager, Decorative Paints	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) 35895011
www.shanshahi.com

Regional Office

11th Floor, Tower-4
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
B-F, Nursery, Block 6, P.E.C.H.S
Shahrah-e-Faisal, Karachi - 74000
Tel: (021) 34380101-5
Fax: (021) 34380106

Review of the Directors

For the quarter and six months period ended June 30, 2019

The Directors are pleased to present their review along with the condensed interim financial statements of the Company for the six months ended June 30, 2019.

Financial Performance

First half of the year was a challenging period for the economy, as the rupee depreciated by 16% while the rate of inflation increased to 9% in Jun'19 as compared to 5% in Jun'18. To control inflation, the State Bank raised the policy rate to 13.25% with an increase of 325 bps from the start of the year. GDP growth slowed to 3.3% in the fiscal year 2018-19 while the LSM sector has shown negative growth of 3.5%. This has had a dampening effect on the demand of Paints & Coatings in the market.

The turnover and net sales of the Company declined by 3% as compared to last year primarily due to sale of Specialty Chemicals business in 2018. Owing to increasing raw material costs and high currency depreciation, the Company took price increases to sustain gross profits. Further, the tightening of controls over selling, distribution and general & administration expenses, has helped improved operating profits for the Company which have shown a healthy 15% increase compared to the same period last year. Accordingly, profit after tax and EPS increased by 14% in the first half of the year.

	PKR million					
	Quarter ended June 30,		Increase / (Decrease)	Six months ended June 30,		Increase / (Decrease)
	2019	2018	%	2019	2018	%
Turnover	2,263	2,358	(4)	4,540	4,684	(3)
Net Sales Income	1,526	1,571	(3)	3,034	3,128	(3)
Gross Profit	569	551	3	1,124	1,138	(1)
Operating Results	202	151	33	420	366	15
Profit After Tax	111	90	23	289	253	14
Earnings Per Share - PKR	2.39	1.94	23	6.23	5.46	14

The Company contributed PKR 295m and PKR 530m to the national exchequer through taxes, duties and other levies during Q2 2019 and H1 2019 respectively.

Business Performance

Tough economic conditions and rising inflation has resulted in low painting activity and due to low consumer foot fall, sellout & offtake have remained slow. Sales to automobiles sector slowed down due to lower downstream demand while sales of Protective Coatings were impacted due to a cut in government's infrastructure development expenditure.

Future Outlook

The government in its June Budget has laid down strict measures to document the economy and to increase revenues. While the actions taken are in the right direction, it is creating uncertainty in the market, especially with retailers. The Company believes that these initiatives, if implemented successfully, will create a more level playing field within the Paints industry. But it is expected that government's revenue raising and

stabilization measures will take time to implement. The future outlook, accordingly, is expected to continue to be challenging for the next year or so.

High interest rates and the austerity drive on the fiscal front will impact demand for various coatings in the market. The uncertainty around currency depreciation remains a cause of concern exacerbated by the absence of forward cover in the financial markets. However, the Company is taking proactive measures to protect profitability.



Mueen Afzal
Chairman



Saad Mahmood Rashid
Chief Executive

ڈائریکٹرز رپورٹ

جون 2019 کو ختم ہونے والی سہ ماہی اور ششماہی کا تقابلی جائزہ

ڈائریکٹر 30 جون 2019 تک کی مدت کا ششماہی جائزہ متفقہ عبوری مالی بیانات کے ساتھ پیش کرنے پر مسرت کا اظہار کرتے ہیں۔

مالی کارکردگی

سال کا پہلا نصف حصہ معیشت کیلئے مشکل مرحلہ تھا، روپے کی قدر میں 16% کی کمی ہوئی جبکہ افراط زر کی شرح میں جو 2019 میں بڑھ کر 9% ہو گئی، جو کہ جون 2018 میں 5.6% تھی۔

افراط زر پر قابو پانے کیلئے سیٹ بنک نے سال کے آغاز سے ہی 325 bps کے اضافے کے ساتھ پالیسی % 13.2 تک بڑھادی، GDP کی نمو مالی سال 2018-2019 میں سست ہو کر % 3.3 رہ گئی۔ اس کا مارکیٹ میں Paints اور Coatings کی مانگ پر برا اثر پڑا۔

