Colours of Change

Akzo Nobel Pakistan Limited
Annual Report 2012

AkzoNobel
Tomorrow's Answers Today

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Chief Executive's Statement

Dear Stakeholders,

AkzoNobel Pakistan is a new company born in June 2012. It combines the finest heritage and local knowledge with the strength that comes from being part of the world's leading paints and coatings company. In its first full year the Company has delivered very satisfactory performance, and shown it is fully capable of meeting expectations of its shareholders and its customers.

2012 was a difficult business environment. Contracting markets, regulatory changes, and the general air of uncertainty did not stimulate economic growth much. International economic slowdowns added to the lackluster business climate locally.

The biggest challenge of 2012 was the setting up of Akzo Nobel Pakistan Limited and listing it on all three stock exchanges. This was executed smoothly by the management, and the Company transited overnight from being a business within a large company to an independent legal entity, and all this was done without missing a beat. Business processes continued smoothly and my entire team worked very hard at ensuring no customer or supplier felt uncomfortable with this change. A new Board of Directors was elected, and this Board has taken the lead in developing AkzoNobel Pakistan into a growing and sustainable organization that is representative of the full range of AkzoNobel's product portfolio.

The construction and maintenance segment remained sluggish as a result of overall economic slowdown; however the company continued its focus on effective margin management, promoting favorable product mix and a sharp eye on costs to manage profitability. The Company appreciates the effort by regulators in leveling the playing field for all competitors, and encourages more effective enforcement in all areas. New products were launched during the year, including the 'Magik' brand, a high quality paint for the mid tier market.

The industrial activity remained weak as a result of the on-going energy crisis, while automotive industry also declined in 2012, however new product launches for the motorcycle industry and introduction of high technology products in the field of protective coatings were able to offset the negative impact of lower volumes.

Following the demerger the Company secured rights to market AkzoNobel's range of Specialty Chemicals, and these products have been introduced and some sales have been made. Initial feedback from customers is positive.

The Company has been able to strengthen its capability to manage safety risks and has invested much capital and many man-hours in this effort. Today we take pride in having what is possibly a best-in-class fire prevention, detection and fire fighting system. There is continuing emphasis on creating safety awareness and investment in training. We were able to record a year of zero reportable safety incidents.

People play an important role in any organization, as they do in ours.

Our employees mean a lot to us, and continue to display a high level of engagement and enthusiasm, and add their personal touches to the vibrant and colorful work environment prevailing in the Company. This is both a result and reflection of the personal commitment of the leadership team of this Company.

With access to AkzoNobel's treasure of products and knowledge collected over the years from experiences around the world, we will be in a position to strengthen our business and consolidate AkzoNobel Pakistan as the leading paints and coatings company in Pakistan, with a significant Specialty Chemicals portfolio.

I wish to thank stakeholders everywhere; it is with your efforts that this Company has done well, and today is positioned to take advantage of the Colours of Change.

With my warm regards,

Jehanzeb Khan

Overview & Strategy

Mission & Vision

AkzoNobel Pakistan being a part of the AN Group

AkzoNobel Pakistan is a part of AkzoNobel N.V.; the largest global paints and coatings company and a major producer of specialty chemicals. With our head office in Lahore and branches across the country, the AkzoNobel Pakistan Family consists of over 250 talented people and many other associates, all committed to excellence. AkzoNobel Pakistan is passionate about providing sustainable solutions to our customers.

At AkzoNobel Pakistan, we carry with us the traditions and expertise of one of Pakistan's oldest and most successful companies; ICI Pakistan Limited. We know from years of experience that our customers expect nothing short of the best from us. And so, we launch innovative products, develop our teams, continuously improve our processes, and invest in research to ensure our customers have access to a wide range of high quality products, paint solutions and services.

We know from years of experience that our customers expect nothing short of the best from us.

AkzoNobel Global

Headquartered in Amsterdam, the Netherlands, AkzoNobel is consistently ranked as one of the leaders in the area of sustainability. With operations in more than 80 countries, its 55,000 people around the world are committed to excellence and delivering Tomorrow's Answers Today™.

Our Vision

Tomorrow's Answers Today

Often people achieve only incremental progress, because their view of tomorrow is determined by what they see today. We believe the future belongs to those smart enough to challenge it. We believe that real progress belongs to those who not only think with courage, but also have the courage to deliver on the thought.

Tomorrow's answers, delivered today.

What drives us is knowing that what is good for our customers today is not necessarily good enough for them tomorrow. What excites us is asking the unasked question. What inspires us is seeing the opportunity others cannot. What unites us is the intelligence to deliver where others have not.

This benefits our customers because we sustain their future competitiveness and meet the consumers' unspoken needs. This ambition defines us. This is the way we work. This is why we come to work.

Our Mission

To be a growing, sustainable OneAkzoNobel operation that exceeds customer expectations by leveraging its strong heritage, global knowledge base and world class talent.

Strategic Thrust

To achieve our mission we will:

- Give highest priority to health, safety, environment and ethical matters
- Ensure our products deliver maximum value to customers by maintaining dependable supply, consistent quality, and reliability
- Uphold excellent service levels to foster long-term relationships with customers and suppliers
- Achieve the highest possible operating efficiencies and lowest costs, and expand the business through new product launches and tapping into new markets
- Develop and retain a team of highly capable people dedicated to delivering the mission

Our Core Values

Code of Conduct & Values

At AkzoNobel Pakistan we conduct our business in line with a strong sense of principles. These principles, in the form of our Code of Conduct, are a part of our philosophy and our culture. This Code is intended to provide a clear overview of the obligations that each employee in the company needs to understand and practice.

A brief overview of the code:

Business principles
- Each employee should implement our core values, comply with and observe applicable laws, support fundamental human rights and give due regard to health, safety and environment

Business integrity
- We insist on integrity and fairness in all aspects of our business operations
- Bribery and any other forms of unethical business practice are prohibited
- Our employees are expected to maintain confidentiality at all times and act in the Company's interests
- All business transactions shall be accurately and completely recorded in accordance with the company's accounting principles and local laws and may be subject to audit

Company responsibilities
The Code of Conduct encourages us to:
- Adopt openness, integrity and reliability in all communications
- Provide equal opportunities, and a healthy, safe and secure environment for all employees
- Ensure the rights of employees to join unions/associations
- Protect the personal data of all employees
- Engage actively in Performance & Development Dialog

Employee responsibilities
The Code of Conduct provides employees with guidance on their responsibilities regarding:
- Media relations and disclosures
- Inside information
- Corporate identity
- Protecting our intellectual property
- Internet use
- Business travel
- Substance abuse

Our Passion for People

AkzoNobel has a vision to become a Talent Factory, recognized for development opportunities for our people and strong leadership practices. We recognize that improved management capability is the key enabler of a high performance culture, a better environment for employees and ultimately our business success. This requires that we foster leadership among employees at all levels.

We believe in developing and training our people and enabling them to excel. We aim to provide a work environment conducive to development and wellbeing, and strive to cultivate the talent of our people. In short, we have a Passion for People, which motivates us to bring out the best in our people, creating stronger grounds for sustainable growth.

The HR & Admin Team at AkzoNobel Pakistan

Performance & Development Dialog (P&D Dialog)

The P&D Dialog helps all AkzoNobel employees to perform and develop themselves in line with the values and to work towards delivering Tomorrow's Answers Today™. By actively engaging in dialogue, and reviewing candid feedback, we aim to achieve better business results, and reward our employees for their achievements. The P&D Dialog is a transparent evaluation process that incorporates both performance review and development planning.

Talent Management

We aim to provide opportunity for growth, as well as various challenging career experiences for all our employees. Succession planning is carried out through identification, development and movement of talent to ensure that the right resources are available to the organization for sustainable value creation.

People Development

We believe that all employees have expertise that can be nurtured and developed, and our aim is to improve the skills and behavioral aspects of our employees, based on our values. In addition to regular training needs identification, the AkzoNobel Academy – an intranet based portal available to AkzoNobel employees globally – provides a platform for learning and development, giving all employees access to exceptional learning experiences based on best practices from across AkzoNobel.

Diversity & Inclusion

Diversity is about embracing the human attributes that make each person unique, and Inclusion is the foundation that makes Diversity possible. At AkzoNobel Pakistan we strive to attract, motivate and retain our employees in a stimulating environment which ensures a mutually beneficial relationship. All employees play a crucial role in delivering this ambition. We are committed to continuous improvements in order to create a workplace where we harness the power of all the ways in which we are different.

Recruitment

The idea behind the Talent Factory is simple. We want our people – and those looking to join us – to recognize AkzoNobel as a place where they can grow; a place where strong leaders are developed, who can make an impact on our business performance and market value. Therefore, it is important for us to attract, develop and retain people with strong leadership skills. We hire young talent through various Trainee programs and groom them to become future leaders.


Our people celebrating Colour Week

Employee Engagement

Engagement means knowing what's expected of you, being able to do your best and feeling valued.

We believe that people who enjoy their work and feel positive about it are the ones who are the best motivated and take the most pride in their organization.

Our engagement scores of 2012 showed an improvement of 0.14 in the GrandMean which stood at 4.19 compared to last year's score of 4.05, on a 5-point scale. This indicates an increase in employee engagement levels across our teams and places us at the 64th percentile within the Gallup Global Database. Our participation rate of nearly 97% is one of the highest within AkzoNobel globally and is reflective of the commitment of all our employees towards engagement.

Health Safety and Environment Performance

Strategic ambitions

AkzoNobel's ambition for accelerated growth is closely linked with its ambitions to ensure that the growth is sustainable. Aiming to achieve top quartile safety and eco-efficiency performance provides a framework for our Health Safety & Environment (HSE) and Operational Eco Efficiency (OEE) management. This ambition extends from people health and safety to process safety, product safety, operational and value chain eco-efficiency and environmental liabilities management.

In order to meet its strategic ambitions, AkzoNobel has set challenging and achievable HSE and OEE targets for 2015, with yearly milestones for 2011 to 2014, and the 'Vision of ZERO' serious injuries and process incidents is being embraced.

Our goal is to increase stakeholder value by delivering sustainable solutions to our customers, which is crucial for the success of AkzoNobel Pakistan. To achieve this we require sustainable business operations in order to meet our needs today whilst protecting resources and rights for future generations.

Beliefs and Principles

We believe that continuous improvement in HSE and Product Stewardship performance is integral to providing business value, competitive advantage and sustainability.
We believe that:

- All work-related injuries and illnesses are preventable. Therefore, we protect people on our sites, the community we operate in and the environment at large from accidental or deliberate harm, damage or loss
- All emissions of hazardous materials can be prevented and will progressively, as products and technologies develop, be reduced
- In order to achieve our goals and to ensure sustainable Business growth, we have to continuously improve our HSE performance through the leadership of line management, dedication of our staff and application of the highest professional standards in whatever we do
- Stakeholders have a right to information about our operations and HSE performance, and we believe that transparency will promote and increase trust

HSE Management System

Our HSE policies are aligned with the Health Safety & Environment Policy of AkzoNobel and the local legislation. HSE Management System is also aligned with AkzoNobel HSE related Directives, and AkzoNobel HSE Standards. All HSE related systems are fully implemented to ensure safety and health of our employees and contractors.

The HSE Management System is spilt into the following seven areas:

1. Managing improvement
2. Health and safety of employees and contractors
3. Security of people and assets
4. Product stewardship
5. Emergency response and community awareness
6. Asset integrity and process safety
7. Site environmental protection & pollution prevention

Our HSE management systems are based on being proactive rather than reactive. Our Safety Leadership and Values drive continuous improvement in our HSE performance. Prior Risk Assessment of activities, processes and products, defining and implementing appropriate controls are key to safe execution of activities at AkzoNobel Pakistan.

The above model is aligned with the requirements of OHSAS-18001 and ISO-14001 global standards.

Employees group photograph at the launch of Life Saving Rules campaign

Achievements during 2012

Operational Eco Efficiency Improvements

During 2012, a number of improvements have been carried out as an initiative to reduce environmental impact of our activities and products. Our performance against the Operational Eco Efficiency (OEE) targets that we had set for ourselves has been commendable.

Compared to the base year (2009) performance, a reduction of 8.5% has been achieved in energy consumption of per ton of product produced. The CO_2 footprint of our manufacturing activities has also been reduced by 2%.

Some of the key initiatives taken during 2012 for OEE improvements include:

i. Replacement of existing air compressors with energy efficient compressors

The site's existing inefficient compressors have been replaced with new inverter driven efficient compressors. These compressors conserve energy by lowering power consumption when there is low demand, and use on average, about 60% of the power consumed by the previous compressors.

ii. Ultrasonic detection of compressed air leakages

Compressed air is considered to be one of the most expensive utilities in any manufacturing environment and leaks not only generate noise but also cause financial losses. In order to conserve energy and ensure that compressed air is not wasted, the site has setup a regular monitoring regime of leakages using ultrasonic surveying. A number of humanly inaudible sources have been identified and rectified using this technique, thereby conserving the consumption of this utility.

Improvements in Products

Under Volatile Organic Compounds (VOCs) reduction plan for Decorative products, we have started replacing organic solvents with non-VOC solvents in a phased manner. For example, Optifilm is now in use as a replacement for Mineral Turpentine.

Also, in line with the AkzoNobel's policy, production of Chromate based products has been stopped and any redundant slob material is being disposed off through an Environmental Protection Agency (EPA) approved contractor.

CE with the Sprinkler installation team

HSE Initiatives and Safety Performance

i. Launch of Life Saving Rules under TakeCare Program

In line with our vision of "zero injuries" and the ambition of top quartile safety performance, we've initiated a number of programs under the "TakeCare" Campaign. Take Care is AkzoNobel's global behavior based safety campaign. AkzoNobel has issued eight Life Saving Rules and one Golden Principal under the ambit of TakeCare which are now being fully incorporated by AkzoNobel Pakistan.

These rules were formally launched at AkzoNobel Pakistan on the Global Safety Day which was held during September 2012. Implementation plans have been finalized and are being implemented for full conformance by April 2013.

ii. Behavior Based Safety (BBS) Program

AkzoNobel Pakistan is a committed practitioner of Behavior Based Safety. The line managers routinely carry out workplace and job audits observing the employees carrying on their duties.

Recognition/appreciation of good performers and immediate counseling of employees exhibiting unsafe behaviors has resulted in improved HSE performance by the staff. This continuous improvement cycle prevents injuries at the workplace, and during 2012, there was no injury incident at our sites requiring treatment beyond first aid.

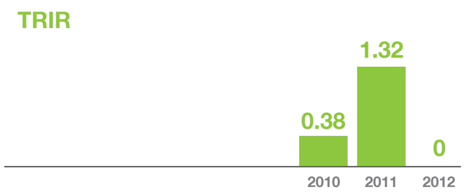
Automatic foam based sprinkler system

iii. Sprinklers installation at site

The Lahore site has strengthened its fire fighting capabilities by installing an automatic foam sprinkler system. Around 600 sprinklers have been installed covering sensitive processing and storage areas. The site maintains an active inventory of 10,000 liters of foam to immediately suppress any fire.

