

Akzo Nobel Pakistan Limited

Colors of inspiration

AkzoNobel 



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16

Report

A gleaming heritage and a shining future

We care about our consumers and what's important to them. Whether they are conserving and treasuring the past or building the world of tomorrow, we're always there to offer color, safety and protection. From the sustainable coatings on consumer goods to fire protection coatings on a skyscraper; we protect the things you see, touch and rely on every day, while providing essential colour and aesthetics.

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20 16 Report

Our strategy

Our vision remains:
**Leading market positions
 delivering leading
 performance**



AkzoNobel creates everyday essentials to make people's lives more liveable and inspiring. Essential ingredients, essential protection and essential color that help make the planet more sustainable and bring energy and inspiration to urban areas by using creativity and invention to meet life's challenges.

As a leading global paints and coatings company and a major producer of specialty chemicals, we supply essential ingredients, essential protection and essential color to industries and consumers worldwide. Backed by a pioneering heritage, our innovative products and sustainable technologies are designed to meet the growing demands of our fast-changing planet, while making life easier. Headquartered in Amsterdam, the Netherlands, we have approximately 46,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as a leader in sustainability, we are dedicated to energizing cities and communities while creating a protected, colorful world where life is improved by what we do.

AkzoNobel Pakistan being a part of the AkzoNobel Group

At AkzoNobel Pakistan, we carry with us the traditions and expertise of one of Pakistan's oldest and most successful companies; ICI Pakistan Limited. The AkzoNobel Group acquired ICI in 2008 bringing together the innovation, leadership and expertise of both companies. Through a scheme of demerger, the Paints Business of ICI was separated into an independent legal entity. As of June 1, 2012, we are now operating as AkzoNobel Pakistan. With our head office in Lahore and branches across the country, the AkzoNobel Pakistan family consists of over 250 talented people and many others associated indirectly, all committed to excellence and passionate about providing sustainable solutions to our customers.

Our mission

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

Our strategic targets

To achieve our mission, we will:

- Give 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 cost, and expand the business through new product launches and by tapping into new markets
- Develop and retain a team of highly capable people dedicated to delivering the mission
- To leverage AkzoNobel's global knowledge and expertise to better deliver our strategic targets.

Chief Executive's statement

Dear Stakeholders,

2016 has been a truly rewarding year. We have been able to deliver excellent financial performance that shows not only top line growth, but also higher margins, a well-managed cost base despite a noticeable increase in spending to strengthen Decorative Paints brands, all ending with an increased operating profit. One-off costs have caused Profit after tax and resultant EPS to be 9% lower than previous year, however underlying numbers remain strong.

The Company has worked hard at strengthening fundamentals; most notably working on Decorative Paints strategy and brand strengthening, introduction and development of a number of products that will benefit consumers in the Protective Coatings range, passive fireproofing, specialized packaging coatings, and specialty additives for processed food as well as specialized ingredients for paint manufacture. This exercise has paid off and set us up for a sustainable phase of higher growth during which we can capitalize on opportunities that are likely to present themselves through the China Pakistan Economic Corridor, and a general upturn in the economy.

We have also successfully and fully aligned the Company with the Decorative Paints Region out of Singapore, and this has brought in powerful ideas and knowledge that is bound to further reinforce expertise for businesses and management. During the year several research projects have been commissioned to ascertain baseline benchmarking for market environment and also feedback on our products and these will no doubt be useful inputs to incorporate in our evolving strategic plans.

Innovation and sustainability are at the heart of AkzoNobel's culture. My colleagues and I spend much of our time to carefully select products and customers that transition our portfolio to an environmentally friendly one, one that also supports the business success of our customers. Our impact in making the work environment safer for employees, customers, suppliers and consumers is a sense of pride for us all, and last year we were able to report an injury-free year across Pakistan. This is achieved by thorough vetting of all ingredients and raw materials we use, and weaving



"We have been able to deliver excellent financial performance that shows not only top line growth, but also higher margins"

safety standards and safe behaviour in all our manufacturing and allied processes. Needless to say we do not deviate from AkzoNobel protocols that are applied to every market the Company operates in. As a Company we look for ways to contribute to our global Human Cities initiative, and we welcome our responsibility to play an important role in the communities where we operate. You can expect to see more activity in this area in future.

The Company continues to lobby for creating a level playing field for all competitors in the various market segments; and we feel entitled to this aspiration with our payments of almost Rs 1.1 billion into the government treasury during the last fiscal year.

The combined wisdom of our Board of Directors and AkzoNobel's centers of excellence for businesses and functions helps us develop and implement appropriate plans, and make strategic choices that are bound to put AkzoNobel Pakistan in a better, more competitive position in the coming years.

With healthy financial performance including attractive returns on sales and investment, and likely tailwinds in the developing business climate, the short to medium term outlook is positive. While 2016 has been satisfying, I look forward to the next few years as a period that will allow the AkzoNobel Pakistan family to leverage on the Company's strengths and capabilities in a world that offers opportunities for the right product portfolios, sold with high levels of integrity, and in a manner that makes our world a better place to live now and in future.

In the end, I wish to thank all of our consumers for the trust they have placed in our products, our suppliers and channel partners for their belief in how we do business, and most of all employees and their families for their hard work and efforts in contributing to this very successful year.

Jehanzeb Khan
Chief Executive

Code of Conduct and Values



We are all defined by the actions we take. They reflect our principles and values and if we are consistent with them, they let people know what they can expect from us. Our Code of Conduct reflects our core principles – Safety, Integrity and Sustainability – and puts them into practice. It explains the expectations and responsibilities within the company and those we do business with. We all must live by it, because it is a condition of working with, and for AkzoNobel.

A brief overview of our code:

Safety

- We follow the safety rules and procedures
- We follow the Life-Saving Rules
- We stop work if behavior or conditions are unsafe
- We make and distribute products safely
- We report safety concerns immediately

Integrity

- We compete in a fair and honest way
- We follow trade restrictions carefully
- We protect personal and confidential information
- We keep a clear line between business and personal interests
- We look after company property and use it appropriately
- We keep records in accordance with company policies
- We are alert to fraud and report suspicious activity
- We communicate in a professional way

Sustainability

- We recognize human rights and treat people with dignity and respect
- We recruit and manage employees fairly
- We reduce the environmental impact of what we do
- We address the concerns of those affected by our operations
- We give back to communities we operate in
- We work with business partners who share our principles

Our Purpose and Culture

The new core principles and values help shape the behavior that creates this culture. Our values: Customer Focused, Deliver on Commitments, Passion for Excellence and Winning Together. supported by three 'core principles': Safety, Integrity and Sustainability apply to everyone in the company and are our 'permission to play'.

Our company purpose has been well received and is playing a key role in helping to create a common culture as employees take pride in how they contribute to making people's lives more liveable and inspiring.

We aim to clearly link our employees' daily activities to our strategy and purpose and provide continuous learning and development opportunities. We have followed a clear roadmap towards building a high performance culture. With all the foundational elements now in place, we will turn our focus to building the capability we need to further deliver on our strategic goals.

Strategy Framework



Our Passion for People

Our people are the key to our success as an organization. We need to ensure that we have a performance-driven culture and the right people with the right capabilities to deliver our strategic objectives.

We know that our business will grow if our people grow too, so we aim to provide a work environment that is conducive to well-being and for the professional and personal development of our people.

The development of skill, competencies and required behavior to cultivate high level performance in their specified role has been a priority for AkzoNobel Pakistan. A rigorous training needs analysis is conducted each year to support growth of our potential talent followed by classroom workshops and ROI analysis.

The right culture - Our performance driven culture is supported by our Performance and Development Dialog process (P&DD); a transparent evaluation tool for development planning and performance review in line with our strategy and the new values. P&DD is a mandatory process that promotes active dialog and feedback between employee and manager.

The right people - Improved management capability is the key enabler of a high performance culture, a better environment for employees and ultimately our business success. We aim to become a 'talent factory', recognized for development opportunities for our employees that help build strong leadership practices in our people to ultimately benefit our business today and tomorrow.

The right capabilities - Continuous learning helps us stay competitive and create a working environment that makes people feel valued and empowered to their own development. In addition to regular training needs identification, the AkzoNobel Academy – an intranet based portal available to AkzoNobel employees globally – helps drive functional and leadership capability as well as access to exceptional learning experiences based on best practices from across AkzoNobel.

The right culture - Manufacturing is generally acknowledged to be one of the more difficult areas to build employee engagement in. AkzoNobel Pakistan uses the ViewPoint Employee Engagement Survey to do focused

interventions, measurement and action planning every year. The scores of 2015 from a GrandMean of 4.19 came to 4.07, on a 5-point scale; with a high participation rate of 97%.

The right mix - We are a global company serving a large and diverse customer base and we believe a diverse and inclusive workforce is essential to achieve our ambitions. We aim to actively embrace diversity of thought and empower people to challenge each other to be more innovative and deliver better results. Our workforce should reflect the society where we do business. We aim to create an inclusive environment where diversity and differences are valued, and everyone has the opportunity to develop skills and talents consistent with our company's values and ambitions.

The right potential - We want to recruit, retain and develop the people we need to create winning teams. Our people – and those with potential looking to join us – can recognize AkzoNobel as a place to grow and develop; so they can make a strong impact on the way we operate.

myCareer
P&DDialog

Take your IDEAS
further @ AkzoNobel

ViewPoint

myCareer
Talent &
Succession



Academy

Our business success and that of our customers hinges on our ability to do radically more while using less.

More innovation, less traditional solutions; more renewable energy and materials, less fossil-based; more value chain focus, less introverted thinking.

We are determined to turn what is an obvious challenge into a clear opportunity and bring more value to our customers and society in general.



Leveraging the innovation of tomorrow

In 2016, a consortium of four companies in the Netherlands - led by AkzoNobel - agreed to source power from the Krammer wind park when it becomes operational in 2019. AkzoNobel hopes to lead the way in taking substantial steps to build a better future for generations to come

HSE and Sustainability

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When talking about sustainability, one statistic seems to dominate. It's the likelihood that by 2050, the world's population will reach nine billion. The question is, what are we all doing to meet the challenges this will create?

At AkzoNobel, we made a conscious decision to be bold and start thinking differently. We quickly realized that if we wanted to bring about the change that's needed, we'd have to reinvent how we use the world's resources.

The result was Planet Possible, an approach to sustainability which is focused on creating more value from fewer resources across the whole value chain. Putting our customers at its core, it's about increasing our resource efficiency and working together with both customers and suppliers to develop leading solutions for the challenges people face every day.

We've been ranked top of the Dow Jones Sustainability Index in our industry group for the last four years and have been in the top three for a decade. More than anything, this sustained top performance provides reinforcement for our belief that sustainability should sit at the heart of our business strategy.

Planet Possible is our commitment to discovering opportunities where there don't appear to be any. We're finding more innovative solutions; we're using more renewable energy and materials and less fossil-based; we're focusing more on our entire value chain; we are actively enhancing lives in the many communities in which we operate, as well as inspiring and equipping our employees to recognize new possibilities.

We're also continuing to accelerate our development of eco-premium products. Recent examples include a range of solvent-free

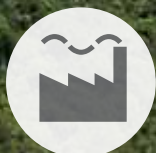
concrete flooring paints; highly efficient and fully biodegradable micronutrients for agro applications; and UV clearcoats that help vehicle bodyshops to reduce their energy costs.

We believe that the only way to be successful in the future is to care about the future. So for us, sustainability is also about many other things, such as investing in science to accelerate new ideas; investing in our capabilities to ensure we deliver for our customers on time, every time; and creating a sustainable business for shareholders.

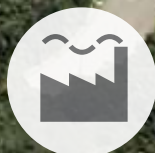
Ultimately, we believe that by opening up infinite possibilities in a finite world, we can create a sustainable planet capable of comfortably supporting the nine billion people who will soon call it home.



Raw materials



Own operations



Customer operations



End-user



End-of-life

Health, Safety and Environment Performance

Increasing stakeholder value through implementation of sustainable processes and solutions is crucial for our success to the extent that sustainable business operations are a prerequisite for meeting our challenging targets.

AkzoNobel's vision for accelerated growth is closely linked with its ambitions to ensure that the growth is sustainable. Over the last few years we have ingrained a strong focus on HSE&S into our regular business operations as a means to achieving our goals, we aim to continuously improve our first class HSE&S performance through corporate leadership, the dedication of our staff and application of the highest professional standards in our work.

One safety mission:

Our vision

Our vision is ZERO injuries and zero serious incidents

Our ambition for 2016

We aim to contribute in a way that company's ambition to be in the top quartile of our peer group in safety performance can be achieved.

Our beliefs

- The Value & Values agenda are of equal importance; we do not want one without the other; we cannot achieve one without the other.
- Safety is a permanent value and not a temporary priority.
- Safety starts with me. It's about "us" not about "them", about individual responsibility.
- Nothing we do is worth getting hurt for.
- We have a right and responsibility to ensure our own safety and that of others.
- Safety is an essential springboard for our future success.

Our commitment

There is a zero tolerance for not working safely; if we choose not to work safely we should find alternative employment.

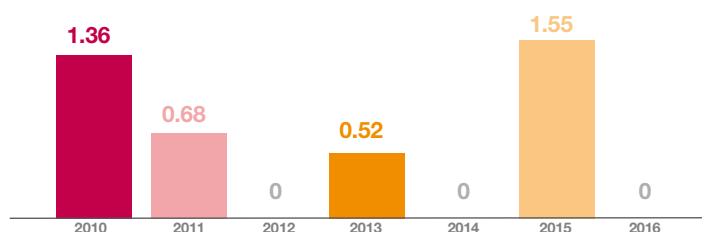
Take Care because....

- We want to do all that we can to make sure that colleagues, contractors and others don't get hurt on the job.
- We can only realize our safety goals if we all put our shoulders to the same wheel - when we speak with the same voice and are committed to realizing our vision of zero injuries.
- We want to support our businesses in achieving their safety goals.
- We want to get closer to our vision of zero injuries and serious incidents.
- We want to drive Top Quartile Safety Performance.

HSE operational excellence

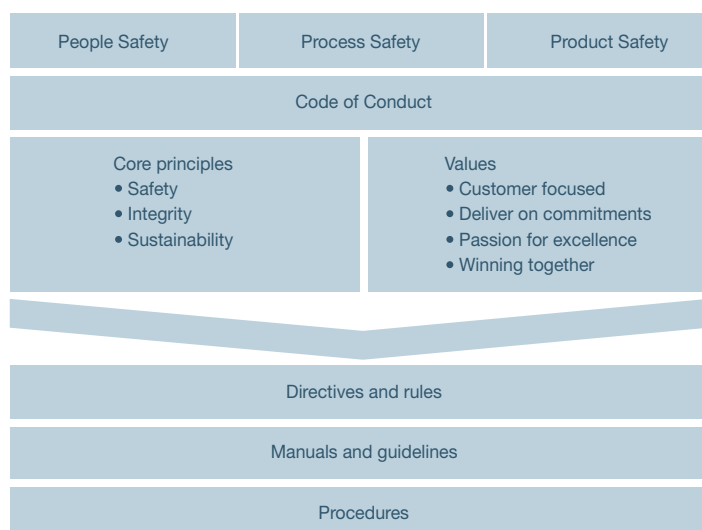
We, AkzoNobel Pakistan, believe in & committed to improve in Health, Safety, Environment, Security and Product Stewardship to achieve sustainable HSE Operational excellence. Three Core Safety Processes; People Safety, Process Safety & Product Safety across the organization is ensured through HSE Management System integrated with the company's organization scheme. Process Safety Management & Behavior Based Safety, are two key components of the core safety processes and we are on track of continuous improvement with focus to achieve & sustain leading levels.

Total reportable injury rate

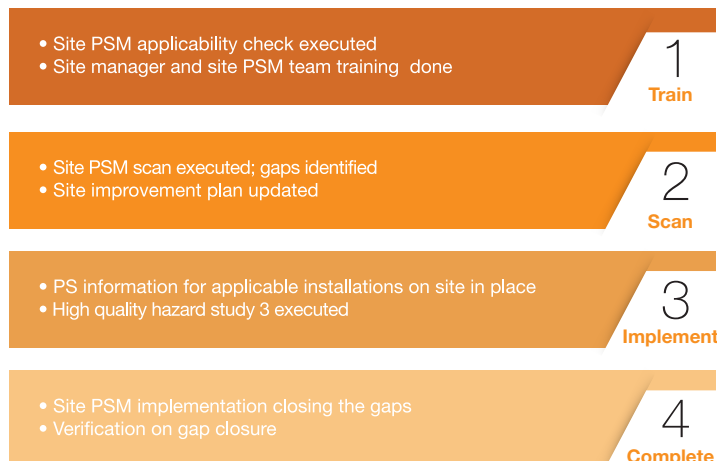


Total Reportable Incidents Per Million Man-hours worked by Employees & Supervised Contractors

HSE&S management system structure



Process Safety Management Procedure



Achievements during 2016

Self-Assessment Questionnaire Maturity Assessment (SAQ)

Self-assessment questionnaire (SAQ) is a tool developed and implemented all across AkzoNobel to assess and improve safety standards all over AkzoNobel in a systematic and standardized way. AkzoNobel Pakistan is using this tool on yearly basis to self-assess its safety performance and standards, analyzing gaps and implementing improvements to embed and sustain its safety culture. In June, 2016 AkzoNobel Pakistan self-assessment was audited by AkzoNobel Corporate for the first time and assessment above target was validated by the auditors. During SAQ audit, LSR maturity assessment was also conducted by the SAQ auditors and some good practices were also appreciated regarding single lock isolation arrangements, machine guarding, workers LSR awareness and safety signage.

Process Safety Management System (PSM)

Process Safety Management (PSM) is a disciplined framework for managing the integrity of operating systems and processes that handle hazardous substances. It relies on good design principles, engineering, operations and maintenance practices. In recent years, major incidents in industries have highlighted the importance of having these robust processes and systems in place.

The process safety management framework comprises of 21 building blocks which are categorized according to the People, Procedures and Plant. These building blocks are deeply inter-connected, driving a cultural transformation. This transformation begins with emphasizing and ensuring management commitment, Employee engagement and operational discipline. PSM then implements and integrates key process such as stake holder outreach, safety audits, and emergency response planning and safe working practices. Finally PSM addresses the safety aspects of machinery and the interactions of personnel with plant equipment.

Due to nature of processes and operations, AkzoNobel Pakistan is a PSM critical site. In 2014, PSM framework training was conducted by PSM experts in which Introduction and basic building blocks of PSM were discussed. In 2015, a complete PSM scan was carried out by global PSM specialists in which they assessed different plant processes and procedures. After scanning process, a comprehensive plan was prepared. In 2016 PSM audit was planned target for which was to confirm whether the AkzoNobel Pakistan has achieved integrated level as per PSM scan commitment or not. In Dec, 2016 PSM corporate audit was conducted and AkzoNobel Pakistan

was confirmed to have reached the target level which is the integrated level. This achievement remains the testament of leadership dedication towards process safety improvement at AkzoNobel Pakistan.

Global Safety Day 2016

At AkzoNobel Pakistan Limited, Safety Day is celebrated with enthusiasm with a vision to engage all employees of the company and bring them under the umbrella of safe performance and its importance. This year's Safety Day celebrations were around Hazard Recognition and factors influencing hazards recognition ability. These were identified as Distraction, Routine, Knowledge and Fitness.

AkzoNobel Pakistan's Safety Day planning and execution team comprising of people from manufacturing as well as non-manufacturing employees, was able to prepare and execute safety day activities revolving around the theme of the event. The highlights included "Engaging Safety Day Presentations", safety day giveaways distribution through Leadership team to demonstrate leadership commitment towards safe performance, departmental competition around most hazards identification, Pre-safety day drawing competition to involve and engage employee family members, Online Safety day quiz to ensure people understanding around the theme.

The whole population of AkzoNobel Pakistan including Head office, regional offices, warehouses and manufacturing area employees were engaged to this major event and everyone participated and appreciated its effectiveness. Understanding the importance of Road Safety especially for our sales colleagues a refresher on Safe driving awareness course was also carried out to refresh employee awareness regarding safe driving and riding techniques. Safety game also remained a highlighted part of the event. Overall safety day, 2016 remained a successful event where we were able to achieve our target of engaging, spreading awareness and correcting behaviors around hazards recognition and factors influencing our ability to recognize hazards.

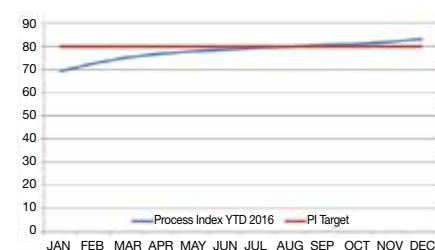
Behavioral Based Safety System Sustainability Review (BBS)

Behavior-based safety is a broad term used to describe everything from basic employee behavior audits and feedback to a comprehensive safety management system designed to change a company's safety culture. Organizations often have effective training, appropriate procedures and state-of-the-art safety equipment. However, none of that matters if the people in the organization don't use what they learn in training, don't consistently follow

the procedures and/or use safety equipment. From skipping steps in a confined space entry procedure, to failing to wear PPE at the appropriate time, to not drinking enough water to prevent heat stress, getting people to make consistent safe choices is often a challenge. These challenges can be overcome by implementing Behavior-Based Safety (BBS). AkzoNobel's Behavior Based Safety (BBS) is a safety improvement process inducing changes in behavior of employees and contractors resulting in fewer exposures to hazards. Key factors of the process are observation and feedback techniques leading to removal of obstructions to safe behavior. AkzoNobel Pakistan has always tried to create a safety culture in which individuals hold safety as a value and takes responsibility for the safety of their co-worker in addition to themselves.

BBS implemented at AkzoNobel Pakistan in Q4-2015. Observations process started in October, 2015. In 2016 AkzoNobel Pakistan sustained this new system through employee involvement as BBS observers from all departments and regions, continuous resolution of barriers identified during the observations and regular observations of employees through BBS observers. Sustainability of the BBS system at AkzoNobel Pakistan was reviewed by people safety expert pool during BBS Annual Review in Oct, 2016 and score above 80% achieved hence surpassing the yearend target 2016.

BST Process Index Components



Sustainability and energy efficiency

These projects reflect the way we operate; we make environmentally conscious decisions and continually improve on our performance. The above projects and many others to follow are all a part of our strategy to build a sustainable future, we embarked on the journey of sustainability years ago and we are steady on the path towards an eco-friendly and greener AkzoNobel.

Global population is increasing at an accelerated rate, it is estimated that by 2050 global population will touch the 9 billion mark. At AkzoNobel Pakistan we realize the impact of growing population, scarcity of resources and climate change which is why we've adopted a Planet Possible approach to sustainability. By doing radically more with less and working closely with customers and suppliers in our key end-user segments (Buildings and Infrastructure, Transportation, Consumer Goods, Industrial), we can help to make life more affordable, colorful, healthy and comfortable for the world's ever growing population.

Sustainability is central to our company strategy. We want to become a company that delivers world-class customer service, continuously improves in all areas of its operations and integrates sustainability into the heart of everything we do. Generating maximum positive impact from our products and services, using fewer resources, across the value chain is the essence of our sustainability strategy. Our sustainability strategy takes a full value chain approach. This means we look at our sustainability affects from the extraction of raw materials, all the way through to the end of life and we at AkzoNobel Pakistan are proud of what we have achieved.

This year our focus has remained on reduction of hazardous waste, where we were able to improve performance [by 22%]/[significantly over last year]. Another key indicator is direct CO₂ emissions, over the course of 2016 we improved on last year's performance. In every manner, AkzoNobel Pakistan has strived and succeeded in becoming a greener and eco-friendlier organization in 2016. This performance could only be achieved by focusing our energies year round. A number of initiatives were launched targeting one or more pillars of sustainable operations.

Installation of LED lights

Lighting contributes significantly to the energy consumed in operations both at manufacturing facilities and in offices. Lighting technologies have advanced significantly over the past decade and we have kept abreast with the latest developments in this field. In 2016, AkzoNobel Pakistan undertook the initiative to replace plant lights with state of the art LED lights. These new LED lights operate at the highest efficiency, consuming less energy thus reducing the energy and carbon footprint of the organization.

Waste reduction initiatives

Our sustainability strategy covers the entire value chain, which means we critically control the waste generated in the use of raw materials as well. This year our supply chain and operations teams engaged raw materials suppliers in an effort to reduce metal and plastic waste generated from raw material drums and packaging. The result of these synergies between AkzoNobel Pakistan and its suppliers was a significant reduction of metal and plastic waste.

