

Colours of Change

Report for the quarter and half year ended June 30, 2013



Akzo Nobel Pakistan Ltd.

Financial Statements for the period ended
30 June 2013

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Company Information

Board of Directors

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

Audit Sub Committee

Asad I A Khan	<i>Chairman (Non-Executive)</i>
Mueen Afzal	<i>Non-Executive</i>
Bart Kaster	<i>Non-Executive</i>

Human Resource & Remuneration Sub Committee

Mueen Afzal	<i>Chairman (Non-Executive)</i>
Peter Tomlinson	<i>Non-Executive</i>
Jehanzeb Khan	<i>Chief Executive</i>

Share Transfer Committee

Jehanzeb Khan	<i>Chief Executive</i>
Zia U Syed	<i>Chief Financial Officer</i>
Saira Soofi	<i>Company Secretary</i>

Chief Financial Officer

Zia U Syed

Company Secretary

Saira Soofi

Executive Management Team

Jehanzeb Khan	<i>Chief Executive</i>
Rizwan Afzal	<i>Operations Manager</i>
Shahid Sultan Butt	<i>Technical Manager (R&D)</i>
Muddassir Khalid	<i>HR Business Partner</i>
Fawad A A Mirza	<i>Business Excellence Manager</i>

Mohsin Raza Naqvi	<i>Business Manager - Performance Coatings and Specialty Chemicals</i>
Imran Qureshi	<i>Business Manager - Decorative Business</i>
Bashar Rasheed	<i>Supply Chain Manager</i>
Zia U Syed	<i>Chief Financial Officer</i>

Bankers

Citibank N.A.
Deutsche Bank Limited A.G

Habib Metropolitan Bank Limited
United Bank Limited

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Registered Office

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

www.akzonobel.com/pk/paints

Shares Registrar

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

Review of the Directors

For the quarter & six months ended 30 June 2013

The Directors are pleased to present their review together with the un-audited financial statements of the Company for the quarter and first six months ended 30 June 2013.

Financial Performance

Net sales income for the quarter and first six months were higher by 6% and 11% respectively on the back of higher volumes. Profit before tax for the quarter and half year were also higher than last year due higher sales, effective margin management and strict control over costs. Accordingly EPS for Q2 and H1 at Rs. 3.29 and Rs. 5.74 was significantly higher than same period last year.

	For the quarter ended 30 June 2013	For the six months ended 30 June 2013	For the quarter ended 30 June 2012 (Restated)*	For the six months ended 30 June 2012 (Restated)*
Turnover (Rs million)	2,002	3,735	1,873	3,347
Net Sales Income (Rs million)	1,493	2,775	1,405	2,510
Gross Profit (Rs million)	573	1,009	478	814
Operating Results (Rs million)	221	326	99	90
Profit Before Tax (Rs million)	319	501	152	210
Profit After Tax (Rs million)	153	267	82	119
Earnings Per Share (Rs)	3.29	5.74	1.76	2.57

*Restatement due to IAS19 (refer note 3 of condensed interim financial statements)

Business Performance

The decorative paint industry continued to show signs of recovery in the second quarter despite the prevailing poor law and order situation, power outages and sluggish GDP growth. The Company launched various promotional schemes to strengthen brand awareness which helped secure encouraging volumes.


Market conditions remained slow in the tractors and commercial vehicles industry. However, the impact was mitigated through new business development in the Protective Coatings and Specialty Chemicals portfolio, customer engagement and stronger market coverage in the vehicle refinish paint industry.

Future Outlook

With the arrival of the monsoons and Ramadan, painting activity is expected to remain slow in the short term. However, the company plans to mitigate the impact through initiatives targeted towards the distribution channel as well as end consumers.

The company will continue to commercialize products and technologies from its global portfolio, and aim to re-engage the packaging coatings industry through stronger service level support and line trials in the coming quarters.

The recent hike in sales tax rate from 16% to 17% will increase painting costs for most of our end users and accordingly will impact our future sale volumes negatively.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



KPMG Taseer Hadi & Co.
Chartered Accountants
53 L Gulberg III
Lahore Pakistan

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Independent Auditors' Report 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 30 June 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the condensed interim financial information for the six month period then ended (here-in-after referred 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.