Our Safety Performance

At AkzoNobel Pakistan, our goal is to have zero injuries. Through the commitment of our teams and by successfully implementing our management systems, we were able to achieve this target during 2012.



Total Reportable Injury Rate (TRIR):
Number of reportable Injuries (those requiring treatment beyond first aid) per million man-hours worked.

Corporate Social Responsibility

Giving back to our communities

Over the years, our commitment to the development of our country and our communities has always remained significant, and a guiding principle of the way we do business. We have a clear CSR policy:

We endeavor to ensure that we qualify as responsible corporate citizens by ensuring sustainable improvement in the lives of the communities we operate in.

Working to ensure a positive impact on our surrounding communities and society as a larger whole is something we as a company have focused on since our early days. We work to promote development and sustainable investment in various areas of social and community welfare. We're as committed to our communities as we are to our customers, shareholders and employees. Social responsibility is a way of life at AkzoNobel Pakistan. We recognize that we cannot have a healthy and growing business unless the communities we serve are healthy and sustainable.

At AkzoNobel Pakistan, we have a rich history of community investment that has evolved to meet the complexities and challenges of a developing society. We support a broad range of initiatives in the areas of health, education and environment protection as we believe they provide the fundamental building blocks for the development of society.

AkzoNobel Pakistan paints NICH, Karachi

In order to help enhance awareness for the cause of better healthcare for children, the employees of OBS, AkzoNobel and Network of Organization Working for Peoples with Disabilities, Pakistan (NOWPDP) painted the first floor of the National Institute of Child Health (NICH) in Karachi.

Salman Ahmed, a prominent musician and social activist, who performed for the young patients and appreciated the collective efforts of the companies, said that painting the first floor of the NICH would brighten up the environment for the visiting patients, while trying to generate a sense of responsibility to such vital institutions in our country.


Inauguration of computer lab donated to SOS

Promoting social and community welfare


A group of volunteers adding colour to NICH

During the interactive session, the motivational talks by the prominent personalities aimed to inspire the young volunteers to work harder for the benefit of the society, while the musical entertainment brought smiles to the faces and the families of the young patients.

AkzoNobel Pakistan donates computer lab to SOS Village

In September 2012, AkzoNobel Pakistan donated a total of 15 computers to its neighbor, the SOS Village and SOS Hermann Gmeiner School. These computers were set up in computer labs which will be used by the children at three locations; SOS Primary School, SOS Village Central, and Boys Youth Hostel. The company's Executive Team Members,

Volunteer employees and their families at Gulab Devi Hospital painting activity

along with the IT and Corporate Communications teams attended a ceremony at the SOS Primary School to unveil their newly set-up computer lab. Activities at the ceremony included a drawing competition for the primary school students, after which gifts were distributed to all participants. This endeavor was greatly appreciated by the administration, staff and students of the SOS Village.

Painting Gulab Devi Chest Hospital

In September 2012, volunteers from ICI Dulux and their families enthusiastically participated to add a splash of colour to the cardio thoracic ward at Ghulab Devi Chest Hospital, Lahore. This project was funded by AkzoNobel Pakistan's Executive Team Members, and was thoroughly appreciated by the hospital administration and patients as a good step towards making the environment better for the patients by brightening up the hospital space.

ICI Dulux Brightens Up Mayo Hospital

In April 2012, volunteers from ICI Dulux along with students from the National College of Arts and employees from BF Biosciences enthusiastically participated to add colour to the cancer ward at Mayo Hospital. The rundown cancer ward was completely transformed when its plain white walls were painted with vibrant colours which gave the ward a complete overhaul.

AkzoNobel Pakistan donates paint to Shaheen KG School

AkzoNobel Pakistan's CSR strategy is not limited to painting buildings only. One example of such is Shaheen KG School in Sheikhupura where we donated paint for furniture and black boards. The school is registered under the Voluntary Social Welfare Agencies and we have had a prior association with the institution since the year 2000. Even though the cost of paint donated was less than Rs. 15,000, the school management is very grateful to AkzoNobel Pakistan for its donation.


CE helps colour Mayo Hospital

Energy Efficiency

During the course of the past few years, the energy crisis in Pakistan has gone from bad to worse and the industrial sector has been adversely hit by this shortfall in energy. A direct consequence of this is a higher backup energy cost due to alternate sources of energy. However, being a responsible corporate citizen, AkzoNobel Pakistan has developed a plan to conserve energy in order to reduce both the burden on alternate fuels and the national grid. The action plan comprised of a wide array of actions covering a range of energy consumption centers.

The site has already moved away from conventional lighting and has installed highly efficient and long life induction lighting. Two of the warehouses on site have solar powered LED lighting systems. The office air-conditioning is linked with room occupancy thereby conserving energy by switching Air Conditioners off automatically when the room is vacant. AkzoNobel Pakistan also evaluated its standby generators operation scheme, and through proactive load management was able to realize 19% savings in fuel costs, during the course of 2012, by switching to a lower capacity generator during the silent hours.

The site also purchased and installed two highly efficient inverter driven compressors replacing the old screw compressors. An ROI of 2.75 years is envisaged against the investment, due to savings incurred on energy costs. These compressors also have a heat recovery option utilization, which will further enrich the benefits of this project.

In collaboration with USAID and local vendors, AkzoNobel Pakistan has evaluated the efficiencies of the motors currently installed on site, and based on the evaluation, purchased about 50 high-efficiency motors. The expected installation of these motors is in H1 2013.

Savings in the form of reduced energy consumption are expected to yield a payback period of approximately 3 years once this project is completed.

The implementation of these and other similar actions is having an additional impact on reducing the organization's carbon footprint. Continued focus in this area is a testimony to our commitment to a sustainable future.

Being a responsible corporate citizen, AkzoNobel Pakistan has developed a plan to conserve energy in order to reduce both the burden on alternate fuels and the national grid.

Sustainability Performance

Our sustainability frame work consists of economic, social & environmental perfomance

Operations team involved in compressor installation

A view of the inverter driven compressors installed

Business Performance

Decorative Paints

We work together to find and share better solutions before anyone else, making our products and services, the first choice of people who want the best.

Overview

Our mission is to Add Colour to People's Lives. We want to educate the world about the power of colour, whether it is in factories, schools or homes. Our knowledge of colour formulation and design principles helps us facilitate people around the world to decorate easily and frequently. We take pride in being the 'Let's Colour' people. Transforming the world and making it a more colourful place is at the heart of AkzoNobel Pakistan. Colour is what we breathe, what we live and who we are.

Drawing on a keen understanding of our consumer needs and the latest technologies, we aim to enrich people's lives by bringing visual delight and lasting care to their surroundings. The guiding principles of any ICI Dulux product are to deliver verifiable product performance. We work together to find and share better solutions before anyone else, making our products and services, the first choice of people who want the best.

ICI Dulux is the pioneer of Tinting Systems in Pakistan under the label of ICI Dulux Colour Solutions which offers over 2000 shades available all over Pakistan at designated dealer outlets. Colour consistency and quality is our forte and our customers can be confident that the colour they bring home is exactly what they paid for.

Challenges

The decorative paints industry continues to be challenged as a consequence of the overall economic slowdown resulting in sluggish residential construction and renovation. Further, the use of tokens – high value cash incentives – by nearly all competitors operating in the paint industry to incentivize painters to use their brands, continues to impact AkzoNobel brands where focus is more on quality and brand equity. The Competition Commission of Pakistan (CCP) has declared the practice of inserting tokens as deceptive marketing unless disclosed appropriately and efforts continue on part of our company to pursue the regulator to enforce compliance of its directives.

Highlights of the Year

Innovation & Sustainability

As the largest paint manufacturer in the world, we realize that a sustainable business needs to be responsible. While we provide leading innovation and services, we also make sure that our premium quality paint does not harm our consumers or damage the environment. Our most recent addition to the ICI Dulux umbrella is ICI Dulux Inspire Emulsion, a product that is eco-friendly, has near zero volatile organic compounds, is odour-less and is NPE (Nonylphenol Ethoxylates) free. With the wide range of trendy colours, superior matt finish and high washability, this luxurious product will be found on most walls in your home. This follows our breakthrough launch of ICI Dulux Weathershield SunReflect last year, an exterior paint that reflects sun light making the exterior walls cooler.

Launch of Global Brand Identity

In 2012, we also got a new brand identity in the form of our unique 'Flourish' logo. The revamped image is powerful, inviting and makes a lasting impression on the customer. This will further reinforce our brand which will in turn emphasize the Let's Colour tag line. The Global Brand Identity has been launched worldwide, and has received a tremendous positive response.

Senior Managers at 'Be Inspired' seminar

Employees volunteering to colour Tollinton Market

Let's Colour Week

Once a year, people at ICI Dulux, give their colour DNA an extra boost by celebrating colour globally during the Let's Colour Week. It not only strengthens our mission of 'Adding Colour to People's Lives' but also helps spread our colour DNA externally and establish ourselves as a colour authority. This year in addition to inspiring internal stake holders, the outside people were also made to experience their belief in the power of colour. The message of what "Let's Colour" stands for communicated widely: the common belief in the power of colour, and the invitation to create brighter futures.

Let's Colour Projects

The Let's Colour projects are an important part of who we are - that's where we start to integrate our social work with our business. People in underprivileged positions are made to live a more colourful life. The biggest Let's Colour project for the year was the restoration of Lahore's iconic building, Tollinton Market. This cultural heritage landmark was restored by painting the dilapidated exterior of the building in an attempt to uplift the outlook of the classic architecture. Another project AkzoNobel Pakistan took part in during Let's Colour Week was when 250 children, from the Lahore Pre-School and Learning Alliance Lahore, experienced a day packed with colour, creativity, art, fun and frolic. The children were also dressed in blue; the 2013 colour of the year.

Launch of ColourFutures™ 2013

ICI Dulux launched ColourFutures™ 2013 at an exclusive seminar titled "Be Inspired". The event brought together leading interior designers, architects, members of the Institute of Architects of Pakistan (IAP) and several homeowners. ColourFutures™ with a history that spans eight decades, is the company's ongoing worldwide colour trend research that provides international style and design trends for interiors and exteriors, which is translated into colour trend palettes. It is well recognized as a global authority in the development of colour trends. The 2013 Colour of the Year is Indigo Blue which gives us a sense of tranquillity and adds stability to our hectic lives. Indigo Blue is a striking statement colour associated with wisdom and honesty, which enhances the environment.

Transforming the world and making it a more colourful place is at the heart of AkzoNobel Pakistan. Colour is what we breathe, what we live and who we are.

The launch of ColourFutures™ is one of the many events held throughout the year to engage consumers, architects and interior designers through which we reiterate our commitments, and promise to strengthen existing, time-tested partnerships, celebrate successes and support each other in the drive for Tomorrow's Answers Today™.

Performance Coatings & Specialty Chemicals

Post demerger, Akzo Nobel Pakistan Limited has experienced positive winds of change, especially where synergies exist between the Automotive, Commercial Vehicles, Vehicle Refinishes, Marine & Protective Coatings and Specialty Chemicals businesses. These businesses successfully came together to add value to the organization while strengthening relationships with existing and new customers.

2012 has been an exciting year for the Performance Coatings & Specialty Chemicals (PC&SC) business, where our position in existing business segments was not only strengthened, but newer areas were also explored in collaboration with our regional teams. In the face of difficult market conditions, the business focused on new developments and grew its product portfolio in Pakistan. Moreover, the Business continued to reinforce its position in existing segments. Higher quality products and stronger techno-commercial service levels enabled the business to deliver value to its customers. Within the protective coatings segment not only gained market share in the traditional maintenance business segment, but also secured business in newer segments where high end, innovative Protective Coatings Technologies were commercialized in Oil and Gas, Potable water and Power segment with the support of our regional teams . New opportunities were tapped from within the globally leading protective coatings range ‘International’, to service specific and niche customer needs of the Performance and Protective Coatings markets. Opportunistic sales were also made in the Marine coatings & Packaging Coatings segments.

The Vehicle Refinishes (VR) segment faced some difficult market conditions in 2012 and remained focused on controlling costs

Specialty Chemicals Technical and Commercial Heads during their visit to Pakistan

throughout the year. A number of initiatives were taken to bring costs in line with levels required, given the market conditions. This segment also began exploring ways to penetrate deeper into the Pakistan VR market. The team is focused on strengthening its position in the premium 3S body shop segment. ‘Sikkens’, our flagship brand, has won acclaim over helping 3S body shop owners improve their profitability.

The business focused on the successful transition and launch of Specialty Chemicals (SC) in 2012. All milestones for this were successfully completed in a timely and effective manner. Regional technical and commercial team members also visited Pakistan with a number of visits to existing and potential customers. The local team has been set-up to service the needs of our valued Specialty Chemicals customers in Pakistan. The team aims to bring greater focus on customers and made significant strides towards this by aligning and integrating with our regional businesses.

The Performance Coatings & Specialty Chemicals business is successfully steering through an exciting time of change, where feasible new business opportunities and markets are being developed for our leading and technologically advanced solutions with the support of our global teams. These will add new colors for AkzoNobel Pakistan and the team hopes will propel the Business towards a brighter future.

AkzoNobel coatings being applied to motorcycle fuel tanks

Technical and commercial teams working together with the aim to meet and exceed customers’ expectations

Corporate Governance & Compliance

AkzoNobel Pakistan's corporate governance structure is based on the company's articles of association, statutory, regulatory and other compliance requirements applicable to companies listed on the stock exchanges, complemented by several internal procedures. These procedures include a risk assessment and control system, as well as a system of assurances on compliance with the applicable laws, regulations and company's code of conduct.

Corporate Governance Statement

The Board of Directors is responsible for setting the goals, objectives and strategies the Company has to adopt and for formulating the policies and guidelines towards achieving those goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function. The management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. In order to facilitate a smooth running of the day to day affairs of the Company, the Board entrusts the Chief Executive with necessary powers and responsibilities. The Board is also assisted by a number of sub-committees comprising mainly non-executive directors.

Code of Conduct & Speak up

Akzo Nobel Pakistan Limited has always held in high esteem the best practices of corporate governance and believes in widely propagating the values and the ethics for strict adherence by all the employees, contractors, suppliers and others while doing business for the Company. In order to apprise the employees of the Code of Conduct, the Company organizes training sessions and induction programs on a regular basis to ensure compliance at all levels. Besides this, every employee and director of the Company is required to sign, on an annual basis, a statement to the effect that he or she understands the Code of Conduct and that he or she abides by it at all times while doing business for the Company.

In order to facilitate strict adherence to the Code of Conduct, the employees also have access to a "Speak Up" program whereby any employee can report any unethical dealing by any Company employee on a confidential basis either through telephone or e-mail. Complete anonymity of the person using this facility is assured and all complaints are thoroughly investigated either by the Company internally or by assigning it to the Internal Auditors. Results of the investigation are communicated to the complainant. Whole of this process is being looked after by the Audit Sub Committee of the Board.