پچھلے سال کے مقابلے میں کمپنی کے کاروبار اور خالص فروخت میں % 3 کی واقع ہوئی ہے، جسکی بنیادی وجہ 2018 سپیشلٹی کیمیکل کے کاروبار کی فروخت تھی۔ خام مال کی قیمت میں اضافہ اور کرنسی کی قدر میں کمی کے سبب مجموعی منافع کو برقرار رکھنے کیلئے کمپنی نے قیمت میں اضافہ کیا۔ مزید برآں فروخت تقسیم اور عمومی اور انتظامیہ کے اخراجات پر سخت قابو سے کمپنی کو بہتر جاری منافع میں مدد ملی، جس میں پچھلے سال کی اسی مدت کے مقابلے میں % 15 صحت مند اضافہ ہوا۔ اسکے تحت سال کے نصف حصہ میں ٹیکس اور EPS کو نکال کر منافع میں % 14 اضافہ ہوا۔

اضافہ/کمی %	ششماہی 30 جون تک		اضافہ/کمی %	سہ ماہی 30 جون تک		
	2018	2019		2018	2019	
(3)	4684	4540	(4)	2358	2263	کاروباری نتیجہ
(3)	3128	3034	(3)	1571	1526	خالص فروخت آمدنی
(1)	1128	1124	3	551	569	کل منافع
15	366	420	33	151	202	جاری نتائج
14	253	289	23	90	111	ٹیکس کے بعد کا منافع
14	5.46	6.23	23	1.94	2.39	فی شیر آمدنی - PKR

کمپنی نے Q2 2019 اور H1 2019 کے دوران ٹیکس ڈیوٹی اور دیگر محصولات کے ذریعے قومی خزانے میں PKR 295m اور PKR 530m روپے کا تعاون کیا۔

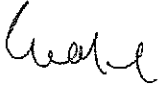
کاروباری کارکردگی

سخت معاشی حالات اور بڑھتی ہوئی افراط زر کے نتیجے میں بیٹھ کر آنے کے عمل میں کم سرگرمی ہوئی ہے اور صارفین کی مانگ میں کمی کی وجہ سے فروخت اور مال کا اٹھاؤ کم رہا۔ عام عوام کی طلب میں کمی کی وجہ سے Automobile سیکٹر میں فروخت کا عمل سست پڑ گیا جبکہ حکومت نے عوامی شعبوں میں ہونے والے ترقیاتی اخراجات میں بڑے پیمانے پر کٹوتی کی، جسکی وجہ سے Protective Coatings کی فروخت پر فرق پڑا۔

مستقبل کے تناظر

حکومت نے اپنے جون کے بجٹ میں معیشت کی دستاویز اور محصولات میں اضافے کے لیے سخت اقدامات کیے ہیں۔ اگرچہ جو اقدامات کیے ہیں وہ صحیح سمت میں ہیں لیکن یہ خاص طور پر خوردہ فروشوں کے لیے مارکیٹ میں غیر یقینی صورت حال پیدا کر رہے ہیں۔ کمپنی کا ماننا ہے کہ اگر ان اقدامات کو کامیابی کے ساتھ نافذ کیا گیا تو Paints کی صنعت کے اندر مزید سطحی کھیل کا میدان پیدا ہو گا۔ لیکن یہ توقع کی جاتی ہے کہ حکومت کی آمدنی میں اضافے اور استحکام کے اقدامات پر عمل درآمد کرانے پر وقت لگے گا۔ اس سب کو

مد نظر رکھتے ہوئے مستقبل کے حالات مندوش نظر آرہے ہیں۔ اعلیٰ مفاد کی شرح اور مالی محاذ پر کفایت شعاری کی ہم سے مارکیٹ میں مختلف Coatings کی مانگ متاثر ہوگی۔ زر مبادلہ کی قدر میں کمی، غیر یقینی صورتحال کی وجہ سے ہوئی ہے جس کو مالیاتی مارکیٹ میں فارورڈ کور کی عدم موجودگی نے شدید کر دیا ہے۔ تاہم کمپنی منانے کے تحفظ کے لیے فعال اقدامات کر رہی ہے۔



معین افضل
چیرمین



سعد محمود راشد
چیف ایگزیکٹو



A.F.FERGUSON & CO.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF AKZO NOBEL PAKISTAN LIMITED REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Akzo Nobel Pakistan Limited as at June 30, 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three month period ended June 30, 2019 and June 30, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period then ended June 30, 2019.

