AkzoNobel

Akzo Nobel Pakistan Limited

A

Report 2019

Dulux SPICED HONEY

COLOUR OF THE YEAR 2019

Spiced Honey has a warm amber tone that perfectly captures our 'Let the Light in' theme. It can be calming and nourishing or more stimulating and energising, depending on the light and colours surrounding it. Truly versatile and contemporary, our Colour of the Year for 2019 complements a broad spectrum of life and interiors styles and is the ideal choice for reflecting our new sense of optimism.

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CHAIRMAN'S REVIEW REPORT

Dear shareholder,

I am pleased to present our annual report for the year ended December 31, 2019.

It was a challenging year for both Pakistan's economy and the company. The year was marked by significant rupee devaluation against major currencies, and by declining GDP growth rates. Despite these formidable challenges, the company posted profits of PKR 549 million (2018: PKR 387 million). This was possible with careful cost cutting, and through appropriate sale price adjustments for our products.

We also constantly reviewed aspects of our financial reporting framework, in order to ensure that the company remained in line with both the latest regulatory requirements and best practices in the industry.

During the year, we continued to bring diverse skills and capabilities to the Board of Directors. We welcomed Mr. Frederic Moreux* – AkzoNobel's Asia Manufacturing Director, based in Bangkok – as a non-executive Director, with effect from September 26, 2019. A thorough review of the Board and its committees was also conducted through our internal Board Evaluation Process, developed in line with accepted global practices for evaluating Board performance. As a result of this evaluation, an action plan is now underway.

I would like to thank all AkzoNobel Pakistan Limited employees and our business partners for their hard work throughout 2019, as well as extending our appreciation to our shareholders and customers for their continued support. We look forward to delivering for our shareholders again in 2020, despite the challenges presented by a macro-economic environment which is likely to provide limited purchasing power to our customers.

Mueen Afzal
Chairman

*See page 27

CHIEF EXECUTIVE STATEMENT

2019 has been a good year for AkzoNobel Pakistan and its stakeholders. The company managed to post very strong growth in profitability (operating profit up by 33.7% and EPS up by 41.8% vs. SPLY) with a slight drop in turnover of 2.9% versus SPLY (reduced to 1.5% dip in a like to like comparison, net of the divested chemicals business). The results are particularly satisfying when measured against the overall economic situation of the country, characterised by turbulence and uncertainty. At the same time, we continued to play our part in supporting the government treasury by being the highest tax payer of our sector with more than PKR 1 billion in duties and taxes during the year.

2019 proved to be a tough year for the Pakistan economy, characterised by rising interest rates, inflation and raw material costs coupled with a depreciating rupee. At the same time, the government took courageous but much needed decisions in order to document the economy. For our sector, the introduction and enforcement of CNIC requirement for purchases above a threshold and inclusion of Paints in the 3rd schedule of Sales Tax Act had the biggest impact. We believe that these are positive steps for our sector and the overall economy for the long term. However, they have had a short-term negative impact on our sector, resulting in reduction of pipeline stocks and a general dampening of trade sentiment. Fortunately, AkzoNobel Pakistan was able to weather this storm due to the transformation started last year. The two main legs of this transformation, structured pricing initiative and robust cost discipline, continued to bear fruit in the current year with amplified results.

In continuation of our drive to be the innovation leader, waterproofing category was launched under the brand name of "Dulux Aquashield", a flexible waterproof basecoat. We believe this was a much-needed category in the local market and will help us strengthen our product portfolio. Another first, was the introduction of our "Far Away Places" concept product on the e-commerce platform, Daraz. 2019 also saw a long-awaited livery refresh of our Hero brand "Dulux Weathershield" with a new and improved formulation that offers 2X protection against algae and fungus and offers a 6-year performance warranty. This relaunch has helped us cement our position in the premium segment of the market. On the coatings front, we were able to secure pre-treatment business at Hyundai Nishat Motors, a new entrant in the Pakistani automotive market.

In line with our global mission of serving our communities, we continued our partnership with SOS Children's villages in Pakistan. A session was held to engage the older children and increase their employability through mentoring, plant visits, and hands-on training. At the same time we donated 48,000 Euros to be used for uplifting living spaces of vulnerable youth from the SOS Children Village Lahore. In addition, we also partnered with The Citizen's Foundation for a plant visit to help the children get acquainted with paint production process.