Internal Control

Akzo Nobel Pakistan Limited has a sound system of internal control and risk management. The internal audit function which is mainly responsible for internal controls, has been outsourced to M/s Ernst & Young Ford Rhodes Sidat Hyder and reports directly to the Chairman of the Audit Sub Committee.

Insider Trading & Competition Law

The Company has a stringent policy on insider trading and securities transactions. The policy paper which is circulated to all the employees of the Company from time to time, divides the employees in certain categories on the basis of their position and involvement in day-to-day decision making process and access to price sensitive information. Certain senior executives and the finance staff are categorized as "Permanent Insiders", while "Executives" (as defined in the Code of Corporate Governance) some of whom may not be "Permanent Insiders", can deal in the Company's shares any time outside the closed period announced by the Company on the eve of the quarterly Board meetings. The "Permanent Insiders" can deal in the Company's shares only during the open period specifically announced by the Company immediately after the quarterly Board meetings and the announcement of financial results. This open period does not exceed 15 calendar days in each quarter from the date of announcement of the financial results. All such transactions are required to be reported to the Company Secretary within four days of execution of the transaction with relevant details of purchase/sale of shares.

As embodied in our Code of Conduct, AkzoNobel Pakistan supports the principles of free enterprise and fair competition. The Company competes vigorously but fairly with its competitors within the framework of applicable laws - all to provide better and increasingly useful products and more efficient services to our customers. All relevant employees are required to sign an additional declaration of compliance with the Competition Law. The Company continues to regularly hold training sessions to ensure compliance with competition laws for relevant employees.

AkzoNobel Pakistan has always held in high esteem the best practices of corporate governance and believes in widely propagating the values and the ethics for strict adherence by all the employees, contractors, suppliers and others while doing business for the Company.

Material Interests of Board Members

Directors are required to disclose, at the time of appointment and on an annual basis the directorships or memberships they hold in other corporations. This is in pursuance with Section 214 of the Companies Ordinance 1984, which also requires them to disclose all material interests. We use this information to help us maintain an updated list of related parties. In case any conflict of interest arises, we refer the matter to the Board's Audit Sub Committee.

Risk Management

The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management

The Board has an overall responsibility for the risk management process. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. We maintain a clear organizational structure with defined delegation of authorities. Our senior management takes the day to day responsibility for implementation of procedures; ongoing risk monitoring; and effectiveness of controls. On an ongoing basis, we monitor risks faced by the Company to ensure pertinent control arrangements.

Our risk and control procedures are supported through:

Internal Control Self Assessment

The Internal Control Self Assessment (ICSA) exercise was carried out by the Company in 2012 which assisted in the thorough assessment of controls to ensure a robust control structure. The senior management of the Company led this annual self assessment exercise. Existing controls were identified, assessed and documented with the help of the online Control Self Assessment Tool (CSAT). Weaknesses highlighted through this exercise were documented through action plans which clearly defined the corresponding actions to close the identified weaknesses in the system and processes. Action plans are followed up rigorously to ensure that corrective action is timely taken for the effective functioning of controls.

Enterprise Risk Management

The Enterprise Risk Management (ERM) methodology is part of AkzoNobel's effort to clearly and structurally prioritize the risks affecting our operations and organizations, in order to focus the efforts on those risks that are not controlled in an acceptable manner. For this purpose, ERM workshops are conducted on a periodic basis. The purpose and goal of the ERM workshops is to identify, assess and develop responses to the main risks that are affecting or could in the future affect the Company in achieving its strategy and objectives (financial & non-financial). A cross-functional Executive Team identifies a detailed list of overall business risk exposures. This exercise is performed by all businesses and functions; and the main outcome of these workshops is the development of a current and complete risk profile upon which necessary action plans are developed to take, treat or transfer (3T's) the identified risks. These action plans are monitored on a regular basis.

Company Information

Board of Directors

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

Audit Sub Committee

Asad I A Khan	Chairman (Non-Executive)
Mueen Afzal	Non-Executive
Bart Kaster	Non-Executive

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman (Non-Executive)
Peter Tomlinson	Non-Executive
Jehanzeb Khan	Chief Executive

Share Transfer Committee

Jehanzeb Khan	Chief Executive
Zia U Syed	Chief Financial Officer
Saira Soofi	Company Secretary

Chief Financial Officer
Zia U Syed

Company Secretary
Saira Soofi

Executive Management Team

Jehanzeb Khan	Chief Executive
Rizwan Afzal	Operations Manager
Shahid Sultan Butt	Technical Manager (R&D)
Muddassir Khalid	Human Resource Business Partner
Fawad A A Mirza	Business Excellence Manager
Mohsin Raza Naqvi	Business Manager - Performance Coatings and Specialty Chemicals
Imran Qureshi	Business Manager - Decorative Paints
Bashar Rasheed	Supply Chain Manager
Zia U Syed	Chief Financial Officer

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

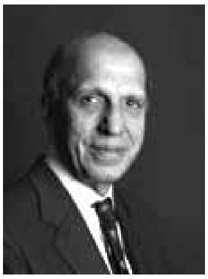
Internal Auditors
Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors
KPMG Taseer Hadi & Co.,
Chartered Accountants

Registered Office
346, Ferozepur 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

Our Board of Directors



Mueen Afzal
(Non-Executive)
Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 23, 2012, Mueen Afzal is also the Chairman of Akzo Nobel Pakistan Limited. Mr. Afzal joined the Civil Service of Pakistan in 1964 and held important positions, including Finance Secretary in Balochistan (1981-1984) and in the Punjab (1984-1986). He was also the Economic Minister in the Pakistan Embassy, Washington, DC, USA (1987-1990), Health Secretary for the Government of Pakistan (1995-1996), Finance Secretary for the Government of Pakistan (1996-1998), and Secretary General, Finance and Economic Affairs from 1999-2002. Mr. Afzal was also awarded Hilal-e- Imitaz for distinguished public service in 2002.

Mueen Afzal is also the Chairman of Pakistan Tobacco Company Limited & Sanjan Nagar Public Education Trust, Lahore and currently holds directorships of Murree Brewery Company Limited Rawalpindi, Pakistan Philanthropy Centre, Islamabad, Beaconhouse National University, Lahore, Children's Global Network, Islamabad, Karachi Education Initiative, Dawood Centre, Karachi.

Bart Kaster
(Non-Executive)
Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 23 , 2012, Bart has been associated with the AkzoNobel Group since 1980, during which he has held senior positions and various business and corporate assignments in Europe and Asia. Bart is also a Director of AkzoNobel UK Limited, AkzoNobel Decorative Coatings Limited, ICI Limited, ICI Chemicals and Polymers Ltd and also chairman of Anholmen Fastighets AB, a Swedish AkzoNobel company.

Peter Tomlinson
(Non-Executive)
Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 23, 2012, Peter Tomlinson a graduate of University of York (UK) with a degree in Chemistry 1984, has held various sales and marketing management positions for Courtaulds PLC (UK) within Decorative and Yacht Coatings from 1984-1990. From 1990-1992, Peter acted as the General Manager Courtaulds Yacht Coatings (Italy). In the years 1992-2003 Peter held various General Management Operations/R&D & Commercial positions in AkzoNobel UK. Peter was the Aerospace General Manager, from 2003-2005, in AkzoNobel, The Netherlands. Moreover, Peter was also the SBU Director EMEA Marine & Protective Coatings (UK) 2005-2011 (board member of UK, German, French, Netherlands, Belgian & East Russian companies).

Currently since 2011 Peter is the Managing Director of AkzoNobel Middle East and on the board of management for International Paint (Gulf) LLC (UAE), International Paint Saudi Arabia Ltd (Saudi) and International Warba (Kuwait).

James Thick
(Non-Executive)
Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 23, 2012, James Thick, a UK national, studied at Brunel University gaining a Bsc (hons) in Applied Chemistry before joining the company in 1988. He has held numerous roles in AkzoNobel and is currently Director Performance Coatings Middle East.

James Thick is currently also the Director of the following companies

International Paint (Gulf) LLC, International Paint Saudi Arabia Ltd., International Warba Coatings Co WLL and Akzo Nobel Powder Coatings FZE.

Asad I Khan
(Non-Executive)
Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 21, 2012, Asad I. A. Khan an architect by profession graduated from the National College of Arts, Lahore and obtained a Master's degree in Architecture from the University of Illinois, Chicago. Asad joined NESPAK in 1985 and in 1999 he became the Vice President of NESPAK to head the Architecture and Planning Division Karachi. In 2009 Asad took charge as the President and Managing Director of NESPAK.

Asad brings with him 32 years rich and varied experience of architectural planning and design, interior design, landscape architecture, construction supervision and project management with a wide range of outstanding and often award-winning projects of national significance.

Asad is also an avid sportsman having represented Pakistan in various championships and is also the President of Sindh Golf Association.

Zia U Syed
Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 21, 2012, Zia U Syed is also the Chief Financial Officer of Akzo Nobel Pakistan Limited appointed in May 2012. He joined ICI Pakistan in 1985 and over his 28 years of association with the company, he has worked for all the different businesses, in the capacity of finance manager. In addition to his extensive experience in the business partner role, he has also served in Corporate Finance roles such as Shared Services and Corporate Compliance.

Zia played a key role in the establishment of the Shared Services Function for HR and Finance at ICI, one of the first of its kind in Pakistan. He was also instrumental in implementation of AkzoNobel Corporate Directives on Compliance, Internal Control, Code of Conduct, Risk Management, Speak up, Assurance Process, etc.

Zia obtained his degree in Commerce from the University of Punjab and later took up a program in Accountancy at North London Polytechnic, London.

Jehanzeb khan
Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on August 29, 2011, Jehanzeb Khan, Chief Executive of AkzoNobel Pakistan Limited has a career that spans 29 years, with nearly a decade of experience in heading commercial enterprises.

His career started at ICI Pakistan, where after joining as a Management Trainee in 1983, he held various commercial positions before taking over the Paints Business in 2010. He led the team to demerge the Business from ICI Pakistan in 2012 and establish AkzoNobel Pakistan as a public listed company the same year.

He received his schooling from Burn Hall in Abbottabad, and has a BS in Auto Diesel Technology from the Oregon Institute of Technology in the US. He studied Business Administration at the Darden School, University of Virginia, graduating in 1981 with an MBA degree. Jehanzeb has attended several management programs including the Advanced Management Programs at INSEAD, France and the Strategic Leadership Program at Oxford University, UK.

Our Executive Management Team

The Executive Management Team comprises of commercial managers and departmental heads who meet regularly for strategic business planning, decision making and overall management of the Company.

(Left to right)

Bashar Rasheed
Supply Chain Manager

Shahid Sultan Butt
Technical Manager (R&D)

Fawad Mirza
Business Excellence Manager

Zia U Syed
Chief Financial Officer

Jehanzeb Khan
Chief Executive

Rizwan Afzal
Operations Manager

Muddassir Khalid
HR Business Partner

Imran Qureshi
Business Manager
Decorative Paints

Mohsin Raza Naqvi
Business Manager
Performance Coatings & Specialty Chemicals

Report of the Directors

For the year ended December 31, 2012

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended December 31, 2012.

Overview

2012 was the first full year of the Company subsequent to its demerger from ICI Pakistan Limited. Profit after tax for 2012 was almost in line with annualized profit of 2011.

Financial Performance

Rs.m	2012	2011 (For 6 months ended 31 December 2011)
Turnover	6,335	3,288
Net Sales Income	4,764	2,446
Gross Profit	1,571	800
Operating Result	243	155
Profit Before Tax	506	285
Profit After Tax	365	188
Earnings Per Share (2011: annualized) - Rs	7.87	8.08

Dividends

Your Directors are pleased to announce a recommendation for a final dividend of 78.6 per share for the full year 2012. The dividend is made up of two elements; a dividend paid out of earnings from normal trading amounting to Rs 2.50 per share and a special dividend amounting to Rs 76.10 per share, which is a non-recurring one-off payment. The special dividend is paid out of surplus cash arising from the demerger settlement as per the Scheme of Arrangement for the reconstruction of ICI Pakistan Limited sanctioned by the High Court of Sindh in May 2012.

Health, Safety and Environment – HSE

The Company achieved 2.1 million man-hours without any Lost Time Injury to employees and supervised contractors.

In 2012, your Company's focus remained on energy conservation resulting in a 7% reduction in energy usage over the year. Electrical safety remained a priority and improvement plans have been implemented to continue to make our workplace safer.

In line with AkzoNobel's policy, Akzo Nobel Pakistan Limited has ceased manufacturing of lead chromate based products to reduce the environmental impact of our products.

Business Performance

The paint industry continues to be challenged as a consequence of the overall economic slowdown resulting in sluggish residential construction and maintenance as well as weakened industrial activity. The year witnessed economic pressures as a result of the ongoing energy crisis and a poor law & order situation, exacerbated by political uncertainty and high inflation.

Production of the passenger car segment showed a sharp decline in H2 2012 due to the adverse impact of imposition of Euro II standards and a relaxation of duties on the import of used cars for resale in the country. However, the tractors segment grew primarily on the back of Punjab government's Green Tractor scheme.

The Company continued its focus on cost controls, new product development and customer engagement to mitigate the negative impact of lower volumes. Accordingly profit before tax for 2012 was Rs 506m while profit after tax was Rs. 365m which was almost in line with last year's annualized results.

Pursuing a policy of openness and transparency with customers, the Company decided to discontinue placement of tokens in paint cans which has negatively impacted volumes. We await enforcement by regulators in order to level the playing field. In such challenging times, the business continued to focus on its premium lines where the influence of tokens is comparatively low and on strengthening brand awareness to influence consumer preference for its brands.

Future Outlook

Economic growth is expected to remain slow in the short term as a result of the upcoming national elections and weakened industrial activity due to continuing energy shortages. However, your Company aims to counter unfavorable market conditions through engagement initiatives targeted towards key motivators and customers, through new business development and through effective cost and margin management.

Acknowledgment

The results of your Company are a reflection of the commitment and contribution by its strong pool of talented employees and the trust reposed in the Company by its customers, suppliers and service providers.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible have offered themselves for the reappointment with their partner in charge of audit, Mr. Kamran Iqbal Yousafi.

Compliance with the Code of Corporate Governance

As required under the Code Of Corporate Governance 2012, the Directors are pleased to state as follows:

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements

and any deviation from these has been adequately disclosed and explained.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the Listing Regulations.
- Key operating and financial data for the last two years is summarized on page F 53 and F 54.
- Outstanding taxes and levies are given in the Notes to the Financial Statements.
- The management of the Company is committed to good corporate governance and appropriate steps are taken to comply with best practices.