Despite the fact that we executed projects to reduce energy and water consumption, overall efficiency was lower than 2015 because of changes in our manufacturing processes and new requirements. Improvement in eco-efficiency and optimization will be a key focus area for the next year

Eco efficiency performance 2016 versus 2015 (per ton of product)

Waste 2.6% ▼	Energy 6% ▲
Direct CO ₂ 5% ▲	Fresh Water 4% ▲
VOC 8% ▼	NOx 16% ▼
COD 0%	SOx 0%

Our Human Cities initiative

AkzoNobel creates everyday essentials to make people's lives more livable and inspiring. Our purpose is brought to life in many ways. It is particularly effective in inspiring people to meet the many challenges being faced by cities and communities. By using our key strengths - essential ingredients, essential protection and essential color, we believe in the inspiring call to action that must be taken to foster a positive environment in the community. We aim to bring color not only to the walls but to people's lives as well by reenergizing our communities and doing our part to give Pakistan a better tomorrow.

Since our early days, we have been heavily involved in the creation of a healthy and sustainable society. AkzoNobel sees community investment as the remedy to social ills that plague our country and in an effort to embody this ideal, every year we continue to majorly contribute to the positive development of the society and its people.

In carrying on the tradition of upholding its commitment to make the society a better place for its inhabitants, this year AkzoNobel Pakistan carried out a number of focused community development initiatives; mostly in the field of Health, Education, Sustainability and Social Development. Primarily in response to requests for the upkeep of dilapidated health and educational institutes, most of these initiatives involve our employees volunteering personal time and effort towards these activities.

Coloring a brighter future

Education is a necessity of our modern complex society and AkzoNobel has made use of untapped opportunities to facilitate various educational ventures. AkzoNobel prides in its blossoming relationship with The Citizens Foundation. The partnership with the undertaking of the Rahbar Programs exposure each year with volunteers from the company dedicating their time to the care and development of young minds. They also extended their support to the Career Counseling Programs. The Citizens Foundation is the largest nonprofit organization in the field of education in Pakistan. Their mission is to provide quality education to the less-privileged youth by getting them off the streets and into schools. We then extended our interaction by inviting their students each year to visit the AkzoNobel plant to show them the production process of paint but also to mentor them and give them professional guidance. We are happy to have the opportunity to impart inspiration and motivate

them to study to be able to secure careers later. AkzoNobel Pakistan is proud of its employees who not only give inspiration but also get inspired- one positive step at a time!

This year in April, we also sponsored TCF in their outreach and donation programs to help them spread their message of positive development in Pakistan. TCF's fundraising musical evening was a wonderful opportunity not only for us to prove our commitment but also gave us the opportunity to enlist our customers on the same mission. Prominent customers from the businesses of AkzoNobel Pakistan were invited to attend the evening and learn more about The

Citizens Foundation and their ambitions for a better Pakistan. Supporting the promotion of education in Pakistan is a priority for AkzoNobel Pakistan and we consistently seek opportunities to make a difference wherever we can. British Overseas School is yet another example that showcases our commitment to help build a more educated society. Each year, fundraising activities are carried out by the school and once again AkzoNobel was one of the first few to step forward and takes pride in helping them for their good cause. The British Overseas School organized carnivals and fun fairs for privileged and underprivileged children and use the opportunities to raise money for good causes; so



we not only helped just one school but the money raised was given to three other affiliated charities. We believe in taking a head on approach to providing remedy to the societal issues but also maintain strong relationships with such institutions that work towards the betterment of society in Pakistan. We show them our support in every step of the way.

What else could be the best way to elucidate our commitment to form a sustainable society than to support and cherish our relationships with various upstanding institutions investing in worthy causes. We believe that a key benefit of forging such partnerships brings additional awareness to the cause. SOS Children's Village is one such name that stands out in the development of home and education for orphans. SOS is not only a neighbor but enjoys a long established relationship with AkzoNobel Pakistan. In fact, the company enjoys one of the longest partnership with SOS Villages

and the institution, its cause and its inhabitants are all very dear to us.

The SOS Children's Village changes lives of hundreds of orphans and abandoned children each year. Some of the children's do not have any family or extended family to care for them and some children become victim of circumstances and end up without caregivers and in some extreme cases, remaining with their families becomes a danger to their well-being. SOS becomes a second home for such children and

Our purpose is brought to life in many ways. It is particularly effective in inspiring people to meet the many challenges being faced by cities and communities around the world.



each child is raised in a home with a 'mother' with a 360 degree development approach including schooling and personality development.

Our relationship with SOS Children's Village intermittently sees us providing them with the paint to make their school, community center and even the foster homes more colorful and more inspiring to live in. But this year, we extended our in-house services to support them as well. Not only did we celebrate our anniversary celebrations with the children of the SOS by sharing sweet treats and delicious cake, we also extended support for the development of their communication collateral such as newsletters and cards. We believe our effort will help further the cause of SOS. After all, every little bit matters!

Spreading colors for a sustainable society

Sustainability is a way of life that drives innovation to maintain our modern ways of living. It is an attitude which if incorporated in life practices, builds a healthy civilization. Being the sustainability champions, AkzoNobel acknowledges sustainability as its core value and promotes its significance through its actions.



AkzoNobel Pakistan is a founding member of the Pakistan Green Building Foundation and an active member of the Overseas Investment Chamber of Commerce and Industry (OICCI) and Pakistan Business Council. We practice and uphold the practices of sustainable operations and seek to educate and persuade others, even our competition to aspire to the same.

Building a better future for coming generations by not compromising on the present way of life is the ideal that AkzoNobel upholds and in this regard we used our participation in the Pakistan Coating Show to showcase our achievements in sustainability and create understanding about environmental friendly operations and its advantages. Through the introduction of AkzoNobel's unique lead and chromate-free paint formulations, we equip our consumers with environment friendly product options so as to ensure a safe and healthy society for them to live in. The Pakistan Coating Show came about as a good opportunity for AkzoNobel to raise awareness about product choices and enable people to make informed decisions.

Celebrating the colors of life

AkzoNobel conceptualizes mutual enjoyment as fundamental to development of our relationships with the society. Each year, AkzoNobel Pakistan celebrates its anniversary not only with our employees but with beneficiaries that are close to our hearts. At the occasion of our anniversary, not only did we visit SOS Children's Village but also visited the Edhi Orphanages to share our celebrations. We are happy to have had a fun day with the children amongst whom food and balloons were distributed.

AkzoNobel Pakistan extended support for the Biennale Foundation in Karachi and Lahore as an extension of the collaboration of AkzoNobel HQ with the Venice Biennale. The Biennale Foundation in Pakistan promotes a variety of art initiatives and provides platforms for engaging discussions on the aesthetic development of the nation. Our ongoing collaboration is for the project called 'Reel on Hai' where artists are provided with a cable reel to paint in their own expressions. The reels, which are considered as essentially disposable, are being used to beautify Karachi once again. AkzoNobel Pakistan wholeheartedly supports the drive to make the great city of Karachi beautiful again!



The spirit of giving

Health and Education is the basic building block of the society and we at AkzoNobel have made a commitment in strengthening and supporting this block. We believe in traits that foster life; we believe in sharing and spreading smiles.

Every year in Ramadan, AkzoNobel Pakistan shows great philanthropic spirit by contributing towards a needy cause. A tradition established in 2012, the yearly donation process is one of the most beloved activities in AkzoNobel Pakistan. We aim each year to not only improve our contribution level but also improve the experience for our beneficiaries and employees alike.

This year, employees generously took part in the donation drive for Shaikat Khanum Cancer Memorial Hospital, Pakistan's only cancer hospital that provides state of the art cancer treatment to any patient, regardless of their social standing. We are proud to say that our employees shared the highest levels of empathy and generosity to not only collect donation for Shaikat Khanum Hospital's pediatric ward patients but also went out of the way to purchase Eid gifts to distribute to the children admitted to the hospital.

A group of volunteers enthusiastically made their way to the hospital to spread joy and cheer. They were briefed on the basic guidelines of speaking to children who suffer from cancer – to ensure that their little hearts do not feel the burden of their afflictions.

Following this, it took our employees no time at all to get comfortable with the adorable children. They participated in story telling sessions and arts and craft activities. The children enthusiastically invited them to play board games while they enjoyed their gifts and eatable goodies. We believe that we have celebrated Ramadan in its purest form through our humble action of supporting Shaikat Khanum Cancer hospital's little angels!

Another star example of our efforts to give back was a sensational collaboration with Fida Ali Architects in Karachi to help set up the Wall of Kindness in Karachi. A groundbreaking system of anonymously contributing to society, AkzoNobel used the color of the year Ochre Gold to prepare a wall in a busy chowrangi in Karachi. The message of the Wall: "Take what you need, leave what you don't for others". A simple but effective way to mobilize essential items around from people who have little use of them towards people who need it more. We also developed a sustainable model for the Wall where a nearby tea-stall owner was asked to care for the Wall and its contents – to manage the donations and care for the items in untoward weather which he was happy to

do given the beautiful wall he now has to set up tea for his customers. Spreading smiles and benefitting those that we touch is in our DNA. The campaign was globally acclaimed within AkzoNobel and shared as a best practice to be replicated around the world. Our actions in the community not only resonated well locally but also went on inspire many other AkzoNobel locations around the world to do the same. To know that we made Pakistan a source for inspiration for our colleagues around the world is a badge we wear with our heads held high!

Sustainable relationships for today and tomorrow

AkzoNobel Pakistan is a part of the Dutch Business Circle Pakistan and is proud of its Dutch roots. At AkzoNobel it's a tradition to celebrate King's Day every year with members of the beauracracy, notable Dutch diplomats, ambassadors and other Dutch companies operating in Pakistan. AkzoNobel Pakistan sponsored and participated in both the events of Islamabad and Karachi in April. We ensure that we make full use of every opportunity to strengthen our ties for future collaboration. By deepening our bilateral ties with the Dutch community, we dig deep in search of more opportunities for the future to make this world a more human place to live in.

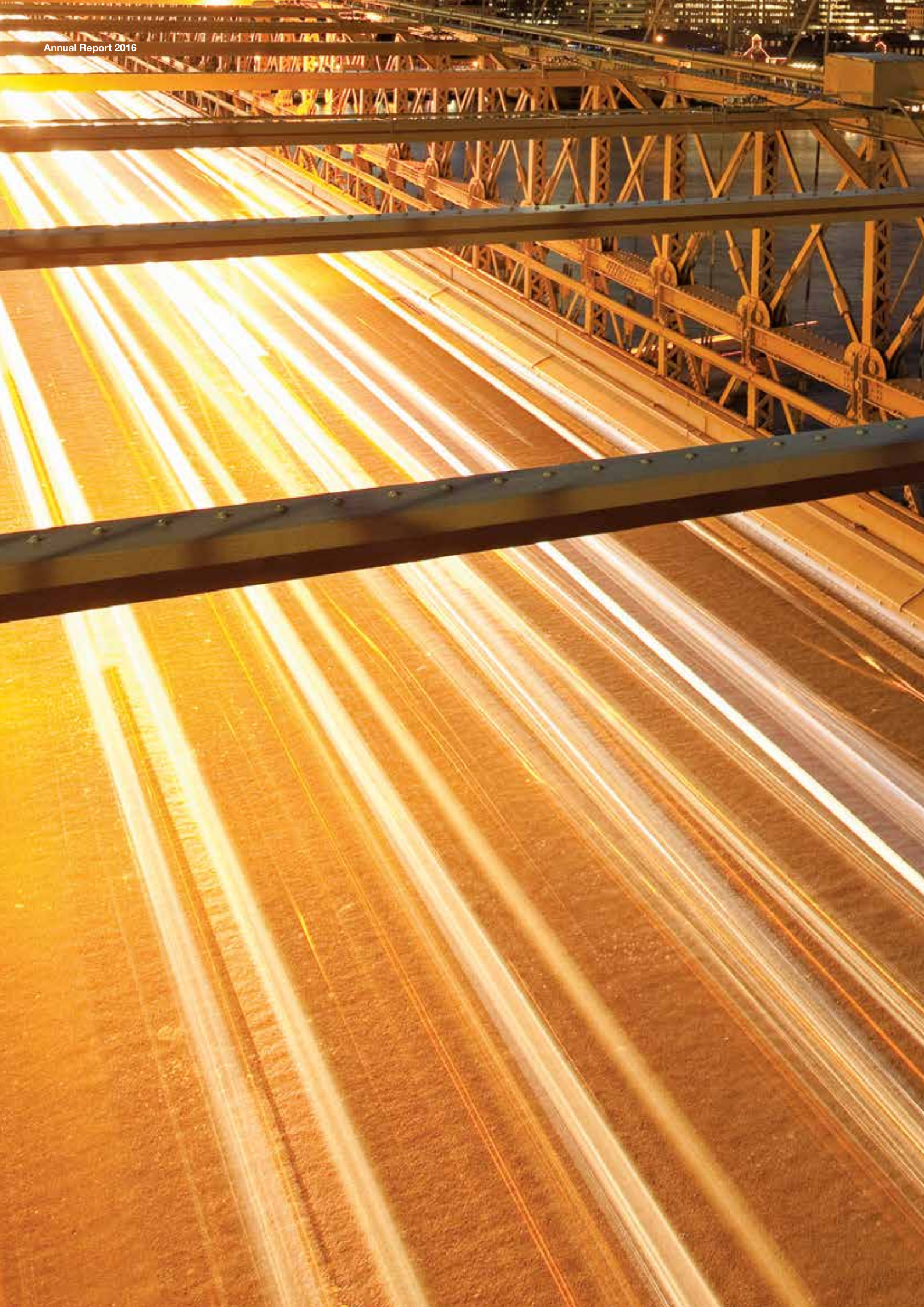
Painting the expression of art

Color is not just for aesthetic appeal. We believe in impacting people's lives by not only bringing color to their surroundings but to extend our time, warmth and love to the recipients. This year, AkzoNobel Pakistan joined hands with the National College of Arts, Lahore to paint their fine art studios, to give an inspiring environment to the students working on their theses. We believe that a good wall is stimulating to produce good work and yet this year again AkzoNobel showed concentrated efforts in supporting art amongst students.

We believe that art is the cornerstone of a developed society and our support towards the NCA is proof of our commitment. AkzoNobel Pakistan also partnered with Discovering New Artists, a nonprofit promoting art as a means of expression amongst underprivileged schools in Lahore, Karachi and Islamabad.

Children from underprivileged as well as private schools participated in an exhibition, Art for Change, where their artwork was displayed and sold with funds cycling back to the underprivileged schools that had participated. AkzoNobel not only sponsored the exhibition but also went a step ahead to buy the paintings. To appreciate the talent these children have and support their endeavors, our calendar for 2016 was a tribute to these children and their work.







Business Performance

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Our businesses

Decorative Paints

Whether our customers are professional decorators or keen DIY-ers, they want great paint that gives a great finish. We supply a huge variety of quality products for every situation and surface, including paints, lacquers and varnishes. We also offer a range of mixing machines, color concepts and training courses for the building and renovation industry, while our specialty coatings for metal, wood and other critical building materials lead the market.

Brands include:
Dulux, Paintex

Our customers include:
Thousands of paint dealers, contractors and home owners around the country

Performance Coatings

We're a leading supplier of performance coatings with strong product technologies and brands. Our high quality products are used by customers across the world to protect and enhance everything from marine vessels, cars, aircraft, yachts and architectural components (structural steel, building products, flooring) to consumer goods (mobile devices, appliances, beverage cans, furniture) and oil and gas platforms.

Brands include:
Sikkens, DynaCoat, International, ICI AutoPaints

Our customers include:
Millat Tractors, Pakistan Suzuki Motors Company, Al-Ghazi Tractors, Atlas Honda, Indus Motors Company, Descon Engineering

Specialty Chemicals

As a major producer of specialty chemicals with leadership positions in many markets, we make sure that industries worldwide are supplied with high quality ingredients and process aids for the manufacture of life's essentials.

Brands include:
Bermocoll, Arquad, Dissolvine, Akucell, Alcosperse, Redicote, Perkadox, Berol

Our customers include:
Unilever, FMC, Colgate-Palmolive, Fospak, Reckitt Benckiser, National Foods



Decorative Paints

Overview

AkzoNobel's Decorative Paints houses the world's leading brand of premium paint, Dulux. The extensive range of high quality products and services offered makes Dulux the innovation leader in the paint industry. Drawing on a keen understanding of our market's needs and latest technologies, Dulux aims to improve people's lives by helping them enhancing their living spaces. Being the Colour Authority, Dulux is the pioneer of the Tinting Systems in Pakistan under the label of Dulux Colour Solutions which offers more than 2,000 shades across Pakistan at designated dealer outlets. Our motto is to "Let's Colour" and transform the world in a more colourful and livable place.

Analysis

Despite facing aggressive competition from local and national decorative paints brands, the business accomplished positive results in 2016.



Improved law and order situation, stable governance and positive economic growth in Pakistan further enabled growth of the business. The focus of business this year, therefore, was to drive Innovation and Sustainability, strengthen and build brands and establish long-term relationships by ensuring improved channel and consumer engagement. The impact of this became evident from the remarkable results these initiatives produced for the business.

Highlights

Strengthening our foundations

The decorative paints market in recent times has seen an onslaught of aggressive competition by both local and multi-national players. With local competitors starting to make forays into the premium segment, ANPL with its Dulux brand has responded with full force. The business rolled out its largest ever ATL Media Campaign in 2016 achieving the highest Share of Voice (SOV) within the paints industry. The Dulux commercials in 2016 focused on key brands - Weathershield, Velvet Touch and Pentalite Classic (Colours of the World). The Velvet Touch campaign featuring the renowned Bollywood actor Farhan Akhtar was featured heavily across all mainstream TV & radio channels and induced an impressive increase in Dulux brand recall.

A world of Colour & Innovation Launch of ICI Dulux Velvet Touch

With competition at its fiercest in recent years, the business packed a punch in the first quarter of 2016 with the launch of a new super-premium line of interior paints called Velvet Touch. The new Velvet Touch line included 8 Special Effects to be applied on completed walls for beautiful textures, patterns and finishes along with 2 high quality interior emulsions giving our consumers colours of unrivalled depth and intensity in 2 sheen levels to choose from. To mark its introduction the business planned and executed one of the biggest launch events in the company's recent history with a mega event comprising of leading Architects, Dealers, AkzoNobel Pakistan Staff, Media and PR personnel being held on March 18, 2016. The event was hosted by Natasha Hussain and featured performances by Sara Haider and The Wahab Shah Dance Company. To celebrate the underlying brand proposition of Fashion Trends for Walls, a fashion show featuring 16 dresses representing the 8 Velvet Touch Special Effects

designed by renowned designer Kamiar Rokni was part of the event festivities. To keep the momentum gained at launch, a TVC campaign featuring Farhan Akhtar was rolled out along with various trade, channel & Influencer Engagement initiatives. In addition to the launch, a Certified Painter program was rolled out nationally to bring painters & contractors onboard. Velvet Touch achieved higher than budgeted volume within 2016.

Harnessing the power of Digital

We continued to lead the digital innovation drive in Pakistan paints industry. The business launched an improved version of Dulux visualizer 3.0. The cutting edge augmented reality technology enables users to virtually paint their walls and see the result in real-time, as they move about the room. In addition, the application offers photo and video visualization, enriched social media and advanced colour picker. With the introduction of this enhanced version, Dulux Visualizer was able to reach a milestone of 60,000 downloads in 2016. To maximise real time consumer brand interac-

Building on our key initiatives taken, the business plans to take on multiple innovation projects in the near future as well to maintain this positive momentum.

tion & experience, the business greatly increased its focus on digital marketing platforms during 2016. The Dulux brand was activated across 5 different platforms for the first time in AkzoNobel Pakistan history with Instagram, twitter, YouTube, Facebook and Dulux Website going live during the Velvet Touch launch. As a result of the Velvet Touch launch event pre-hype, the Dulux Instagram page attained over 8 million impressions in just one day after the launch.

With the help of creative and engaging content and always-on communication, Dulux managed to increase FB followers from 130,000 to 168,000 in 2016. Campaigns on Velvet Touch Special Effects & Application techniques, Colours of the World, Wall of Kindness, Visualizer and Colour of the Year helped keep consumers engaged positively impacting Dulux brand recall.



CSR Initiatives

Wall of Kindness & Polo in Pink

With social responsibility and sustainability at the heart of AkzoNobel's corporate values, the decorative business partnered with various organizations nationally to engage the public for social uplift. The first initiative was the regionally-acclaimed 'Wall of Kindness' uplift project executed in collaboration with the NGO Akhwan-e-Karachi (Brotherhood of Karachi) headed by the renowned architect Habib Fida Ali. Dulux sponsored material & supplies were used by the South Region staff to paint a wall near Clifton Bridge that had hooks for un-wanted clothes, shoes & miscellaneous accessories and could be picked up at will by the needy. Dulux in collaboration with Akhwan-e-Karachi successfully created a platform for people to bond and connect by sharing; thus propagating the Akzo Nobel Human Cities message of energizing human connections to make cities more livable.

The second initiative was the breast cancer awareness day event 'Polo in Pink' held in collaboration with Shaukat Khanum Memorial Cancer Hospital. Organized at the Lahore Polo Club, the event sought to increase awareness about the most commonly diagnosed cancer amongst women in Pakistan. With a mobile mammogram unit present, the event proved to be highly successful

with large groups of consumers coming to enjoy the polo match and the various food & entertainment stalls at the event.

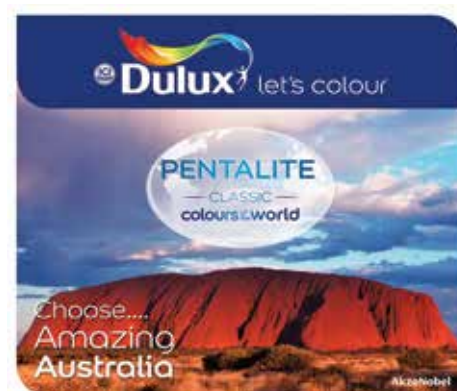
Bring home the Colours of the World

With the first three quarters of 2016 proving to be highly successful for the decorative business, the business continued its drive to establish Dulux as the innovation & colour leader by re-launching its market leading interior emulsion Pentalite Classic onto the global 'Colours of the World' platform. With updated brand positioning of Durability, the unique selling propositions of 'ProCover Technology' and 'Choromabright' technology were introduced that promise consumers high coverage and durability along with long lasting colour protection. The launch was accompanied by a 360 degree marketing campaign involving in-store branding, digital activation & ATL Media Campaign featuring a regionally sourced Global Ad Factory commercial. The launch is part of a long term regionally driven plan to roll out clearly defined USPs and positioning for our brands to cater to all consumer requirements.

Developments

Building on our key initiatives taken on Colour, Digital and Product Innovation in 2016, the business plans to take on multiple innovation projects

in the near future as well to maintain this positive momentum. This not only includes launching ground-breaking technology products, but also encompasses refreshing our core sub-brands, strengthening our foundations with innovative marketing campaigns, driving Colour and Digital Leadership and building long-lasting relationships with customers and consumers. The same initiatives will be taken at the retail end to ensure better availability of products that will result in creating a winning brand and improving people's lives by helping them improve their living spaces. Simultaneously, the business intends to focus on sustainability efforts by developing more sustainable solutions and processes that create more value from fewer resources. Therefore, a sustained positive momentum projects a bright future outlook for the business in the coming years.



Performance Coatings

Overview

Performance coating business provides industrial and automotive coating solutions to customers in multiple industries. Our focus is on supplying high end performance products which are innovative and meet our customer's requirements. Innovation is at the heart of our product development and our focus is to continuously improve technology to help our customers adapt to the changing market dynamics. We are conscious of our environmental responsibilities and are continuously working to reduce carbon footprint across the value chain.

Performance coating business consists of seven sub business units. Specialty finishes is the largest segment followed by protective coatings, vehicle refinish and metal coatings. The specialty finishes segment is focused on automotive sector, supplying coatings to tractor, passenger car, commercial vehicle and motorcycle manufacturers. Protective coatings product portfolio consists of corrosion resistant protective coatings and lining systems, intumescent fireproofing, and high durability finishes that deliver sustainable market solutions for the protection of industrial assets. In Pakistan, this robust portfolio of high performance coatings is supplied to customers in infrastructure, power, oil and gas, sugar, cement and other industries.

The vehicle refinishes segment of the business provides coatings and services for collision repair and commercial vehicle refinishers. It also provides coatings and services to the manufacturers of bus and trucks and other specialized commercial vehicle builders. Brands in Pakistan include Sikkens®, Dynacoat® and Autopaints®. The metal coatings segment consists of coil coatings and packaging coatings supplied to steel manufacturers and food can manufacturing companies respectively.

Analysis

Performance coating business continued its strong performance in 2016 and the business was able to achieve growth in sales and contribution margin. The growth was driven by leveraging our global expertise and offering our customers a wider portfolio of products including international and local brands. The business acquired new customers in specialty coatings and increased footprint in protective coatings by winning number of projects including DG Cement and Neelum Jehlum. The protective coatings also



Continued strong performance and growth was driven by leveraging our global expertise and offering our customers a wider portfolio of products including international and local brands.

localized selected products from the International Range due to which we were able to offer more competitive pricing with shorter lead times to our customers. The business was able to increase its reach and penetration by implementing the distribution model, aligning itself with the region in the process.