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 at 30 June 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended 30 June 2013 and 30 June 2012 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion thereon.

Lahore

Date: 20 August 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

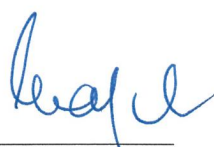
Akzo Nobel Pakistan Limited
Condensed Interim Balance Sheet (Un-audited)

As at 30 June 2013

		Un-audited	Audited
		30 June	31 December
		2013	2012
	<i>Note</i>	<i>----- Rupees in thousands -----</i>	
			<i>Restated</i>
ASSETS			
Non-current assets			
Fixed assets	4	1,437,505	1,469,589
Long term loans	5	61,412	58,717
Long term deposits and prepayments		5,056	2,196
Deferred tax assets - net		145,638	211,485
		1,649,611	1,741,987
Current assets			
Stores and spares		31,954	32,101
Stock-in-trade	6	472,619	533,626
Trade debts	7	604,739	332,488
Loans and advances		63,694	43,332
Trade deposits and short term prepayments		30,070	5,583
Tax refund due from the Government		9,864	-
Interest accrued		5,567	71,985
Other receivables	8	35,648	40,144
Cash and bank balances	9	1,200,906	4,560,719
		2,455,061	5,619,978
		4,104,672	7,361,965
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		1,000,000	1,000,000
Issued, subscribed and paid-up capital		464,433	464,433
Reserves		1,259,669	4,641,945
		1,724,102	5,106,378
Surplus on revaluation of fixed assets		884,666	886,140
Non-current liabilities			
Deferred liabilities		36,258	46,549
Current liabilities			
Trade and other payables	10	1,459,646	1,313,610
Provision for taxation		-	9,288
		1,459,646	1,322,898
Contingencies and commitments	11	4,104,672	7,361,965

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

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Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



Zia U Syed
Chief Financial Officer

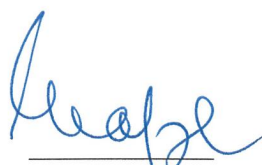
Akzo Nobel Pakistan Limited
Condensed Interim Profit and Loss Account (Un-audited)

For the six months period ended 30 June 2013

	Six months ended		Three months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	----- Rupees in thousands -----			
		<i>Restated</i>		<i>Restated</i>
Turnover	3,735,252	3,347,369	2,001,797	1,872,768
Sales tax, excise duty and discounts	(960,060)	(837,565)	(508,953)	(468,226)
Net sales	2,775,192	2,509,804	1,492,844	1,404,542
Cost of sales	13 (1,765,994)	(1,695,295)	(919,960)	(926,698)
Gross profit	1,009,198	814,509	572,884	477,844
Selling and distribution expenses	(472,265)	(442,422)	(245,937)	(237,791)
Administrative and general expenses	(210,697)	(281,698)	(106,436)	(141,092)
Operating result	326,236	90,389	220,511	98,961
Finance cost	(9,218)	(10,339)	(3,947)	(6,451)
Other operating charges	(46,209)	(18,296)	(31,306)	(12,152)
	(55,427)	(28,635)	(35,253)	(18,603)
Other operating income	230,306	147,780	133,750	71,786
Profit before taxation	501,115	209,534	319,008	152,144
Taxation	14 (234,421)	(90,097)	(166,369)	(70,458)
Profit after taxation	266,694	119,437	152,639	81,686
Earnings per share				
- basic and diluted - Rupees	5.74	2.57	3.29	1.76

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Mueen Afzal



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period ended 30 June 2013

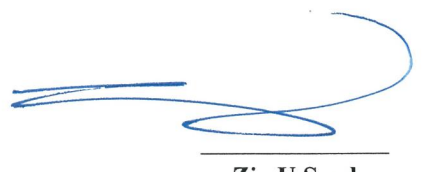
	Six months ended		Three months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
<i>Note</i>	----- Rupees in thousands -----			
	<i>Restated</i>		<i>Restated</i>	
Profit after taxation	266,694	119,437	152,639	81,686
Other comprehensive loss				
<i>Items that will never be reclassified to profit and loss:</i>				
Remeasurements of defined benefit liability - net of tax	3.1	-	(15,091)	-
		(7,546)		(7,546)
Total comprehensive income for the period	266,694	104,346	152,639	74,140