Investment in Retirement Benefits

The value of investments made by the staff retirement funds operated by the trustees of the funds, as per their respective un-audited financial statements for the year ended December 31, 2012, are as follows:

	Value in Rs '000
Akzo Nobel Pakistan Limited Management Staff Provident Fund	150,708
Akzo Nobel Pakistan Limited Management Staff Gratuity Fund	88,136
Akzo Nobel Pakistan Limited Management Staff Pension Fund	69,269
Akzo Nobel Pakistan Limited Management Staff Defined Contribution Superannuation Fund	36,945
Akzo Nobel Pakistan Limited Non Management Staff Provident Fund	80,961

Directors' Attendance

During the year, 3 (three) Board of Directors, 2 (two) Audit Committee and 2 (two) HR & Remuneration Committee meetings were held. Attendance by each Director/CFO/Company Secretary was as follows:

Name of Directors		Board of Directors Attendance	Audit Committee Attendance	HR & Remuneration Committee Attendance
1. Mr. Mueen Afzal	(iv)	3	2	2
2. Mr. Peter Tomlinson	(iii)	3	-	2
3. Mr. Asad I A Khan	(iv)	3	2	-
4. Mr. James Thick	(iii)	3	-	-
5. Mr. Jehanzeb Khan		3	-	2
6. Mr. Zia U Syed	(iv)	3	2	-
7. Mr. Bart Kaster	(iii)	2	2	-
8. Mr. Nasir Jamal Company Secretary	(i)	1	-	-
9. Ms. Saira Soofi Company Secretary	(ii)	2	1	-
10. Mr. Tariq Munir Secretary Audit Committee	(v)	-	1	-
11. Mr. Muddassir Khalid Secretary HR & R Committee		-	-	2

(i) Resigned w.e.f. July 13, 2012
(ii) Appointed w.e.f. July 13, 2012
(iii) Appointed w.e.f. May 23, 2012
(iv) Appointed w.e.f. May 21, 2012
(v) Resigned w.e.f. October 10, 2012

Leave of absence was granted to directors who could not attend some of the Board meetings.

Director's Training

Mr. Jehanzeb Khan has completed the certification for the Director's Training Program conducted by Pakistan Institute of Corporate Governance (PICG).

Pattern of Shareholding

A statement showing the pattern of shareholding in the Company along with additional information as at December 31, 2012 appears on page numbers F 55 and F 56.

ICI Omicron B.V. (an AkzoNobel Group Company) held 75.81% shares, while Institutions held 11.44% and individuals and others held the balance 12.75%.

The highest and the lowest market prices during 2012 were Rs. 131.00 and Rs. 77.01 per share respectively.

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

Mueen Afzal
Chairman / Director

Jehanzeb Khan
Chief Executive

Lahore
February 24, 2013

Statement of Compliance

with the Code of Corporate Governance. For the year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the stock exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.
The Company has applied the principles contained in the Code, after the listing of Company on all the three stock exchanges in Pakistan in July 2012, in the following manner:

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	**Names**
Independent Director	Mr. Mueen Afzal (Chairman)
	Mr. Asad I A Khan
Executive Director	Mr. Jehanzeb Khan
	Mr. Zia U Syed
Non-Executive Director	Mr. Bart Kaster
	Mr. James Thick
	Mr. Peter Tomlinson

   The independent directors meet the criteria of independence under clause i (b) of the Code of Corporate Governance.
2. The directors have confirmed that none of them is servicing as a director in more than seven listed companies, including Akzo Nobel Pakistan Limited.
3. All the resident directors of the Company are registered as taxpayer and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Six casual vacancies occurred on the Board during the year. Three of them occurred on May 21, 2012 and three on May 23, 2012, which were filled up by the directors within 90 days of their occurrence.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a mission statement and is in the process of developing corporate strategy and significant policies of the Company. In the meantime the Company has adopted all significant policies applicable at the time of demerger.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of CEO, other executive directors and non executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter, after the listing of the Company in July 2012. Written notices of the Board meeting, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors have been provided with copies of the listing regulations of the Karachi Stock Exchange Limited, Company's Memorandum and Articles of Association and the Code of Corporate of Governance and they were all conversant with their duties and responsibilities. The Company will also arrange training programs for its directors in accordance with the 'Implementation deadline of Code of Corporate Governance 2012'.
10. There has been no new appointment of CFO, Company Secretary and Head of Internal Audit after the Code of Corporate Governance 2012 became effective. However, their remuneration and terms and condition of employment were duly approved by the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance, after the listing of the Company in July 2012.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter, after the listing of the Company in July 2012, prior to approval of interim results of the Company and as required by the Code of Corporate Governance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. The Board has outsourced the internal audit function to M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with after the listing of the Company in July 2012.

Mueen Afzal
Chairman / Director

Jehanzeb Khan
Chief Executive

Lahore
February 24, 2013

Review Report
to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Akzo Nobel Pakistan Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, sub-regulation (x) of Listing Regulation No. 35 notified by the respective Stock Exchanges where the Company is listed, requires the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

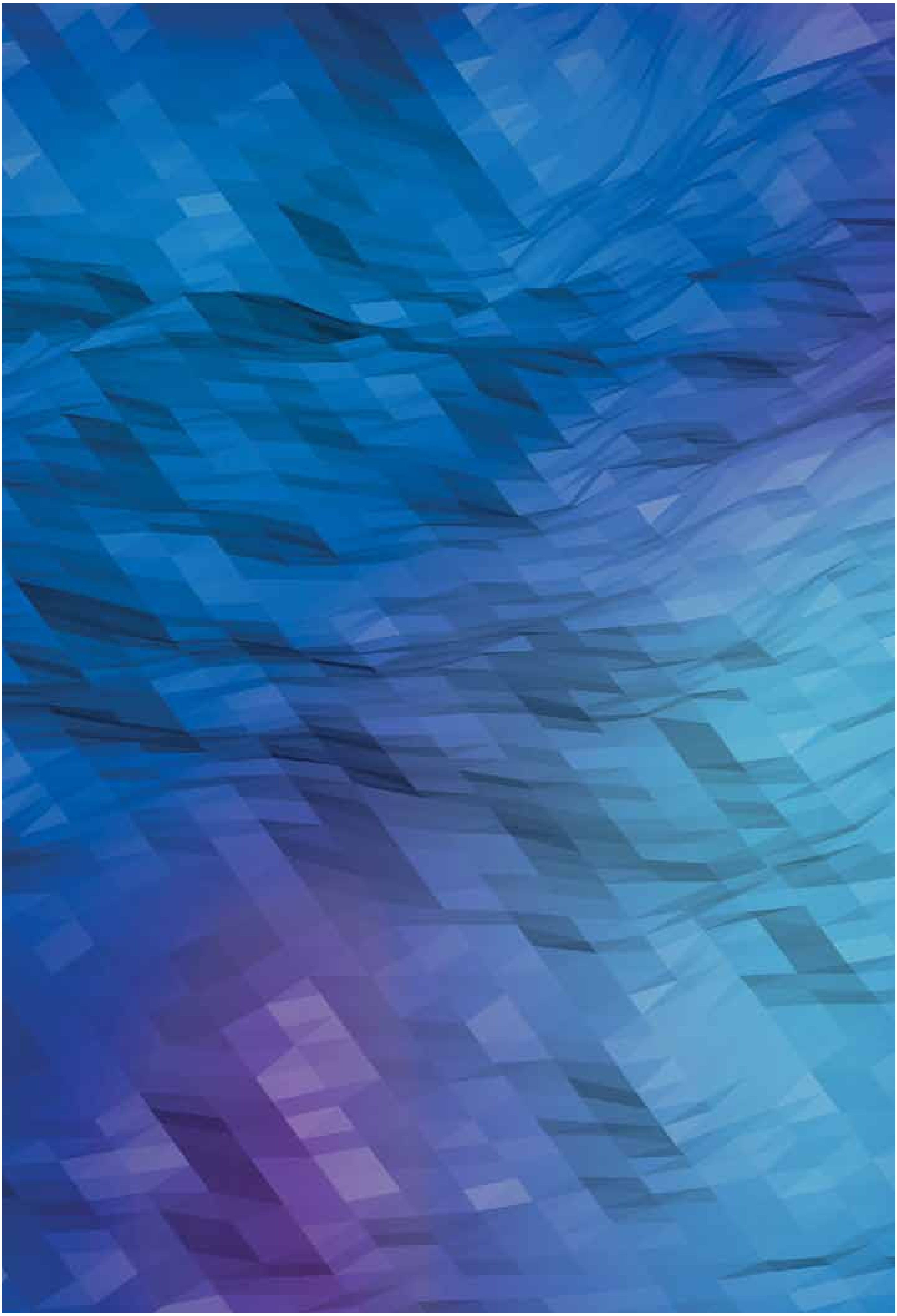
Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2012.

KPMG Taseer Hadi & Co.

Lahore

Date: 24 February, 2013

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



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Akzo Nobel Pakistan Limited
Financial Statements

AkzoNobel
Tomorrow's Answers Today

Auditors' Report to the Members

We have audited the annexed balance sheet of **Akzo Nobel Pakistan Limited ("the Company")** as at 31 December 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source by the Company under Section 7 of the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

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

Lahore
Date: 24 February 2013

Balance Sheet
As at 31 December 2012

Amounts in Rs '000

	Note	2012	2011
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital	6	**1,000,000**	1,000,000
Issued, subscribed and paid-up capital	6	**464,433**	1
Allocated share capital pursuant to the Scheme	2	**-**	464,432
Reserves	7	**4,731,368**	4,362,989
		5,195,801	4,827,422
Surplus on revaluation of fixed assets	8	**886,140**	889,088
Non-current liabilities			
Deferred liabilities	9	**41,409**	25,061
Current liabilities			
Trade and other payables	10	**1,181,176**	823,714
Provision for taxation		**9,288**	76,572
		1,190,464	900,286
Contingencies and commitments	11		
		7,313,814	6,641,857

Balance Sheet
As at 31 December 2012

Amounts in Rs '000

	Note	2012	2011
ASSETS			
Non-current assets			
Fixed assets	12	**1,469,589**	1,423,437
Long term loans	13	**58,717**	38,630
Long term deposits and prepayments	14	**2,196**	1,894
Deferred tax asset - net	15	**163,334**	183,658
		1,693,836	1,647,619
Current assets			
Stores and spares	16	**32,101**	36,310
Stock-in-trade	17	**533,626**	757,165
Trade debts	18	**332,488**	267,083
Loans and advances	19	**43,332**	49,605
Trade deposits and short term prepayments	20	**5,583**	21,301
Interest accrued	21	**71,985**	-
Other receivables	22	**40,144**	3,639,599
Cash and bank balances	23	**4,560,719**	223,175
		5,619,978	4,994,238
		7,313,814	6,641,857

The annexed notes from 1 to 41 form an integral part of these financial statements.

Mueen Afzal
Chairman / Director

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Profit and Loss Account
For the year ended 31 December 2012

Amounts in Rs '000

	Note	2012	Six months period from 01 July 2011 to 31 December 2011
Turnover	24	**6,335,301**	3,288,511
Sales tax, excise duty and discounts	25	**(1,571,110)**	(842,091)
Net sales		**4,764,191**	2,446,420
Cost of sales	26	**(3,192,800)**	(1,646,325)
Gross profit		**1,571,391**	800,095
Selling and distribution expenses	27	**(831,244)**	(426,512)
Administrative and general expenses	28	**(496,779)**	(218,680)
Operating result		**243,368**	154,903
Finance cost	29	**(11,308)**	(16,100)
Other operating charges	30	**(41,810)**	(29,401)
		(53,118)	(45,501)
Other operating income	31	**315,568**	175,550
Profit before taxation		**505,818**	284,952
Taxation	32	**(140,387)**	(97,271)
Profit after taxation		**365,431**	187,681
Earnings per share			
- basic and diluted (2011 : Annualised) - *Rupees*	33	**7.87**	8.08

The annexed notes from 1 to 41 form an integral part of these financial statements.

Mueen Afzal
Chairman / Director

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Statement of Comprehensive Income
For the year ended 31 December 2012

Amounts in Rs '000

	2012	Six months period from 01 July 2011 to 31 December 2011
Profit for the year / period	**365,431**	187,681
Other comprehensive income	**-**	-
Total comprehensive income for the year / period	**365,431**	187,681

The annexed notes from 1 to 41 form an integral part of these financial statements.

Mueen Afzal
Chairman / Director

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Statement of Changes in Equity
For the year ended 31 December 2012

Amounts in Rs '000

	Note	Share capital	Allocated share capital pursuant to the Scheme	Capital reserve: Share premium	Capital reserve: Capital receipts	Revenue reserve: Unappropriated profit	Total
Transferred from ICI Pakistan Limited pursuant to the Scheme		-	464,432	156,006	196	4,018,997	4,639,631
Comprehensive income for the six months period from 01 July 2011 to 31 December 2011							
Profit for the period		-	-	-	-	187,681	187,681
Total comprehensive income for the six months period from 01 July 2011 to 31 December 2011		-	-	-	-	187,681	187,681
Incremental depreciation charge during the period - net of deferred taxation	8	-	-	-	-	109	109
Transactions with owners of the Company recognized directly in equity							
Issuance of ordinary shares	6	1	-	-	-	-	1
Balance at 31 December 2011		1	464,432	156,006	196	4,206,787	4,827,422
Comprehensive income for the year							
Profit for the year		-	-	-	-	365,431	365,431
Total comprehensive income for the year		-	-	-	-	365,431	365,431
Incremental depreciation charge during the year - net of deferred taxation	8	-	-	-	-	2,948	2,948
Transactions with owners of the Company recognized directly in equity							
Issuance of ordinary shares	6	464,432	(464,432)	-	-	-	-
Balance at 31 December 2012		**464,433**	**-**	**156,006**	**196**	**4,575,166**	**5,195,801**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Mueen Afzal
Chairman / Director

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Cash Flow Statement
For the year ended 31 December 2012

Amounts in Rs '000

	Note	2012	Six months period from 01 July 2011 to 31 December 2011
Cash flows from operating activities			
Profit before taxation		**505,818**	284,952
Adjustments for:			
Depreciation and amortization		**167,956**	67,096
Loss on disposal of fixed assets		**806**	-
Provision for employee benefits		**16,778**	7,693
Provision for doubtful debts		**13,788**	-
Reversal of provision against stock-in-trade		**(11,017)**	(14,235)
Interest income		**(269,061)**	(140,809)
		425,068	204,697
Movement in working capital			
Long term loans		**(20,087)**	11,752
Long term deposits and prepayments		**(302)**	6,293
Decrease / (increase) in current assets			
Stores and spares		**4,209**	(10,723)
Stock-in-trade		**234,556**	(28,444)
Trade debts		**(79,193)**	160,194
Loans and advances		**6,273**	(36,050)
Trade deposits and short term prepayments		**15,718**	38,525
Interest accrued		**(71,985)**	-
Other receivables		**3,599,455**	(232,796)
		3,709,033	(109,294)
Increase / (decrease) in current liabilities			
Trade and other payables		**356,549**	(190,623)
Net cash generated from / (used in) operations		**4,045,193**	(281,872)
Tax paid		**(187,347)**	-
Employee benefits paid		**(430)**	-
Net cash generated from / (used in) operating activities		**4,282,484**	(77,175)
Cash flows from investing activities			
Payments for capital expenditure		**(214,973)**	(82,730)
Proceeds from disposal of fixed assets		**972**	-
Interest received		**269,061**	140,809
Net cash generated from investing activities		**55,060**	58,079
Cash flows from financing activities			
Issuance of shares		**-**	1
Net cash generated from financing activities		**-**	1
Net cash generated / (utilized) during the year / period		**4,337,544**	(19,095)
Cash and cash equivalents at the beginning of the year / period		**223,175**	242,270
Cash and cash equivalents at the end of year / period	23	**4,560,719**	223,175

The annexed notes from 1 to 41 form an integral part of these financial statements.