Highlights

This year we leveraged our global expertise and expanded our product portfolio by offering multiple products for the first time in Pakistan. The sales surged in specialty and protective coatings segment. In specialty coatings, the team strengthened its position in the tractor segment. In addition to Millat Tractors, ANPL was able to strengthen its position by acquiring additional



market share at Al-Ghazi to become the sole suppliers of coatings to the tractor segment.

The commercial vehicle segment also reflected an upsurge in sales. The growth was primarily driven by successful partnering with HinoPak.

Protective coating has been the highlight for 2016 where we not only localized International range but also imported specialized products for the first time. The team focused on specification selling which provided growth. We supplied coatings to country's major projects including DG Cement, Neelum Jehlum Hydro Project, Multan Metro Project, SEPCO III, National Refinery Limited expansion project and NESHPA.

The vehicle refinishes segment was able to make inroads at important body shops across the country. Several marketing schemes were also offered to the customer throughout the year which were a success and helped the business in protecting volumes.

Developments

Performance coating will continue to leverage its global expertise to provide our customers with technologically advanced solutions to meet their specific requirements. We will invest in building team capability to ensure that our customers receive the required support on ground. To achieve the growth ambition, the team will focus on automotive, power, maintenance & repair and metal segment through sustainable offerings

Specialty Chemicals



Overview

Akzonobel is a major player of specialty chemicals with leading products in many segments. In Pakistan the business of chemicals has grown substantially over the last years to become an important company portfolio on its own. The business is categorized into five segments with each segment providing a range of products and solutions to a wide array of industries

In 2016, Specialty Chemicals business witnessed a positive and sustainable growth by working on a business model of value creation for our customers. One of the key underlying business strategies was to expand the product range and enter into new segments. We were successful to achieve that by launching new products and exploring new industries. The business also took advantage of strengthening relationships with existing customers on the back of providing a complete package of products.

Within this year, the Specialty Chemicals Pakistan became better aligned with the region and achieved stronger synergies with all major Business units (BUs) located throughout the world.

Analysis

2016 was another year of performance for the Specialty Chemicals business where our Ethylene & Sulfur Derivatives and Surface Chemistry portfolios contributed greatly to the overall numbers. Major growth was witnessed in our performance additives business where we launched our products in the ever growing Food & Beverage (F&B) sector. Despite being a new entrant, we were able to convert major national players to our products within the year. With the advent of

CPEC in Pakistan, the construction and paint segment grew within 2016 and our business took advantage to expand our paint additive range. Pharmaceutical industry recovered during the year after being badly impacted in 2015. As a result we witnessed growth in our salt specialties segment. Pakistan also had a bumper sugar season in 2016

The Specialty Chemicals business witnessed a positive and sustainable growth by working on a business model of value creation for our customers.

resulting in an aggressive growth of our intermediate segment where the primary product is used by sugar mills. In addition, the Specialty Chemicals business developed new reliable partners in the organic peroxide, asphalt and salt segments and thus new products were launched during the year

Highlights

One of the components of our growth strategy in 2016 was to expand our local invoicing business which we accomplished during the year through effective business development and aggressive selling. We successfully entered into the Food & Beverage sector with the launch of CMCs in Pakistan. We also expanded our surfactant and thickeners range in both paint as well as cleaning segment. Moreover we showed impressive growth

in the personal care segment despite tough competition. With limited resources, Specialty Chemicals was still able to extend its product reach to small scale customers spread throughout Pakistan. This was on the back of identifying and signing with the right partners, who took on the role of distributing our products in many industries including livestock, bitumen and paint additives.

Developments

In 2017, positive growth is expected from the Specialty Chemicals business. One of our key strategies is to reduce our risks by diversifying the business portfolio further and capture new opportunities. This will be achieved by launching new products and creating value addition for our customers. Organic growth is also expected in the markets we serve with major contribution coming from Asphalt, Paint, Building & Construction industries due to a positive outlook of CPEC projects directly linked to these segments.

Corporate Governance and 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 exchange, 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 and Chief Financial Officer with necessary powers and responsibilities. The Board is also assisted by a number of sub-committees comprising mainly non-executive directors.

Code of Conduct and SpeakUp!

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. Business partners of the Company such as suppliers, distributors and agents are expected to comply with the principles laid down in Business Partner Code of Conduct or apply equivalent principles to the business they conduct for the Company. Non-compliance with this Code may lead to measures, including termination of the business relationship.

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.

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.

Insider Trading and 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 two 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.

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 procedure are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management.

The Board has the overall responsibility of overseeing the risk management processes, which include both risk management and internal control procedures. The Company's processes, which are documented and regularly reviewed, are designed to safeguard assets and address risks that the Businesses might face or that may impact business continuity. These are, in turn, reported to the Board and senior management for timely action where required, to ensure uninterrupted operations.

The Company maintains a clear organizational structure with a well-defined chain of authority. Senior management is responsible for implementing procedures, monitoring risk and assessing the effectiveness of various controls. Our risk and control procedures are supported through:

Internal Control Self Assessment

The Internal Control Self Assessment (ICSA) exercise is carried out by the Company every year which assists in the thorough assessment of controls to ensure a robust control structure. The senior management of the Company leads this annual self assessment exercise. Existing controls are identified, assessed and documented with the help of the online Control Self Assessment Tool (CSAT). Weaknesses highlighted through this exercise are documented through action plans which clearly define 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 (Independent)	Jeremy Rowe	Non-Executive
Jehanzeb Khan	Chief Executive	Sebastian Tan	Non-Executive
Bart Kaster	Non-Executive	Harris Mahmood	Executive
Zia Ur Rehman	Non-Executive (Independent)		

Audit Sub Committee

Zia Ur Rehman	Chairman
Mueen Afzal	Member
Bart Kaster	Member
Sebastian Tan	Member

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Jeremy Rowe	Member
Jehanzeb Khan	Member

Share Transfer Committee

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

Chief Financial Officer

Harris Mahmood

Company Secretary

Sara Shah

Executive Management Team

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

Bankers

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

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors

A.F. Ferguson & Co.,
Chartered Accountants

Registered Office

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Shahrah-e-Faisal, Karachi 74000
Tel: (021) 34380101-5
Fax: (021) 34380106

Our Board of Directors



The Board of Directors are elected or appointed as representatives of the stockholders to establish corporate management related policies and to make decisions on major company issues.

1. Mueen Afzal (Chairman; Independent)

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. Mueen 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. Mueen Afzal has been awarded Hilal-e-Imtiaz for distinguished public service in 2002. Additionally, Mueen Afzal is the Chairman of Pakistan Tobacco Company Limited and 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, Green Bean Coffee Company, a private company in Islamabad which roasts and market coffee beans. He is also a Senior Advisor in Pakistan for Faber Industries Spa, an Italian company which produces CNG cylinders for road transport; Nafa funds in Lahore; member of the board of directors of IDEAS, a think tank that deals with public policy issues based in Lahore, member of the advisory committee on South Asian issues at Wolfson College, Oxford University and a member of the advisory committee for the Federal Ombudsman in Islamabad. Mueen Afzal is also a member of the pension committees for the management and staff at the Pakistan Tobacco Company.

2. Muhammad Zia Ur Rehman (Independent)

Muhammad Zia Ur Rehman hails from the Civil Service of Pakistan, 1974 batch. He has had a diverse and distinguished career in Public Service, covering District, Provincial and Federal Government assignments. He served as Deputy Commissioner Vehari and Multan

(1985-89), Commissioner Multan Division (1993), Commissioner Rawalpindi (1996). He remained Secretary Services and Principal Secretary to the Governor, Government of the Punjab. At the Federal Government level, Zia served as Secretary Ports and Shipping (2005-06), Secretary Planning and Secretary Food, Agriculture & Live stock (2007-10) and represented Pakistan in the Strategic Dialogue with the Government of United States of America. Zia also worked as chairman of Pakistan Agriculture Storage & Services Corporation. Muhammad Zia Ur Rehman is on the panel of the National Management College, Government of Pakistan. He has served as Chairman Lahore Gymkhana Club thrice. He is an avid golfer and is fond of reading and travelling.

5. Jeremy Rowe (Non-Executive)

Jeremy Rowe, Managing Director AkzoNobel Decorative Paints, South East & South Asia, Middle East (SESAME) was appointed to the Board of Akzo Nobel Pakistan Limited on October 27, 2016. He has been with AkzoNobel since 2009, his earlier assignments included Managing Director of Decorative Paints South East Asia & Pacific (SEAP) and South East & South Asia (SESA). Prior to AkzoNobel, Jeremy Rowe had a long career in Management Consulting, working at Accenture from 1994 – 2003 in their Strategy and Business Transformation division in London, Kuala Lumpur, Manila and Singapore where he progressed quickly from Consultant to Partner in the area of business strategy and large scale business transformation programs. From 2003 – 2005 he worked in a project position for ICI Paints Asia Pacific as Business Transformation Director, and between 2005 – 2009 worked as freelance Consultant and Management Development Partner where he worked across many industries as one-on-one partner to CEO's and Leaders in Asia to help them develop and implement their business strategies and align and shape their organization.

Jeremy is currently a board member of Akzo Nobel Paints Lanka (Pvt) Ltd, PT ICI Paints Indonesia, AkzoNobel Oman SOAC, Akzo Nobel Decorative



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6



7

Paints LLC, Akzo Nobel (Asia Pacific) Pte Ltd, Akzo Nobel Paints Vietnam Ltd, and Akzo Nobel Paints (Thailand) Limited.

Jeremy Rowe has an MBA with Distinction from the London Business School specialized in Strategy, Marketing and Finance, and a BSc. (Hons) in Physics from the University of Southampton in the United Kingdom.

4. Bart Kaster (Non-Executive)

Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 23, 2012, Bart a graduate of University of Leiden (UK) with a degree in Chemistry, has been associated with the AkzoNobel Group since 1980, during which he has held senior positions in R&D, Marketing and Business Management and fulfilled various business and corporate assignments in Europe and Asia.

Bart is also Director of Akzo Nobel Limited, Akzo Nobel UK Limited, Akzo Nobel Decorative Coatings Limited, ICI Limited and ICI Chemicals and Polymers Ltd. Bart is also a supervisory Board member of Akzo Nobel GmbH (Germany).

3. Sebastian Tan (Non-Executive)

Sebastian Tan, Regional Head of Finance, Decorative Paints, South East, South Asia and Middle East, was appointed to the Board of Directors of Akzo Nobel Pakistan Limited on October 27, 2016.

Sebastian joined Akzo Nobel in 2006. Shortly after he was appointed the Asia Integration Lead, and successfully merged the two reputable companies of former ICI business and Akzo Nobel in Asia, delivering significant synergies. Prior to joining Akzo Nobel, he was the Asia Head Pricing and Commercial in Honeywell. He is a certified Six Sigma Black Belt for Leaders. He graduated with an MBA from Imperial College Business School, University of London and a Chartered

Accountant (Singapore).

Sebastian is currently on the boards on Akzo Nobel (Asia Pacific) Pte Limited, Akzo Nobel Singapore Pte Limited, Akzo Nobel Paints Vietnam Limited and Akzo Nobel Malaysia Sdn Bhd. He has extensive MNC manufacturing experience, well exposed to commercial and business finance roles in regional capacity with a deep understanding of various cultures. His commercial experience has been varied, ranging from aviation repair and overhaul, electronics manufacturing and consumer paints business.

6. Jehanzeb Khan (Chief Executive)

Jehanzeb Khan, Chief Executive of AkzoNobel Pakistan was appointed to the Board of Directors in August 2011. He started his career with ICI Pakistan in November 1983, where he has served in various sales and marketing roles, and later in managing businesses. His commercial experience has been in the pharmaceuticals, agrochemicals, polyester fibers, specialty chemicals, and paints industries, and he has broad experience in working with international companies doing business in Pakistan.

In 2012, Jehanzeb led his team in demerging the paints business from ICI Pakistan, and in the same year established AkzoNobel Pakistan as an independent public listed company. Since then he has successfully steered AkzoNobel Pakistan in establishing itself as a successful, profitable and sustainable entity. At work he is passionate about creating value for stakeholders, and doing so in a manner that embraces AkzoNobel's excitement about sustainability.

He received his schooling from Burn Hall in Abbottabad, has a BS in Auto Diesel Technology from the Oregon Institute of Technology in the US, and studied for his MBA degree at the Darden School, University of Virginia. Jehanzeb has attended several management programs

including the Advanced Management Programs at INSEAD, France and the Strategic Leadership Program at Oxford University, UK.

7. Harris Mahmood (Executive Director and Chief Financial Officer)

Harris Mahmood was appointed to the Board of Directors of Akzo Nobel Pakistan Limited in January 2015 and is also the Chief Financial Officer of the Company. He has been associated with ICI Pakistan and later Akzo Nobel Pakistan Limited for around 11 years in various roles looking after Finance and Internal Audit.

Harris Mahmood is currently heading the Finance, IT and Legal functions in Akzo Nobel Pakistan Limited. He joined ICI Pakistan Limited in 2006 as Internal Audit Manager at Head Office and subsequently worked in business finance functions at Polyester Fibres and Paints before joining Chemicals and Soda Ash businesses as Finance Manager. In March 2013, he joined Akzo Nobel Pakistan Limited as Finance Manager and took over as CFO of the company in January 2015.

He received his schooling from Aitchison College Lahore, became an Associate Chartered Accountant from Institute of Chartered Accountants of Pakistan in 2005 and in 2016 was enrolled as a Fellow member by the Institute of Chartered Accountants of Pakistan. He completed his article-ship from A.F. Ferguson & Co. (member firm of PWC) and has attended several management development programs including the Advanced Financial Management Program at AkzoNobel in 2011.



Our Executive Management Team

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

(left to right)

Usman Ali Jamil
HR Business Partner

Harris Mahmood
Chief Financial Officer

Jehanzeb Khan
Chief Executive
(sitting)

Rizwan Afzal
Operations Manager

Syed Muhammad Ismail Hussain Naqvi
Business Manager,
Performance Coatings

Muhammad Rizwan
Supply Chain Manager

Saad Mahmood Rashid
Business Manager,
Decorative Paints



Report of the Directors

For the year ended December 31, 2016

Your Directors are pleased to present the annual report together with the audited financial statements of the company for the year ended December 31, 2016.

Overview

The Pakistan economy is showing positive signs on the back of an improved security situation and continued low inflation. We are pleased to report that the company delivered satisfactory topline growth as a result of customer engagement and brand building initiatives. The turnover at PKR 7.7 billion was 7% higher than last year due to higher volumes. Raw material prices remained subdued and hence gross profit margins increased by 8% over last year. To remain competitive, the company introduced effective promotional schemes and media campaigns; consequently selling and distribution expenses were 13% higher compared to last year. As a result Operating profit at PKR 675m was 4% higher than last year.

Other income was 26% lower than last year due to the one-off reversal of provisions in 2015 which were no longer required. Accordingly earnings per share at PKR 10.57 were lower than last year by 9%.

The company contributed PKR 1.09 billion to the national exchequer through taxes, duties and other levies during 2016 (2015: PKR 1.09 billion).

Financial Performance

PKR million

	2016	2015	Increase (Decrease)
Turnover	7,684	7,171	7%
Net sales	5,137	4,927	4%
Gross profit	2,182	2,018	8%
Operating profit	675	648	4%
Profit before taxation	772	804	-4%
Profit after taxation	491	539	-9%
Earnings per share - PKR	10.57	11.61	-9%

Dividends

Keeping in view business prospects and after due consideration of the Company's cash flow requirements, the Board of Directors is pleased to propose a final dividend of PKR 6.50 per ordinary share i.e. 65% for the year ended December 31, 2016.

Health, Safety and Environment – HSE

The Company continued to demonstrate its firm commitment to HSE, completing the year without a single reportable injury. On the operational eco efficiency side, there has been a reduction of 22% in hazardous waste generation. Behavior Based Safety (BBS) program, which is about influencing people's behavior to avoid injuries, is gaining momentum and through the application of this program we have been able to improve safety at our site. This is a clear indicator of our resolve to maintain HSE as a core priority.

Business performance

Competition in the Decorative Paint market remained aggressive and the major players invested savings from lower raw materials costs on channel partners and influencers by offering higher discounts and lucrative promotional schemes. Your company introduced fresh promotional schemes to engage the trade channel and to derive volume growth during the year. Further to solidify its position as market leader in innovation, your company successfully launched ICI Dulux Velvet Touch, a special feature finish top coat for interiors. Our media campaign continued on major television and radio channels of the country to strengthen overall brand equity.

The Company took advantage of growth opportunities in the Tractors and Protective Coatings markets, achieving healthy volume growth. Specialty Chemicals portfolio also continued to deliver growth and maintained its focus on expanding product range and adding new customers to this portfolio.

Future Outlook

Going forward the macroeconomic indicators are indicating positive outlook. Demand generation on account of the China Pakistan Economic Corridor (CPEC), low inflation and interest rates, coupled with an improvement in energy availability continue to create an atmosphere for investment growth in the country.

The Company aims to maintain its aggressive stance to enhance market share to continue to invest on brand building initiatives and product promotion to increase awareness of ICI Dulux and to maintain shelf space in the retail channel.

Introduction of new products and customer development in Protective Coatings and Specialty Chemicals market are likely to yield good results for the company in the short to medium term.

Acknowledgment

We wish to record our appreciation of the commitment of our employees to the Company and continued patronage of our customers who have trust in our products and who continue their sustained support in ensuring the company's progress. We greatly value the support and cooperation received from our esteemed suppliers, trading partners, bankers and all stakeholders who are helping and contributing towards the continued growth of the company. This is helping us in enhancing the quality of life in our country by making people's lives more aesthetically colorful.

Auditors

The present auditors A.F. Ferguson & Co. Chartered Accountants retire and being eligible have offered themselves for the reappointment.

Compliance with the Code of Corporate Governance

As required under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchange in the country, 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 deviation if any 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 six years is summarized on page F52 and F53.
- 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 audited financial statements for the year ended 31 December 2015, are as follows:

	Value in PKR million
Akzo Nobel Pakistan Limited Management Staff Provident Fund	234
Akzo Nobel Pakistan Limited Management Staff Gratuity Fund	132
Akzo Nobel Pakistan Limited Management Staff Pension Fund	178
Akzo Nobel Pakistan Limited Management Staff Defined Contribution Superannuation Fund	120
Akzo Nobel Pakistan Limited Non Management Staff Provident Fund	32

Directors' attendance

During the year, 6 (six) Board of Directors, 7 (Seven) 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
Mr. Mueen Afzal	6	7	2
Mr. Zia Ur Rehman	6	7	-
Mr. Jehanzeb Khan Chief Executive	6	-	2
Mr. Harris Mahmood Chief Financial Officer	6	4	-
Mr. Peter Tomlinson	3	-	2
Mr. Bart Kaster	6	7	-
Mr. Michiel Franse	3	7	-
Mr. Sebastian Tan	1	-	-
Ms. Sara Shah Company Secretary	4	-	-
Mr. Rehan Hamid Secretary Audit Committee	-	4	-
Mr. Usman Ali Jamil Secretary HR & R Committee	-	-	2

Mr. Peter Tomlinson and Mr. Michiel Franse resigned on October 26, 2016 and Mr. Jeremy Rowe and Mr. Sebastian Tan joined the Board on October 27, 2016.

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

Director's training

Mr. Zia Ur Rehman completed the certification for the Director's Training Program conducted by Pakistan Institute of Corporate Governance (PICG) in 2016. Mr. Mueen Afzal, Mr. Jehanzeb Khan and Mr. Harris Mahmood had already completed training requirements in previous years.

Pattern of shareholding

A statement showing the pattern of shareholding in the Company along with additional information as at December 31, 2016 appears on page numbers F54 to F56.

ICI Omicron B.V. (an AkzoNobel group company) held 75.81% shares, while Institutions held 9.24% and individuals and others held the balance 14.95%.

The highest and the lowest market prices during 2016 were PKR 263.42 and PKR 167.06 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

Lahore

February 28, 2017



Jehanzeb Khan
Chief Executive

Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2016

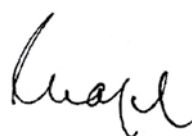
This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No.35 of the Listing Regulations of the stock exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the code 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 December 31, 2016 the Board includes:

Category	Names
Independent Director	Mr. Mueen Afzal (Chairman) Mr. Zia Ur Rehman
Executive Director	Mr. Jehanzeb Khan Mr. Harris Mahmood
Non-Executive Director	Mr. Bart Kaster Mr. Jeremy Rowe Mr. Sebastian Tan

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 serving 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 tax-payer 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. Casual Vacancies occurred on the board on October 26, 2016 and were filled up by the Directors within the stipulated time.
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, overall 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. During the year six meetings of the Board were held which were all presided over by the Chairman. Written notices of the regular Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of all six meetings were appropriately recorded and circulated in time.
9. The directors have been provided with copies of the listing regulations of the Pakistan Stock Exchange Limited, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are all conversant with their duties and responsibilities. During the year one of the directors attended the Corporate Governance Leadership Skill - Director Educational Program by PICG, while three of the directors on the Board have already acquired the training in previous years.
10. The Board has approved the appointment of Ms. Sara Shah as the Company Secretary upon the resignation of Mr. Harris Mahmood as the Acting Company Secretary.
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. The half yearly and annual accounts were also initialed by the external auditors before presentation to 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.
15. The Board has formed an Audit Committee comprising of four members, all of whom are either non-executive or independent 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 prior to approval of interim and final results of the company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee comprising of 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 & Co., 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. Market / price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.



Mueen Afzal
Chairman

Lahore
February 28, 2017



Jehanzeb Khan
Chief Executive

Review Report

to the members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Akzo Nobel Pakistan Limited ("the Company") for the year ended December 31, 2016 to comply with the Listing Regulation No. 5.19 of the Pakistan Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon the recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices 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 as applicable to the Company for the year ended December 31, 2016.