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Mueen Afzal


Mueen Afzal
Chairman / Director


Jehanzeb Khan
Chief Executive


Zia U Syed
Chief Financial Officer

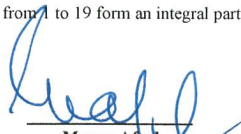
Akzo Nobel Pakistan Limited
Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months period ended 30 June 2013

	Note	Share capital	Allocated share capital pursuant to the Scheme	Capital reserve		Revenue reserve	Total
				Share premium	Capital receipts	Unappropriated profit	
(----- Rupees in thousands -----)							
Balance at 01 January 2012 as previously reported		1	464,432	156,006	196	4,206,787	4,827,422
Impact of changes in accounting policy	3.1	-	-	-	-	(69,933)	(69,933)
Restated balance at 01 January 2012		1	464,432	156,006	196	4,136,854	4,757,489
Profit for the period, as restated		-	-	-	-	119,437	119,437
Total other comprehensive income, as restated		-	-	-	-	(15,091)	(15,091)
Total comprehensive income for six months period ended 30 June 2012		-	-	-	-	104,346	104,346
Incremental depreciation charge during the period - net of deferred tax		-	-	-	-	1,475	1,475
Restated balance at 30 June 2012		1	464,432	156,006	196	4,242,675	4,863,310
Profit for the period, as restated		-	-	-	-	256,686	256,686
Total other comprehensive income, as restated		-	-	-	-	(15,091)	(15,091)
Total comprehensive income for six months period ended 31 December 2012		-	-	-	-	241,595	241,595
Incremental depreciation charge during the period - net of deferred tax		-	-	-	-	1,473	1,473
Transactions with owners of the Company, recognised directly in equity							
Issuance of ordinary shares		464,432	(464,432)	-	-	-	-
Restated balance at 31 December 2012		464,433	-	156,006	196	4,485,743	5,106,378
Profit for the period		-	-	-	-	266,694	266,694
Total other comprehensive income		-	-	-	-	-	-
Total comprehensive income for six months period ended 30 June 2013		-	-	-	-	266,694	266,694
Incremental depreciation charge during the period - net of deferred tax		-	-	-	-	1,475	1,475
Transactions with owners of the Company, recognised directly in equity							
Dividends to the owners of the Company @ Rs. 78.60 per share		-	-	-	-	(3,650,445)	(3,650,445)
Balance at 30 June 2013		464,433	-	156,006	196	1,103,467	1,724,102

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.




Mueen Afzal
Chairman / Director


Jehanzeb Khan
Chief Executive


Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 30 June 2013

	Six months ended	
	30 June 2013	30 June 2012
----- Rupees in thousands ----- Restated		
Cash flows from operating activities		
Profit before taxation	501,115	209,534
Adjustments for:		
Depreciation and amortisation	83,590	77,536
Reversal of / provision for staff retirement benefits	(9,640)	15,901
Loss on disposal of fixed assets	8,695	-
Reversal of / provision for doubtful debts	(8,403)	6,433
Reversal of provision against stock in trade	(5,693)	(15,806)
Interest income	(135,637)	(96,738)
	<u>434,027</u>	<u>196,860</u>
Movement in:		
Working capital	(92,454)	159,236
Long-term loans	(2,695)	(13,176)
Long-term deposits and prepayments	(2,860)	372
Net cash generated from operations	<u>336,018</u>	<u>343,292</u>
Payment against deferred liabilities	(651)	-
Taxation paid	(187,726)	(155,081)
Net cash generated from operating activities	<u>147,641</u>	<u>188,211</u>
Cash flows from investing activities		
Payments for capital expenditure	(62,837)	(133,099)
Proceeds from disposal of fixed assets	1,920	-
Interest received	202,055	96,738
Net cash generated / (used in) investing activities	<u>141,138</u>	<u>(36,361)</u>
Cash flows from financing activities		
Dividend paid	(3,648,592)	-
Net cash (used in) / generated during the period	<u>(3,359,813)</u>	<u>151,850</u>
Cash and cash equivalents at the beginning of the period	<u>4,560,719</u>	<u>223,175</u>
Cash and cash equivalents at the end of the period	<u><u>1,200,906</u></u>	<u><u>375,025</u></u>