Mueen Afzal
Chairman / Director

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Notes to the Financial Statements
For the year ended 31 December 2012

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, Ferozepur Road, Lahore. The Company is primarily involved in the manufacturing of paints and trading of specialty chemicals.

2 Significant events

In accordance with the Scheme of Arrangement ("the Scheme") dated 16 September 2011 and approved by the shareholders of ICI Pakistan Limited on 09 February 2012 and sanctioned by the High Court of Sindh vide its order announced on 17 May 2012 and filed with the registrar of companies on 01 June 2012 ("Completion Date"), the Paints Business of ICI Pakistan Limited has been demerged with effect from 01 July 2011 ("Effective Date") and transferred to and vested in Akzo Nobel Pakistan Limited.

Subsequently, the share capital of the Company, pursuant to the Scheme, was allocated to the qualifying shareholders on 03 July 2012.

3 Basis of preparation

3.1 Statement of compliance

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

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment (i.e. freehold land, buildings on freehold land and plant and machinery) that are stated at revalued amounts and certain exchange elements referred to in Note 4.1 have been recognized in the cost of the relevant property, plant and equipment.

3.3 Functional and presentation currency

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

3.4 Comparative information

Comparative information is presented for immediate preceding period i.e. from 01 July 2011 to 31 December 2011.

3.5 Use of estimates and judgments

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

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

Notes to the Financial Statements
For the year ended 31 December 2012

Pension and gratuity

Certain actuarial assumptions have been adopted as disclosed in Note 9.8 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

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

Income Taxes

The tax year of the Company is 30 June 2013 and the financial statements have been prepared for the year ended 31 December 2012.

4 Significant accounting policies

These accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Fixed assets

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2012

4.2 Intangibles

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

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

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

4.3 Impairment

Financial assets (including receivables)

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

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

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

Non-Financial assets

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2012

4.4 Stores and spares

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

4.5 Stock-in-trade

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

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

4.6 Trade debts and other receivables

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

4.7 Staff retirement benefits

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

Defined benefit plans

The Company operates a funded pension scheme and a funded gratuity scheme for management staff. The pension and gratuity schemes are salary schemes providing pension and lump sums, respectively. Pension and gratuity schemes for management staff are invested through two approved trust funds. The Company also operates gratuity scheme for non-management staff and the pensioners' medical scheme which are unfunded. The pension and gratuity plans are final salary plans. The pensioners' medical plan reimburses actual medical expenses to pensioners as per entitlement. The Company recognizes expense in accordance with IAS 19 “Employee Benefits”.

An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortized over the expected average remaining working lives of employees as allowed under the relevant provision of IAS 19.

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

Defined contribution plans

The Company operates two registered contributory provident funds for its permanent staff and a registered defined contribution superannuation fund for its management staff, who have either opted for this fund by 31 July 2004 or have joined the Company after 30 April 2004. The said funds are transferred from ICI Pakistan Limited pursuant to the Scheme. In addition to this the Company also provides group insurance to all its employees.

4.8 Provisions

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

Notes to the Financial Statements
For the year ended 31 December 2012

4.9 Trade and other payables

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

4.10 Dividend

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

4.11 Taxation

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

Current

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

Deferred

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

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

4.12 Revenue recognition

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

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

4.13 Financial expenses and financial income

Financial expenses are recognized using the effective interest rate method and comprise foreign currency losses and mark-up / interest expense on borrowings.

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

4.14 Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance lease. Assets subject to finance lease are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Assets acquired under finance leases are depreciated in accordance with the

Notes to the Financial Statements
For the year ended 31 December 2012

Company's depreciation policy on property, plant and equipment. The finance cost is charged to profit and loss account and is included under financial charges.

4.15 Operating lease / Ijarah contracts

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

4.16 Cash and cash equivalents

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

4.17 Borrowings and their cost

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

4.18 Financial liabilities

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

4.19 Derivative financial instruments

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

4.20 Foreign currency translation

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

4.21 Off-setting

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

4.22 Earnings per share

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

Notes to the Financial Statements
For the year ended 31 December 2012

5 Initial application of new standards, interpretations or amendments to existing standards and forthcoming requirements

5.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretations did not have any material effect on the financial statements of the Company.

5.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 01 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments are not likely to have material impact on financial statements of the Company.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 01 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. These amendments have no impact on the financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 01 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. These changes are not expected to have any impact on the financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 01 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on the financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 01 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. This amendment is not likely to have any effect on the financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 01 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on the financial statements of the Company.

- Annual Improvements 2009 - 2011 (effective for annual periods beginning on or after 01 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:

Notes to the Financial Statements
For the year ended 31 December 2012

- IAS 1 Presentation of Financial Statements - is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position. The amendment is not likely to have any effect on the financial statements of the Company.

- IAS 16 Property, Plant and Equipment - is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment is not likely to have any material impact on the financial statements of the Company.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for period taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting - is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the 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.

- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 01 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. This improvement is not relevant to the Company's financial statements.

Amounts in Rs '000

	2012	2011		Note	2012	2011
6	**Share capital**					
6.1	**Authorized capital**					
	(Number of shares)					
	100,000,000	100,000,000	Ordinary shares of Rs. 10/- each		**1,000,000**	1,000,000
6.2	**Issued, subscribed and paid-up capital**					
	46,443,320	70	Ordinary shares of Rs. 10/- each issued as fully paid shares for consideration other than cash	2	**464,433**	1
	46,443,320	70			**464,433**	1

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

		Note	2012	2011

6.2.1 ICI Omicron B.V. (a wholly owned subsidiary of AkzoNobel N.V.) holds 35,209,665 ordinary shares of Rs. 10/- each representing 75.81% of the share capital of the Company.

		Note	2012	2011
7	**Reserves**			
	Capital reserves	7.1	**156,202**	156,202
	Revenue reserve - unappropriated profit		**4,575,166**	4,206,787
			4,731,368	4,362,989
7.1	**Capital reserves**			
	Share premium	7.1.1	**156,006**	156,006
	Capital receipts	7.1.1	**196**	196
			156,202	156,202

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

8 **Surplus on revaluation of fixed assets**

This represents surplus arising on revaluation of freehold land, buildings on freehold land and plant and machinery carried out in December 2011. This has been adjusted by incremental depreciation arising due to revaluation net of deferred tax.

	2012	2011
Surplus on revaluation of assets at beginning of the year / period	**889,088**	526,560
Surplus arising during the period	**-**	371,024
Deferred tax liability recognized on surplus	**-**	(8,387)
	-	362,637
Transfer to unappropriated profit in respect of incremental depreciation - net of deferred tax	**(2,948)**	(109)
Balance at end of the year / period	**886,140**	889,088

Notes to the Financial Statements
For the year ended 31 December 2012

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9 Deferred liabilities - staff retirement benefits

	Note	2012				2011			
		Funded				Funded			
		Pension	Gratuity	Total	Unfunded	Pension	Gratuity	Total	Unfunded

9.1 The amounts recognized in the profit and loss account against defined benefit schemes are as follows:

	Note	2012 Pension	2012 Gratuity	2012 Total	2012 Unfunded	2011 Pension	2011 Gratuity	2011 Total	2011 Unfunded
Current service cost		8,135	7,788	15,923	1,746	7,226	6,967	14,193	5,868
Interest cost		25,826	14,845	40,671	3,762	15,056	7,944	23,000	1,825
Expected return on plan assets		(22,515)	(11,324)	(33,839)	-	(4,124)	(5,251)	(9,375)	-
Recognition of actuarial loss		13,834	2,435	16,269	181	-	-	-	-
Past service cost		37,911	16,666	54,577	11,089	-	-	-	-
Net charge for the year / period		63,191	30,410	93,601	16,778	18,158	9,660	27,818	7,693

9.2 Movement in the net asset / (liability) recognized in the balance sheet are as follows:

	Note	2012 Pension	2012 Gratuity	2012 Total	2012 Unfunded	2011 Pension	2011 Gratuity	2011 Total	2011 Unfunded
Opening balance		18,730	(7,487)	11,243	(25,061)	-	-	-	-
Balance transferred from ICI Pakistan Limited pursuant to the Scheme		-	-	-	-	36,888	2,173	39,061	(17,368)
Net charge for the year / period	9.1	(63,191)	(30,410)	(93,601)	(16,778)	(18,158)	(9,660)	(27,818)	(7,693)
Contributions / payments		35,674	33,233	68,907	430	-	-	-	-
Closing balance		(8,787)	(4,664)	(13,451)	(41,409)	18,730	(7,487)	11,243	(25,061)

9.3 The amounts recognized in the balance sheet are as follows:

	Note	2012 Pension	2012 Gratuity	2012 Total	2012 Unfunded	2011 Pension	2011 Gratuity	2011 Total	2011 Unfunded
Fair value of plan assets	9.5	202,471	106,444	308,915	-	198,284	85,605	283,889	-
Present value of defined benefit obligation	9.4	(224,922)	(175,301)	(400,223)	(35,460)	(245,956)	(130,355)	(376,311)	(28,985)
Deficit		(22,451)	(68,857)	(91,308)	(35,460)	(47,672)	(44,750)	(92,422)	(28,985)
Unrecognized actuarial loss		51,575	80,859	132,434	5,140	66,402	37,263	103,665	3,924
Unrecognized past service cost		(37,911)	(16,666)	(54,577)	(11,089)	-	-	-	-
Recognized (liability) / asset		(8,787)	(4,664)	(13,451)	(41,409)	18,730	(7,487)	11,243	(25,061)

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	Note	2012				2011			
		Funded				Funded			
		Pension	Gratuity	Total	Unfunded	Pension	Gratuity	Total	Unfunded
9.4 Movement in the present value of defined benefit obligation:									
Opening balance		**245,956**	**130,355**	**376,311**	**28,985**	-	-	-	-
Balance transferred from ICI Pakistan Limited pursuant to the Scheme		**-**	**-**	**-**	**-**	222,370	117,334	339,704	26,953
Current service cost	9.1	**8,135**	**7,788**	**15,923**	**1,746**	7,226	6,967	14,193	5,868
Interest cost	9.1	**25,826**	**14,845**	**40,671**	**3,762**	15,056	7,944	23,000	1,825
Benefits paid		**(97,565)**	**(33,339)**	**(130,904)**	**(430)**	-	-	-	-
Actuarial loss / (gain)		**42,570**	**55,652**	**98,222**	**1,397**	1,304	(1,890)	(586)	(5,661)
Closing balance		**224,922**	**175,301**	**400,223**	**35,460**	245,956	130,355	376,311	28,985

	Note	Pension	Gratuity	Total	Unfunded	Pension	Gratuity	Total	Unfunded
9.5 Movement in the fair value of plan assets:									
Opening balance		**198,284**	**85,605**	**283,889**	**-**	-	-	-	-
Balance transferred from ICI Pakistan Limited pursuant to the Scheme		**-**	**-**	**-**	**-**	196,534	81,149	277,683	-
Expected return		**22,515**	**11,324**	**33,839**	**-**	4,124	5,251	9,375	-
Contributions	9.2	**35,674**	**33,233**	**68,907**	**-**	-	-	-	-
Benefits paid	9.4	**(97,565)**	**(33,339)**	**(130,904)**	**-**	-	-	-	-
Actuarial gain / (loss)		**43,563**	**9,621**	**53,184**	**-**	(2,374)	(795)	(3,169)	-
Closing balance		**202,471**	**106,444**	**308,915**	**-**	198,284	85,605	283,889	-

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		2012	2011
9.6	**Historical information**		
	Present value of defined benefit obligation	**435,683**	405,296
	Fair value of plan assets	**308,915**	283,889
	Deficit	**126,768**	121,407
	Experience adjustment on plan liabilities	**-14%**	3%
	Experience adjustment on plan assets	**16%**	-1%
9.7	**Major categories / composition of plan assets are as follows:**		
	Debt instruments	**61.07%**	67.00%
	Equity at market value	**30.42%**	31.00%
	Cash	**8.51%**	2.00%

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

9.8	**The principal actuarial assumptions at the reporting date were as follows:**		
	Discount rate	**11.50%**	13.00%
	Expected return on plan assets	**11.50%**	13.00%
	Future salary increases - management staff	**14.00%**	10.75%
	Future salary increases - non-management staff	**9.50%**	10.75%
	Future pension increases	**6.25%**	7.50%

These figures are based on the actuarial valuation as at 31 December 2012. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortized over the expected future service life of current members.

9.9 The Company contributed Rs. 14.522 million and Rs. 9.145 million to the provident fund and the defined contribution superannuation fund respectively, during the year.

Notes to the Financial Statements
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		Note	2012	2011
10	**Trade and other payables**			
	Creditors:			
	- local		**541,643**	466,295
	- foreign	10.1	**112,166**	41,265
			653,809	507,560
	Royalty and technical service fee	10.2	**66,002**	40,683
	Accrued expenses		**345,565**	206,082
	Advances from customers		**26,188**	35,320
	Sales tax, excise and custom duties		**24,280**	3,257
	Workers' profit participation fund	10.3	**26,622**	14,998
	Workers' welfare fund	10.4	**16,138**	5,815
	Payable for capital expenditure		**2,120**	1,207
	Others		**20,452**	8,792
			1,181,176	823,714

10.1	This includes balances due to the following related parties:			
	AkzoNobel N.V.		**32,339**	26,772
	AkzoNobel Car Refinishes B.V.		**19,794**	5,520
	AkzoNobel Chemicals (Ningbo) Co. Limited		**6,568**	-
	AkzoNobel Functional Chemicals AB		**5,534**	-
	AkzoNobel Packaging Coatings S.A		**2,089**	1,875
	AkzoNobel Paints LLC (USA)		**1,840**	-
	AkzoNobel Functional Chemicals B.V.		**1,650**	-
	AkzoNobel United Kingdom		**1,261**	498
	International Paint Saudi Arabia		**994**	-
	International Paint Netherlands		**175**	163
	AkzoNobel (Asia Pacific) Pte Limited		**18**	16
			72,262	34,844

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		Note	2012	2011
10.2	This includes Rs. 58.672 million (2011: Rs. 37.676 million) payable to Imperial Chemical Industries Limited (UK) (a related party) in respect of royalty and technical service fees.			
10.3	**Workers' profit participation fund**			
	Balance at beginning of the year / period		**14,998**	-
	Add: allocation for the year / period	30	**26,622**	14,998
	Less: transfer / adjustments made during the year / period		**14,998**	-
	Balance at end of the year / period		**26,622**	14,998
10.4	**Workers' welfare fund**			
	Balance at beginning of the year / period		**5,815**	-
	Add: allocation for the year / period	30	**10,323**	5,815
	Balance at end of the year / period		**16,138**	5,815
11	**Contingencies and commitments**			
11.1	Claims against the Company not acknowledged as debts are as follows:			
	Local bodies		**453**	453
	Sales tax authorities		**91,087**	91,087
	Others		**34,435**	25,224
			125,975	116,764
11.2	Commitments in respect of capital expenditure		**28,787**	54,000

11.3 A notice was issued by the Environmental Protection Authority (EPA) against the Company's factory located at Ferozepur Road, Lahore. Pursuant to this an order 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.