A.F. Ferguson & Co.,
Chartered Accountants
(Hammad Ali Ahmad)

Denim Drift

Color of the Year 2017

www.akzonobel.com/colorfutures



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0800-38589 (DULUX)



For answers to your paint related queries,
please feel free to contact our experts:

E: customer.contact.centre@akzonobel.com

Akzo Nobel Pakistan Limited Financial Statements

Auditors' Report to the Members

We have audited the annexed balance sheet of Akzo Nobel Pakistan Limited ("the Company") as at December 31, 2016 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 December 31, 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other matter

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

Lahore

Date: February 28, 2017



A.F. Ferguson & Co.
Chartered Accountants
(Hammad Ali Ahmad)

Balance Sheet

As at December 31, 2016

Amounts in Rs '000			
	Note	2016	2015
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	5	1,000,000	1,000,000
Issued, subscribed and paid-up capital	5	464,433	464,433
Reserves	6		
- Capital reserves		156,202	156,202
- Revenue reserve		1,590,787	1,383,041
		2,211,422	2,003,676
Surplus on revaluation			
of property, plant and equipment	7	1,347,799	877,136
Non-current liabilities			
Deferred liabilities	8	57,210	48,440
Current liabilities			
Trade and other payables	9	1,470,505	1,275,547
Provision for taxation		-	11,034
		1,470,505	1,286,581
Contingencies and commitments	10		
		5,086,936	4,215,833

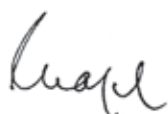
Balance Sheet

As at December 31, 2016

Amounts in Rs '000

	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,840,208	1,219,293
Intangible assets	12	674	2,631
Long term loans	13	87,040	78,322
Long term deposits and prepayments	14	4,658	5,414
Deferred tax asset - net	15	135,690	231,860
		2,068,270	1,537,520
Current assets			
Stores and spares	16	18,603	18,751
Stock-in-trade	17	468,549	361,481
Trade debts	18	493,199	459,082
Loans and advances	19	62,529	29,978
Trade deposits and short term prepayments	20	20,775	18,804
Other receivables	21	20,944	16,213
Income tax receivable		1,729	-
Interest accrued		4,754	3,233
Cash and bank balances	22	1,927,584	1,770,771
		3,018,666	2,678,313
		5,086,936	4,215,833

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



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



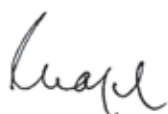
Harris Mahmood
Chief Financial Officer

Profit and Loss Account

For the year ended December 31, 2016

Amounts in Rs '000			
	Note	2016	2015
Turnover	23	7,684,222	7,170,924
Sales tax, excise duty and discounts	23	(2,547,261)	(2,243,689)
Net sales		5,136,961	4,927,235
Cost of sales	24	(2,954,886)	(2,909,340)
Gross profit		2,182,075	2,017,895
Selling and distribution expenses	25	(1,144,083)	(1,012,114)
Administrative and general expenses	26	(363,098)	(358,165)
Operating profit		674,894	647,616
Finance cost	27	(6,173)	(3,840)
Other charges	28	(62,273)	(63,819)
		(68,446)	(67,659)
Other income	29	165,483	224,265
Profit before taxation		771,931	804,222
Taxation	30	(281,194)	(264,911)
Profit for the year		490,737	539,311
Earnings per share - Basic and diluted - Rupees	31	10.57	11.61

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



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



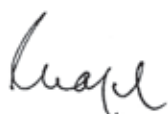
Harris Mahmood
Chief Financial Officer

Statement of Comprehensive Income

For the year ended December 31, 2016

Amounts in Rs '000			
	Note	2016	2015
Profit for the year		490,737	539,311
Other comprehensive income / (loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit liability	8.3	3,094	(30,210)
Related tax impact		(959)	9,667
		2,135	(20,543)
<i>Items that may be reclassified to profit or loss</i>			
		-	-
Total comprehensive income for the year		492,872	518,768

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



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Statement of Changes in Equity

For the year ended December 31, 2016

Amounts in Rs '000

		Share capital	Capital reserves	Revenue reserve	Share capital and reserves
	Note		Share premium	Unappropriated profit	
Balance as at December 31, 2014		464,433	156,006	196	1,093,428
Total comprehensive income for the year ended December 31, 2015					
Profit for the year		-	-	-	539,311
Other comprehensive loss		-	-	-	(20,543)
Total comprehensive income for the year		-	-	-	518,768
Incremental depreciation charge during the year - net of deferred tax	7	-	-	-	3,062
Transactions with owners recognized directly in equity					
Final dividend for the year ended December 31, 2014 @ Rs. 5.00 per share		-	-	-	(232,217)
Balance as at December 31, 2015		464,433	156,006	196	1,383,041
Total comprehensive income for the year ended December 31, 2016					
Profit for the year		-	-	-	490,737
Other comprehensive income		-	-	-	2,135
Total comprehensive income for the year		-	-	-	492,872
Incremental depreciation charge during the year - net of deferred tax	7	-	-	-	16,758
Transactions with owners recognized directly in equity					
Final dividend for the year ended December 31, 2015 @ Rs. 6.50 per share		-	-	-	(301,884)
Balance as at December 31, 2016		464,433	156,006	196	1,590,787
					2,211,422

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



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Cash Flow Statement

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
Cash flows from operating activities			
Profit before taxation		771,931	804,222
Adjustments for:			
Depreciation and amortization		113,241	117,756
(Gain) / loss on disposal of property, plant and equipment		(317)	2,882
Provision for employee benefits obligation		35,289	35,868
(Reversal) / provision for doubtful debts		(20,238)	56,025
Reversal of provision no longer required		(46,062)	(89,166)
Write-off of other payables		-	(19,307)
Provision / (reversal) for obsolete stock		9,011	(3,997)
Interest income		(76,701)	(72,855)
		14,223	27,206
Profit before working capital changes		786,154	831,428
Effect on cash flow due to working capital changes:			
Decrease / (increase) in current assets:			
Stores and spares		148	617
Stock-in-trade		(116,079)	2,105
Trade debts		(13,879)	(5,131)
Loans and advances		(32,551)	3,120
Trade deposits and short term prepayments		(1,971)	(1,457)
Other receivables		(4,731)	(3,576)
		(169,063)	(4,322)
Increase in current liabilities:			
Trade and other payables		229,919	74,400
Net cash generated from operations		847,010	901,506
Increase in long term loans		(8,718)	(13,731)
Decrease in long term deposits and prepayments		756	340
Employee benefits paid		(24,573)	(30,861)
Taxes paid		(298,360)	(347,857)
Net cash generated from operating activities		516,115	509,397
Cash flows from investing activities			
Payments for capital expenditure		(133,180)	(60,758)
Proceeds from disposal of property, plant and equipment		420	1,365
Interest received		75,180	72,938
Net cash (used in) / generated from investing activities		(57,580)	13,545
Cash flows from financing activities			
Dividend paid		(301,722)	(232,093)
Net cash used in financing activities		(301,722)	(232,093)
Increase in cash and cash equivalents		156,813	290,849
Cash and cash equivalents at the beginning of the year		1,770,771	1,479,922
Cash and cash equivalents at the end of the year	22	1,927,584	1,770,771

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



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Notes to the Financial Statements

For the year ended December 31, 2016

1 Legal status and nature of business

Akzo Nobel Pakistan Limited ("the Company") is a public limited company listed on the Pakistan Stock Exchange. The registered office of the Company and the factory is situated at 346, Ferozepur Road, Lahore. The Company is primarily involved in the manufacturing and sale of paints and trading of specialty chemicals.

2 Basis of preparation

2.1 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) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, and provisions of, and directives issued under, the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives issued under, the Companies Ordinance, 1984 shall prevail.

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

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the dates as mentioned in the sub-notes.

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

New and amended standards and interpretations mandatory for the first time for the financial year beginning January 1, 2016:

Annual improvements 2014 are applicable for annual periods beginning on or after January 1, 2016. The amendments include changes from the 2012-14 cycle of the annual improvements project that affect 4 standards: IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures' with consequential amendments to IFRS 1 regarding servicing contracts, IAS 19, 'Employee benefits' regarding discount rates and IAS 34, 'Interim financial reporting' regarding disclosure of information. The application of these amendments has no material impact on the Company's financial statements.

Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative is applicable on annual periods beginning on or after January 1, 2016. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The application of these amendments has no material impact on the Company's financial statements.

Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on accounting periods beginning on or after January 1, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The application of these amendments has no material impact on the Company's financial statements.

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant to have any significant effect on, the Company's operations and are, therefore, not detailed in these financial statements.

2.2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting period beginning on or after January 1, 2017:

Notes to the Financial Statements

For the year ended December 31, 2016

Effective date (accounting periods beginning on or after)

- Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative	January 1, 2017
- Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax assets for unrealized losses	January 1, 2017
- Annual improvements 2014-2016	January 1, 2018
- IFRS 9 - 'Financial instruments'	January 1, 2018
- IFRS 15 - 'Revenue from contracts with customers'	January 1, 2018
- Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation	January 1, 2018
- IFRIC 22 - 'Foreign currency transactions and advance consideration'	January 1, 2018
- IFRS 16 - 'Leases'	January 1, 2019

2.2.3 There are other new and amended standards and interpretations that are mandatory for the Company's accounting period beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

3 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, certain foreign currency translation adjustments, defined benefit asset / liability at fair value of plan asset less present value of defined benefit obligation and derivative financial instruments.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in note 8.11 to the financial statements for present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years.

b) Property, plant and equipment and intangible assets

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuations performed by an external professional valuation expert and on recommendations of technical teams of the Company. The said recommendations also include estimates with respect to residual values and useful lives of property, plant and equipment and intangible assets. 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 equipment and intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

Notes to the Financial Statements

For the year ended December 31, 2016

c) Income taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In determination of deferred taxes, estimates of the Company's future taxable profit are taken into consideration.

The tax year of the Company is the same as its accounting year. The income tax assessments of the Company up to and including tax year 2016 have been completed under the provisions of section 120 of the Income Tax Ordinance, 2001 except for the cases as mentioned in note 10.1.1 and 10.1.2.

d) Stock-in-trade and stores and spares

The net realizable value of stock-in-trade and stores and spares are assessed for any diminution in their respective values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with the corresponding effect on the impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

e) Trade debts, advances and other receivables

The recoverability of trade debts, advances and other receivables are reviewed at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Stores and spares

Stores and spares are stated at the lower of cost and net realizable value. Cost is determined using weighted average method. Items in transit are valued at a cost, comprising invoice value plus other charges invoiced there on up to the balance sheet date.

4.2 Stock-in-trade

Stock-in-trade is valued at 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.

Raw materials

Weighted average cost

Work-in-process and finished goods

Cost of direct materials, labour and appropriate manufacturing overheads

Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and selling expenses.

Stock-in-transit is valued at a cost, comprising invoice value plus other charges invoiced there on.

4.3 Property, plant and equipment

Property, plant and equipment (except freehold land, buildings on freehold land and plant and machinery) are stated

Notes to the Financial Statements

For the year ended December 31, 2016

at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount, buildings on freehold land and plant and machinery are stated at revalued amounts less accumulated depreciation and accumulated impairment losses, if any. 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 borrowing cost.

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 preceding the disposal. The rate of depreciation is specified in note 11.1 to these financial statements.

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 tax) 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 revaluation of property, plant and equipment is transferred directly to retained earnings (unappropriated profits).

Capital work-in-progress is stated at cost less any identified impairment loss.

4.4 Intangible assets

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 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.

4.5 Financial instruments

4.5.1 Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets into financial assets at fair value through profit or loss; held-to-maturity financial assets; loans and receivables; and available-for-sale financial assets.

Notes to the Financial Statements

For the year ended December 31, 2016

As at December 31, 2016 no financial assets of the Company are classified as financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity financial assets.

4.5.1.1 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. A provision for impairment of loans and 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. Loans and receivables include loans, deposits, trade debts, interest accrued, other receivables and cash and bank balances of the Company.

4.5.1.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

4.5.2 Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

4.5.3 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company does not apply hedge accounting for any derivatives.

Any gain or loss from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

4.5.4 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.6 Impairment

4.6.1 Financial assets (including receivables)

Financial assets are assessed at each reporting date to determine whether there is an 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

Notes to the Financial Statements

For the year ended December 31, 2016

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.

4.6.2 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 higher 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 that are 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.

4.7 Share capital (ordinary shares)

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

4.8 Staff retirement benefits

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

4.8.1 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".

Notes to the Financial Statements

For the year ended December 31, 2016

All past service costs are recognized at earlier of when the amendment or curtailment occurs and when the Company has recognized related restructuring or termination benefits.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss account. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.8.2 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 July 31, 2004 or have joined the Company after April 30, 2004. The said funds were transferred from ICI Pakistan Limited pursuant to the scheme of demerger in 2011. In addition to this the Company also provides group insurance to all its employees.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

4.9 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.

4.10 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.11 Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer (i.e. after obtaining customer acknowledgment at the time of delivery of goods), recovery of the consideration is

Notes to the Financial Statements

For the year ended December 31, 2016

probable, the associated costs and possible return of goods can be estimated reliably, and the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable for the goods sold, net of returns, discounts and sales tax.

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

4.12 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 and foreign currency gains. Mark-up / interest income is recognized as it accrues in profit and loss account, using the effective interest rate method.

4.13 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.

4.14 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost 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.

4.15 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.

4.16 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 of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted or substantially enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the company are in excess of its paid-up capital and the company derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognized when the prescribed time period for distribution of dividend expires.

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits shall be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

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.

4.17 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 year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

4.18 Dividend and other appropriations

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

4.19 Related party transactions

Transactions with related parties are carried out on mutually agreed terms and conditions.

4.20 Functional and presentation currency

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

5 Share capital

	2016	2015		2016	2015
5.1	Authorized share capital				
	Number of shares				
	100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000	1,000,000

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	2016	2015	Note	2016	2015
5.2	Issued, subscribed and paid-up capital				
	Number of shares				
			Ordinary shares of Rs. 10/- each issued as fully paid shares for consideration other than cash		
	46,443,320	46,443,320		464,433	464,433
5.2.1	ICI Omicron B.V. (which is a wholly owned subsidiary of Akzo Nobel N.V.) holds 35,209,665 ordinary shares of Rs. 10/- each representing 75.81% of the share capital of the Company.				
6	Reserves				
	Capital reserves:				
	- Share premium		6.1	156,006	156,006
	- Capital receipts		6.2	196	196
				156,202	156,202
	Revenue reserve - Unappropriated profit			1,590,787	1,383,041
				1,746,989	1,539,243
6.1	This amount has been allocated and transferred to the Company pursuant to the Scheme of demerger. This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.				
6.2	Capital receipts represent the amount received from various Akzo Nobel companies overseas for the purchase of property, plant and equipment. The remitting companies have no claim to their repayments. The amount has been allocated and transferred to the Company pursuant to the Scheme of demerger.				
7	Surplus on revaluation of property, plant and equipment				
	This represents surplus arising on revaluation of freehold land, buildings on freehold land and plant and machinery carried out during the year.				
	Balance at beginning of the year			877,136	880,198
	Revaluation surplus for the year - net of deferred tax			487,421	-
	Transferred to unappropriated profit in respect of incremental depreciation during the year - net of deferred tax			(16,758)	(3,062)
	Balance at end of the year			1,347,799	877,136

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	2016	2015
8 Deferred liabilities		
8.1 The amounts recognized in the balance sheet are:		
Non-current liabilities		
Unfunded - recognized in deferred liability	57,210	48,440
Current liabilities		
Payable to employee retirement benefit fund:		
- Pension fund	54,698	48,154
- Gratuity fund	51,627	59,319
	106,325	107,473
	163,535	155,913

	2016					2015				
	Funded				Unfunded	Total	Funded			Total
Note	Pension	Gratuity	Sub Total				Pension	Gratuity	Sub Total	
8.2 The amounts recognized in the profit and loss account against defined benefit schemes are as follows:										
Current service cost	8,905	12,231	21,136	1,673	22,809	9,110	14,184	23,294	1,569	24,863
Interest cost	20,339	17,036	37,375	4,165	41,540	24,176	22,178	46,354	4,574	50,928
Expected return on plan assets	(16,708)	(12,352)	(29,060)	-	(29,060)	(24,372)	(15,551)	(39,923)	-	(39,923)
Net charge for the year	12,536	16,915	29,451	5,838	35,289	8,914	20,811	29,725	6,143	35,868
8.3 Included in other comprehensive income:										
Actuarial gain / (loss) on remeasurement of plan obligation from:										
- Change in financial assumptions	(12,173)	-	(12,173)	-	(12,173)	(21,611)	14,814	(6,797)	-	(6,797)
- Experience adjustments	(43)	3,117	3,074	(3,841)	(767)	(3,019)	4,472	1,453	634	2,087
Return on plan assets, excluding interest income	4,897	11,137	16,034	-	16,034	(20,899)	(4,601)	(25,500)	-	(25,500)
	(7,319)	14,254	6,935	(3,841)	3,094	(45,529)	14,685	(30,844)	634	(30,210)
8.4 Movement in the net liability recognized in the balance sheet are as follows:										
Balance at beginning of the year	(48,154)	(59,319)	(107,473)	(48,440)	(155,913)	(2,571)	(73,898)	(76,469)	(44,227)	(120,696)
Net charge for the year	8.2 (12,536)	(16,915)	(29,451)	(5,838)	(35,289)	(8,914)	(20,811)	(29,725)	(6,143)	(35,868)
Contributions / payments during the year	13,311	10,353	23,664	909	24,573	8,860	20,705	29,565	1,296	30,861
Actuarial gain recognized / (loss) charged										
to other comprehensive income	8.3 (7,319)	14,254	6,935	(3,841)	3,094	(45,529)	14,685	(30,844)	634	(30,210)
Balance at end of the year	(54,698)	(51,627)	(106,325)	(57,210)	(163,535)	(48,154)	(59,319)	(107,473)	(48,440)	(155,913)

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	2016					2015				
	Note	Funded			Unfunded	Total	Funded			Unfunded
		Pension	Gratuity	Sub Total			Pension	Gratuity	Sub Total	
8.5 The amounts recognized in the balance sheet are as follows:										
Fair value of plan assets		214,645	162,162	376,807	-	376,807	188,851	143,656	332,507	-
Present value of defined benefit obligation		(269,343)	(213,789)	(483,132)	(57,210)	(540,342)	(237,005)	(202,975)	(439,980)	(48,440)
Liability recognized		(54,698)	(51,627)	(106,325)	(57,210)	(163,535)	(48,154)	(59,319)	(107,473)	(48,440)
8.6 Movement in the present value of defined benefit obligation:										
Balance at beginning of the year		237,005	202,975	439,980	48,440	488,420	281,411	237,401	518,812	44,227
Current service cost	8.2	8,905	13,452	22,357	1,673	24,030	9,110	15,044	24,154	1,599
Interest cost		20,339	17,036	37,375	4,165	41,540	24,176	22,178	46,354	4,574
Benefits paid		(9,122)	(16,557)	(25,679)	(909)	(26,588)	(102,322)	(52,362)	(154,684)	(1,326)
Actuarial (gain) / loss on remeasurement										
of plan obligation		12,216	(3,117)	9,099	3,841	12,940	24,630	(19,286)	5,344	(634)
Balance at end of the year		269,343	213,789	483,132	57,210	540,342	237,005	202,975	439,980	48,440
8.7 Movement in the fair value of plan assets:										
Balance at beginning of the year		188,851	143,656	332,507	-	332,507	278,840	163,503	442,343	-
Expected return	8.2	16,708	12,352	29,060	-	29,060	24,372	15,551	39,923	-
Contributions		13,311	11,574	24,885	-	24,885	8,860	21,565	30,425	-
Benefits paid		(9,122)	(16,557)	(25,679)	-	(25,679)	(102,322)	(52,362)	(154,684)	-
Return on plan assets, excluding										
interest income		4,897	11,137	16,034	-	16,034	(20,899)	(4,601)	(25,500)	-
Balance at end of the year		214,645	162,162	376,807	-	376,807	188,851	143,656	332,507	-
8.8 Plan assets comprise:										
Government bonds		53,651	49,207	102,858	-	102,858	36,999	61,498	98,497	-
Corporate bonds		-	-	-	-	-	-	370	370	-
Mutual funds – debt		740	22	762	-	762	719	21	740	-
Equity instrument		66,740	50,992	117,732	-	117,732	110,053	32,569	142,622	-
Cash		93,514	61,941	155,455	-	155,455	41,080	49,198	90,278	-
		214,645	162,162	376,807	-	376,807	188,851	143,656	332,507	-

8.9 The expected charge pertaining to pension fund, gratuity fund and unfunded schemes for the year ending December 31, 2017 is Rs. 12.40 million, Rs. 17.06 million and Rs. 5.77 million respectively.

Notes to the Financial Statements

For the year ended December 31, 2016

- 8.10** Government bonds, mutual funds and shares are valued at quoted market prices and are level 1. Cash includes notional accrual of interest and is therefore level 2. Corporate bonds were valued at market prices and are level 2. The values of the Company's shares included in the plan assets of the pension fund amounts to Rs. Nil (2015: Rs. 1.56 million) and gratuity fund amounts to Rs. Nil (2015: Rs. 1.67 million) respectively. The Gratuity Fund and Pension Fund are invested within the limits specified by the regulations governing investment of approved retirement funds in Pakistan.

	2016	2015
8.11 The principal actuarial assumptions at the reporting date were as follows:		
Discount rate	7.2%	8.8%
Expected return on plan assets	8.1%	8.8%
Future salary increases - Management	7.7%	9.3%
Future salary increases - Non-management	5.1%	6.7%
Future pension increases	6.0%	6.0%
Medical cost trend	2.1%	3.6%

As at December 31, 2016, the weighted average duration of the defined benefit obligation was 6.3 years (2015: 7.0 years).

Plan duration of defined benefit obligation:

Pension	3.2 years	4.1 years
Gratuity - Management	7.3 years	7.9 years
Gratuity - Non-management	6.8 years	7.7 years
Pensioners' medical plan	17.7 years	18.3 years

- 8.12 The plans expose the Company to the actuarial risks such as:**

Salary risks

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experiences is different. The effect depends upon beneficiaries' service / age distribution and the benefit.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. This is managed by formulating an investment policy and guidelines based on which investments are made after obtaining approval of trustees of funds.

- 8.13** In case of the funded plans, it is ensured that the long term investments are in line with the obligation under the retirement benefit plan. Duration and the expected yield of the investments are matched with the expected cash outflows arising from the retirement benefit plan obligations. The process used to manage its risks has not been changed from previous periods. Investments are well diversified and large portion plans' assets in 2016 consist of cash and equity instruments.

Notes to the Financial Statements

For the year ended December 31, 2016

- 8.14** The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long term real rates of return experienced in the market.
- 8.15** Under the pension plan, management staff gratuity, non-management staff gratuity and pensioners' medical plan the normal retirement age is 60 years. For management staff who joined before February 1988, the normal retirement age is 58 years for men and 55 years for women. If joining date falls between February 1988 and February 2013, the normal retirement age is 60 years extendable to 62 years by the mutual consent of the employee and the Company. If the joining date is February 2013 or later, the normal retirement age is 62 years.

Currently the Company has the following plans:

Pension

Pension scheme entitles the members to pension, subject to the conditions laid down in the rules, on reaching the normal retirement age of 60 years, disability, early retirement or death in which case the surviving spouse and the children under age of 25 shall be entitled.

Retirement benefit is a pension of 1.25% of final gross salary for each year of service less actuarial equivalent of any gratuity, if service is at least 10 years. Members may commute up to one-half of pension and the trustees may commute the balance.

The Trustees increase pensions in payment on an ad-hoc basis to provide some relief against inflation. The plan guarantees a minimum annual increase of 6%.

Gratuity

Gratuity scheme entitles the members to gratuity on resignation, termination, retirement, early retirement, retrenchment, death and dismissal based on the Company's Service Rules.

Gratuity is based on the last month basic salary for each year of service.

Pensioners' medical plan

The pensioners' medical plan reimburses medical expense to retirees, their wives and widows and widows of management staff employees who died in service. Benefits are limited to a maximum amount depending on grade at retirement.

- 8.16** The Pension and Gratuity management plans are fully funded. The funds are legally separate from the Company and are recognized by the Commissioner of Income Tax under Income Tax Rules, 2002. Members do not contribute to the pension and gratuity funds. The Company contributes at rates advised by the actuary. The contributions are equal to current service cost with adjustment for any deficit. If there is a surplus, the Company takes a contribution holiday.

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

8.17 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(14,599)	15,249
Salary growth rate	0.50%	11,232	(10,712)
Medical cost trend rate	0.50%	4,059	(3,795)

If life expectancy increases by 1 year, the obligation decreases by Rs. 0.28 million.

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different sets of assumptions.

8.18 The Company contributed Rs. 20.08 million (2015: Rs. 18.53 million) and Rs. 11.08 million (2015: Rs. 11.84 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

	Note	2016	2015
9 Trade and other payables			
Creditors:			
- Related parties - associated companies	9.1	122,265	109,931
- Others		648,203	547,548
		770,468	657,479
Royalty and technical service fee	9.2	147,137	155,255
Accrued liabilities		261,979	232,364
Advances from customers		32,526	27,866
Sales tax, excise and custom duties		73,429	33,160
Workers' Profit Participation Fund	9.3	40,628	42,321
Workers' Welfare Fund	9.4	7,385	8,907
Payable for capital expenditure		13,105	1,018
Withholding tax payable to Government		8,346	5,703
Unpaid dividend		2,648	2,486
Payable to employee retirement benefit funds	8.1	106,325	107,473
Others		6,529	1,515
		700,037	618,068
		1,470,505	1,275,547

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
9.1	This includes balances due to following related parties:		
Akzo Nobel N.V.		10,506	10,922
Akzo Nobel Car Refinishes B.V.		36,511	26,483
Akzo Nobel Chemicals (Ningbo) Company Limited		18,304	15,337
Akzo Nobel Saudi Arabia		4,761	24,708
Akzo Nobel UAE Paints LLC		2,023	6,333
Akzo Nobel Surface Chemistry A.B.		14,252	4,198
Akzo Nobel Packaging Coatings S.A.		-	199
International Paint Netherlands		5,233	189
Akzo Nobel (Asia Pacific) Pte Limited		312	17
Akzo Nobel Middle East FZE		9,609	141
Akzo Nobel Chemicals S.P.A.		-	650
ICI Omicron B.V.		20,754	20,754
		122,265	109,931
9.2	This includes royalty and technical service fee payable to following related parties:		
Imperial Chemical Industries Limited		-	4,490
Akzo Nobel Coatings International B.V.		141,940	142,937
Akzo Nobel Chemicals International B.V.		2,099	2,649
		144,039	150,076
9.3	Workers' Profit Participation Fund		
Balance at beginning of the year		42,321	35,844
Allocation for the year	28	40,628	42,197
Interest on funds utilized in the Company's business	27	257	257
Payments made to the fund during the year		(42,578)	(35,977)
Balance at end of the year		40,628	42,321
9.4	Workers' Welfare Fund		
Balance at beginning of the year		8,907	9,733
Allocation for the year	28	16,583	16,410
Payments made during the year		(18,105)	(17,236)
Balance at end of the year		7,385	8,907

Notes to the Financial Statements

For the year ended December 31, 2016

10 Contingencies and commitments

10.1 Contingencies

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

- 10.1.1** For the tax year 2012, the Additional Commissioner Inland Revenue (Audit) ['ACIR'], Zone-II, Large Taxpayers Unit, Lahore through order dated January 31, 2014 raised a tax demand of Rs. 89.49 million in addition to the original assessment of Rs. 151.91 million. The tax demand pertains to disallowance of deductions from income for technical fee, advertisement and publicity, bad debts written off and stock-in-trade written off. Further, there was disagreement over the tax treatment of certain matters including calculation of Workers' Welfare Fund, claim for tax credit and apportionment of other income.