Scope of Review

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

The engagement partner on the audit resulting in this independent auditor's report is Hammad Ali Ahmad.

A. F. Ferguson & Co
Chartered Accountants

Lahore

Dated: August 28, 2019

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AKZO NOBEL PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT JUNE 30, 2019

		June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	Note	----- (Rupees in thousand) -----	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	1,927,905	1,961,553
Right-of-use asset	6	48,561	-
Intangible assets	7	-	37,668
Long term loans	8	65,432	66,747
Long term deposits and prepayments		4,833	5,713
Deferred tax asset - net		131,823	147,322
		<u>2,178,554</u>	<u>2,219,003</u>
CURRENT ASSETS			
Stores and spares		23,525	22,661
Stock in trade	9	852,775	668,883
Trade debts	10	1,078,640	741,838
Loans and advances		82,770	95,398
Trade deposits and short term prepayments		11,120	16,601
Other receivables	11	21,443	21,481
Income tax receivable		37,338	23,051
Interest accrued		4,531	7,141
Cash and bank balances	12	1,250,318	1,895,127
		<u>3,362,460</u>	<u>3,492,191</u>
		<u>5,541,014</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		2,166,086	2,130,632
Surplus on revaluation of property, plant and equipment		1,244,514	1,264,962
		<u>3,875,033</u>	<u>3,860,027</u>
NON - CURRENT LIABILITIES			
Deferred liabilities		62,757	61,568
Long term lease liabilities against right-of-use asset		14,805	-
		<u>77,562</u>	<u>61,568</u>
CURRENT LIABILITIES			
Trade and other payables	13	1,526,414	1,760,001
Current portion of lease liabilities against right-of-use asset		30,150	-
Unpaid dividend		3,084	2,986
Unclaimed dividend		28,771	26,612
		<u>1,588,419</u>	<u>1,789,599</u>
CONTINGENCIES AND COMMITMENTS			
	14	<u>5,541,014</u>	<u>5,711,194</u>

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.

Mueen Afzal
Chairman

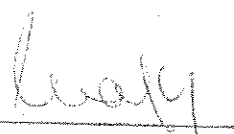
Saad Mahmood Rashid
Chief Executive


Harris Mahmood
Chief Financial Officer

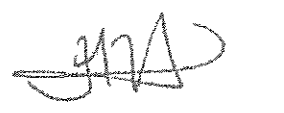
AKZO NOBEL PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

	Note	Three months ended		Six months ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
(Rupees in thousand)					
Turnover		2,262,893	2,358,008	4,540,014	4,683,547
Sales tax and discounts		(737,336)	(786,729)	(1,505,913)	(1,555,317)
Net sales		1,525,557	1,571,279	3,034,101	3,128,230
Cost of sales	15	(956,602)	(1,019,968)	(1,910,274)	(1,989,955)
Gross profit		568,955	551,311	1,123,827	1,138,275
Selling and distribution expenses		(268,836)	(306,241)	(518,927)	(590,896)
Administrative and general expenses		(98,254)	(93,639)	(184,502)	(180,906)
Operating profit		201,865	151,430	420,398	366,473
Finance cost		(9,453)	(2,534)	(11,687)	(3,624)
Other charges	16	(63,808)	(12,540)	(93,762)	(34,531)
		(73,261)	(15,074)	(105,449)	(38,155)
Other income	17	33,805	34,916	16,281	74,582
Profit before taxation		162,409	171,272	411,230	402,900
Taxation	18	(51,594)	(81,211)	(122,072)	(149,433)
Profit for the period		110,815	90,061	289,158	253,467
Earnings per share - basic and diluted (Rupees)		2.39	1.94	6.23	5.46

The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.


Mueen Afzal
Chairman


Saad Mahmood Rashid
Chief Executive

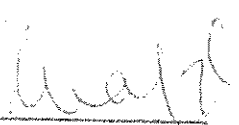

Harris Mahmood
Chief Financial Officer


AKZO NOBEL PAKISTAN LIMITED

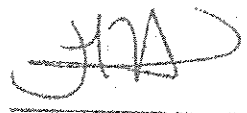
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	----- (Rupees in thousand) -----			
Profit for the period	110,815	90,061	289,158	253,467
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>110,815</u>	<u>90,061</u>	<u>289,158</u>	<u>253,467</u>

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The annexed notes 1 to 26 form an integral part of these condensed interim financial statements.