Notes to the Financial Statements
For the year ended 31 December 2012

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		Note	2012	2011
11.4	The commitments of future payments under operating leases / Ijarah financing contracts in respect of vehicles in the period in which these payments shall become due are as follows:			
	Year			
	2012		**-**	13,053
	2013		**12,634**	9,491
	2014		**11,501**	7,751
	2015		**9,940**	4,871
	2016		**5,281**	-
			39,356	35,166
	Payable not later than one year		**12,634**	13,053
	Payable later than one year but not later than five years		**26,722**	22,113
			39,356	35,166
12	**Fixed assets**			
	Property, plant and equipment	12.1	**1,381,425**	1,309,397
	Capital work-in-progress	12.2	**45,144**	42,107
	Intangibles	12.3	**43,020**	71,933
			1,469,589	1,423,437

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12.1 Property, plant and equipment

	Note	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and equipment	Rolling stock and vehicles	Total
Cost							
Assets transferred from ICI Pakistan Limited pursuant to the Scheme		531,900	185,860	722,603	74,363	3,224	1,517,950
Additions during the six months period from 01 July 2011 to 31 December 2011		-	15,186	58,763	9,871	-	83,820
Revaluation of assets	8	347,060	15,091	8,873	-	-	371,024
Balance at 31 December 2011		878,960	216,137	790,239	84,234	3,224	1,972,794
Balance at 01 January 2012		878,960	216,137	790,239	84,234	3,224	1,972,794
Transfers		-	4,673	(21,302)	16,942	(313)	-
Additions		-	13,447	141,210	65,231	-	219,888
Disposals		-	(538)	(5,969)	(12,874)	-	(19,381)
Balance at 31 December 2012		**878,960**	**233,719**	**904,178**	**153,533**	**2,911**	**2,173,301**
Rate of depreciation		-	5-10%	3.33-10%	10-33.3%	10-25%	
Accumulated depreciation							
Balance transferred from ICI Pakistan Limited pursuant to the Scheme		-	97,765	464,851	40,676	2,901	606,193
Depreciation for the six months period from 01 July 2011 to 31 December 2011		-	11,373	31,955	13,866	10	57,204
Balance at 31 December 2011		-	109,138	496,806	54,542	2,911	663,397
Balance at 01 January 2012		-	109,138	496,806	54,542	2,911	663,397
Depreciation for the year	12.1.1	-	24,538	81,963	31,207	-	137,708
Disposals		-	(417)	(4,195)	(4,617)	-	(9,229)
Balance at 31 December 2012		**-**	**133,259**	**574,574**	**81,132**	**2,911**	**791,876**
Carrying amounts							
At 31 December 2011		878,960	106,999	293,433	29,692	313	1,309,397
At 31 December 2012		**878,960**	**100,460**	**329,604**	**72,401**	**-**	**1,381,425**

Notes to the Financial Statements
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		Note	2012	Six months period from 01 July 2011 to 31 December 2011
12.1.1	The depreciation charge for the year / period has been allocated as follows:			
	Cost of sales		**97,497**	39,024
	Selling and distribution expenses		**9,033**	11,802
	Administrative and general expenses		**31,178**	6,378
		12.1.2	**137,708**	57,204

12.1.2 Depreciation for the year includes incremental depreciation due to revaluation, amounting to Rs. 4.536 million (Six months period from 01 July 2011 to 31 December 2011: Rs. 0.168 million).

12.1.3 Subsequent to transfer of fixed assets from ICI Pakistan Limited on the Effective Date of the Scheme of Demerger, specific classes of property, plant and equipment (i.e. freehold land, buildings on freehold land and plant and machinery) of the Company were revalued by an independent valuer. The said revaluation resulted in a surplus of Rs. 371.024 million. Valuations for buildings on freehold land and plant and machinery were based on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account of the age, conditions and obsolescence. Land was valued on the basis of fair market value.

12.1.4 Had there been no revaluation, the net book value of specific classes of property, plant and equipment would have amounted to:

	2012	2011
Freehold land	**6,259**	6,259
Buildings on freehold land	**88,019**	91,908
Plant and machinery	**321,427**	283,230
	415,705	381,397

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12.1.5 Following assets were disposed off during the year:

	2012					
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Buildings on freehold land						
Revamping of Regional Color Centre	Write-off	538	417	121	-	Written-off
Plant and machinery						
Zone classified fork lift trucks	Negotiation	2,596	2,589	7	800	AR Engineering Services Suite # 162, Abbas Block, Mustafa Town, Lahore
Tinting machines	Negotiation	3,143	1,473	1,670	-	Asim Enterprises, Peshawar, Sheikh Siddiq & Sons, Sheikhupura, Tayyab Contractor, Karachi and Fine Paints, Sahiwal
Diesel generators and fire alarm control panel	Write-off	230	133	97	-	Written-off
Furniture and equipment - IT equipments						
Computers	Insurance Claim	222	112	110	137	Adamjee Insurance Company Limited
Communication tower	Negotiation	894	199	695	35	Atiq-ur-Rehman Shop # 23, Bund Road, Lahore
IT and other miscellaneous equipment	Write-off	11,758	4,306	7,452	-	Written-off
		19,381	**9,229**	**10,152**	**972**	

There were no disposals of operating property, plant and equipment during the six months period ended 31 December 2011.

		2012	2011
12.2	**Capital work-in-progress**		
	Civil works and buildings	**25,617**	-
	Plant and machinery	**18,980**	42,107
	Equipments	**547**	-
		45,144	42,107

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12.3 Intangibles

	Software	Licenses	Total
Cost			
Assets transferred from ICI Pakistan Limited			
pursuant to the Scheme	10,868	12,317	23,185
Additions during the six months period from			
01 July 2011 to 31 December 2011	65,352	-	65,352
Balance at 31 December 2011	76,220	12,317	88,537
Balance at 01 January 2012	76,220	12,317	88,537
Additions	1,335	-	1,335
Balance at 31 December 2012	**77,555**	**12,317**	**89,872**
Rate of amortization	20%-50%	20%-50%	
Accumulated amortization			
Balance transferred from ICI Pakistan Limited			
pursuant to the Scheme	3,120	3,592	6,712
Amortization for the six months period from			
01 July 2011 to 31 December 2011	4,549	5,343	9,892
Balance at 31 December 2011	7,669	8,935	16,604
Balance at 01 January 2012	7,669	8,935	16,604
Amortization for the year	28,736	1,512	30,248
Balance at 31 December 2012	**36,405**	**10,447**	**46,852**
Carrying amounts			
At 31 December 2011	68,551	3,382	71,933
At 31 December 2012	**41,150**	**1,870**	**43,020**

12.3.1 The amortization charge for the year / period has been allocated to administrative and general expenses.

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		Note	2012	2011
13	**Long term loans**			
	Secured - Considered good			
	Loans to related parties:			
	- Executives	13.1	**43,730**	47,127
	- Other employees		**35,580**	22,235
			79,310	69,362
	Recoverable within one year	19	**(20,593)**	(30,732)
			58,717	38,630

			2012	2011
13.1	**Reconciliation of the carrying amount of loans to directors and executives**			
	Opening balance		**47,127**	-
	Balance transferred from ICI Pakistan Limited			
	pursuant to the Scheme		**-**	50,382
	Disbursements		**24,841**	7,468
	Repayments / adjustments		**(28,238)**	(10,723)
	Balance at 31 December		**43,730**	47,127

13.2 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.

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

13.4 The maximum aggregate amount of long term loans due from the directors and executives at the end of any month during the year was Rs. 6.251 million and Rs. 43.749 million (2011: Rs. 7.367 million and Rs. 49.742 million) respectively.

			2012	2011
14	**Long term deposits and prepayments**			
	Deposits		**869**	869
	Prepayments		**1,327**	1,025
			2,196	1,894

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15 Deferred tax asset - net

	Opening balance	Recognized in profit and loss account	Recognized in surplus on revaluation	Closing balance
2012				
Deductible temporary differences				
Provisions and tax credits	242,213	(15,751)	-	226,462
Taxable temporary differences				
Property, plant and equipment	(58,555)	(4,573)	-	(63,128)
	183,658	**(20,324)**	**-**	**163,334**
2011				
Deductible temporary differences				
Provisions and tax credits	262,871	(20,658)	-	242,213
Taxable temporary differences				
Property, plant and equipment	(50,127)	(41)	(8,387)	(58,555)
	212,744	(20,699)	(8,387)	183,658

		Note	2012	2011
16	**Stores and spares**			
	Stores	16.1	**-**	7,874
	Spares		**32,101**	28,436
			32,101	36,310

16.1 This represents items in-transit as at 31 December 2011 amounting to Rs. 7.874 million.

16.2 Stores and spares does not include any item that has been purchased for the purpose of capital expenditure.

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		Note	2012	2011
17	**Stock-in-trade**			
	Raw and packing material		**338,238**	490,206
	Work-in-process		**23,353**	35,692
	Finished goods		**278,176**	352,425
			639,767	878,323
	Less: provision for slow moving and obsolete stocks			
	- Raw material		**48,274**	52,135
	- Finished goods		**57,867**	69,023
		17.3	**106,141**	121,158
			533,626	757,165

17.1 Raw and packing material includes items in-transit as at 31 December 2012 amounting to Rs. 134.058 million (2011: Rs. 274.474 million).

17.2 Finished goods includes items in-transit as at 31 December 2012 aggregating to Rs. Nil (2011: Rs. 6.077 million).

		Note	2012	2011
17.3	**Provision against stock-in-trade**			
	Opening balance		**121,158**	-
	Balance transferred from ICI Pakistan Limited			
	pursuant to the Scheme		**-**	134,745
	Charge for the year / period		**-**	47,785
	Stock written-off against provision		**(4,000)**	(61,372)
	Provision written back	31	**(11,017)**	-
	Balance at 31 December		**106,141**	121,158

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		Note	2012	2011
18	**Trade debts**			
	Considered good:			
	- Secured	18.1	**12,797**	5,611
	- Unsecured		**587,741**	569,457
			600,538	575,068
	Considered doubtful		**272,782**	259,137
			873,320	834,205
	Less: provision for:			
	- Doubtful debts	18.2	**272,782**	259,137
	- Discounts	18.3	**268,050**	307,985
			540,832	567,122
			332,488	267,083

18.1 These debts are secured against letters of credit.

		Note	2012	2011
18.2	**Provision against doubtful debts**			
	Opening balance		**259,137**	-
	Transferred from ICI Pakistan Limited			
	pursuant to the Scheme		**-**	273,372
	Charge for the year / period	28	**13,788**	-
	Debts write-off against provision		**(143)**	-
	Provision written back		**-**	(14,235)
	Balance at 31 December		**272,782**	259,137

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		Note	2012	2011
18.3	**Provision for discounts**			
	Opening balance		**307,985**	-
	Transferred from ICI Pakistan Limited			
	pursuant to the Scheme		**-**	346,301
	Charge for the year / period		**669,976**	378,278
	Discounts paid during the year / period		**(709,911)**	(416,594)
	Balance at 31 December		**268,050**	307,985
19	**Loans and advances**			
	Secured - Considered good:			
	Current portion of loans to :			
	- Directors and executives		**13,069**	24,076
	- Employees		**7,524**	6,656
		13	**20,593**	30,732
	Advances to:			
	- Directors and executives	19.1	**836**	1,203
	- Other employees		**899**	671
			1,735	1,874
	Unsecured - Considered good:			
	Advances to contractors and suppliers		**21,004**	16,999
	Considered doubtful		**-**	2,500
			43,332	52,105
	Less: provision against doubtful loans and advances	19.2	**-**	2,500
			43,332	49,605

19.1 The maximum aggregate amount of advances due from the directors and executives at the end of any month during the year was Rs. 0.413 million and Rs. 0.897 million (2011: Rs. Nil and Rs. 1.203 million) respectively.

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		Note	2012	2011
19.2	**Provision against doubtful loans and advances**			
	Opening balance		**2,500**	-
	Transferred from ICI Pakistan Limited pursuant to the Scheme		**-**	2,500
	Advances to suppliers written off against provision		**(2,500)**	-
	Balance at 31 December		**-**	2,500
20	**Trade deposits and short term prepayments**			
	Trade deposits		**2,438**	2,408
	Short term prepayments		**3,145**	18,893
			5,583	21,301

21 **Interest accrued**

This represents mark-up accrued on Term Deposit Receipts.

		Note	2012	2011
22	**Other receivables**			
	Unsecured - Considered good:			
	Due from related parties	22.1	**14,742**	14,734
	Insurance claims		**7,093**	15,317
	Others		**25,309**	3,616,548
			47,144	3,646,599
	Less: provision		**7,000**	7,000
			40,144	3,639,599

22.1 These represent receivable from following related parties:

	2012	2011
ICI Swire Paints (Shanghai) Limited	**101**	93
AkzoNobel N.V.	**14,641**	14,641
	14,742	14,734

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

		Note	2012	2011
23	**Cash and bank balances**			
	Cash in hand		**9,653**	13,301
	Cash at bank - current accounts	23.1	**280,097**	209,874
	Short term deposits	23.2	**4,270,969**	-
			4,560,719	223,175

23.1 This includes US dollars amounting to USD 44,767 (2011: USD 5,085).

23.2 These represent Term Deposit Receipts placed with commercial banks, having a maturity period ranging from 2 weeks to 3 months. These carry mark-up at the rates ranging from 7.40% to 8.00% per annum.

		2012	Six months period from 01 July 2011 to 31 December 2011
24	**Turnover**		
	Export sales to Afghanistan	**66,090**	49,293
	Local sales	**6,269,211**	3,239,218
		6,335,301	3,288,511
25	**Sales tax, excise duty and discounts**		
	Sales tax and excise duty	**847,766**	438,853
	Discounts	**723,344**	403,238
		1,571,110	842,091

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

		Note	2012	Six months period from 01 July 2011 to 31 December 2011
26	**Cost of sales**			
	Raw and packing materials consumed		**2,625,691**	1,294,669
	Stores and spares consumed		**9,043**	4,228
	Fuel and power		**41,126**	13,169
	Salaries, wages and benefits	26.1	**100,864**	44,206
	Rent, rates and taxes		**17,437**	7,795
	Insurance		**24,107**	8,907
	Repairs and maintenance		**8,934**	6,001
	Royalties and technical assistance		**29,039**	14,352
	Depreciation	12.1.1	**97,497**	39,024
	Communication expenses		**3,440**	2,178
	Security, safety, health and environment		**5,334**	3,635
	Contractual services		**45,596**	25,534
	General expenses	26.2	**12,181**	6,233
			3,020,289	1,469,931
	Opening work-in-process		**35,692**	38,479
	Closing work-in-process		**(23,353)**	(35,692)
	Cost of goods manufactured		**3,032,628**	1,472,718
	Opening finished goods		**283,402**	430,459
	Finished goods purchased for resale		**97,079**	26,550
	Closing finished goods		**(220,309)**	(283,402)
	Cost of goods sold		**3,192,800**	1,646,325

26.1 Salaries, wages and benefits include Rs. 26.068 million (Six months period from 01 July 2011 to 31 December 2011: Rs. 11.360 million) in respect of staff retirement benefits.