The Company filed an appeal before Commissioner Inland Revenue (Appeals) ['CIR (A)'] against the aforesaid order, which was disposed through the appellate order dated May 5, 2014 wherein the CIR (A) remanded majority of the issues back to the assessing officer. The remaining issues of 'apportionment of other income' and 'disallowance of tax credit' have been contested by the Company with the Appellate Tribunal Inland Revenue ('ATIR') whereas the tax department has also contested the issue of 'Workers Welfare Fund' and 'amortization of advertisement expense' with the ATIR. The Additional Commissioner Inland Revenue (Audit) ['ACIR'], Zone-II, Large Taxpayers Unit, Lahore, through notice dated June 8, 2015 initiated the proceedings under section 124 of the Ordinance and confronted the issues remanded by the CIR (A) to the Company, which have been duly replied to. However, the respective order had not been finalized. There are meritorious grounds to defend the tax demand and consequently, no provision for the claim has been made in these financial statements.

- 10.1.2** For the tax year 2013, the ACIR through assessment order dated April 30, 2014, passed under section 122(5A) of the Income Tax Ordinance, amended the taxable income of the Company and raised a tax demand of Rs. 15.53 million, in addition to original assessment of Rs. 44.73 million. The tax demand pertains to disallowance of deductions from income for bad debts written off, exchange losses, write-off of property, plant and equipment, amortization and publicity expenses. Further, there was disagreement over the tax treatment of certain matters including calculation of Workers' Welfare Fund and claim for tax credit.

The Company filed an appeal before the CIR (A), which was disposed through the appellate order dated October 27, 2014, wherein the CIR (A) decided some of the issues in favour of the Company. The remaining issues have been contested by the Company with the ATIR. The department has also filed an appeal with the ATIR on the issues decided in favour of the Company. The Company had partially paid the demand raised through the amendment order and as a consequence of the aforementioned appellate order, an amount of Rs. 4.6 million becomes refundable if the appeal effect is given by the department. There are meritorious grounds to defend the tax demand and consequently, no provision for the claim has been made in these financial statements.

- 10.1.3** A show cause notice for alleged contravention of Section 36-A of the Central Excise Act, 1944 was served upon the Company on December 21, 2000 by the Collector of Sales Tax & Central Excise, Lahore. The Company contested the matter before the Collector of Customs, Central Excise & Sales Tax (Adjudication) who issued an order on April 21, 2001 in favour of the show cause notice. The Company was thereby ordered to pay an amount of Rs. 40.37 million. The Company preferred an appeal before the Customs, Excise & Sales Tax Tribunal which was accepted in total through order dated March 29, 2002. An appeal has been filed by the Collector of Sales Tax & Central Excise, Lahore before the Honourable Lahore High Court, Lahore. The appeal is at the arguments stage. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for the claim has been made in these financial statements.

- 10.1.4** A recovery suit amounting to Rs. 10 million is pending against the Company. It pertains to recovery of compensation for work done and services rendered. It has been alleged that the Company has breached terms of contract. The matter is being adjudicated before the Civil Court and is at the arguments stage. The ultimate outcome of the matter cannot presently be determined, and consequently, no provision for the claim has been made in these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2016

		Amounts in Rs '000	
	Note	2016	2015
10.2	Commitments		
10.2.1	Commitments in respect of capital expenditure	140,438	7,330
10.2.2	Commitments in respect of forward exchange contracts	32,561	27,474
10.2.3	The commitments of future payments under operating leases / ljarah financing contracts in respect of vehicles in the year in which these payments shall become due are as follows:		
	Year		
	2016	-	17,918
	2017	14,581	14,641
	2018	8,663	8,447
	2019	6,575	4,787
	2020	4,109	698
	2021	1,775	-
		35,703	46,491
	Payable not later than one year	14,581	17,918
	Payable later than one year but not later than five years	21,122	28,573
		35,703	46,491
11	Property, plant and equipment		
	Property, plant and equipment	11.1 1,712,717	1,209,489
	Capital work-in-progress	11.2 127,491	9,804
		1,840,208	1,219,293

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

11.1 Property, plant and equipment

Note	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
Net carrying value basis							
Year ended December 31, 2016							
Opening net book value (NBV)	878,960	60,843	251,609	13,742	4,110	225	1,209,489
Additions (at cost)	-	698	16,648	6,300	2,876	1,058	27,580
Revaluation during the year	254,840	98,990	234,091	-	-	-	587,921
Disposals / write-off (at NBV)	-	(788)	(101)	(73)	(27)	-	(989)
Depreciation charge for the year	11.1.1	(23,472)	(76,221)	(8,401)	(2,815)	(375)	(111,284)
Closing net book value (NBV)	1,133,800	136,271	426,026	11,568	4,144	908	1,712,717
Gross carrying value basis							
As at December 31, 2016							
Cost / revalued amount	1,133,800	362,144	1,207,160	105,474	25,311	4,494	2,838,383
Accumulated depreciation	-	(225,873)	(781,134)	(93,906)	(21,167)	(3,586)	(1,125,666)
Net book value (NBV)	1,133,800	136,271	426,026	11,568	4,144	908	1,712,717
Depreciation rate (% per annum)	-	5 - 10	3.33 - 10	10 - 33.3	10 - 33.3	25 - 33.3	
Net carrying value basis							
Year ended December 31, 2015							
Opening net book value (NBV)	878,960	79,875	256,582	24,978	7,135	320	1,247,850
Additions (at cost)	-	4,003	67,166	8,195	400	64	79,828
Disposals (at NBV)	-	(463)	(3,577)	(99)	(108)	-	(4,247)
Depreciation charge for the year	11.1.1	(22,572)	(68,562)	(19,332)	(3,317)	(159)	(113,942)
Closing net book value (NBV)	878,960	60,843	251,609	13,742	4,110	225	1,209,489
Gross carrying value basis							
As at December 31, 2015							
Cost / revalued amount	878,960	263,244	956,861	108,330	23,294	3,436	2,234,125
Accumulated depreciation	-	(202,401)	(705,252)	(94,588)	(19,184)	(3,211)	(1,024,636)
Net book value (NBV)	878,960	60,843	251,609	13,742	4,110	225	1,209,489
Depreciation rate (% per annum)	-	5 - 10	3.33 - 10	10 - 33.3	10 - 33.3	25 - 33.3	

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
11.1.1	The depreciation charged during the year has been allocated as follows:		
Cost of sales	24	82,410	74,258
Selling and distribution expenses	25	15,231	14,507
Administrative and general expenses	26	13,643	25,177
		111,284	113,942

11.1.2 Depreciation for the year includes incremental depreciation due to revaluation, amounting to Rs. 25.6 million (2015: Rs. 4.54 million).

11.1.3 Subsequent to transfer of property, plant and equipment (along with net revaluation surplus of Rs. 526.56 million) from ICI Pakistan Limited on the effective date (July 01, 2011) 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 valuation expert during 2011 which resulted into a revaluation surplus of Rs. 371.02 million. During August 2016 specific classes of operating assets (freehold land, buildings on freehold land and plant and machinery) of the Company were revalued by an independent valuation expert which has resulted in a surplus of Rs. 587.92 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. The fair value measurement of the assets are categorized as a Level 3 fair value based on the inputs to revaluation technique used, as stated above.

11.1.4 Following assets were disposed-off during the year:

		2016				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal
Buildings on freehold land						
Warehouse	-	788	-	788	-	Write-off
Plant and machinery						
Water tank and equipment	-	98	-	98	-	Write-off
Office equipment						
Mobile phone	Jehanzeb Khan	80	7	73	73	As per company policy
Others						
Other assets with book value less than Rs. 50,000	Bismillah Traders, Al-Hamad Traders, Link Target Enterprises	10,276	10,246	30	347	Mutual negotiation
		11,242	10,253	989	420	

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

		2015				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal
Plant and machinery						
Tinting machines	Faizan Enterprises, Soni Paint, Javad Paint, Wasi Traders, Haidry Paint, VIP Paints, Paint Gallery, Almeezan Paints	5,100	1,998	3,102	-	As per agreement
DH equipment	Bismillah Traders	1,000	908	92	28	Mutual negotiation
Mixers / Tank	Bismillah Traders	960	872	88	27	Mutual negotiation
Civil works						
Noise barriers	Bismillah Traders	262	92	170	13	Mutual negotiation / write-off
Ceilings / design cost	-	333	177	156	-	Write-off
Fire alarm system	-	222	124	98	-	Write-off
Other assets with book value less than Rs. 50,000	Bismillah Traders, Khan Brothers, Al-Hamad Traders, Piya Scrap	72,931	72,390	541	1,297	Write-off / mutual negotiation
		80,808	76,561	4,247	1,365	

2016

2015

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

Freehold land	6,259	6,259
Buildings on freehold land	41,247	56,344
Plant and machinery	205,723	249,097
	253,229	311,700

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

		2016	2015		
11.2	Capital work-in-progress				
	Civil works and buildings	3,017	3,913		
	Plant and machinery	33,021	5,138		
	Equipment	165	753		
	Purchase of land	91,288	-		
		127,491	9,804		
		Note	Software	Licenses	Total
12	Intangible assets				
	Net carrying value basis				
	Year ended December 31, 2016				
	Opening net book value (NBV)		373	2,258	2,631
	Additions (at cost)		-	-	-
	Disposals (at NBV)		-	-	-
	Amortization charge	12.1	(307)	(1,650)	(1,957)
	Closing net book value (NBV)		66	608	674
	Gross carrying value basis				
	As at December 31, 2016				
	Cost		1,207	96,555	97,762
	Accumulated amortization		(1,141)	(95,947)	(97,088)
	Net book value (NBV)		66	608	674
	Amortization rate (% per annum)		33.3	33.3	
	Net carrying value basis				
	Year ended December 31, 2015				
	Opening net book value (NBV)		718	5,679	6,397
	Additions (at cost)		48	-	48
	Disposals (at NBV)		-	-	-
	Amortization charge	12.1	(393)	(3,421)	(3,814)
	Closing net book value (NBV)		373	2,258	2,631
	Gross carrying value basis				
	As at December 31, 2015				
	Cost		1,207	96,555	97,762
	Accumulated amortization		(834)	(94,297)	(95,131)
	Net book value (NBV)		373	2,258	2,631
	Amortization rate (% per annum)		33.3	33.3	

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
12.1	The amortization charged during the year has been allocated as follows:		
Cost of sales	24	16	7
Selling and distribution expenses	25	48	143
Administrative and general expenses	26	1,893	3,664
		1,957	3,814
13	Long term loans		
Secured - considered good			
- Executives	13.1	74,242	67,519
- Other employees		36,188	30,807
	13.2	110,430	98,326
Less: Receivable within one year	19	(23,390)	(20,004)
		87,040	78,322
13.1	Reconciliation of the carrying amount of loans to Executives:		
Balance at beginning of the year		67,519	63,816
Disbursements		32,508	25,359
Repayments / adjustments		(25,785)	(21,656)
Balance at end of the year	13.4	74,242	67,519
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 employees.		
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 Executives at the end of any month during the year was Rs. 78.24 million (2015: Rs. 71.42 million).		
14	Long term deposits and prepayments		
Deposits		4,008	4,048
Prepayments		650	1,366
		4,658	5,414

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
15	Deferred tax asset - net		
	Deductible temporary differences		
	The balance comprises temporary differences attributable to:		
	Provisions	226,410	246,870
	Property, plant and equipment	5,381	6,753
	Others	14	43
		231,805	253,666
	Taxable temporary differences		
	The balance comprises temporary differences attributable to:		
	Property, plant and equipment	(96,115)	(21,806)
	Net deferred tax asset	135,690	231,860
	Deductible temporary differences		
	Opening balance	253,666	217,401
	(Charged) / credited to profit and loss	(21,861)	36,265
	Closing balance	231,805	253,666
	Taxable temporary differences		
	Opening balance	21,806	33,302
	Credited to profit and loss	(25,305)	(11,496)
	Attributable to revaluation surplus	99,924	-
	Adjustments for change in estimate	(310)	-
	Closing balance	96,115	21,806
16	Stores and spares		
	Stores	4,133	4,756
	Spares including in transit amounting to Rs. nil (2015: Rs. 0.68 million)	14,600	14,125
		18,733	18,881
	Less: Provision for slow moving and obsolete stores and spares	16.1 (130)	(130)
		18,603	18,751
16.1	Provision for slow moving and obsolete stores and spares		
	Balance at beginning of the year	130	9,283
	Stores written-off against provision	-	(9,153)
	Balance at end of the year	130	130

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

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
17 Stock-in-trade			
Raw and packing material including in transit amounting to Rs. 82.59 million (2015: Rs. 58.86 million)		224,026	193,576
Work-in-process		11,873	11,863
Finished goods		163,657	104,343
Goods purchased for resale including in transit amounting to Rs. 10.87 million (2015: Rs. 6.81 million)		97,397	72,944
		496,953	382,726
Provision for slow moving and obsolete stock-in-trade:			
- Raw material		(8,859)	(6,711)
- Finished goods		(19,545)	(14,534)
	17.1	(28,404)	(21,245)
		468,549	361,481
17.1 Provision for stock-in-trade			
Balance at beginning of the year		21,245	35,021
Stock written-off against provision		(1,852)	(9,779)
Provision charged / (written back) during the period		9,011	(3,997)
Balance at end of the year		28,404	21,245
17.2			
Out of the total carrying value of inventory, Rs. 0.73 million (December 31, 2015: Rs. 0.90 million) is measured at net realizable value. As at December 31, 2016 stock has been written down by Rs. 0.33 million (December 31, 2015: Rs. 0.17 million) to arrive at its net realizable value.			
18 Trade debts			
Considered good			
- Secured	18.1	12,744	39,088
- Unsecured		1,006,915	923,210
		1,019,659	962,298
Considered doubtful		249,523	294,282
		1,269,182	1,256,580
Provision for			
- Doubtful debts	18.2	(249,523)	(294,282)
- Discounts	18.3	(526,460)	(503,216)
		(775,983)	(797,498)
		493,199	459,082

Notes to the Financial Statements

For the year ended December 31, 2016

		Amounts in Rs '000	
	Note	2016	2015
18.1	These debts are secured against letters of credit.		
18.2	Provision for doubtful debts		
		294,282	248,173
	Balance at beginning of the year		
	Provision (written back) / charged during the period	29 (20,238)	56,025
	Adjustments during the year	(500)	-
	Debts written-off against provision	(24,021)	(9,916)
	Balance at end of the year	249,523	294,282
18.3	Provision for discounts		
		503,216	355,116
	Balance at beginning of the year		
	Charge for the year	1,017,205	1,023,255
	Discounts paid during the year	(993,961)	(875,155)
	Balance at end of the year	526,460	503,216
19	Loans and advances		
	Secured - considered good		
	Current portion of loans to:		
	- Executives	15,975	14,264
	- Other employees	7,415	5,740
		13 23,390	20,004
	Advances to:		
	- Executives	964	627
	- Other employees	530	-
		19.1 1,494	627
	Unsecured - considered good		
	Advances to contractors and suppliers		
		37,645	9,347
		62,529	29,978
19.1	These are advances to Executives in respect of travelling expenses. The maximum aggregate amount of advances due from the Executives at the end of any month during the year was Rs. 1.65 million (2015: Rs. 1.28 million).		
20	Trade deposits and short term prepayments		
		4,178	1,536
	Trade deposits		
	Short term prepayments	16,597	17,268
		20,775	18,804

Notes to the Financial Statements

For the year ended December 31, 2016

		Amounts in Rs '000	
	Note	2016	2015
21 Other receivables			
Unsecured - considered good			
Due from related parties	21.1	19,393	14,449
Insurance claims		-	629
Others		1,551	1,135
		20,944	16,213
21.1	These represent receivable from following related parties:		
	Akzo Nobel UAE Paints LLC	7,350	2,515
	Akzo Nobel N.V.	925	1,341
	Akzo Nobel Car Refinishes B.V.	-	101
	Akzo Nobel Chemicals (Ningbo) Company Limited	4,694	2,915
	Akzo Nobel Functional Chemicals LLC	262	1,865
	Akzo Nobel Saudi Arabia	5,364	3,972
	Akzo Nobel Surface Chemistry	-	1,631
	ICI Swire Paints (Shanghai) Limited	109	109
	Akzo Nobel Chemicals A.G.	137	-
	Akzo Nobel Middle East FZE	413	-
	Akzo Nobel Functional Chemicals	139	-
		19,393	14,449
	Aging of receivables from related parties is as follows:		
	1 - 30 days	2,347	3,302
	31 - 90 days	810	2,053
	91 - 120 days	1,138	2,142
	More than 120 days	15,098	6,952
		19,393	14,449
22 Cash and bank balances			
Cash in hand		14,092	7,892
Cash at bank - current accounts		95,942	208,829
Short term deposits	22.2	1,817,550	1,554,050
		1,927,584	1,770,771
22.1	Cash and bank balances include cheques in hand amounting Rs. 148.24 million (2015: 187.89 million) and US Dollars amounting \$US 3,730 (2015: Nil).		
22.2	These represent term deposit receipts placed with commercial banks under mark-up arrangements, having maturity period ranging from 5 to 33 days (2015: 30 to 32 days). The mark-up on these deposits ranges between 5.0% to 5.20% (2015: 5.25% to 5.50%) per annum.		

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

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

	Note	2016	2015
23 Turnover			
Export sales		16,676	20,626
Local sales and commission income		7,667,546	7,150,298
		7,684,222	7,170,924
Less: Sales tax and excise duty		1,170,877	1,118,397
Discounts		1,376,384	1,125,292
		2,547,261	2,243,689
		5,136,961	4,927,235
24 Cost of sales			
Raw and packing materials consumed	24.1	2,281,530	2,192,331
Salaries, wages and benefits	24.2	120,161	106,952
Fuel and power		22,755	28,414
Stores and spares consumed		17,893	13,172
Insurance		4,969	16,163
Repairs and maintenance		22,769	15,352
Royalties and technical assistance	24.3	192,337	197,917
Depreciation	11.1.1	82,410	74,258
Amortization	12.1	16	7
Communication, printing and stationery expenses		2,910	2,752
Contractual services		39,620	43,097
Security, safety, health and environment		15,804	10,965
Provision for obsolete stocks - raw material		3,872	-
Other expenses		17,976	10,635
		543,492	519,684
Opening work-in-process		11,863	10,069
Closing work-in-process	17	(11,873)	(11,863)
Cost of goods manufactured		2,825,012	2,710,221
Opening finished goods		162,753	165,826
Finished goods purchased		208,630	196,046
Closing finished goods	17	(241,509)	(162,753)
		2,954,886	2,909,340

Notes to the Financial Statements

For the year ended December 31, 2016

		Amounts in Rs '000	
	Note	2016	2015
24.1 Raw and packing materials consumed			
Opening Stock		186,865	183,694
Add: Purchases		2,309,832	2,195,502
Less: Closing Stock		(215,167)	(186,865)
		2,281,530	2,192,331
24.2	Salaries, wages and benefits include Rs. 3.59 million (2015: Rs. 3.52 million) in respect of provident fund contribution, Rs. 5.16 million (2015: Rs. 4.15 million) in respect of pensions, Rs. 3.88 million (2015: Rs. 4.69 million) in respect of gratuity and Rs. 0.87 million (2015: Rs. 0.93 million) in respect of pensioners' medical plan.		
24.3	Royalties and technical assistance includes expenses against royalties and technical services obtained from the related parties; Imperial Chemical Industries Limited amounting Rs. Nil (2015: Rs. 152.81 million), Akzo Nobel Coatings International B.V. Rs. 183.40 million (2015: Rs. 32.32 million) and Akzo Nobel Chemicals International B.V. Rs. 2.74 million (2015: Rs. 3.49 million).		
25 Selling and distribution expenses			
Salaries and benefits	25.1	320,995	281,304
Advertising and publicity expenses		521,199	465,957
Outward freight and handling		150,564	130,368
Fuel and power		4,064	4,002
Rent, rates and taxes		26,852	23,748
Repairs and maintenance		2,433	1,842
Depreciation	11.1.1	15,231	14,507
Amortization	12.1	48	143
Travelling expenses		36,317	31,122
Communication, printing and stationery expenses		10,769	7,930
Contractual services		28,660	26,763
Training and recruitment		1,001	4,160
Security, safety, health and environment		9,162	10,434
Provision for obsolete stocks - finished goods		5,139	-
Other expenses		11,649	9,834
		1,144,083	1,012,114
25.1	Salaries, wages and benefits include Rs. 11.03 million (2015: Rs. 10.06 million) in respect of provident fund contribution, Rs. 9.35 million (2015: Rs. 9.99 million) in respect of pensions, Rs. 8.59 million (2015: Rs. 11.08 million) in respect of gratuity and Rs. 2.48 million (2015: Rs. 2.73 million) in respect of pensioners' medical plan.		

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
26 Administrative and general expenses			
Salaries and benefits	26.1	172,066	122,617
Fuel and power		5,529	5,707
Rent, rates and taxes		13,544	11,674
Insurance		4,699	1,919
Repairs and maintenance		17,307	14,610
Depreciation	11.1.1	13,643	25,177
Amortization	12.1	1,893	3,664
Provision for doubtful debts	18.2	-	56,025
Travelling expenses		6,547	1,223
Communication, printing and stationery expenses		16,119	17,431
Auditors' remuneration	26.2	1,900	1,900
IT services		28,945	30,746
Contractual services		18,713	22,494
Training and recruitment		6,100	7,151
Other expenses		56,093	35,827
		363,098	358,165
26.1	Salaries, wages and benefits include Rs. 5.46 million (2015: Rs. 4.95 million) in respect of provident fund contribution, Rs. 9.12 million (2015: Rs. 6.61 million) in respect of pensions, Rs. 5.40 million (2015: Rs. 6.07 million) in respect of gratuity and Rs. 1.54 million (2015: Rs. 1.47 million) in respect of pensioners' medical plan.		
26.2 Auditors' remuneration			
Statutory audit		1,200	1,200
Half yearly review		300	300
Other assurances and certifications		150	150
Out of pocket expenses		250	250
		1,900	1,900
27 Finance cost			
Discounting charges on receivables		3,879	-
Interest on Workers' Profit Participation Fund	9.3	257	257
Bank charges		2,037	3,583
		6,173	3,840

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
28 Other charges			
Workers' Profit Participation Fund	9.3	40,628	42,197
Workers' Welfare Fund	9.4	16,583	16,410
Loss on disposal of property, plant and equipment		-	2,882
Exchange loss		4,712	2,330
Donations	28.1	350	-
		62,273	63,819
28.1	None of the Directors and their spouses had any interest in any of the donees during the year.		
29 Other Income			
Income from financial assets			
Profit on short-term and call deposits		76,701	72,855
Income from non-financial assets			
Scrap sales		11,530	13,522
Provisions no longer required written back:			
- Obsolete stocks	17.1	-	3,997
- Doubtful debts		20,238	-
- Others		46,062	89,166
Miscellaneous income		10,635	44,725
Profit on disposal of property, plant and equipment		317	-
		165,483	224,265
30 Taxation			
Current year		253,185	312,670
Prior year		31,453	-
Deferred	15	(3,444)	(47,759)
		281,194	264,911
30.1 Tax charge reconciliation			
Profit before taxation		771,931	804,222
Tax using domestic rates	30.2	239,299	257,351
Effect of prior year charge		31,453	-
Tax impact on income under presumptive tax regime of the current year		1,193	77
Others		9,249	7,483
Net tax charged		281,194	264,911
Average effective tax rate		36.43%	32.94%

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

- 30.2** During the last year, the Federal Government of Pakistan through an amendment vide Finance Act, 2015 reduced the rate of tax for the tax year 2017 from 32% to 31%. The current tax expense has been computed using the tax rate enacted for the tax year 2017.

	2016	2015
31 Earnings per share		
31.1 Basic earnings per share		
Profit after taxation	490,737	539,311
	Number of shares	
Weighted average number of ordinary shares	46,443,320	46,443,320
	Rupees	
Earnings per share	10.57	11.61

31.2 Diluted earnings per share

There is no dilutive effect as the Company does not have any convertible instruments in issue as at December 31, 2016 and December 31, 2015, which would have any effect on the earnings per share if the option to convert was exercised.

32 Operating segments

- 32.1** These financial statements have been prepared on the basis of single reportable segment.
- 32.2** Revenue from sale of paints represents 97.88% (2015: 98.14%) of the total revenue of the Company.
- 32.3** 99.68% (2015: 99.58%) sales of the Company relates to customers in Pakistan.
- 32.4** All non-current assets of the Company as at December 31, 2016 are located in Pakistan.