Mueen Afzal
Chairman


Saad Mahmood Rashid
Chief Executive


Harris Mahmood
Chief Financial Officer

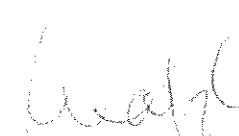
AKZO NOBEL PAKISTAN LIMITED


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)


FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserve	Surplus on revaluation of property, plant and equipment	Total
		Share premium	Capital receipts	Unappropriated profit		
(Rupees in thousand)						
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	-	-	-	253,467	-	253,467
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	253,467	-	253,467
Incremental depreciation charge during the period - net of deferred tax	-	-	-	20,847	(20,847)	-
Transactions with owners of the Company recognized directly in equity						
Final dividend for the year ended December 31, 2017 @ Rs. 7.00 per share	-	-	-	(325,103)	-	(325,103)
Balance as on June 30, 2018 (un-audited)	464,433	156,006	196	1,811,512	1,285,766	3,717,913
Profit for the period	-	-	-	133,712	-	133,712
Other comprehensive income for the period	-	-	-	8,403	-	8,403
Total comprehensive income for the period	-	-	-	142,115	-	142,115
Incremental depreciation charge during the period - net of deferred tax	-	-	-	20,804	(20,804)	-
Balance as on December 30, 2018 (audited)	464,433	156,006	196	1,974,431	1,264,952	3,860,028
Impact adoption IFRS 15 - note 4.1.2	-	-	-	(41,936)	-	(41,936)
Balance as on January 1, 2019	464,433	156,006	196	1,932,495	1,264,952	3,818,092
Profit for the period	-	-	-	289,158	-	289,158
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	289,158	-	289,158
Incremental depreciation charge during the period - net of deferred tax	-	-	-	20,448	(20,448)	-
Transactions with owners of the Company recognized directly in equity						
Final dividend for the year ended December 31, 2018 @ Rs. 5.00 per share	-	-	-	(232,217)	-	(232,217)
Balance as on June 30, 2019 (un-audited)	464,433	156,006	196	2,009,884	1,244,514	3,875,033

The annexed notes 1 to 26 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 SIX MONTHS ENDED JUNE 30, 2019

Six months ended
June 30, 2019 June 30, 2018
----- (Rupees in thousand) -----

Cash flows from operating activities		
Profit before taxation	411,230	402,900
Adjustments for:		
Depreciation and amortization	66,159	74,827
(Gain) / loss on disposal of property, plant and equipment	(153)	443
Provision for employee benefits obligation	17,783	17,283
Provision for doubtful debts	7,599	25,893
(Reversal of provision) / provision for slow moving and obsolete stocks	(592)	8,432
Provision for slow moving and obsolete stores and spares	1,284	2,300
Provisions no more required written back	(19,405)	(32,194)
Interest income	(58,032)	(33,934)
Interest expensed on lease liability against right-of-use assets	2,808	-
Profit before working capital changes	<u>428,681</u>	<u>465,950</u>
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
Stores and spares	(2,148)	1,445
Stock in trade	(183,300)	(378,277)
Trade debts	(344,401)	(369,350)
Loans and advances	12,628	8,480
Trade deposits and short term prepayments	6,467	(2,319)
Other receivables	38	15,533
	(510,716)	(724,488)
Decrease in current liabilities		
Trade and other payables	(157,349)	(184,542)
Net cash used in operations	<u>(239,384)</u>	<u>(443,080)</u>
Decrease in long term loans	1,315	789
Decrease in long term deposits and prepayments	880	398
Employee benefits paid	(17,965)	(19,058)
Interest paid	(2,808)	-
Taxes paid	(114,588)	(126,407)
Net cash used in operating activities	<u>(133,166)</u>	<u>(144,278)</u>
	(372,550)	(587,358)
Cash flows from investing activities		
Payments for capital expenditure	(97,302)	(74,095)
Proceeds from disposal of property, plant and equipment	153	267
Interest received	60,642	36,676
Net cash used in investing activities	<u>(36,507)</u>	<u>(37,152)</u>
Cash flows from financing activities		
Dividend paid	(229,960)	(319,349)
Payment of lease liability against right-of-use assets	(5,792)	-
Net cash used in financing activities	<u>(235,752)</u>	<u>(319,349)</u>
Net cash used in all activities	<u>(644,809)</u>	<u>(943,859)</u>
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	<u>1,250,318</u>	<u>1,126,317</u>

The annexed notes 1 to 26 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 SIX MONTHS ENDED JUNE 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;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 profit and loss account, condensed interim statement of 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 six months period ended June 30, 2018.