26.2 This includes Ijarah rentals of Rs. 2.262 million.

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

		Note	2012	Six months period from 01 July 2011 to 31 December 2011
27	**Selling and distribution expenses**			
	Salaries and benefits	27.1	**273,475**	129,173
	Advertisement and publicity		**255,949**	96,918
	Outward freight and handling		**167,850**	110,376
	Fuel and power		**5,040**	2,388
	Rent, rates and taxes		**22,547**	11,829
	Repairs and maintenance		**4,548**	4,918
	Depreciation	12.1.1	**9,033**	11,802
	Travelling expenses		**29,472**	11,971
	Communication charges		**8,552**	6,742
	Contractual services		**29,479**	29,989
	Training and recruitment		**6,644**	1,628
	Legal and professional expenses		**6,243**	2,459
	General expenses	27.2	**12,412**	6,319
			831,244	426,512

27.1 Salaries and benefits include Rs. 63.868 million (Six months period from 01 July 2011 to 31 December 2011: Rs. 19.030 million) in respect of staff retirement benefits.

27.2 This includes Ijarah rentals of Rs. 6.623 million.

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

		Note	2012	Six months period from 01 July 2011 to 31 December 2011
28	**Administrative and general expenses**			
	Salaries and benefits	28.1	**234,092**	149,899
	Fuel and power		**7,794**	2,306
	Rent, rates and taxes		**3,149**	1,422
	Insurance		**1,660**	633
	Repairs and maintenance		**13,983**	6,108
	Depreciation	12.1.1	**31,178**	6,378
	Amortization	12.3	**30,248**	9,892
	Provision against doubtful debts	18.2	**13,788**	-
	Travelling expenses		**13,123**	5,465
	Communication charges		**11,363**	4,531
	Legal and professional expenses		**16,856**	3,950
	Computer expenses		**52,638**	18,755
	Advertisement and publicity		**4,822**	2,081
	Contractual services		**11,657**	4,598
	Training and recruitment		**5,641**	1,866
	General expenses	28.2 & 28.3	**44,787**	796
			496,779	218,680

28.1 Salaries and benefits include Rs. 38.157 million (Six months period from 01 July 2011 to 31 December 2011: Rs. 26.816 million) in respect of staff retirement benefits.

28.2 This includes Ijarah rentals of Rs. 7.380 million.

28.3 General expenses includes expenses for demerger amounting to Rs. 24.358 million.

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

		Note	2012	Six months period from 01 July 2011 to 31 December 2011
29	**Finance cost**			
	Discounting charges on receivables and others		**3,200**	12,286
	Bank charges		**8,108**	3,814
			11,308	16,100
30	**Other operating charges**			
	Auditors' remuneration	30.1	**2,000**	4,053
	Donations	30.2	**2,059**	4,535
	Workers' profit participation fund	10.3	**26,622**	14,998
	Workers' welfare fund	10.4	**10,323**	5,815
	Loss on disposal of property, plant and equipment		**806**	-
			41,810	29,401
30.1	**Auditors' remuneration**			
	Audit and group reporting fee		**1,500**	1,500
	Demerger related charges		**-**	2,553
	Other certifications		**300**	-
	Out of pocket expenses		**200**	-
			2,000	4,053

30.2 None of the directors or Chief Executive of the Company have any interest in donees.

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

		Note	2012	Six months period from 01 July 2011 to 31 December 2011
31	**Other operating income**			
	Income from related party			
	Interest income	31.1	**96,363**	129,979
	Income from financial assets			
	Profit on short-term and call deposits		**172,698**	10,830
	Exchange gain - net		**780**	14,519
	Income from non-financial assets			
	Scrap sales		**10,970**	5,987
	Others			
	Provisions no longer required written back	17.3 & 18.2	**11,017**	14,235
	Miscellaneous		**23,740**	-
			315,568	175,550

31.1 This relates to the interest income received from ICI Pakistan Limited on inter company balances up to May 2012.

		Note	2012	2011
32	**Taxation**			
	Current tax expense		**120,063**	76,572
	Deferred tax expense	15	**20,324**	20,699
			140,387	97,271
32.1	**Reconciliation of effective tax rates**			
	Profit before taxation		**505,818**	284,952
	Tax using domestic tax rates		**177,036**	99,733
	Tax impact on income under FTR of the current year / period		**(5,502)**	(4,311)
	Others		**(31,147)**	1,849
	Net tax charged		**140,387**	97,271

Notes to the Financial Statements
For the year ended 31 December 2012

		Note	2012	Six months period from 01 July 2011 to 31 December 2011
				Amounts in Rs '000
33	**Earnings per share**			
33.1	**Basic earnings per share**			
	Profit after taxation for the year / period		**365,431**	187,681
			2012	2011
			(Numbers)	
	Weighted average number of ordinary shares used for calculation of EPS	33.1.1	**46,443,320**	46,443,320

33.1.1 Shares are considered outstanding for purpose of determining the weighted average number of ordinary shares outstanding from the Effective Date of the Scheme and Arrangements of Demerger.

	2012	2011
Earnings per share - *Rupees*	**7.87**	4.04
Annualised earnings per share calculated for the purpose of comparison - *Rupees*		8.08

33.2 Diluted earnings per share

There is no dilutive effect as the Company does not have any convertible instruments in issue as at 31 December 2012 and 31 December 2011, which would have any effect on the earnings per share if the option to convert was exercised.

34 Operating segments

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

34.2 Revenue from sale of paints represents 100% (2011: 100%) of the total revenue of the Company.

34.3 98.96% (2011: 98.50 %) sales of the Company relates to customers in Pakistan.

34.4 All non-current assets of the Company as at 31 December 2012 are located in Pakistan.

Notes to the Financial Statements
For the year ended 31 December 2012

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35 Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the chief executive, full time working directors and executives of the Company is as follows:

	Chairman		Chief Executive		Executive Director		Non-Executive Directors		Executives	
	2012	Six months period from 01 July 2011 to 31 December 2011	**2012**	Six months period from 01 July 2011 to 31 December 2011	**2012**	Six months period from 01 July 2011 to 31 December 2011	**2012**	Six months period from 01 July 2011 to 31 December 2011	**2012**	Six months period from 01 July 2011 to 31 December 2011
Managerial remuneration	**720**	-	**10,533**	6,290	**3,785**	-	**420**	-	**123,342**	51,800
Medical	**-**	-	**373**	77	**36**	-	**-**	-	**6,158**	2,385
Utilities	**-**	-	**924**	-	**307**	-	**-**	-	**10,112**	4,303
Retirement benefits	**-**	-	**3,541**	1,483	**1,288**	-	**-**	-	**33,462**	14,316
Group insurance	**-**	-	**35**	8	**14**	-	**-**	-	**956**	678
Rent and house maintenance	**-**	-	**3,698**	-	**1,381**	-	**-**	-	**40,939**	17,243
	720	-	**19,104**	7,858	**6,811**	-	**420**	-	**214,969**	90,725
Number of key executives / non-executives	**1**	1	*** 1**	* 1	**1**	1	**4**	4	**96**	87

* The Chief Executive holds 10 shares of the Company.

35.1 In addition to above, an amount of Rs. 44.332 million (2011: Rs. 42.4 million) on account of variable pay to employees has been recognized in the current year. This is payable in the year 2013 after verification of achievements against target.

35.2 Out of variable pay recognized for 2011, payments of Rs. 3.48 million and Rs. 21.35 million were made to Chief Executive and executives respectively.

35.3 The Chief Executive, one director and certain executives are provided with free use of Company maintained cars in accordance with their entitlement.

35.4 Executives are employees whose basic salaries exceed Rs. 500,000 in a financial year.

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

	2012	Six months period from 01 July 2011 to 31 December 2011
36 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 these financial statements are as follows:

	2012	2011
Associates		
Purchase of goods, materials and services	**600,483**	507,318
Sale of goods and materials	**6,213**	959

37 Financial risk management

The Company's activities expose it to a variety of financial risks:

- Credit risk
- Liquidity risk
- Market risk (including currency risk, interest rate risk and price risk)

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

37.1 Risk management framework

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

	Note	2012	2011

37.2 Credit risk

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

37.2.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	Note	2012	2011
Bank balances and short term deposits	37.2.2.1	**4,551,066**	209,874
Interest accrued	37.2.2.1	**71,985**	-
Trade debts	37.2.2.2	**332,488**	267,083
Other receivables	37.2.2.3	**40,144**	3,639,599
Loans to employees - secured		**58,717**	38,630
Current portion of loans to employees - secured		**20,593**	30,732
Short term advances - secured		**1,735**	1,874
Long term deposits		**869**	869
Trade deposits		**2,438**	2,408
		5,080,035	4,191,069
Secured	37.2.1.1	**93,842**	76,847
Unsecured		**4,986,193**	4,114,222
		5,080,035	4,191,069

Notes to the Financial Statements
For the year ended 31 December 2012

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		Note	2012	2011
37.2.1.1	**Secured**			
	Long term loans to employees	13	**58,717**	38,630
	Current portion of loans to employees	19	**20,593**	30,732
	Trade debts - secured	18	**12,797**	5,611
	Advances to employees	19	**1,735**	1,874
			93,842	76,847

37.2.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty.

37.2.2.1 Bank balances and the accrued interest on term deposit receipts

The Company's exposure to credit risk against balances with various commercial banks is as follows:

	Note	2012	2011
Domestic:			
- Balances with banks	23	**4,551,066**	209,874
- Accrued interest on term deposit receipts	21	**71,985**	-
		4,623,051	209,874

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The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

	Rating				
	Short term	**Long term**	**Rating agency**	**2012**	2011
Citi Bank Lahore	P-1	A1	Moody's	**1,739,167**	2,662
United Bank Limited	A-1+	AA+	JCR-VIS	**243,582**	205,748
Habib Metropolitan Bank	A1+	AA+	PACRA	**1,640**	(2,621)
Deutsche Bank	A-1	A+	Standard & Poor's	**2,638,662**	(3,932)
Habib Bank	A-1+	AA+	JCR-VIS	**-**	4,758
Standard Chartered Bank	A1+	AAA	PACRA	**-**	3,259
				4,623,051	209,874

	Note	**2012**	2011

37.2.2.2 Trade debts

The trade debts as at the balance sheet date are classified in Pak Rupees. The aging of trade receivables at the reporting date is:

	Note	2012	2011
Neither past due nor impaired		**565,424**	451,409
Past due	37.2.2.2.1	**307,896**	382,796
		873,320	834,205
Less:			
Provision for doubtful debts		**272,782**	259,137
Provision for discounts		**268,050**	307,985
		540,832	567,122
	18	**332,488**	267,083

Notes to the Financial Statements
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		Note	2012	2011
37.2.2.2.1	**Past due**			
	Past due 1-30 days		**40,753**	44,927
	Past due 31-90 days		**20,929**	35,819
	Past due 91-120 days		**4,457**	11,301
	Past due more than 120 days		**241,757**	290,749
			307,896	382,796

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

	Note	2012	2011
Wholesale customers		**6,420**	8,645
Retail customers		**269,656**	303,464
End-user customers		**31,820**	70,687
		307,896	382,796
Less: provision for doubtful debts	18.2	**272,782**	259,137
		35,114	123,659

The recommended approach for provision is to assess the top layer (covering 50%) of trade receivables on an individual basis and apply, dynamic approach to the remainder of receivables. The procedure introduces a company-standard for dynamic provisioning:

- Provide impairment loss for 50% of the outstanding receivable when overdue more than 90 days, and

- Provide an impairment loss for 100% when overdue more than 120 days

37.2.2.3 Other receivables

Other receivables includes balance of Rs. 14.74 million (2011: Rs. 14.73 million) receivable from related parties as mentioned in Note no. 22.1. The balance of Rs. 18.75 million (2011: Rs. 3,609.75 million) is receivable from ICI Pakistan Limited, which was a related party prior to demerger and has a good credit history with the Company.

37.2.3 Concentration risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counter-parties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets is broadly diversified and all other transactions are entered - into with credit-worthy counterparties there by mitigating any significant concentrations of credit risk.

Notes to the Financial Statements
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	Note	2012	2011
Textile		**638**	362
Paper and Board		**-**	660
Chemicals		**2,001**	1,316
Pharmaceuticals		**120**	885
Construction		**9,825**	9,903
Transport		**4,609**	28,832
Dealers		**502,805**	484,262
Banks		**4,623,051**	209,874
Employees		**103,903**	38,630
Others		**105,865**	3,677,982
		5,352,817	4,452,706
Less: provision for			
- doubtful debts	18	**272,782**	259,137
- doubtful loans and advances		**-**	2,500
		272,782	261,637
		5,080,035	4,191,069

37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from Deutsche Bank to meet any deficit, if required to meet the short term liquidity commitments.

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

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The following are the contractual maturities of financial liabilities at 31 December 2012:

	Note	Carrying amount	Contractual cash flows	Up to one year or less
Financial liabilities				
Trade creditors	10	653,809	653,809	(653,809)
Technical service fee / royalty		66,002	66,002	(66,002)
Accrued expenses		345,565	345,565	(345,565)
Payable for capital expenditure		2,120	2,120	(2,120)
Others		20,452	20,452	(20,452)
		1,087,948	**1,087,948**	**(1,087,948)**

The following are the contractual maturities of financial liabilities at 31 December 2011:

	Note	Carrying amount	Contractual cash flows	Up to one year or less
Financial liabilities				
Trade creditors	10	507,560	507,560	(507,560)
Technical service fee / royalty		40,683	40,683	(40,683)
Accrued expenses		206,082	206,082	(206,082)
Payable for capital expenditure		1,207	1,207	(1,207)
Others		8,792	8,792	(8,792)
		764,324	764,324	(764,324)

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

37.4 Market risk

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

37.4.1 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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At the reporting date the interest rate profile of Company's interest-bearing financial instruments were:

	Note	Effective rate 2012	Effective rate 2011	Carrying amount 2012	Carrying amount 2011
Fixed rate instruments					
Financial assets	23	7.4% to 8%	-	4,270,969	-

Sensitivity analysis for fixed rate instruments

The Company does not account for the fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit and loss account.

37.4.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered-into are denominated in foreign currencies. The Company is exposed to foreign currency risk on sales and purchases, which are entered in a currency other than Pak Rupees. However, the forward foreign exchange contracts were not available for imports in 2012 in accordance with State Bank of Pakistan instructions.