Movement in working capital

(Increase) / decrease in current assets

Stores and spares	147	6,919
Stock-in-trade	66,700	45,797
Trade debts	(263,848)	(213,348)
Loans and advances	(20,362)	(7,693)
Trade deposits and short-term prepayments	(24,487)	5,333
Other receivables	4,496	(68,020)
	<u>(237,354)</u>	<u>(231,012)</u>


Increase in current liabilities


Trade and other payables	144,900	390,248
	<u>(92,454)</u>	<u>159,236</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman / Director


Jehanzeb Khan
Chief Executive


Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited

Notes to the Condensed Interim Financial Information (Un-audited)

For the six months period ended 30 June 2013

1 Reporting entity

Akzo Nobel Pakistan Limited ("the Company") was incorporated in Pakistan on 25 August 2011 as a public unlisted company under the Companies Ordinance, 1984 and was subsequently listed on the Karachi and Islamabad Stock Exchanges on 11 July 2012 and Lahore Stock Exchange on 17 July 2012. The registered office of the Company is situated at 346, Ferozpur Road, Lahore. The Company is primarily involved in the manufacturing of paints and trading of speciality chemicals.

2 Basis of preparation

(a) 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 or directives issued by Securities and Exchange Commission of Pakistan (SECP) 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 Karachi, Lahore and Islamabad Stock Exchanges. 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 31 December 2012.

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 31 December 2012, 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 period ended 30 June 2012.

(b) Judgements and estimates

In preparing this condensed interim financial information, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

(c) Functional and presentation currency

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

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3 Significant accounting policies

Except as described below, 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 31 December 2012.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

- Presentation of items of "Other Comprehensive Income" (Amendments to IAS 1) (*See (a)*)
- IAS 19 "Employee Benefits" (*See (b)*)
- Annual Improvements to IFRS 2009 – 2011 Cycle (*See (c)*)

The nature and the effect of the changes are further explained below.

a) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Company now presents items of other comprehensive income in its condensed interim statement of other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Company.

b) Defined benefit plans

As a result of IAS 19 (2011), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit and recognition of actuarial gain/loss.

Under IAS 19, the Company determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets; and
- Interest on the effect on the asset ceiling.

Previously, the Company determined interest income on plan assets based on their long term rate of expected return.

All the changes in present value of defined benefit obligation are now recognized in the condensed interim statement of comprehensive income and the past service costs are recognized in condensed interim profit and loss account, immediately in the period they occur.

The change in accounting policy has been applied retrospectively.

Further details of the effect of the change are set out in note 3.1.

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c) Segment information

The amendment to IAS 34 clarifies that the Company needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Company's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. Since the financial statements of the Company are prepared on the basis of single reportable segment, the said amendment is not expected to have any impact.

3.1 Summary of quantitative impact

The following tables summarise the material impacts resulting from the above changes in accounting policies on the condensed interim balance sheet, condensed interim profit and loss account, condensed interim statement of other comprehensive income and condensed interim statement of changes in equity.

	31 December 2012		31 December 2011	
	(- - - - - Rupees in thousands - - - - -)			
	<i>Previously reported</i>	<i>Restated</i>	<i>Previously reported</i>	<i>Restated</i>
(a) Condensed Interim Balance Sheet				
Deferred tax assets - net	163,334	211,485	183,658	221,314
Reserves	4,731,368	4,641,945	4,362,989	4,293,056
Deferred liabilities	41,409	46,549	25,061	28,985
Trade and other payables	1,181,176	1,313,610	823,714	927,379
30 June 2012				
(- - - - - Rupees in thousands - - - - -)				
	<i>As previously reported</i>	<i>Defined benefit plans</i>	<i>As restated</i>	
(b) Condensed Interim Profit and Loss Account				
Cost of sales		(1,696,969)	1,674	(1,695,295)
Selling and distribution expenses		(446,523)	4,101	(442,422)
Administrative and general expenses		(287,540)	2,450	(285,090)
(c) Condensed Interim Statement of Comprehensive Income				
Actuarial losses on defined benefit plan		-	(23,218)	(23,218)
Effect on taxation		-	8,127	8,127
(d) Statement of changes in Equity as on 31 December 2011				
Unappropriated profit		4,206,787	(69,933)	4,136,854