Our Code of Conduct continues to guide us though our core principles – Safety, Integrity and Sustainability. The company completed the year with just one safety incident involving a sales promoter, who was slightly injured during an attempted robbery attempt, while visiting one of our customers. During the year, we continued to strengthen our Behavior Based Safety (BBS) program. I am also proud to report that we were able to inaugurate the 460 KW Solar Power Project on the Site. This is part of our sustainability drive and helps reduce 387,000 kg of CO2 emissions per year.

An important development took place in November this year, when the majority shareholder of the company; ICI Omicron BV declared its intention to buy-back the outstanding shares in the market from minority shareholders. After much deliberation, the Board agreed to this proposal and a market announcement was made to this effect. The Board of Directors has authorised the majority shareholder to engage with the PSX to arrive at a buy-back price for the minority shareholders.

The continued guidance and support by our Board of Directors is a key element of our success. I am thankful for the same and look forward to this positive relationship.

As always, I would like to thank our stakeholders; customers, consumers, suppliers and channel partners, whose support has helped us in achieving these results. Most of all I wish to acknowledge the hard work of our employees and wish to extend my gratitude to them and their families for their support. The results are a testament to their belief in the company and their relentless hard work.

Saad Mahmood Rashid
Chief Executive

OUR STRATEGY WINNING TOGETHER: 15 BY 20

OUR GLOBAL STRATEGY

We're global experts in the proud craft of making paints and coatings, setting the standard in color and protection since 1792. Our passion for paint means our world class portfolio of established brands is trusted by customers around the globe. By investing in innovation, sustainable solutions, organic growth and bolt-on acquisitions, we intend to create long-term value for all our stakeholders and become the reference in paints and coatings.

We're building our future on solid foundations – our long and proud heritage, our core principles and our values. Our success will be driven by our passion for paint, precise processes, powerful performance and proud people. We have adopted a laser sharp focus towards delivering on our Winning together: 15 by 20 ambition as we continue our transformation into a focused paints and coatings company.

Our commercial teams are organized into business units, reporting to the Chief Operating Officer. Each business unit has a clear mandate to deliver on our 15 by 20 ambition. The integration of all supply chain activities (including manufacturing and distribution) into a single, global Integrated Supply Chain (ISC) organization, has been a major transformation. We're leveraging our scale and functional expertise more effectively, as well as accelerating continuous improvement through our AkzoNobel Leading Performance System (known as ALPS).

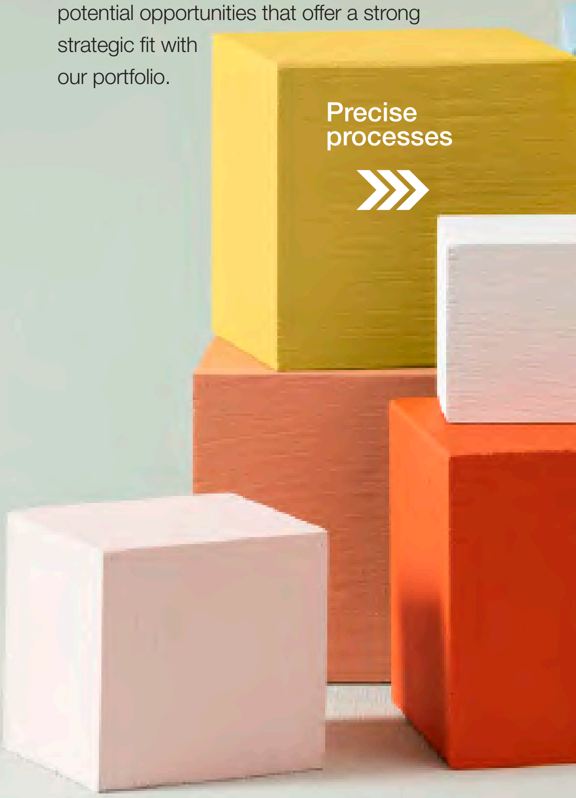
PUTTING PRECISE PROCESSES IN PLACE

To ensure people across our organization can efficiently collaborate, we continue to invest in standardizing processes and aligned systems. Integrated Business Planning (IBP), a monthly decision-making process, results in a single operating plan and financial forecast for the company. During 2019, we also put more focus on our key end-to-end processes, using reliable, real-time information for decision-making and hardwiring cost consciousness. This will enable us to drive further efficiencies, improve transparency and lower the cost of getting products to our customers.

The deployment of one common ERP (enterprise resource planning) system across all businesses is progressing well, enabling further cost savings and better management of operations and performance. In addition, we continue to deliver significant cost savings by streamlining our support functions – for example by transferring activities to Global Business Services (GBS). Our Transformation Office is continuing to track all initiatives to ensure accountability of different teams for delivering cost savings and implementing new ways of working across the organization.