	Note	2012	2011
Financial assets exposed to exchange rate risk			
Due from associate	22	**14,742**	14,734
Cash and bank balances		**4,349**	453
		19,091	15,187
Financial liabilities exposed to exchange rate risk			
Trade and other payables		**39,904**	6,421
Due to related parties	10.1	**72,262**	34,844
	10	**112,166**	41,265
Gross balance sheet exposure		**(93,075)**	(26,078)

Notes to the Financial Statements
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The individual foreign currency wise exposure in Pak Rupees is as follows:

	2012				
	SAR	**SGD**	**EURO**	**USD**	**GBP**
Financial assets exposed to exchange rate risk					
Due from associate	-	-	-	14,742	-
Cash and bank balances	-	-	-	4,349	-
	-	**-**	**-**	**19,091**	**-**
Financial liabilities exposed to exchange rate risk					
Trade and other payables	-	-	654	38,246	1,004
Due to related parties	994	18	54,222	15,767	1,261
	994	**18**	**54,876**	**54,013**	**2,265**
Gross balance sheet exposure	**(994)**	**(18)**	**(54,876)**	**(34,922)**	**(2,265)**

	2011				
	SAR	SGD	EURO	USD	GBP
Financial assets exposed to exchange rate risk					
Due from associate	-	-	-	14,734	-
Cash and bank balances	-	-	-	453	-
	-	-	-	15,187	-
Financial liabilities exposed to exchange rate risk					
Trade and other payables	-	-	906	5,402	113
Due to related parties	-	16	34,167	163	498
	-	16	35,073	5,565	611
Gross balance sheet exposure	-	(16)	(35,073)	9,622	(611)

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	2012	2011	**2012**	2011
	Average rate for the year / period		**Spot rate as at 31 December**	
SAR	**25.04**	-	**25.90**	-
SGD	**75.57**	69.75	**79.55**	69.15
EURO	**121.23**	120.48	**128.18**	116.13
USD	**93.77**	87.70	**97.15**	89.94
GBP	**149.33**	139.12	**157.07**	138.63

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will increase or decrease profit after tax for the period as follows:

Effect on profit and loss	**931**	261

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Company.

37.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

Notes to the Financial Statements
For the year ended 31 December 2012

Amounts in Rs '000

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

37.6 Capital risk management

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

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

38 Plant capacity and annual production

	Note	2012	Six months period from 01 July 2011 to 31 December 2011
Annual production - *thousands of litres*	38.1	**21,695**	12,579

38.1 The capacity of the plant is indeterminable because this is a multi-product plant.

39 Fair value of financial assets and liabilities

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

40 Non adjusting event after the reporting date

The Board of Directors of the Company in its meeting held on 24 February 2013 has proposed cash dividend of Rs. 2.50 per share to be paid out of earnings from normal trading. The directors have also announced a special dividend of Rs. 76.10 per share which is non-recurring one off payment, to be paid out of the unappropriated profits. These appropriations will be approved in the forthcoming Annual General Meeting of the Company. The financial statements of the Company for the year ended 31 December 2012 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending 31 December 2013.

Notes to the Financial Statements
For the year ended 31 December 2012

41 General

41.1 These financial statements were authorized for issue on 24 February 2013 by the Board of Directors of the Company.

41.2 Figures have been rounded off to the nearest thousand rupees except when otherwise indicated.

41.3 Corresponding figures have been rearranged / reclassified wherever necessary.

Mueen Afzal
Chairman / Director

Jehanzeb Khan
Chief Executive

Zia U Syed
Chief Financial Officer

Comparison of Results
For the year ended 31 December 2012

		Amounts in Rs '000
	2012	2011
Balance Sheet		
Equity and revaluation reserve	**6,081,941**	5,716,510
Non-current liabilities	**41,409**	25,061
Current liabilities	**1,190,464**	900,286
Total equity and liabilities	**7,313,814**	6,641,857
Non-current assets	**1,693,836**	1,647,619
Current assets	**5,619,978**	4,994,238
Total assets	**7,313,814**	6,641,857
	2012	Six months period from 01 July 2011 to 31 December 2011
Profit and Loss Account		
Turnover	**6,335,301**	3,288,511
Sales - net	**4,764,191**	2,446,420
Cost of sales	**3,192,800**	1,646,325
Gross Profit	**1,571,391**	800,095
Operating result	**243,368**	154,903
Profit before taxation	**505,818**	284,952
Profit after taxation	**365,431**	187,681
Summary of Cash Flows		
Net cash generated from / (used in) operations	**4,045,193**	(281,872)
Net cash generated from operating activities	**4,282,484**	(77,175)
Net cash generated from investing activities	**55,060**	58,079
Net cash generated from financing activities	**-**	1
Cash and cash equivalents at 31 December	**4,560,719**	223,175
Ratios		
Profitability Ratios		
Gross margin	**32.98%**	32.70%
Gross profit turnover	**24.80%**	24.33%
Operating result	**5.11%**	6.33%
Net profit margin	**7.67%**	7.67%
Profit markup	**49.22%**	48.60%
Profit before tax margin	**10.62%**	11.65%
Return on equity *	**7.03%**	7.78%
Return on capital employed *	**8.26%**	9.93%
Return on assets *	**5.00%**	5.65%
Return on fixed assets *	**26.45%**	28.67%
* 2011: Annualised		

Comparison of Results
For the year ended 31 December 2012

		2012	Six months period from 01 July 2011 to 31 December 2011
Efficiency Ratios *			
Asset turnover	Times	**0.65**	0.74
Fixed asset turnover	Times	**3.45**	3.74
Inventory turnover	Times	**5.98**	4.35
Current asset turnover	Times	**0.85**	0.98
Capital employed turnover	Times	**0.78**	0.85
Debtor turnover ratio	Days	**23**	20
Creditor turnover ratio	Days	**115**	92
Inventory turnover ratio	Days	**50**	57
Operating cycle	Days	**(42)**	(15)
Revenue per employee	Rs. '000	**1,916**	2,134
Net income per employee	Rs. '000	**1,384**	1,406
Cost Ratios			
Operating costs (as % of sales)		**27.88%**	26.37%
Administration costs (as % of sales)		**10.43%**	8.94%
Selling costs (as % of sales)		**17.45%**	17.43%
Equity Ratios			
Price earning ratio	Rs.	**10.99**	-
Earnings per share *	Rs.	**7.87**	8.08
Dividend per share (includes special dividend)	Rs.	**78.60**	-
Dividend cover	Times	**0.10**	-
Dividend yield		**90.86%**	-
Market value per share	Rs.	**86.51**	-
Break-up value per share with surplus on revaluation	Rs.	**130.95**	123.09
Break-up value per share excluding surplus on revaluation	Rs.	**111.87**	103.94
Liquidity Ratios			
Current ratio	Ratio	**4.72:1**	5.55:1
Quick ratio	Ratio	**4.25:1**	4.67:1
Cash ratio	Ratio	**3.86:1**	0.27:1
Leverage Ratios			
Total debt to capital ratio	Ratio	**0:100**	0:100

* 2011: Annualised

Pattern of Shareholding
As at 31 December 2012

No. of Shareholders	Categories		No. of Shares
	From	To	
7,869	1	100	218,250
2,227	101	500	511,738
457	501	1,000	332,149
409	1,001	5,000	868,416
70	5,001	10,000	491,739
22	10,001	15,000	267,565
8	15,001	20,000	141,343
7	20,001	25,000	165,666
4	25,001	30,000	105,107
11	30,001	35,000	360,482
2	35,001	40,000	71,176
2	40,001	45,000	84,600
1	45,001	50,000	45,185
2	50,001	55,000	101,856
2	55,001	60,000	113,718
2	60,001	65,000	120,683
1	65,001	70,000	68,446
1	80,001	85,000	84,122
1	85,001	90,000	89,500
2	90,001	95,000	186,140
1	100,001	105,000	102,868
1	150,001	155,000	154,518
1	155,001	160,000	156,162
1	170,001	175,000	172,032
1	180,001	185,000	183,413
1	245,001	250,000	248,295
1	285,001	290,000	286,000
1	300,001	305,000	304,452
1	495,001	500,000	497,882
1	685,001	690,000	686,150
1	1,070,001	1,075,000	1,070,673
1	2,940,001	2,945,000	2,943,329
1	35,205,001	35,210,000	35,209,665
11,113			**46,443,320**

Pattern of Shareholding
As at December 31, 2012
Information as required under Code of Corporate Governance

Shareholder's category	Number of shareholder	Number of share held
i. Associated Companies, Undertakings and Related Parties (name wise details)		
ICI OMICRON B.V.	1	35,209,665
Total :	**1**	**35,209,665**
ii. Mutual Funds (name wise details)		
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	172,032
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	6,692
CDC - TRUSTEE ALFALAH GHP ISLAMIC FUND	1	7,292
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	7,242
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	60,498
CDC - TRUSTEE ASKARI EQUITY FUND	1	31,000
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	36,100
CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	1	51,572
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	2,509
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	2,509
CDC - TRUSTEE MEEZAN BALANCED FUND	1	102,868
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	
686,150CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1	17,196
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	248,295
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	68,446
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	50,284
CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	1	2,842
CONFIDENCE MUTUAL FUND LTD	1	3
DOMINION STOCK FUND LIMITED	1	92
FIRST CAPITAL MUTUAL FUND LIMITED	1	19,346
GOLDEN ARROW SELECTED STOCKS FUND	1	3
GROWTH MUTUAL FUND LIMITED	1	9
JS VALUE FUND LIMITED	1	84,122
SAFEWAY MUTUAL FUND LIMITED	1	128
SECURITY STOCK FUND LIMITED	1	18
Total :	**25**	**1,657,248**
iii. Directors and their spouse(s) and minor children (name wise details)		
MR. ASAD I. A. KHAN (AKZO-10)	1	10
MR. JEHANZEB KHAN (AKZO-5)	1	10
MR. MUEEN AFZAL (AKZO-9)	1	10
MR. ZIAUDDIN SYED (AKZO-8)	1	10
Total :	**4**	**40**
iv. Executives		
	11	941
Total :	**11**	**941**
v. Public Sector Companies and Corporations		
	4	1,071,361
Total :	**4**	**1,071,361**
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds		
	53	3,753,780
Total :	**53**	**3,753,780**
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)		
ICI OMICRON B.V.	1	35,209,665
FAYSAL BANK LIMITED	1	2,943,329
Total :	**2**	**38,152,994**

Akzo Nobel Pakistan Limited

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the second Annual General Meeting of Akzo Nobel Pakistan Limited will be held on Thursday, the 25th day of April, 2013, at 10:30 a.m. at 346, Ferozepur Road, Lahore, to transact the following business:

1. To confirm the minutes of the Extra Ordinary General meeting held on December 07, 2012.

2. To receive, consider, approve and adopt the accounts of Akzo Nobel Pakistan Limited, for the year ended December 31, 2012, together with the Auditors Report and the Directors Report thereon.

3. To declare and approve Final cash dividend @ Rs. 78.60 per ordinary share of Rs. 10/- each for the year ended December 31, 2012 as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at April 18, 2013.

4. To appoint the auditors of the Company and to fix their remuneration.

5. Any other business with the permission of the Chairman.

01 April 2013
Lahore
By Order of the Board

By order of the Board

Saira Soofi
Company Secretary

NOTES

1. Share Transfer Books of the Company will remain closed from 18 April 2013 to 25 April 2013 (both days inclusive). Transfers received in order at the office of our Shares Registrar, FAMCO Associates (Pvt) Ltd. State Life Building 1-A, 1st Floor, I.I. Chundrigar Road, Karachi - 74000, by the close of business on 17 April 2013 will be in time to entitle the transferees to the final dividend and to attend the Meeting.

2. All Members are entitled to attend and vote at the Meeting.

3. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a Member of the Company.

4. An instrument of proxy applicable for the Meeting is being provided with the notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company located at 346, Ferozepur Road, Lahore, during normal office hours. Proxy Form may also be downloaded from the Company's website www.akzonobel.com/pk/paints.

5. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

6. Pursuant to the directive of the Securities and Exchange Commission of Pakistan, where CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants, to submit a copy of their Computerized National Identity Card (CNIC), if not already provided and notify immediately changes, if any, in their registered address to our Share Registrar, FAMCO Associates (Pvt) Ltd.

7. Shareholders are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants (crossed as A/c Payee only). Shareholders desiring to exercise this option may submit their application to Akzo Nobel Pakistan Limited or FAMCO Associates (Pvt) Ltd by 25th April 2013, giving their particulars relating to their name, telephone number, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC.

8. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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Admission Slip

The Annual General Meeting of Akzo Nobel Pakistan Limited will be held on Thursday, April 25th, 2013 at 10:30 a.m. at 346, Ferozepur Road, Lahore.

Kindly bring this slip duly signed by you for attending the Meeting.

Company Secretary

Name: ______________________ Holding: ______________________

Shareholder No: ______________ Signature: ____________________

Note:

i) The signature of the shareholder must tally with the specimen on the Company's record.

ii) Shareholders are requested to hand over duly completed admission slips at the counter before the Meeting premises.

CDC Account Holders / Proxies / Corporate Entities:

a) The CDC Account Holder / Proxy shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.

b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

This Admission Slip is Not Transferable

FORM OF PROXY
ANNUAL GENERAL MEETING

I/We ____ of

____ being member/(s) of

Akzo Nobel Pakistan Limited holding ________________ ordinary shares hereby appoint ________________

or failing him/her ______________________ of ____________________ who is/are also members(s) of Akzo Nobel Pakistan Limited as my/our proxy in my/our absence to attend and vote for me/us and on my behalf/our behalf at the Annual General Meeting of the Company to be held at 346, Ferozepur Road, Lahore, Pakistan, on Thursday, the 25th day of April 2013 at 10:30 a.m., and at any adjournment thereof.

As witness my/our hand(s) this __________ day of _________ 2013.

Signed in the presence of:

(Signature of Witness 1)
Name of Witness:
CNIC No.:
Address:

(Signature of Witness 2)
Name of Witness:
CNIC No.:
Address:

Signature across Revenue Stamp of appropriate value

Signed by

Shareholder's Folio No.

This signature should agree with the specimen registered with the Company

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, at 346, Ferozepur Road, Lahore, not less than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.

3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

4. Any alteration made in this instrument of proxy should be initialed by the person who signs it.

5. In the case of joint holders any one may vote either personally or by proxy but if more than one of such joint holders be present either personally or by proxy that one of the said joint holders whose name stands first on the Register of Members in respect of such share shall alone be entitled to vote.

For CDC Account Holders/Corporate Entities:

In addition to the above the following requirements have to be met:

(i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

(iv) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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www.akzonobel.com/pk/paints

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AkzoNobel is the largest global paints and coatings company and a major producer of specialty chemicals. We supply industries and consumers worldwide with innovative products and are passionate about developing sustainable answers for our customers. Our portfolio includes well known brands such as Dulux, Sikkens, International and Eka. Headquartered in Amsterdam, the Netherlands, we are consistently ranked as one of the leaders in the area of sustainability. With operations in more than 80 countries, our 55,000 people around the world are committed to excellence and delivering Tomorrow's Answers Today™.

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