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4	Fixed assets	Note	Un-audited	Audited
			30 June 2013	31 December 2012
			(Rupees in thousands)	
	Property, plant and equipment - at net book value	4.1	1,375,286	1,381,425
	Capital work-in-progress - at cost	4.2	24,669	45,144
	Intangibles - computer softwares and licenses	4.3	37,550	43,020
			<u>1,437,505</u>	<u>1,469,589</u>

4.1 This includes the cost of property, plant and equipment that have been added and disposed-off during the six months period ended 30 June 2013, detail of which is as follows:

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	(----- Rupees in thousands -----)			
	Additions	Deletions	Additions	Deletions
Buildings on freehold land	29,373	8,652	12,919	-
Plant and machinery	33,525	10,625	45,075	-
Rolling stock and vehicles	732	-	-	-
Furniture and equipment	11,742	7,710	22,199	-
	<u>75,372</u>	<u>26,987</u>	<u>80,193</u>	<u>-</u>
			Un-audited	Audited
			30 June	31 December
			2013	2012
			(Rupees in thousands)	

4.2 The following is a detail of capital work-in-progress:

Civil works and buildings	688	25,617
Plant and machinery	23,869	18,980
Equipments	112	547
	<u>24,669</u>	<u>45,144</u>

4.3 This includes addition of intangible assets (computer softwares and licenses) amounting to Rs. 7.223 million during the period ended 30 June 2013 (30 June 2012: Rs. Nil).

5	Long term loans - considered good	Un-audited	Audited
		30 June 2013	31 December 2012
	Due from executive directors, executives and employees	82,463	79,310
	Less: current portions shown under current assets	(21,051)	(20,593)
		<u>61,412</u>	<u>58,717</u>

5.1 Loans to employees are provided for purchase of motorcycle, motor car and construction of house. Vehicle loans are secured against registration documents of vehicles and house building loans are secured against provident fund, gratuity, pension or any other dues payable to the employee.

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

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5.3 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 Rs. 2.902 million and Rs. 54.324 million (31 December 2012: Rs. 6.251 million and Rs. 43.749 million) respectively.

6 Stock in trade

Out of the total carrying value of inventory Rs. 4.22 million (31 December 2012: Rs. 6.03 million) is measured at net realizable value. As at 30 June 2013 stock has been written down by Rs. 1.08 million (31 December 2012: Rs. 1.74 million) to arrive at its net realizable value.

	Un-audited 30 June 2013	Audited 31 December 2012
	(Rupees in thousands)	
7 Trade debts		
Considered good:		
- secured	10,861	12,797
- unsecured	885,406	587,741
	896,267	600,538
Considered doubtful	268,004	272,782
	<u>1,164,271</u>	<u>873,320</u>
Less: provision for		
- doubtful debts	268,004	272,782
- discounts payables on sales ..	291,528	268,050
	559,532	540,832
	<u>604,739</u>	<u>332,488</u>

8 Other receivables - unsecured

This includes balance amounting to Rs. 14.744 million (31 December 2012: Rs. 14.742 million) receivable from associated undertakings.

	Un-audited 30 June 2013	Audited 31 December 2012
	(Rupees in thousands)	
9 Cash and bank balances		
Cash in hand	7,722	9,653
Cash at bank - current accounts	309,349	280,097
Short term deposits	883,835	4,270,969
	<u>1,200,906</u>	<u>4,560,719</u>

Note

9.1 These represent Term Deposit Receipts placed with a commercial bank, having maturity periods ranging from 1 day to 3 months. These carry mark-up at the rates ranging from 6.1 % to 7.6 % per annum.

10 Trade and other payables

This includes balance amounting to Rs. 127.151 million (31 December 2012: Rs. 72.262 million) payable to associated undertakings.

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11 Contingencies and commitments

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

	Un-audited 30 June 2013 (Rupees in thousands)	Audited 31 December 2012
Local bodies	-	453
Sales Tax authorities	91,087	91,087
Others	13,473	34,435
	<u>104,560</u>	<u>125,975</u>

11.2 Commitments in respect of capital expenditure.

	<u>35,927</u>	<u>28,787</u>
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11.3 A notice was issued by the Environmental Protection Authority (EPA) against the Company in 2008. Pursuant to this an order dated 16 August 2008 was passed by the EPA for violation of certain provisions of the 'Environmental Protection Act, 1997'. The Company is of the opinion that the order was not justified and has filed an appeal against the order in the Environmental Tribunal in Lahore, which is pending. Management in consultation with its legal council is confident that the decision will be made in favour of the Company, hence no provision is recognized in this condensed interim financial information.