The figures of the six months ended June 30, 2019 are being submitted to the shareholders, and have been subjected to limited scope review in accordance with Section 237 of the Companies Act, 2017.

These condensed interim financial statements do not include all information and disclosures required in the annual audited financial statements and therefore should be read in conjunction with the annual audited financial statements for the year ended December 31, 2018.

2.3 Critical accounting estimates and judgements

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.

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2.3.1 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 (Rs.) 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.

The impacts of adoption of the above mentioned standards is given in note 4 to these condensed interim financial statements.

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.

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4 Summary of significant accounting policies

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual audited financial statements of the Company for the year ended December 31, 2018 except for as follows:

4.1 Changes in accounting policies

4.1.1 First time adoption of IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable to the Company. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Company has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Company recognised certain lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental weighted average borrowing rate of 11.70% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	June 30, 2019	January 1, 2019
	----- (Rupees in thousand) -----	
Total lease liability recognised	<u>44,955</u>	<u>50,746</u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

	June 30, 2019	January 1, 2019
	----- (Rupees in thousand) -----	
The recognised right-of-use assets relate to the following types of assets:		
Property	<u>48,561</u>	<u>63,924</u>

The effect of this change in accounting policy is as follows:

June 30, 2019 January 1,
2019
----- (Rupees in thousand) -----

Impact on condensed interim statement of financial position

Assets

Increase in right-of-use assets	48,561	63,924
Decrease in other assets - trade deposits and short term prepayments	(4,740)	(13,178)
Decrease in deferred tax - net	(975)	-
Increase in total assets	42,846	50,746

Liabilities

Increase in total lease liability against right-of-use assets	44,955	50,746
Decrease in taxation - provision less payment	(193)	-
Increase in total liabilities	44,762	50,746
Decrease in net assets	(1,916)	-

For the six
months
ended June
30, 2019
(Rupees in
thousand)

Impact on condensed interim profit and loss account

(Increase) / decrease in administrative expenses:

Increase in depreciation on right-of-use assets	(15,363)
Decrease in rent expense	15,473
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Increase in finance cost (2,808)

Decrease in profit before tax (2,698)

Decrease in tax 782

Decrease in profit after tax (1,916)

Earnings per share for the six months ended June 30, 2019 are Rs 0.04 per share lower as a result of the adoption of IFRS 16.

While implementing IFRS 16, the Company has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Company has opted not to recognise right-of-use assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

4.1.2 First time adoption of IFRS 15 - Revenue from Contracts with Customers

Effective January 1, 2019, the Company has adopted IFRS 15 - 'Revenue from Contracts with Customers'. This standard, replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. Key changes in the new standard include a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Signature

On the date of initial application, the Company had unexpired tinting machine contracts with its customer wherein customers were provided tinting machines free of charge. Under IFRS 15, the delivery of such tinting machines now qualifies as a separate performance obligation. Accordingly, the revenue and a resulting lease asset against such tinting machine is required to be recognized at the moment of transfer of such assets. However, since these tinting machines were leased free of charge and without any substantial binding sales obligations, no revenue was allocated to the such contracts in accordance with the five-step model under IFRS-15. As a consequence, these tinting machines have been expensed through the opening retained earnings of the Company and no finance lease receivable nor revenue has been recognized in these condensed interim financial statements of the Company.

As referred above, the Company has adopted IFRS 15 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The effect of this change in accounting policy upon initial application is as follows:

		January 1, 2019	
		(Rupees in thousand)	
			(48,198)
			13,027
			(6,765)
			(41,936)
		June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		----- (Rupees in thousand) -----	
5	Property, plant and equipment	Note	
	Operating property, plant and equipment	5.1	1,875,860
	Capital work in progress	5.2	52,045
			<u>1,927,905</u>
5.1	Operating property, plant and equipment		<u>1,961,553</u>
	Opening net book value		1,895,907
	Impact of initial adoption - IFRS 15		(48,198)
	Additions during the period / year (at cost)	5.1.1	94,310
	Disposals / write-off (at net book value)		-
	Depreciation charged during the period / year		(66,159)
	Closing net book value		<u>1,875,860</u>
5.1.1	Following is the detail of additions during the period / year:		
	Buildings on freehold land		8,492
	Plant and machinery		83,958
	Office equipment		1,850
	Vehicles		-
	Furniture and fixtures		-
			<u>94,310</u>
5.2	Capital work in progress		<u>126,407</u>
	Civil works and buildings		2,942
	Plant and machinery		45,257
	Equipment		3,846
			<u>52,045</u>
6	Right-of-use asset		<u>65,646</u>
	Impact of initial adoption - IFRS 16		63,924
	Depreciation charged during the period / year		(15,363)
	Closing net book value		<u>48,561</u>

7 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.