33 Remuneration of Chief Executive, Director and Executives

The aggregate amounts charged in these financial statements during the year for remuneration, including certain benefits, to the Chief Executive, Executive Director, Non-Executive Directors and Executives of the Company are as follows:

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Chief Executive		Executive Director		Executives	
	2016	2015	2016	2015	2016	2015
Managerial remuneration	18,703	17,021	6,593	5,689	190,984	177,051
Retirement benefits	6,918	7,482	1,708	1,643	47,274	52,560
Group insurance	1	46	1	33	34	1,332
Rent and house maintenance	6,650	6,052	2,359	1,997	50,561	47,867
Utilities	1,663	1,513	524	444	12,744	12,066
Medical expenses	253	17	123	316	10,883	9,920
	34,188	32,131	11,308	10,122	312,480	300,796
Number of persons	1	1	1	1	132	130

33.1 The Chief Executive and the Executive Director hold 10 shares each of the Company.

33.2 In addition to above, an amount of Rs. 76.99 million (2015: Rs. 57.94 million) on account of variable pay to employees has been recognized in the current year. This is payable in the year 2017 after verification of achievements against target.

Out of variable pay recognized for 2015, payment of Rs. 8.24 million (2015: Rs. 3.87 million), and Rs. 42.41 million (2015: Rs. 31.87 million) were made to Chief Executive and Executives respectively.

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

33.4 Fees paid to Chairman and Non-Executive Director amounted to Rs. 2.4 million (2015: Rs. 1.6 million) for attending board and other meetings. The total Non-Executive Directors of the Company as at December 31, 2016 are 5 (2015: 5).

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

34 Transactions with related parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (Akzo Nobel N.V.), related group companies, Directors of the Company, companies where Directors also hold directorship, key employees and staff retirement funds. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements is as follows:

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000		
	2016	2015
Holding Company		
Dividend paid - net of tax	205,977	158,443
Associates		
Purchase of goods, materials and services	211,677	190,827
Indenting commission income	22,720	17,507
Sale of goods and services	487	799
Reimbursement of expenses	13,415	29,945
Royalty	154,488	146,994
Contribution to retirement funds	87,960	73,612
Remuneration of key management personnel	94,867	103,454

34.1 The above transactions with related parties are carried out on mutually agreed terms and conditions.

35 Financial instruments - Fair values and risk management

35.1 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy, has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3).

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2016							
Financial assets							
Measured at fair value	-	-	-	-	-	-	-
Not measured at fair value							
Long term loans	87,040	-	87,040	-	-	-	-
Long term deposits	4,008	-	4,008	-	-	-	-
Trade debts	493,199	-	493,199	-	-	-	-
Loans and advances	24,884	-	24,884	-	-	-	-
Short term trade deposits	4,178	-	4,178	-	-	-	-
Other receivables	20,944	-	20,944	-	-	-	-
Interest accrued	4,754	-	4,754	-	-	-	-
Income tax receivable	1,729	-	1,729	-	-	-	-
Cash and bank balances	1,927,584	-	1,927,584	-	-	-	-
	2,568,320	-	2,568,320	-	-	-	-
Financial liabilities							
Measured at fair value							
Forward exchange contract	-	346	346	-	346	-	346
Not measured at fair value							
Trade and other payables	1,355,858	-	1,355,858	-	-	-	-
	1,355,858	-	1,355,858	-	-	-	-
December 31, 2015							
Financial assets							
Measured at fair value	-	-	-	-	-	-	-
Not measured at fair value							
Long term loans	78,322	-	78,322	-	-	-	-
Long term deposits	4,048	-	4,048	-	-	-	-
Trade debts	459,082	-	459,082	-	-	-	-
Loans and advances	20,631	-	20,631	-	-	-	-
Short term trade deposits	1,536	-	1,536	-	-	-	-
Other receivables	16,213	-	16,213	-	-	-	-
Interest accrued	3,233	-	3,233	-	-	-	-
Cash and bank balances	1,770,771	-	1,770,771	-	-	-	-
	2,353,836	-	2,353,836	-	-	-	-
Financial liabilities							
Measured at fair value							
Forward exchange contract	-	382	382	-	382	-	382
Not measured at fair value							
Trade and other payables	1,208,436	-	1,208,436	-	-	-	-
Provision for taxation	11,034	-	11,034	-	-	-	-
	1,219,470	-	1,219,470	-	-	-	-

Notes to the Financial Statements

For the year ended December 31, 2016

35.2 Financial risk management

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. Market risk includes 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.

35.3 Risk management framework

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The Executive 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.

35.4 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, without taking into account the fair value of any collateral. The Company does not have significant exposure to any individual counter party. 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.

Notes to the Financial Statements

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Amounts in Rs '000

	Note	2016	2015
35.4.1 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:			
Long term loans	13	87,040	78,322
Long term deposits	14	4,008	4,048
Trade debts	18	493,199	459,082
Loans and advances	19	24,884	20,631
Short term trade deposits	20	4,178	1,536
Other receivables	21	20,944	16,213
Interest accrued		4,754	3,233
Bank balances and short term deposits	22	1,913,492	1,762,879
		2,552,499	2,345,944
Secured			
Long term loans	13	87,040	78,322
Trade debts	18	12,744	39,088
Loans and advances	19	24,884	20,631
		124,668	138,041
Unsecured		2,427,831	2,207,903
		2,552,499	2,345,944

35.4.2 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

35.4.2.1 Bank balances and accrued interest on short term deposits

Bank balances and short term deposits	22	1,913,492	1,762,879
Interest accrued		4,754	3,233
		1,918,246	1,766,112

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

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

	Credit Ratings		Rating	2016	2015
	Short term	Long term	Agency		
Habib Bank Limited	A-1+	AAA	JCR-VIS	511,452	382,042
United Bank Limited	A-1+	AAA	JCR-VIS	73,008	189,480
Citi Bank N.A.	P-1	A1	Moody's	6,467	1,178,969
Deutsche Bank A.G.	P-2	Baa2	Moody's	1,327,269	10,654
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	50	4,967
				1,918,246	1,766,112

35.4.2.2 Trade debts

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

Neither past due nor impaired		845,280	772,872
Past due			
1 - 30 days		143,444	145,897
31 - 90 days		52,519	92,339
91 - 120 days		12,453	9,577
More than 120 days		215,486	235,895
		423,902	483,708
		1,269,182	1,256,580
Provision for doubtful debts	18.2	(249,523)	(294,282)
Provision for discounts	18.3	(526,460)	(503,216)
		493,199	459,082

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

Wholesale customers		84,378	99,507
Retail customers		280,117	327,678
End-user customers		59,407	56,523
		423,902	483,708
Provision for doubtful debts	18.2	(249,523)	(294,282)
		174,379	189,426

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

The 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. This involves providing impairment loss for 50% of the outstanding receivables when overdue for more than 90 days and providing an impairment loss for 100% when the receivables are overdue for more than 120 days.

35.4.2.3 Other receivables and deposits

Other receivables include balance of Rs. 19.39 million (2015: Rs. 14.45 million) receivable from related parties as mentioned in Note 21.1. The remaining other receivables and deposits mainly pertain to balances due from related parties and employees which are expected to be received in due course. Based on past experience the credit risk related to these financial assets is not material.

35.4.3 Concentration risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties 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 creditworthy counterparties thereby mitigating any significant concentrations of credit risk.

	2016	2015
Textile	1,902	1,093
Paper and board	1,162	1,076
Chemicals	4,915	1,776
Pharmaceuticals	211	211
Construction	17,524	8,506
Transport	24,436	24,899
Dealers	1,089,343	1,110,549
Banks	1,918,246	1,766,112
Employees	111,394	98,953
Others	158,818	130,266
	3,327,951	3,143,441
Provision for doubtful debts	(249,523)	(294,282)
Provision for discounts	(526,460)	(503,216)
	(775,983)	(797,498)
	2,551,968	2,345,943

35.5 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 A.G. to meet any deficit, if required, to meet the short term liquidity commitments.

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity date. The following are contractual maturities of financial liabilities at December 31, 2016:

	Carrying amount	Contractual cash flows	Up to one year or less
Non-derivative financial liabilities			
Trade and other payables	1,355,858	1,355,858	1,355,858
Derivative financial liabilities			
Forward foreign exchange contracts	346	32,265	32,265
	1,356,204	1,388,123	1,388,123

The following are contractual maturities of financial liabilities at December 31, 2015:

	Carrying amount	Contractual cash flows	Up to one year or less
Non-derivative financial liabilities			
Trade and other payables	1,208,436	1,208,436	1,208,436
Provision for taxation	11,034	11,034	11,034
Derivative financial liabilities			
Forward foreign exchange contracts	382	27,474	27,474
	1,219,852	1,246,944	1,246,944

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

35.6 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.

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

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

Amounts in US\$ '000					
		Effective rate		Carrying amount	
	Note	2016	2015	2016	2015
Fixed rate instruments					
Financial assets	22.3	5.0% to 5.2%	5.25% to 5.50%	1,817,550	1,554,050

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.

35.6.2 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. To hedge this risk, the Company has entered into forward foreign exchange contracts in accordance with instructions of State Bank of Pakistan and the Company's treasury policy. The policy allows the Company to take currency exposure within predefined limits while open exposures are rigorously monitored.

35.6.2.1 Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at December 31,	
	2016	2015	2016	2015
AED	28.53	28.53	28.47	28.52
JPY	0.96	0.87	0.89	0.87
SGD	75.85	74.75	72.42	74.16
EUR	115.67	114.53	110.59	114.43
USD	104.79	104.77	104.59	104.74
GBP	140.91	155.32	128.57	155.27

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:

- 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

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

35.6.2.2 The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities as given below:

		2016						
	Note	AED	JPY	SGD	EUR	USD	GBP	Total
Financial assets								
Due from related parties	21.1	7,157	-	-	1,063	11,173	-	19,393
Cash and bank balances		-	-	-	-	391	-	391
		7,157	-	-	1,063	11,564	-	19,784
Financial liabilities								
Trade and other payables		338	2,107	5	10,391	79,210	8,001	100,052
Due to related parties	9.1	618	-	311	50,365	50,216	-	101,510
		956	2,107	316	60,756	129,426	8,001	201,562
Gross balance sheet exposure		6,201	(2,107)	(316)	(59,693)	(117,862)	(8,001)	(181,778)
Forward foreign exchange contracts		-	-	-	-	(346)	-	(346)
		6,201	(2,107)	(316)	(59,693)	(118,208)	(8,001)	(182,124)
2015								
	Note	AED	JPY	SGD	EUR	USD	GBP	Total
Financial assets								
Due from related parties	21.1	2,149	-	-	3,772	8,528	-	14,449
Cash and bank balances		-	-	-	-	-	-	-
		2,149	-	-	3,772	8,528	-	14,449
Financial liabilities								
Trade and other payables		-	6,745	-	12,310	44,231	2,824	66,110
Due to related parties	9.1	288	-	17	38,690	50,181	-	89,176
		288	6,745	17	51,000	94,412	2,824	155,286
Gross balance sheet exposure		1,861	(6,745)	(17)	(47,228)	(85,884)	(2,824)	(140,837)
Forward foreign exchange contracts		-	-	-	-	(382)	-	(382)
		1,861	(6,745)	(17)	(47,228)	(86,266)	(2,824)	(141,219)

35.6.2.3 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 year by Rs. 1.82 million (2015: Rs. 1.41 million). The weakening of the Pak Rupees 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.

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

35.7 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 behaviour. 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.

35.8 Capital risk management

The Company's objective when managing capital is to safeguard 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.

	2016	2015
36 Employee Provident Fund		
Size of the fund - fund assets	317,534	285,933

Break-up of investments made by the fund are as follows:

	2016 (Un-audited)		
	Cost	Fair Value	Percentage
Government securities	95,237	95,776	30.16%
Listed securities	60,973	79,509	25.04%
	156,210	175,285	
	2015		
	Cost	Fair Value	Percentage
Government securities	137,246	137,855	48.21%
Listed securities	39,489	63,294	22.14%
	176,735	201,149	

The Company has complied with all the requirements set out by the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2016	2015
37 Plant capacity and annual production		
Annual production - thousands of liters	21,388	19,987

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

Notes to the Financial Statements

For the year ended December 31, 2016

Amounts in Rs '000

	Note	2016	2015
38 Number of employees			
Number of employees as at December 31,		248	255
Average number of employees		251	254
39 Disclosure for all shares Islamic index			
39.1 Description	Explanation		
Loans and advances	Non-interest bearing		
Deposits	Non-interest bearing		
Income on bank deposits including income accrued as at reporting date	Placed under mark-up arrangement		
All sources of other income	Disclosed in note 29		
Exchange loss	Loss incurred on actual currency amounting to Rs. 4.75 million and gain incurred on forward contracts amounting to Rs. 0.04 million		
39.2 Ijarah Rentals			
The company is engaged in a shariah compliant arrangement with Orix Modaraba in respect of vehicles under operating lease / Ijarah contracts. Rentals in respect of aforementioned contracts included in financial statements are as under:			
Description			
Cost of sales	24	1,856	1,841
Selling and distribution expenses	25	4,434	5,249
Administrative and general expenses	26	5,608	6,413
Disclosures other than above are not applicable to the Company.			
40 Non-adjusting event after reporting date			
The Board of Directors of the Company in its meeting held on February 28, 2017 has proposed a final dividend of Rs. 6.50 per share. The financial statements of the Company for the year ended December 31, 2016 do not include the effect of the final dividend which will be accounted for in the year in which it is approved.			
41 General			
These financial statements were authorized for issue in the meeting of the Board of Directors held on February 28, 2017.			
41.1 Corresponding figures			
Corresponding figures where necessary, have been rearranged for the purposes of comparison. However, no significant rearrangement or reclassification has been made during the year ended December 31, 2016.			



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Comparison of Results

For the year ended December 31, 2016

Amounts in Rs '000						
	2016	2015	2014	2013	2012	2011
Balance Sheet						
Equity and revaluation reserve	3,559,221	2,880,812	2,594,261	2,878,346	5,992,518	5,646,577
Non-current liabilities	57,210	48,440	44,227	34,817	46,549	28,985
Current liabilities	1,470,505	1,286,581	1,334,879	1,335,467	1,322,898	1,003,951
Total equity and liabilities	5,086,936	4,215,833	3,973,367	4,248,630	7,361,965	6,679,513
Non-current assets	2,068,270	1,537,520	1,538,314	1,573,918	1,741,987	1,685,275
Current assets	3,018,666	2,678,313	2,435,053	2,674,712	5,619,978	4,994,238
Total assets	5,086,936	4,215,833	3,973,367	4,248,630	7,361,965	6,679,513
						Six months period from July 01, 2011 to December 31, 2011
	2016	2015	2014	2013	2012	2011
Profit and Loss Account					Restated	Restated
Turnover	7,684,222	7,170,924	6,915,474	7,124,812	6,335,301	3,288,511
Net sales	5,136,961	4,927,235	4,901,791	5,265,144	4,764,191	2,446,420
Cost of sales	2,954,886	2,909,340	3,129,630	3,326,178	3,189,510	1,646,325
Gross profit	2,182,075	2,017,895	1,772,161	1,938,966	1,574,681	800,095
Operating profit	674,894	647,616	554,918	644,445	259,818	154,903
Profit before taxation	771,931	804,222	678,499	936,935	522,268	284,952
Profit after taxation	490,737	539,311	458,856	605,726	376,123	187,681
Summary of Cash Flows						
Cash generated / (used in) from operations	847,010	901,506	1,101,634	689,798	4,529,779	(281,872)
Net cash generated from / (used in) operating activities	516,115	509,397	821,713	340,979	4,354,469	(77,175)
Net cash generated from / (used in) investing activities	(57,580)	13,545	19,610	151,507	(16,925)	58,079
Net cash (used in) / generated from financing activities	(301,722)	(232,093)	(765,907)	(3,648,699)	-	1
Cash and cash equivalents at 31 December	1,927,584	1,770,771	1,479,922	1,404,506	4,560,719	223,175
Ratios						
Profitability Ratios						
Gross margin	42.48%	40.95%	36.15%	36.83%	33.05%	32.70%
Gross profit turnover	28.40%	28.14%	25.63%	27.21%	24.86%	24.33%
Operating profit	13.14%	13.14%	11.32%	12.24%	5.45%	6.33%
Net profit margin	9.55%	10.95%	9.36%	11.50%	7.89%	7.67%
Profit markup	73.85%	69.36%	56.63%	58.29%	49.37%	48.60%
Profit before tax margin	15.03%	16.32%	13.84%	17.80%	10.96%	11.65%
Return on equity *	22.19%	26.92%	26.77%	30.36%	7.37%	7.89%
Return on capital employed *	21.35%	27.45%	25.72%	32.16%	8.65%	10.04%
Return on assets *	9.65%	12.79%	11.55%	14.26%	5.11%	5.62%
Return on fixed assets *	26.66%	44.14%	35.74%	43.86%	25.59%	26.37%
* 2011: Annualized						

Comparison of Results

For the year ended December 31, 2016

Amounts in Rs '000							
							Six months period from July 01, 2011 to December 31, 2011
		2016	2015	2014	2013	2012	
						Restated	Restated
Efficiency Ratios *							
Asset turnover	Times	1.01	1.17	1.23	1.24	0.65	0.73
Fixed asset turnover	Times	2.79	4.03	3.82	3.81	3.24	3.44
Inventory turnover	Times	6.81	7.66	6.28	5.62	4.69	2.07
Current asset turnover	Times	1.70	1.84	2.01	1.97	0.85	0.98
Capital employed turnover	Times	1.42	1.68	1.86	1.81	0.79	0.86
Debtor turnover ratio	Days	34	36	39	31	23	20
Creditor turnover ratio	Days	170	160	152	144	122	91
Inventory turnover ratio	Days	54	48	58	65	78	176
Operating cycle	Days	(82)	(77)	(55)	(49)	(49)	(15)
Revenue per employee	Rs. '000	3,113	3,154	2,600	3,470	1,978	2,134
Net income per employee	Rs. '000	1,979	2,115	1,758	2,243	1,425	1,406
Cost Ratios							
Operating costs (as % of sales)		29.34%	27.81%	24.83%	24.59%	27.60%	26.37%
Administration costs (as % of sales)		7.07%	7.27%	8.10%	7.28%	10.32%	8.94%
Selling costs (as % of sales)		22.27%	20.54%	16.74%	17.31%	17.28%	17.43%
Equity Ratios							
Price earning ratio	Rs.	22.14	18.69	36.19	9.56	10.68	-
Earnings per share*	Rs.	10.57	11.61	9.88	13.04	8.10	8.08
Dividend per share	Rs.	6.50	6.50	19.00	2.50	78.60	-
Dividend cover	Times	1.63	1.79	0.52	5.22	0.10	-
Dividend yield		2.78%	3.00%	5.31%	2.00%	90.86%	-
Market value per share	Rs.	234.02	216.95	357.53	124.69	86.51	-
Break-up value per share							
with surplus on revaluation	Rs.	76.64	62.03	55.86	61.98	129.03	123.09
Break-up value per share							
excluding surplus on revaluation	Rs.	47.62	43.14	36.91	42.96	109.95	103.94
Liquidity Ratios							
Current ratio	Ratio	2.05:1	2.08:1	1.82:1	2.00:1	4.25:1	4.97:1
Quick ratio	Ratio	1.72:1	1.79:1	1.54:1	1.54:1	3.82:1	4.18:1
Cash ratio	Ratio	1.31:1	1.38:1	1.11:1	1.05:1	3.45:1	0.22:1
Leverage Ratios							
Total debt to capital ratio	Ratio	0:100	0:100	0:100	0:100	0:100	0:100
* 2011: Annualized							

Pattern of Shareholding As at December 31, 2016

No. of Shareholders	Categories		No. of Shares
	From	To	
7,406	1	100	216,157
2,289	101	500	588,363
662	501	1,000	530,775
576	1,001	5,000	1,316,908
109	5,001	10,000	809,262
26	10,001	15,000	311,373
14	15,001	20,000	259,630
13	20,001	25,000	300,349
10	25,001	30,000	280,495
4	30,001	35,000	135,500
3	35,001	40,000	112,576
1	40,001	45,000	44,300
6	45,001	50,000	290,900
1	50,001	55,000	51,673
2	55,001	60,000	113,372
1	60,001	65,000	60,185
2	75,000	80,000	153,500
1	85,001	90,000	86,169
1	100,000	105,000	100,000
1	150,001	155,000	154,518
1	155,001	160,000	157,500
1	160,001	165,000	162,100
1	190,001	195,000	191,795
1	200,000	205,000	200,000
1	210,001	215,000	212,200
1	295,001	300,000	296,882
1	370,001	375,000	373,500
1	410,001	415,000	414,800
1	510,001	515,000	512,300
1	840,001	845,000	844,900
1	880,001	885,000	881,000
1	1,070,001	1,075,000	1,070,673
1	35,205,001	35,210,000	35,209,665
11,141			46,443,320

Pattern of Shareholding As at December 31, 2016

Information as required under Code of Corporate Governance

Shareholder's category	Number of shareholders	Number of shares 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 ASKARI EQUITY FUND	1	12,000
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	8,000
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	28,100
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	29,900
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	27,800
CDC - TRUSTEE NAFA STOCK FUND	1	6,300
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	296,882
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	191,795
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	1	23,500
CDC - TRUSTEE PICIC STOCK FUND	1	19,500
CONFIDENCE MUTUAL FUND LTD	1	3
DOMINION STOCK FUND LIMITED	1	85
GOLDEN ARROW SELECTED STOCKS FUND	1	3
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	1	15,000
SAFEWAY MUTUAL FUND LIMITED	1	128
SECURITY STOCK FUND LIMITED	1	18
TRUSTEE PAK QATAR FAMILY TAKAFUL LIMITED AGGRESSIVE FUND	1	12,500
TRUSTEE PAK QATAR FAMILY TAKAFUL LIMITED BALANCE FUND	1	12,500
TOTAL	18	684,014
iii. Directors and their spouse		
MR. JEHAZEB KHAN	1	10
MR. MUEEN AFZAL	1	10
MR. BART KASTER	1	10
MR. JEREMY ROWE	1	10
MR. SEBASTIAN TAN	1	10
MR. HARRIS MAHMOOD	1	10
MR. MUHAMMAD ZIA UR REHMAN	1	10
TOTAL	7	70
iv. Executives		
TOTAL	12	549
v. Public Sector Companies and Corporations		
TOTAL	2	1,070,996
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds		
TOTAL	41	2,572,224
vii. Shareholder Holding five percent or more voting rights in the Listed Company (name wise details)		
TOTAL	-	-
ICI OMICRON B.V.	1	35,209,665
TOTAL	1	35,209,665

Categories of Shareholding As at December 31, 2016

Sr No.	Shareholders Category	No. of Shareholders	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	7	70	0.00
2	Associated Companies, Undertakings and related Parties	1	35,209,665	75.81
3	NIT and ICP	-	-	-
4	Banks, Development Financial Institutions, Non-Banking Financial Institutions	22	2,197,988	4.73
5	Insurance Companies	14	1,392,466	3.00
6	Modarabas and Mutual Funds	22	701,668	1.51
7	Shareholders holding 10%	1	35,209,665	75.81
8	General Public :			
	a. Local	10,928	5,184,454	11.16
	b. Foreign	-	-	-
9	Others	147	1,757,009	3.78
Total (excluding : shareholders holding 10%)		11,141	46,443,320	100.00

Akzo Nobel Pakistan Limited



NOTICE OF 6th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 6th Annual General Meeting of Akzo Nobel Pakistan Limited will be held on Tuesday, April 25, 2017, at 10:30 a.m. at Avari Hotel, 87 Shahrah-e-Quaid-e-Azam, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 5th Annual General Meeting held on April 26, 2016.
2. To receive, consider and adopt the accounts of Akzo Nobel Pakistan Limited, for the year ended December 31, 2016, together with the Auditor's Report and the Directors' Report thereon.
3. To declare and approve final cash dividend @ 65% i.e. Rs 6.5 per ordinary share of Rs. 10/- each for the year ended December 31, 2016, as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at April 18, 2017.
4. To appoint the External Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit pass a resolution in light of SRO 470(1)/2016 dated March 31, 2016 to disseminate information regarding annual audited accounts in soft form i.e. CD/DVD/USB.

RESOLVED that in accordance with the provisions of Section 28 and other applicable provisions of the Companies Ordinance, 1984, the following new Article 119 (1) (i) be and are hereby inserted respectively after the existing Articles 119(1) in the Articles of Association of the Company.

NEW CLAUSE 119 (1) (i) Dissemination of Annual Audited Account for circulation of Annual Audited Account in electronic form (CD/DVD/USB)

The provisions and requirements for dissemination of Annual Audited Accounts (i.e. annual balance sheet, profit and loss account, Auditor's Report and Directors' Report) of the Company to the shareholders in soft form i.e. CD/DVD/USB/EMAIL instead of hard copy as prescribed by the Securities and Exchange Commission of Pakistan, from time to time, shall be deemed to be incorporated in this Article, irrespective of the other provisions of these Articles of Association and notwithstanding anything contrary herein.