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

	Un-audited 30 June 2013 (Rupees in thousands)	Audited 31 December 2012
Year		
2013	8,186	12,634
2014	16,371	11,501
2015	14,861	9,940
2016	10,272	5,281
2017	1,798	-
	<u>51,488</u>	<u>39,356</u>
Payable not later than one year	16,371	12,634
Payable later than one year but not later than five years	35,117	26,722
	<u>51,488</u>	<u>39,356</u>

12 Short term finances

The facility for running finance and issuance of letters of credit is available from a commercial bank and amounted to Rs. 475 million at a mark-up rate of 1 month KIBOR plus 1% per annum. The facility is secured by parental guarantee from AkzoNobel N.V., first pari passu hypothecation charge over the current assets of the Company amounting to Rs. 90 million and demand promissory note and counter guarantee / indemnity duly signed and stamped by the Company.

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	Un-audited		Un-audited	
	Six months ended		Three months ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
(----- Rupees in thousands -----)				
	<i>Restated</i>		<i>Restated</i>	
13 Cost of sales				
Raw and packing materials consumed	1,411,216	1,453,394	725,043	823,336
Manufacturing costs	231,023	192,785	117,627	103,656
	<u>1,642,239</u>	<u>1,646,179</u>	<u>842,670</u>	<u>926,992</u>
Opening stock of work-in-process	23,353	35,692	21,060	34,213
	<u>1,665,592</u>	<u>1,681,871</u>	<u>863,730</u>	<u>961,205</u>
Closing stock of work-in-process	(17,646)	(29,669)	(17,646)	(29,669)
Cost of goods manufactured	1,647,946	1,652,202	846,084	931,536
Opening stock of finished goods	220,309	283,402	212,105	258,714
Finished goods purchased	88,805	34,366	52,837	11,123
	<u>1,957,060</u>	<u>1,969,970</u>	<u>1,111,026</u>	<u>1,201,373</u>
Closing stock of finished goods	(191,066)	(274,675)	(191,066)	(274,675)
	<u>1,765,994</u>	<u>1,695,295</u>	<u>919,960</u>	<u>926,698</u>
14 Taxation				
Current	168,575	78,217	112,192	76,778
Deferred	65,846	11,880	54,177	(6,320)
	<u>234,421</u>	<u>90,097</u>	<u>166,369</u>	<u>70,458</u>
15 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:

	Un-audited		Un-audited	
	Six months ended		Three months ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
(----- Rupees in thousands -----)				
	<i>Restated</i>		<i>Restated</i>	
Holding company:				
Dividend paid	2,490,732	-	2,490,732	-
Associate:				
Purchase of goods, materials and services	128,169	45,987	74,471	22,780
Indenting commission income	2,564	-	1,609	-
Sale of good and services	1,288	-	633	-
Reimbursement of expenses	2,559	-	2,559	-
Contribution to staff retirement benefit plans	45,526	-	25,443	-
	<u>180,106</u>	<u>45,987</u>	<u>104,715</u>	<u>22,780</u>

The above transactions were carried out at an arm's length basis, in accordance with the Company's accounting policy.

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Key management personnel

During the six months period ended 30 June 2013, key management personnel received an amount of Rs. 48.636 million (30 June 2012: Rs. 51.800 million) on account of remuneration out of which Rs. 7.422 million (30 June 2012: Rs. 6.125 million) relates to post employment benefits.

16 Operating segments

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

16.2 Revenue from sale of paints represents 100% (30 June 2012 : 100%) of the total revenue of the Company.

16.3 98.91% (30 June 2012: 99.17 %) sales of the Company relate to customers in Pakistan.

16.4 All non-current assets of the Company as at 30 June 2013 are located in Pakistan.

17 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 31 December 2012.

18 Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on

~~20 AUG 2013~~

19 General

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

WORKS BY



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



Zia U Syed
Chief Financial Officer