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	----- (Rupees in thousand) -----	
8 Long term loans - considered good		
Due from executives and other employees	86,578	92,142
Receivable within one year	(21,146)	(25,395)
	<u>65,432</u>	<u>66,747</u>

8.1 The maximum aggregate amount of long term loans due from the Executives at the end of any month during the period was Rs. 25.77 million (December 31, 2018: Rs. 30.25 million).

9 Stock in trade

Out of the total carrying value of stock in trade, Rs. 3.1 million (December 31, 2018: Rs 7.46 million) is measured at net realizable value. As at June 30, 2019 stock in trade has been written down by Rs. 0.07 million (December 31, 2018: Rs 0.19 million) to arrive at its net realizable value.

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	----- (Rupees in thousand) -----	
10 Trade debts		
Considered good:		
Secured	78,793	51,272
Unsecured	1,395,503	1,166,338
	1,474,296	1,217,610
Considered doubtful	211,311	203,712
	1,685,607	1,421,322
Provision for:		
Doubtful debts	(211,311)	(203,712)
Discounts	(395,656)	(475,772)
	(606,967)	(679,484)
	<u>1,078,640</u>	<u>741,838</u>

11 Other receivables

This includes balance amounting to Rs. 5.62 million (December 31, 2018: Rs. 10.92 million) receivable from associated undertakings.

		June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		----- (Rupees in thousand) -----	
12 Cash and bank balances	Note		
Cash in hand		15,783	17,112
Cash at bank - current accounts	12.1	304,264	290,751
Cash at bank - saving accounts		271	264
Short term deposits	12.2	930,000	1,587,000
		<u>1,250,318</u>	<u>1,895,127</u>

12.1 Cash and bank balances include cheques in hand amounting Rs. 243.28 million (December 31, 2018: 239.32 million) and US Dollars amounting to USD 332 (December 31, 2018: USD 8,332).

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12.2 These represent term deposit receipts placed with commercial banks under conventional banking arrangements. These carry mark-up at the rate of 11.55% to 11.95% (December 31, 2018: 8.85% to 9.32%) per annum.

12.3 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.

13 Trade and other payables

This includes balance amounting to Rs. 370.98 million (December 31, 2018: Rs. 470.43 million) payable to related parties. Out of this, Rs. 118.19 million (December 31, 2018: Rs. 118.68 million) relates to staff retirement funds.

14 Contingencies and commitments

14.1 Contingencies

14.1.1 There has been no significant change in the contingencies since the date of preceding published annual audited financial statements for the year ended December 31, 2018, except for the following:

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.

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

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	----- (Rupees in thousand) -----	
Sales tax authorities	40,612	40,612
Others	-	10,000
	<u>40,612</u>	<u>50,612</u>

14.2 Commitments

14.2.1 Commitments in respect of capital expenditure amount to Rs. 33.065 million (December 31, 2018: Rs. 13.615 million).

14.2.2 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).

ur/r

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

Year	June 30,	December 31,
	2019 (Un-audited)	2018 (Audited)
	----- (Rupees in thousand) -----	
2019	10,004	18,836
2020	19,529	18,336
2021	15,830	13,968
2022	8,624	6,102
2023	2,825	647
2024	459	-
	<u>57,271</u>	<u>57,889</u>
Payable not later than one year	20,007	18,836
Payable later than one year but not later than five years	<u>37,264</u>	<u>39,053</u>
	<u>57,271</u>	<u>57,889</u>