FURTHER RESOLVED THAT Chief Financial Officer and Company Secretary be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolution.

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

April 04, 2017
Lahore

By order of the Board

Sara Shah
Company Secretary

NOTES

1. Closure of Share Transfer Books:

The Share Transfer Books of the Company will remain closed from April 19, 2017 to April 25, 2017 (both days inclusive). Transfers received in order at the office of our Shares Registrar, Messrs. FAMCO Associates (Pvt) Ltd. 8-F, Next to Hotel Faran Nursery, Block 6, P.E.C.H.S. Shahrah-e-Faisal Karachi, by the close of business on April 18, 2017, will be treated in time for payment of the final dividend to the transferees.

2. Participation in the Annual General Meeting:

All Members are entitled to attend and vote at the Meeting, are entitled to appoint another person in writing as their proxy to attend and vote on their behalf. A proxy needs to be a member of the Company. A corporate entity, being a member, may appoint any person, regardless whether they are a member or not, as its proxy. In case of corporate entities, a resolution of the Board of Directors/Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted to the Company along with a completed proxy form. The proxy holders are requested to produce their CNICs or original passports at the time of the meeting.

3. Form of Proxy:

In order to be effective, duly completed and signed proxy forms must be received at the Company's registered office at 346, Ferozepur Road, Lahore, at least 48 hours before the time of the meeting. Form of Proxy is attached in the Annual Report and should be witnessed by two persons whose names, addresses and CNIC Numbers are mentioned on the forms.

4. Notice to Shareholders who have not provided their CNICs:

As directed by the SECP through its Circular No. EMD/D-II/Misc/2009-1342 dated April 2013, dividend warrants cannot be issued without valid CNICs. All shareholders holding physical shares who have not submitted their valid CNICs are requested to send attested copies of their valid CNICs along with their folio number to the Company's Shares Registrar. In the absence of a shareholder's valid CNIC, the Company will withhold dispatch of dividend to such shareholders.

5. Deduction of Income Tax from Dividend:

The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a) Rate of tax deduction for filer of income tax return 12.5%

(b) Rate of tax deduction for non-filers of income tax return 20%

- (i) To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 20%, shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately (and latest by the first day of book closure) make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 12.5%.
- (ii) Withholding Tax exemption from the dividend income, shall only be allowed if a copy of valid tax exemption certificate is made available to FAMCO Associates (Pvt) Ltd., by the first day of Book Closure.
- (iii) Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as Joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them **(only if not already provided)** to our Share Registrar, in writing as follows:

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint-holder(s).

- (iv) Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or FAMCO Associates (Pvt) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

For any query/problem/information, the investors may contact the Company Secretary at phone: 042-111-551-111; and email address: sara.shah@akzonobel.com and/or FAMCO Associates (Pvt) Ltd. at phone 021-34380101-5 and email address: info.shares@famco.com.pk

6. Payment of Dividend Electronically (E-Mandate):

In order to enable a more efficient method of cash dividend, through its Circular No.8(4) SM/CDC 2008 of April 5, 2013, the SECP has announced an e-dividend mechanism where shareholders can get their dividend credited directly into their respective bank accounts electronically by authorizing the Company to do so. Accordingly, all non-CDC shareholders are requested to send their bank account details to the Company's Registrar. Shareholders, who hold shares with CDC or Participants/Stock Brokers, are advised to provide the mandate to CDC or their Participants/Stock Brokers.

7. Audited Financial Statements Through E-Mail:

SECP through its Notification SRO 787(I)/2014 dated September 8, 2014, has allowed the circulation of Audited Financial Statements along with the Notice of Annual General Meeting to the Members of the Company through email. Therefore, all Members who wish to receive the soft copy of Annual Report are requested to send their email addresses. The consent form for electronic transmission can be downloaded from the Company's website www.akzonobel.com/pk/paints

The Company shall, however, provide hard copy of the Audited Financial Statements to its shareholders, on request, free of cost, within seven days of receipt of such request.

The Company shall place the financial statements and reports on the Company's website, at least twenty one (21) days prior to the date of the Annual General Meeting in terms of SRO 634(1)/2014 dated July 10, 2014 issued by the SECP.

8. Change of Address and Non-Deduction of Zakat Declaration Form:

Physical Shareholders are requested to notify any change in their addresses immediately and if applicable provide their non-deduction of Zakat Declaration Form to the Company's Shares Registrar. Furthermore, if not provided earlier, members holding shares in CDC/Participants accounts are also requested to update their addresses and if applicable, to provide their non-deduction of Zakat Declaration Form to CDC or their Participants/Stock Brokers.

9. Video Conference Facility:

Members can also avail Video conference facility in Karachi and Islamabad. In this regard, please fill the attached form in the Annual Report and submit to registered address of the Company 10 days before of the Annual General Meeting. The video conferencing facility will be provided only if the company receives consent from members holding in aggregate 10% or more shareholding residing at Karachi or Islamabad, to participate in the meeting through video conference at least 10 days prior to date of meeting.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of Annual General Meeting along with complete information necessary to enable them to access the facility.

10. Guidelines for CDC Account Holders:

CDC account holders will have to follow the guidelines with respect to attending the Meeting and appointing of Proxies as issued by the Securities Exchange Commission of Pakistan through its Circular 1 of January 26, 2000.

11. Statement under Section 160(b) of the Companies Ordinance

This statement is annexed to the notice of the 6th Annual General Meeting of Akzo Nobel Pakistan Limited to be held on Tuesday, April 25, 2017 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning special business.

Admission Slip

The 6th Annual General Meeting of Akzo Nobel Pakistan Limited will be held on Tuesday, April 25, 2017, at 10:30 a.m. at Avari Hotel, 87 Shahrah-e-Quaid-e-Azam, 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 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
6th 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/our behalf at the 6th Annual General Meeting of the Company to be held at Avari Hotel, 87 Shahrah-e-Quaid-e-Azam, Lahore, Pakistan, on Tuesday, April 25, 2017, at 10.30 a.m., and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2017.

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./CDC Account 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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346, Ferozepur Road
Lahore - 54600
Tel: (042) 111-551-111
Fax: (042) 35835011
www.akzonobel.com/pk/paints

REQUEST FOR VIDEO CONFERENCING FACILITY FORM

Members can also avail the video conferenc facility in Karachi and Islamabad if the Company receives consent at least 10 days prior to the date of the meeting, from members holding in aggregate 10% or more shareholding and residing at either Karachi and/or Islamabad to participate in the meeting through video conference.

The company will intimate members regarding the venue of video conferencing facility at least 5 days before the date of Annual General Meeting along with complete information necessary to enable them to access the facility.

In this regard, please fill up the following form and submit it to the registered address of the Company 10 days before holding of the Annual General Meeting.

I/We, _____ of _____ being a member of Akzo Nobel Pakistan Ltd., holder of _____ Ordinary Share(s) as per Register Folio No/CDC A/c No. _____ hereby opt for video conference facility at _____.

Date: _____

Signature of Member/Shareholder



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Mandate Letter

Dear Shareholder,

SUBMISSION OF COPY OF CNIC (Mandatory)

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, members register and other statutory returns. You are therefore requested to submit a copy of your CNIC (if not already provided) to Akzo Nobel Pakistan Limited, 346, Ferozepur Road, Lahore or FAMCO Associates (Pvt) Ltd., 8-F, Next to Faran Nursery, Block 6, P.E.C.H.S. Shahrah-e-Faisal Karachi.

DIVIDEND MANDATE (Optional)

We wish to inform you that according to the provisions of the Companies Ordinance, 1984, shareholders are also entitled to receive their dividends by way of credit to their bank account instead of receiving them through dividend warrants (crossed as A/c Payee only).

In case you wish to receive your future dividends directly in your bank account, please complete the particulars as mentioned below and return this letter to us duly signed along with a copy of your CNIC.

CDC shareholders are requested to submit their dividend mandate and CNIC directly to their broker (participant) CDC.

Yours faithfully



Sara Shah
Company Secretary

SHAREHOLDER'S SECTION

I hereby wish to communicate my desire to receive my future dividends directly in my bank account as detailed below:

Name of Shareholder : _____

Folio Number : _____

Contact Number of Shareholder : _____

Bank Account No. : _____

Title of Account : _____

Name of Bank and Address : _____

It is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the Company informed in case of any changes in the said particulars in the future.

Shareholder's signature

CNIC No: _____
(copy attached)



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ویڈیو کانفرنس کی سہولت فراہم کرنے کے لیے درخواست فارم

اجلاس سے 10 روز قبل کراچی اور اسلام آباد میں رہائش پذیر اوسطاً 10 فیصد یا پھر اس سے زیادہ شیئرز ہولڈرز کی جانب سے درخواست موصول ہونے پر کمپنی کی جانب سے کراچی اور اسلام آباد میں ویڈیو کانفرنس کی سہولت فراہم کی جاسکتی ہے تاکہ یہ ارکان اجلاس میں بذریعہ ویڈیو کانفرنس شرکت کر سکیں۔

سالانہ عمومی اجلاس سے پانچ روز قبل، کمپنی کی جانب سے ممبران کو ویڈیو کانفرنس کے وقت اور مقام کے متعلق مطلع کیا جائے گا اور ساتھ ہی انہیں ضروری معلومات بھی فراہم کی جائیں گی تاکہ وہ اس سہولت سے استفادہ کر سکیں۔

اس ضمن میں مندرجہ ذیل فارم پُر کر کے کمپنی کے رجسٹرڈ دفتر میں سالانہ عمومی اجلاس کے انعقاد سے 10 روز قبل جمع کرائیں۔

میں / ہم _____ کا تعلق _____

_____ سے ہے اور ایکز فوئبل پاکستان لمیٹڈ کے شیئر ہولڈر کی حیثیت سے _____ عمومی شیئرز کے حامل ہیں اور ہمارا رجسٹرڈ فوئبل نمبر / سی ڈی سی

اکاؤنٹ نمبر _____ ہے۔ ہم _____ شہر میں ویڈیو کانفرنس کی سہولت حاصل کرنا چاہتے ہیں۔

دستخط / کن / شیئر ہولڈر _____

تاریخ: _____



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چھٹے سالانہ عمومی اجلاس میں شرکت کے لئے

پراکسی فارم

کا تعلق

میں / ہم

سے ہے اور ہم ایک ذریعہ پاکستان لمیٹڈ کے رکن کی حیثیت سے _____ عمومی شیئرز کے حامل ہیں۔ ہم _____ کو یا ان کی غیر حاضری کی صورت میں _____ کو جو خود بھی ایک ذریعہ پاکستان لمیٹڈ کے رکن ہیں کو میری / اپنی جانب سے بحیثیت پراکسی مقرر کرتے ہیں جو میری غیر حاضری میں میری جگہ پر چھٹے سالانہ عمومی اجلاس میں شرکت کرے گا اور ہماری جانب سے ووٹنگ میں حصہ لے گا۔ یہ اجلاس آداری ہوٹل، 87 شاہراہ قائد اعظم لاہور پاکستان بروز منگل مورخہ 25 اپریل 2017ء کو صبح ساڑھے دس بجے منعقد ہونے جا رہا ہے۔

گواہوں کی موجودگی میں، میں / ہم یہ دستخط کرتے ہیں:

مورخہ: _____ 2017ء

مندرجہ ذیل کی موجودگی میں دستخط کیے گئے:

گواہ نمبر اول کے دستخط: _____

گواہ کا نام: _____

کمپیوٹرائزڈ شناختی کارڈ نمبر: _____

(دستخط مناسب قیمت کے ریونیو اسٹامپ پر کیے جائیں گے)

دستخط کنندہ

شیئرز ہولڈر کا فوٹیو / سی ڈی سی اکاؤنٹ نمبر

(یہ دستخط کمپنی کے پاس موجود دستخط کے نمونے کے عین مطابق ہونا چاہئے)

ضروری ہدایات:

- ۱۔ یہ پراکسی فارم مکمل طور پر پُر اور دستخط کر کے اجلاس سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس 346، فیروز پور روڈ لاہور بھیجا جائے۔
- ۲۔ کوئی بھی شخص اس وقت بطور پراکسی خدمات انجام نہ دے جب تک وہ کمپنی کا رکن نہ ہو، ماسوائے کوئی کارپوریشن کسی ایسے شخص کو مقرر کرے جو کمپنی کا رکن نہیں۔
- ۳۔ اگر کوئی رکن ایک سے زائد پراکسی مقرر کرتا ہے اور ممبر کی جانب سے کمپنی میں پراکسی کا ایک سے زائد انسٹرومنٹ جمع کرایا جاتا ہے تو ایسی صورت میں پراکسی کے تمام انسٹرومنٹ غیر مجاز تصور کئے جائیں گے۔
- ۴۔ پراکسی انسٹرومنٹ میں کسی طرح کی تبدیلی کی صورت میں اس پر دستخط کرنے والے کے دستخط بھی ہونا چاہیے۔
- ۵۔ مشترکہ ہولڈرز کی صورت میں کوئی ایک بذات خود پھر پراکسی کے ذریعے ووٹنگ میں حصہ لے سکتا ہے لیکن اگر ایک سے زائد مشترکہ ہولڈرز اجلاس میں موجود ہوں تو وہ خود یا بذریعہ پراکسی جو ان مشترکہ ہولڈرز کی جانب سے مقرر کردہ ہوگا اور جس کا نام ممبرز رجسٹر کے پاس درج ہوگا، صرف وہی ووٹ دینے کا مجاز ہوگا۔

سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریٹ شناخت رکھنے والوں کے لیے ہدایات:

مذکورہ بالا ہدایات کے علاوہ درج ذیل باتوں کا بھی خیال رکھنا ہوگا۔

- ۱۔ پراکسی فارم پر ایسے دو گواہوں کے دستخط ہوں گے جن کے نام، پتہ اور کمپیوٹرائزڈ شناختی کارڈ اس فارم میں درج ہوں گے۔
- ۲۔ بینیفیشل انرز کے کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ساتھ منسلک کی جائیں گی۔
- ۳۔ اجلاس کے موقع پر پراکسی کو اپنا اصل کمپیوٹرائزڈ شناختی کارڈ یا پھر اصل پاسپورٹ پیش کرنا ہوگا۔
- ۴۔ کارپوریٹ شناخت کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بشمول دستخط کا نمونہ جمع کرنا ہوگا (تا وقتیکہ یہ پہلے ہی فراہم کیا جا چکا ہو) اور ساتھ ہی کمپنی میں پراکسی فارم جمع کرنا ہوگا۔

۹۔ ویڈیو کانفرنس کی سہولت

اس سہولت کے لئے سالانہ رپورٹ کے ساتھ منسلک فارم پُر کر کے کمپنی کے پتہ پر سالانہ عمومی اجلاس کے انعقاد سے 10 روز قبل ارسال کریں۔ اگر کمپنی کو اوسطاً 10 فیصد شیئر ہولڈرز سے درخواست موصول ہوئی اور وہ کراچی اور اسلام آباد پر موجود ہوں گے اور وہ ویڈیو کانفرنس کے ذریعے اجلاس میں شرکت کرنا چاہتے ہوں گے تو انہیں اجلاس سے 10 روز قبل مطلع کرنا ہوگا، اس مقصد کے لئے کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت کا اہتمام کرے گی۔ اس کے بعد، کمپنی اپنے ممبران کو ویڈیو کانفرنس کے مقام کے متعلق اجلاس کے انعقاد سے پانچ دن قبل آگاہ کرے گی اور ساتھ ہی انہیں ضروری معلومات فراہم کرے گی جو انہیں یہ سہولت حاصل کرنے کے لئے درکار ہوگی۔

۱۰۔ سی ڈی سی اکاؤنٹ ہولڈرز کے لئے رہنمائی

سی ڈی سی اکاؤنٹ ہولڈرز کو اجلاس میں شرکت کے لئے ضروری رہنما اصولوں کی پیروی کرنا ہوگی اور سیکورٹیز ایکسچینج کمیشن آف پاکستان کی جانب سے اپنے سرکلر نمبر اول مورخہ 26 جنوری 2000ء کے مطابق اپنے پراسیکیوٹر کا تقرر کرنا ہوگا۔

۱۱۔ کمپنیز آرڈیننس کی شق نمبر 160 (بی)

کمپنیز آرڈیننس 1984 کی شق نمبر 160 کے مطابق بیان، جس میں نوٹس کے آئٹم نمبر پانچ کی قرارداد، جس پر غور کیا جائے گا، کے متعلق تمام متعلقہ درج ہیں، کو اس نوٹس کے ساتھ منسلک کر کے تمام ممبران کو ارسال کیا جائے گا۔

معاملات میں جہاں کمپنی کے شیئرز رجسٹرار کے ریکارڈ کے مطابق مشترکہ شیئرز ہولڈرز کے حصے اور تناسب کا پہلے سے تعین کیا جا چکا ہو، لہذا انکس نرخ کا اطلاق متعلقہ تناسب کی بناء پر کیا جائے گا۔

تمام شیئرز ہولڈرز جن کے پاس مشترکہ حیثیت سے شیئرز موجود ہیں سے درخواست کی جاتی ہے کہ وہ اپنے شیئرز کے تناسب کے حوالے سے کسی بھی تبدیلی کے بارے میں کمپنی کے شیئرز رجسٹرار (مشترکہ شیئرز ہولڈنگ کی صورت میں) کو مطلع کریں یا اگر شیئرز کے تناسب کے حوالے سے کوئی بھی نظر ثانی کی گئی ہے تو اس کے لیے بھی کمپنی رجسٹرار کو مطلع کریں۔

کمپنی کا نام	فولیو/ CDS اکاؤنٹ نمبر	شیئرز کی کل تعداد	اصل (پرنسپل) شیئرز ہولڈرز		مشترکہ (جوائنٹ) شیئرز ہولڈرز	
			نام اور شناختی کارڈ نمبر	شیئرز کا تناسب (شیئرز کی تعداد)	نام اور شناختی کارڈ نمبر	شیئرز کا تناسب (شیئرز کی تعداد)

مطلوبہ معلومات نوٹس ہذا کے اجراء کے 10 روز کے اندر ہمارے شیئرز رجسٹرار کو موصول ہو جانا چاہیے۔ بصورت دیگر یہ سمجھا جائے گا کہ بنیادی اور مشترکہ شیئرز ہولڈرز کے شیئرز کی تعداد یکساں ہے۔

(iv) سی ڈی سی اکاؤنٹ کے حامل کارپوریٹ شیئرز ہولڈرز کے لیے ضروری ہے کہ وہ اپنے شرکاء کے ہمراہ اپنے نیشنل ٹیکس نمبر (این ٹی این) کی تجدید کرائیں۔ جبکہ کارپوریٹ فریکل شیئرز ہولڈرز کمپنی کو یا پھر فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو اپنے این ٹی این کی نقل بھجوادیں۔ ایسے شیئرز ہولڈرز اپنا نیشنل ٹیکس نمبر یا پھر این ٹی این سرٹیفکیٹ بھجواتے وقت اپنی کمپنی کا نام اور متعلقہ فولیو کا ضرور حوالہ دیں۔

کسی بھی مسئلے / سوال / معلومات کے لئے سرمایہ کار حضرات کمپنی سیکریٹری ڈی کو فون: 111-551-111-042 یا ای میل sara.shah@akzonobel.com پر رابطہ کریں یا پھر فیمکو ایسوسی ایٹس پرائیویٹ لمیٹڈ کو فون: 021-34380101 (پانچ لائنیں) یا پھر ای میل: info@shares@famco.com پر رابطہ کریں۔

۶۔ برقی ذرائع سے ڈیوڈنڈ کی ادائیگی (ای۔ مینڈیٹ)

نقد ڈیوڈنڈ کے موثر طریقہ کار کو اپنانے کے لیے سکیورٹی ایکسچینج کمیشن آف پاکستان سرکلر نمبر 2008/سی ڈی سی/ایس ایم (4) 8 مورخہ 5 اپریل 2013 کے ذریعے، برقی ذریعے سے ڈیوڈنڈ کی ادائیگی کے طریقہ کار کا اعلان کیا تھا۔ جس کے تحت شیئرز ہولڈرز الیکٹرانک طریقہ کار اختیار کرتے ہوئے اپنا ڈیوڈنڈ براہ راست اپنے متعلقہ بینک اکاؤنٹ میں وصول کر سکتے ہیں۔ اس مقصد کے لیے انہیں کمپنی کو اس منتقلی کی اجازت دینا ہوگی۔ اسی طرح ایسے شیئرز ہولڈرز جن کے پاس سی ڈی سی اکاؤنٹ نہیں ہیں ان سے درخواست ہے کہ وہ اپنے بینک اکاؤنٹ کی تفصیلات کمپنی رجسٹرار کو بھجوادیں۔ شراکت داروں/ اسٹاک بروکرز یا پھر سی ڈی سی یا پھر اپنے شرکاء/ اسٹاک بروکرز کو اس ضمن میں مینڈیٹ فراہم کریں۔

۷۔ ای میل کے ذریعے مالی گوشواروں کی فراہمی

ایس ای سی پی کی ہدایت پر عمل کرتے ہوئے سالانہ آڈٹ شدہ کھاتے کاغذی شکل کی بجائے ای میل کے ذریعے ارسال کیے جاسکتے ہیں اس ضمن میں ممبران سے درخواست ہے کہ وہ ای میل کے ذریعے اپنی رضامندی معیاری فارم پُر کر کے ارسال کریں۔ یہ فارم کمپنی کی ویب سائٹ سے ڈاؤن لوڈ کیا جاسکتا ہے۔

تاہم، درخواست بھیجنے کی صورت میں کمپنی اپنے شیئرز ہولڈرز کو درخواست موصول ہونے کے سات روز کے اندر کاغذی شکل میں آڈٹ شدہ مالیاتی گوشواروں کی نقل فراہم کرے گی۔ کمپنی اپنے مالی گوشواروں اور رپورٹس کی تفصیلات سالانہ عمومی اجلاس کی تاریخ سے 21 دن قبل اپنی ویب سائٹ پر جاری کرے گی۔

۸۔ پتہ کی تبدیلی اور زکوٰۃ کی عدم کثوتی کا فارم

فریکل شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنے پتہ کی تبدیلی کے متعلق فوری اطلاع دیں اور ساتھ ہی قابل اطلاق ہونے کی صورت میں زکوٰۃ کی عدم کثوتی کے لئے فارم پُر کر کے کمپنی کے شیئرز رجسٹرار کو فراہم کریں۔ اس کے علاوہ، ایسے شیئرز ہولڈرز جن کے شیئرز سی ڈی سی یا شراکتی اکاؤنٹس میں ہیں وہ بھی اپنے پتہ کی تجدید کرائیں اور ساتھ ہی اطلاق کی صورت میں زکوٰۃ کی عدم کثوتی کا فارم پُر کر کے سی ڈی سی یا اسٹاک بروکرز کے پاس جمع کرائیں۔

۱۔ حصص کی منتقلی کی کتب کی بندش

کمپنی کے حصص کی منتقلی کے کتب مورخہ 19 اپریل 2017 سے 25 اپریل 2017 (بشمول ہر دو ایام) بند رہیں گے۔ ٹرانسفریرز کو حتمی منافع (ڈیویڈنڈ) اور سالانہ اجلاس میں شرکت کا اہل بنانے کے لئے ہمارے شیئرز رجسٹرار کا دفتر فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، نزد ہوٹل فاران، نرسری بلاک 6، پی ای سی ایچ ایس، شاہراہ فیصل، کراچی میں مورخہ 18 اپریل 2017 کو کاروباری اوقات کار کے اختتام تک موصول ہونے والی منتقلیاں باضابطہ اور بروقت شمار کی جائیں گی۔

۲۔ سالانہ عمومی اجلاس میں شرکت

تمام ارکان سالانہ عمومی اجلاس میں شرکت اور ووٹ دینے کا حق رکھتے ہیں۔ ایک ممبر جو اجلاس میں شرکت، اظہار خیال اور ووٹ دینے کا حق رکھتا ہے وہ اپنی جانب سے اجلاس میں شرکت، اظہار خیال اور ووٹنگ میں حصہ لینے کے لئے کسی پراکسی کو نامزد کر سکتا ہے۔ پراکسی کے لئے ضروری ہے کہ وہ کمپنی کا رکن ہو۔ ایک کارپوریٹ شناخت، بحیثیت رکن، اس بات سے قطع نظر کسی بھی شخص کو اپنا پراکسی مقرر کر سکتا ہے چاہے وہ رکن ہے یا نہیں۔ کارپوریٹ شخصیات کی صورت میں کمپنی میں بورڈ آف ڈائریکٹرز یا مینجمنٹ بورڈ آف آف اٹارنی پراکسی کے لئے نامزدگی فارم کے ہمراہ جمع کرانی جاسکتی ہے جس پر نمائندگی کے لئے نامزد کردہ شخص کے دستخط موجود ہوں اور یہ بھی درج ہونا چاہئے کہ وہ کارپوریٹ شناخت کی طرف سے ووٹنگ میں حصہ لے گا۔ پراکسی حضرات کو اجلاس کے موقع پر اپنا کمپیوٹر انزڈ شناختی کارڈ یا پھر اپنا پاسپورٹ پیش کرنا ہوگا۔