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	----- (Rupees in thousand) -----			
15 Cost of sales				
Raw and packing materials consumed	795,516	774,168	1,673,212	1,643,073
Manufacturing costs	<u>149,925</u>	<u>161,307</u>	<u>291,116</u>	<u>308,505</u>
	945,441	935,475	1,964,328	1,951,578
Opening work in process	17,106	17,373	9,312	12,217
Closing work in process	<u>(19,918)</u>	<u>(16,085)</u>	<u>(19,918)</u>	<u>(16,085)</u>
Cost of goods manufactured	942,629	936,763	1,953,722	1,947,710
Opening finished goods	312,176	351,435	250,360	233,331
Finished goods purchased	56,228	110,418	60,623	187,562
Closing finished goods	<u>(354,431)</u>	<u>(378,648)</u>	<u>(354,431)</u>	<u>(378,648)</u>
	<u>956,602</u>	<u>1,019,968</u>	<u>1,910,274</u>	<u>1,989,955</u>

16 Other charges

This includes exchange loss amounting to Rs. 65.84 million (June 30, 2018: Rs. 12.28 million). It includes exchange loss from actual currency amounting to Rs. 65.84 million (June 30, 2018: Rs. 11.95 million) and exchange loss from forward contracts amounting to Rs. Nil (June 30, 2018: exchange loss amounting to Rs. 0.33 million).

u/p

Three months ended Six months ended
June 30, 2019 June 30, 2018 June 30, 2019 June 30, 2018
----- (Rupees in thousand) -----

17	Other income				
	Income from financial assets				
	Profit on short term and call deposits	25,384	14,178	58,032	33,934
	Income from non-financial assets				
	Scrap sales	3,163	1,830	5,538	3,609
	Income from sale of fixed assets	-	267	153	-
	Others				
	Provisions no longer required and written back				
	Slow moving and obsolete stocks	3,559	-	8,396	4,430
	Others	-	18,641	19,405	32,194
	Miscellaneous income	1,699	-	4,757	415
		<u>33,805</u>	<u>34,916</u>	<u>96,281</u>	<u>74,582</u>
18	Taxation				
	Current	53,210	77,195	93,546	119,934
	Prior year	-	23,748	-	23,748
	Deferred	(1,616)	(19,732)	28,526	5,751
		<u>51,594</u>	<u>81,211</u>	<u>122,072</u>	<u>149,433</u>

19 **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 Six months ended
June 30, 2019 June 30, 2018 June 30, 2019 June 30, 2018
----- (Rupees in thousand) -----

Associated companies

Purchase of goods, materials and services	79,631	112,163	147,927	232,752
Indenting commission income	-	201	-	585
Sale of goods and services	149	592	250	945
Reimbursement of expenses	14,731	11,333	17,334	12,434
Royalty paid	-	-	168,056	165,426

Retirement benefit plan

Contribution to retirement funds / plans	22,019	15,888	37,171	32,596
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19.1 The above transactions with related parties were carried out on mutually agreed terms and conditions.

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19.2 Transactions with key management personnel

Salaries and benefits of key management personnel for the six months period ended June 30, 2019 amounted to Rs. 47.25 million (June 30, 2018: Rs. 52.17 million) out of which Rs. 5.1 million (June 30, 2018: Rs. 4.82 million) relates to post employment benefits.

In addition, the Chief Executive, one Director and certain Executives are provided with free use of Company maintained cars in accordance with their entitlement.

20 Operating segments

20.1 These financial statements have been prepared on the basis of a single reportable segment.

20.2 Revenue from sale of paints and coatings represents 100% (June 30, 2018: 97.54%) of the total revenue of the Company.

20.3 99.80% (June 30, 2018: 99.84%) sales of the Company relate to customers in Pakistan.

20.4 All non-current assets of the Company as at June 30, 2019 are located in Pakistan.

21 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.

22 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.

23 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	Six months ended	
	June 30, 2019	June 30, 2018
Cost of sales	1,289	1,323
Selling and distribution expenses	3,205	2,231
Administrative and general expenses	4,662	2,762

24 Subsequent events

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

25 Date of authorization for issue

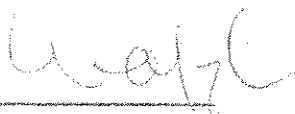
The condensed interim financial statements were authorized for issue in the Board of Directors meeting held on 28 August 2019.

26 General

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

26.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. However, no significant rearrangements have been made.

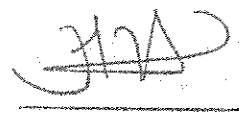
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Mueen Afzal
Chairman



Saad Mahmood Rashid
Chief Executive



Harris Mahmood
Chief Financial Officer