۳۔ پراکسی فارم

اجلاس میں شرکت کے لئے ضروری ہے کہ پراکسی فارم مکمل پُر کر کے کمپنی کے رجسٹرار دفتر 346 فیروز پور روڈ لاہور میں اجلاس کے انعقاد سے 48 گھنٹے قبل جمع کرنا ضروری ہے۔ پراکسی کے لئے فارم سالانہ رپورٹ کے ساتھ منسلک ہے اور اس پر دو گواہوں کے دستخط ہونا چاہیئے اور ساتھ ہی ان کا پتہ اور کمپیوٹر انزڈ شناختی کارڈ نمبر بھی درج ہونا چاہئے۔

۴۔ اپنا کمپیوٹر انزڈ شناختی کارڈ فراہم نہ کرنے والے شیئرز ہولڈرز کے لئے نوٹس

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے مورخہ اپریل 2013ء جو جاری کردہ سرکلر (ای ایم ڈی/ڈی ایم دوم/ایم آئی ایس سی/2009 - 1342) میں دی گئی ہدایت میں واضح کیا جا چکا ہے کہ منافع سرٹیفکیٹس کمپیوٹر انزڈ شناختی کارڈ کے بغیر جاری نہیں کیے جائیں گے۔ ایسے شیئرز ہولڈرز جن کے پاس فزیکل شیئرز موجود ہیں اور انہوں نے اپنا شناختی کارڈ تاحال جمع نہیں کرایا، ان سے درخواست ہے کہ وہ اپنے کمپیوٹر انزڈ شناختی کارڈ کی مصدقہ نقل اور اپنا فون نمبر کمپنی کے شیئرز رجسٹرار کو بھیجوا دیں۔ کمپنی شیئرز ہولڈرز کو ان کے شناختی کارڈ کی عدم دستیابی پر منافع بھیجنے سے قاصر ہوگی۔

۵۔ منافع سے انکم ٹیکس کی کٹوتی

حکومت پاکستان نے فنانس ایکٹ 2015 کے ذریعے انکم ٹیکس آرڈیننس 2001 کی شق 150 میں کچھ تبدیلیاں کی ہیں جن کے مطابق کمپنیوں کی جانب سے دیئے جانے والے منافع میں سے وہ ہولڈنگ ٹیکس کی کٹوتی کی جاتی ہے۔ یہ ٹیکس ریٹ اس طرح ہیں:

۱۔ انکم ٹیکس جمع کرانے والوں کے لئے کٹوتی کی شرح ساڑھے 12 فیصد ہوگی۔

۲۔ انکم ٹیکس جمع نہ کرانے والوں کے لئے کٹوتی کی شرح 20 فیصد ہوگی۔

(i) ایسے شیئرز ہولڈرز جن کے نام ایف بی آر کی ویب سائٹ پر سرگرم ٹیکس دہندگان کی فہرست میں موجود نہیں لیکن وہ باقاعدگی کے ساتھ اپنے ٹیکس گوشوارے جمع کراتے ہیں وہ فوراً اپنے نام کا اندراج ایف بی آر کی ایکٹو ٹیکس سیز زسٹ میں کرائیں تاکہ کمپنی ان کے منافع سے 20 فیصد کی بجائے ساڑھے 12 فیصد کٹوتی کرے۔ بصورت دیگر ان کے منافع سے ساڑھے 12 کی بجائے 20 فیصد وہ ہولڈنگ ٹیکس کٹوتی کی جائے گی۔

(ii) منافع کی آمدنی سے وہ ہولڈنگ ٹیکس کی کٹوتی سے استثنیٰ سرٹیفکیٹ یا پھر مجاز عدالت سے حکم امتناع کی نقل فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کی کتب کی بندش کے پہلے روز پیش کی جائے۔

(iii) مزید برآں، ایف بی آر کی جاری کردہ وضاحت کے مطابق، ایسے شیئرز ہولڈرز جن کے پاس مشترکہ شیئرز یا پھر مشترکہ سی ڈی سی اکاؤنٹ ہے، ان میں ہر جوائنٹ شیئرز ہولڈر کو فائلر اور نان فائلر کی حیثیت سے مذکورہ وضاحت کے مطابق علیحدہ شمار کیا جائے گا؛ مشترکہ شیئرز ہولڈرز کے منافع سے ان کے تناسب کے لحاظ سے کٹوتی کی جائے گی، ماسوائے ایسے

ایگزونیبل پاکستان لمیٹڈ چھٹے سالانہ عمومی اجلاس کی اطلاع

بذریعہ نوٹس مطلع کیا جاتا ہے کہ ایگزونیبل پاکستان لمیٹڈ کا چھٹا سالانہ عمومی اجلاس 25 اپریل 2017ء بروز منگل صبح ساڑھے دس بجے، مقام آواری ہوٹل، 87 شاہراہ قائد اعظم لاہور میں منعقد ہوگا جس میں مندرجہ ذیل امور نمٹائے جائیں گے۔

عمومی کارروائی

(۱) 26 اپریل 2016 کو منعقدہ پانچویں سالانہ عمومی اجلاس کے منٹس کی توثیق۔

(۲) 31 دسمبر 2016 کو ختم ہونے والے سال کے حسابات، آڈیٹ اور ڈائریکٹر صاحبان کی رپورٹس کی وصولی اور ان پر غور و خوض اور منظوری۔

(۳) ڈائریکٹر کی سفارشات کے مطابق 31 دسمبر 2016 کو اختتام پذیر ہونے والے سال کے لئے حتمی 65 فیصد کی شرح یعنی 10 روپے فی عام حصص کے حساب سے ساڑھے 6 روپے کے ہر حصص پر نقد منافع (ڈیویڈنڈ) کا اعلان، جو ان ممبران کو دیا جائے گا جن کے نام ممبرز رجسٹر میں 18 اپریل 2017ء تک درج ہوں گے۔

(۴) کمپنی کے آڈیٹرز کا تقرر اور ان کے معاوضے کا تعین۔

خصوصی کارروائی

(۵) کمپنی کے آرٹیکلز آف ایسوسی ایشن میں ترمیم کی خاطر مندرجہ ذیل قرارداد کو خصوصی قرارداد کا درجہ دے کر غور کیا جائے گا اور اس میں کسی بھی اضافے، ترمیم یا کسی بھی ترمیم کے بعد موزوں محسوس ہونے پر اس کی منظوری دی جائے گی۔

اس عزم کا اظہار کیا جاتا ہے کہ کمپنیز آرڈیننس 1984 کی شق 28 اور دیگر متعلقہ شقوں کے مطابق، آرٹیکل آف ایسوسی ایشن آف کمپنی میں موجود آرٹیکل 119(1) کے بعد ایک نیا آرٹیکل 119(1)(i) شامل کیا جا رہا ہے۔

برقی ذرائع (سی ڈی/یو ایس بی/ڈی وی ڈی) کے ذریعے سالانہ آڈٹ شدہ کھاتوں کی ترسیل کے لئے نئی شق 119(1)(i)

کمپنی کے شیئر ہولڈرز کو سالانہ آڈٹ شدہ کھاتوں کے اجراء اور ان کی فراہمی (یعنی کہ سالانہ بیلنس شیٹ، نفع و نقصان کے کھاتے، آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ) کے لئے کاغذی ذرائع کی بجائے سی ڈی/ڈی وی ڈی/یو ایس بی/ای میل جیسے ذرائع استعمال کیے جائیں گے قطع نظر اور متصادم شقوں کے باوجود، جس کا ذکر سیکورٹیز ایکچینج کمیشن آف پاکستان نے وقتاً فوقتاً کیا ہے، اس آرٹیکل میں شامل سمجھا جائے گا۔

اس کے علاوہ اس عزم کا اظہار کیا جاتا ہے کہ مذکورہ بالا قرارداد پر سہوایا اتفاقاً عملدرآمد کرانے کے لئے چیف فنانشل آفیسر اور کمپنی سیکرٹری کو تمام ضروری اور ممکن اقدامات کرنے اور قانونی ضروریات و تقاضوں کو پورا کرنے اور ضروری دستاویزات جمع کرانے کا اختیار دیا جاتا ہے۔

(۶) اس کے علاوہ کوئی اور نقطہ چیئر مین کی اجازت کے ساتھ زیر بحث لایا جاسکتا ہے۔

4 اپریل، 2017

لاہور

Sana Shah

بجلم بورڈ

سارا شاہ

کمپنی سیکریٹری

ڈائریکٹرز کی حاضری

سال کے دوران، بورڈ آف ڈائریکٹرز کے 6، آڈٹ کمیٹی کے 7 اور افرادی قوت اور مراعات کمیٹی کے 12 اجلاس منعقد ہوئے۔ ہر ڈائریکٹر اسی ایف او/کمپنی سیکریٹری کی حاضری کا احوال ذیل میں پیش کیا جا رہا ہے:

نمبر شمار	ڈائریکٹر کا نام	بورڈ آف ڈائریکٹرز کی حاضری	آڈٹ کمیٹی کی حاضری	ایچ آر او ریونیویشن کمیٹی کی حاضری
1	مسٹر معین افضل	6	7	2
2	مسٹر ضیاء الرحمن	6	7	-
3	مسٹر جہانزیب خان (چیف ایگزیکٹو افسر)	6	-	2
4	مسٹر حارث محمود (چیف فنانس افسر)	6	4	-
5	مسٹر پیار ملہنسن	3	-	2
6	مسٹر بارت کاسٹر	6	7	-
7	مسٹر خلیل فرانس	3	7	-
8	مسٹر سیس ٹین ٹین	1	-	-
9	مس سارا شاہ (کمپنی سیکریٹری)	4	-	-
10	مسٹر ریحان حامد (سیکریٹری آڈٹ کمیٹی)	-	4	-
11	مسٹر عثمان علی جمیل (سیکریٹری آرائیڈ آر کمیٹی)	-	-	2

مسٹر پاملہنسن اور مسٹر خلیل فرانس نے 26 اکتوبر 2016ء کو استعفیٰ دیدیا اور مسٹر جرمی روا اور مسٹر سہس ٹین ٹین نے 27 اکتوبر 2016ء کو بورڈ میں شمولیت اختیار کی۔ ایسے ڈائریکٹرز کی رخصت منظور کی گئی جو بورڈ کے کچھ اجلاسوں میں شرکت نہ کر پائے۔

ڈائریکٹرز کی ٹریننگ

مسٹر ضیاء الرحمن نے ڈائریکٹرز ٹریننگ پروگرام کا سرٹیفکیٹ کورس مکمل کیا، یہ ٹریننگ پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کی جانب سے 2016ء میں منعقد کرائی گئی تھی۔ مسٹر معین افضل، مسٹر جہانزیب خان اور مسٹر حارث محمود پہلے ہی گزشتہ برسوں میں اپنی ٹریننگ مکمل کر چکے ہیں۔

شیر ہولڈنگ کا نمونہ

31 دسمبر 2016ء تک کمپنی میں شیر ہولڈنگ کے نمونے کے متعلق گوشوارہ بشمول اضافی معلومات صفحہ نمبر 54 تا 56 پر موجود ہے۔ آئی سی آئی او مکران پی وی (ایکویٹیبل گروپ کمپنی) کے پاس 75.81 فیصد شیرز تھے جبکہ اداروں کے پاس 9.24 فیصد اور افراد اور دیگر کے پاس باقی ماندہ یعنی 14.95 فیصد شیرز تھے۔ 2016ء کے درمیان ایک شیر کی زیادہ سے زیادہ قیمت 263.42 روپے اور کم سے کم قیمت 167.06 روپے رہی۔ سال کے دوران کمپنی کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری اور ان کے اہل خانہ اور بچوں کا شیرز کے لین دین سے کوئی تعلق نہیں رہا۔

Ullman

جہانزیب خان
چیف ایگزیکٹو

Maqel

معین افضل
چیئر مین

لاہور

فروری 28، 2017

● کمپنی کے کھاتوں کی کتب کو مناسب انداز میں تیار رکھا گیا ہے۔

● مالی گوشواروں کی تیاری کے دوران کھاتہ داری کی موزوں پالیسیوں کا استعمال کیا گیا اور کھاتوں کے متعلق اندازے منطقی فیصلوں کی بنیاد پر قائم کیے گئے ہیں۔

● مالی گوشواروں کی تیاری کے دوران اُن تمام بین الاقوامی مالیاتی رپورٹنگ کے معیارات کا خیال رکھا گیا ہے جن کا اطلاق پاکستان میں بھی ہوتا ہے اور جن معاملات میں بھی کہیں بھی ان سے انحراف کیا گیا ہے تو اس کا انکشاف بھی واضح انداز سے کیا گیا ہے۔

● اینٹرنل کنٹرول کا نظام ڈیزائن کے لحاظ سے موزوں و مناسب ہے اور اس پر موثر انداز سے عمل کیا جا رہا ہے اور اس کی نگرانی کی جارہی ہے۔

● کمپنی کے مستقبل اور اس کی صلاحیت کے حوالے سے کسی طرح کے شکوک و شبہات نہیں پائے جاتے۔

● کارپوریٹ گورننس کے معاملے میں کمپنی کے طرز عمل میں کسی طرح کی کوئی تبدیلی نہیں کی گئی جس کا ذکر لسٹنگ ضابطوں میں بھی کیا جا چکا ہے۔

● گزشتہ چھ سال کے مالیاتی اور آپریٹنگ ڈیٹا کا خلاصہ صفحہ نمبر 52 اور 53 پر موجود ہے۔

● واجب الادا ٹیکسوں اور لیوی کے متعلق معلومات مالیاتی گوشواروں کے نوٹس میں موجود ہے۔

● کمپنی کی انتظامیہ بہترین کارپوریٹ گورننس کیلئے پرعزم ہے اور بہترین طرز عمل جاری رکھنے کیلئے مناسب اقدامات کیے جا رہے ہیں۔

ریٹائرمنٹ کی سہولتوں میں سرمایہ کاری

اسٹاف ریٹائرمنٹ فنڈ کے انتظامات فنڈز کے ٹرسٹیز سنبھالتے ہیں اور 31 دسمبر 2015 کو ختم ہونے والے سال کیلئے ان کی جانب سے تیار کردہ آڈٹ شدہ مالی گوشواروں کے مطابق سرمایہ کاری کی حد ذیل میں پیش کی جارہی ہے۔

۱۔ ایکروٹوبل پاکستان لمیٹڈ منجمنٹ اسٹاف پراویڈنٹ فنڈ	234 ملین روپے
۲۔ ایکروٹوبل پاکستان لمیٹڈ منجمنٹ اسٹاف گریجویٹ فنڈ	132 ملین روپے
۳۔ ایکروٹوبل پاکستان لمیٹڈ منجمنٹ اسٹاف پنشن فنڈ	178 ملین روپے
۴۔ ایکروٹوبل پاکستان لمیٹڈ منجمنٹ اسٹاف طے شدہ حصہ برائے ریٹائرمنٹ فنڈ	120 ملین روپے
۵۔ ایکروٹوبل پاکستان لمیٹڈ نان منجمنٹ اسٹاف پراویڈنٹ فنڈ	32 ملین روپے

صحت، تحفظ اور ماحول

کمپنی نے صحت، تحفظ اور ماحول کے حوالے سے اپنے بھرپور عزم کا اظہار کر رکھا ہے اور کسی بھی نقصان کے بغیر سال مکمل کیا ہے۔ آپریٹنگ لحاظ سے ماحول دوست پالیسی اختیار کرتے ہوئے، خطرناک فضلے کی پیداوار میں 22 فیصد کمی کی گئی۔ رویہ کی بنیاد پر تحفظ (بی بی ایس) کے پروگرام، جو چوٹ اور زخم سے بچنے کے لئے لوگوں کے رویوں پر اثرات مرتب کرنے کے متعلق ہے میں تسلسل آ رہا ہے اور اس پروگرام پر عملدرآمد کراتے ہوئے ہم نے سائٹ پر تحفظ کا معیار بہتر کیا ہے۔ یہ اس بات کی علامت ہے کہ ہم صحت، تحفظ کے معاملے میں اپنے عزم پر قائم ہیں اور اسے اپنی ترجیحات میں شامل رکھتے ہیں۔

کاروباری کارکردگی

ڈیکور یوٹینٹ کے شعبے میں مقابلہ بدستور جارحانہ رہا اور بڑے کھلاڑیوں نے خام مال کی کم قیمتوں سے ہونے والی بچت کو چینل پارٹنرز اور اثر رسوخ رکھنے والوں پر سرمایہ کاری میں استعمال کیا اور انہیں بڑے ڈسکاؤنٹ اور پروموشن اسکیموں کی پیشکش کی۔ آپ کی کمپنی نے نئی پروموشن اسکیمیں متعارف کرائیں تاکہ تجارتی چینل کو مصروف عمل رکھا جاسکے اور سال کے دوران وائٹم میں اضافہ حاصل کیا جاسکے۔ اس کے علاوہ مارکیٹ میں جدت لانے والے لیڈر کی حیثیت سے اپنی پوزیشن کو مضبوط کرنے کیلئے آپ کی کمپنی نے کامیابی کے ساتھ آئی سی آئی ڈیوٹکس ویلوٹ ٹچ کے نام سے پراڈکٹ متعارف کرائی جو خصوصی صلاحیت کا حامل اندرونی دیواروں پر لگایا جانے والا رنگ ہے۔ میڈیا میں ہماری مہم ملک کے تمام بڑے ٹی وی اور ریڈیو چینلز پر جاری رہی تاکہ برانڈ کو مجموعی لحاظ سے مضبوط کیا جاسکے۔

کمپنی نے ٹریڈرز اور حفاظتی کوئٹنگ کے شعبے میں مواقع کا فائدہ اٹھایا اور بہتر افزائی شرح حاصل کی۔ خصوصی کیمیائی مواد کے پورٹ فولیو میں بھی اچھی افزائش رہی اور کمپنی نے اپنی توجہ مصنوعات کی رینج میں اضافے اور اپنے پورٹ فولیو میں نئے صارفین کو شامل کرنے پر توجہ مرکوز رکھی۔

مستقبل کا جائزہ

آگے کی جانب دیکھیں تو میکرو اکنامک اشاریے مثبت معاشی صورتحال کا اشارہ دے رہے ہیں۔ پاک چین اقتصادی راہداری کے تناظر میں طلب کا بڑھنا، کم افراط زر اور سود کی شرح کے ساتھ توانائی کے شعبے میں بہتری کی وجہ سے ملک میں سرمایہ کاری دوست ماحول پیدا ہو رہا ہے۔

مارکیٹ میں اپنے حصہ میں اضافے کیلئے کمپنی اپنا جارحانہ رویہ برقرار رکھے گی تاکہ برانڈ کو بہتر بنانے اور مصنوعات کے فروغ کے اقدامات پر سرمایہ لگایا جاسکے تاکہ عوام میں آئی سی آئی ڈیوٹکس کے حوالے سے آگہی پیدا کی جاسکے اور ریشیل چینل میں اپنا حصہ برقرار رکھا جاسکے۔

حفاظتی کوئٹنگ اور خصوصی کیمیائی مواد کے حوالے سے نئی مصنوعات متعارف کرانے اور کسٹمر ڈویلپمنٹ کے ذریعے کمپنی کے لئے قلیل مدتی سے لے کر وسط مدتی عرصہ کیلئے ممکنہ طور پر بہتر نتائج حاصل کیے جاسکیں گے۔

اعتراف

ہم اپنی کمپنی کے ملازمین کی وابستگی اور اپنے صارفین کی مسلسل سرپرستی پر اپنی پسندیدگی کو ریکارڈ پر لانے کے خواہش مند ہیں جنہوں نے ہماری مصنوعات پر بھروسہ کیا اور جنہوں نے کمپنی کی ترقی کو یقینی بنانے کے لئے اپنی قابل بھروسہ حمایت جاری رکھی۔ ہم اپنے انتہائی معزز اور محترم سپلائرز، ٹریڈنگ پارٹنرز، مینکرز اور تمام اسٹیک ہولڈرز سے ملنے والے تعاون اور حمایت کی بے انتہا قدر کرتے ہیں، جو کمپنی کی مسلسل افزائش کے لئے مدد کرتے ہوئے اپنا حصہ ادا کر رہے ہیں۔ اس طرح ہمیں لوگوں کی زندگی کو مزید جمالیاتی انداز میں رنگین بنا کر اپنے وطن میں معیار زندگی کو بڑھانے میں مدد مل رہی ہے۔

آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس اپنی مدت مکمل کر رہے ہیں اور اہل ہونے کی حیثیت سے وہ دوبارہ تقرر کیلئے اپنی خدمات پیش کرتے ہیں۔

کارپوریٹ گورننس کے ضابطے پر عملدرآمد

ملک کے اسٹاک ایکسچینج کے لسٹنگ قواعد میں وضع کردہ کارپوریٹ گورننس کے ضابطے کے مطابق، ڈائریکٹرز کا کہنا ہے کہ:

- کمپنی کی انتظامیہ کی جانب سے تیار کیے جانے والے مالی گوشوارے کمپنی کی حالت اس کے اقدامات کے نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کا منصفانہ جائزہ پیش کرتے ہیں۔

ڈائریکٹرز رپورٹ (31 دسمبر 2016ء کو ختم ہونے والے سال کیلئے)

31 دسمبر 2016 کو ختم ہونے والے سال کیلئے کمپنی کے مالی گوشواروں کے ساتھ سالانہ جائزہ پیش کرتے ہوئے آپ کے ڈائریکٹرز انتہائی مسرت کا اظہار کرتے ہیں۔

جائزہ

بہتر ہوتی سیکورٹی صورتحال اور بدستور کم ہوتے افراط زر کی شرح کے تناظر میں پاکستان کی معیشت مثبت اشارے دے رہی ہے۔ ہمیں یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ کمپنی نے صارفین کے ساتھ مل کر کام کرنے اور برانڈ کو بہتر کرنے کے اقدامات کے نتیجے میں گزشتہ سال کے مقابلے میں اس سال ٹرن اوور 7 فیصد زیادہ یعنی 7.7 ارب روپے رہا۔ خام مال کی قیمتیں کم رہیں جس کی وجہ سے گزشتہ سال کے مقابلے میں منافع میں 8 فیصد اضافہ ہوا۔ مسابقتی سطح برقرار رکھنے کے لئے کمپنی نے موثر پروموشن اسکیمیں متعارف کرائیں اور میڈیا پر مہم چلائی؛ نتیجتاً فروخت اور ترسیل کے اخراجات گزشتہ سال کے مقابلے میں 13 فیصد زیادہ رہے۔ نتیجتاً آپریٹنگ منافع گزشتہ سال کے مقابلے میں 4 فیصد زیادہ یعنی 675 ملین روپے رہا۔

آمدنی کے دیگر ذرائع گزشتہ سال کے مقابلے میں 26 فیصد کم رہے جس کی وجہ 2015 کے پروویژن کاؤن آف ریورسل تھا جس کی مزید ضرورت نہیں تھی۔ اس طرح فی شیئر آمدنی 10.57 روپے رہی جو گزشتہ سال کے مقابلے میں 9 فیصد کم ہے۔

کمپنی نے ٹیکس محصولات اور دیگر واجبات کی مدد میں 2016 میں قومی خزانے میں 1.09 ارب روپے جمع کرائے۔ 2015 میں بھی اتنی رقم جمع کرائی گئی تھی۔

مالیاتی کارکردگی
(ملین روپے میں)

اضافہ (کمی)	2015	2016	
7 فیصد	7,171	7,684	ٹرن اوور
4 فیصد	4,927	5,137	خالص فروخت
8 فیصد	2,018	2,182	خالص منافع
4 فیصد	648	675	آپریٹنگ منافع
منفی 4 فیصد	804	772	ٹیکس سے قبل منافع
منفی 9 فیصد	539	491	ٹیکس کے بعد منافع
منفی 9 فیصد	11.61	10.57	فی شیئر آمدنی روپے میں

منافع

کاروباری امکانات کو دیکھتے ہوئے اور کمپنی کی نقدی کے بہاؤ کی ضرورت پر غور کرتے ہوئے، بورڈ آف ڈائریکٹرز فی عام شیئر پر ساڑھے 6 روپے کے حتمی منافع کی تجویز پیش کرتے ہوئے خوشی محسوس کر رہے ہیں، یہ 31 دسمبر 2016 کو ختم ہونے والے مالی سال کیلئے 65 فیصد ہے۔