BUILDING ON OUR PASSION FOR PAINT

Our strategy is to build on our existing foundation by focusing on our strong brands, leading market positions, customer intimacy and innovation capabilities. We're targeting acquisitions to boost our presence in key markets, generate synergies and give us access to new technologies. In 2019, we strengthened our global position in aerospace coatings – notably in the structural and cabin coatings sub-segments – with the acquisition of Mapaero. We also announced the intended acquisition of Mauvilac Industries, a leading paints and coatings company in Mauritius. We continue to actively manage a pipeline of acquisition targets to proactively pursue potential opportunities that offer a strong strategic fit with our portfolio.



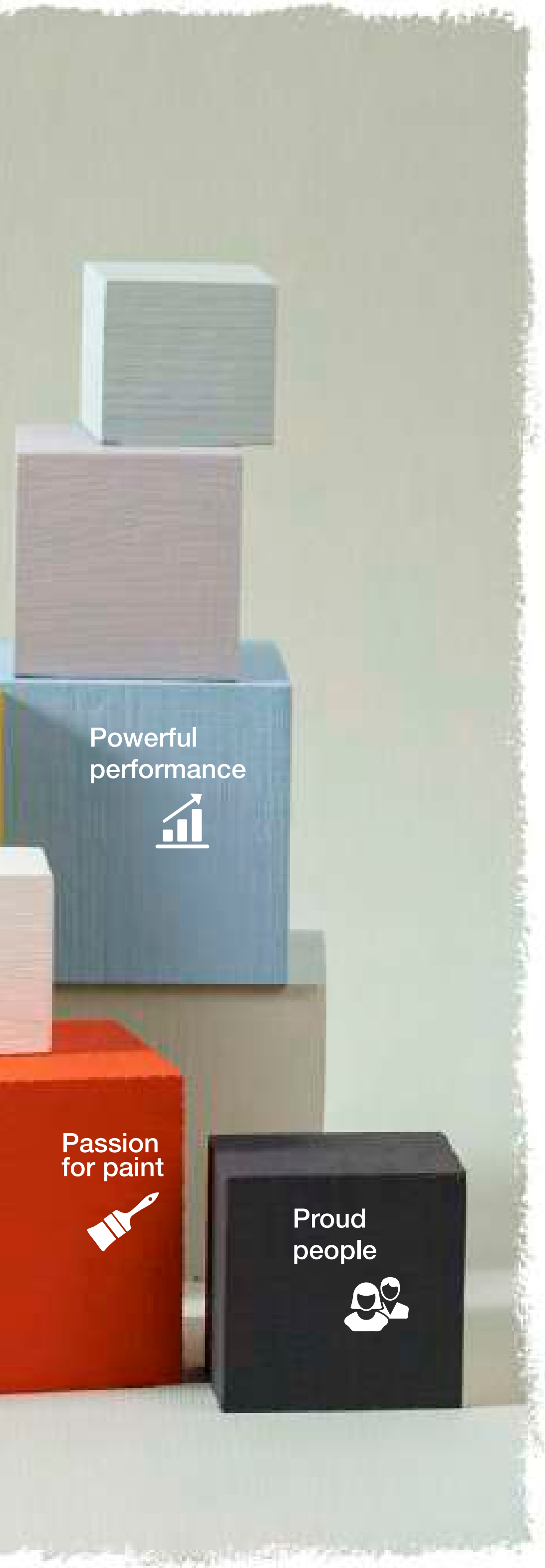
PROUD PEOPLE PUSHING THE BOUNDARIES OF INNOVATION

Innovation is fundamental to our success. Our innovation group is led by our Chief Technology Officer and brings together the combined know-how of global experts who work on one, unified innovation road map. For us, innovation means going beyond conventional expectations, going beyond the imagination of our customers and going beyond generations. A recent example of this is our Awlgrip HDT (high definition technology) topcoat, which combines protection, high performance and a stunning, long-lasting finish, all without sacrificing convenience during application.

Digital innovation is a key component. A great example of this was the two digital color innovations we introduced to the industrial and professional paint markets during 2019. Handy and compact, both the new Color Sensor and ColorFinder interact with a mobile phone to enable painters to find a precise color match for their clients in just seconds. We're also leading the paints and coatings industry through our Paint the Future innovation ecosystem. We began by launching an industry-first global startup challenge, which proved to be a big success. This was followed towards the end of the year by an open collaboration event with a wide range of selected suppliers. Encouraged by this success, we are now taking Paint the Future to the next level by staging a regional startup challenge in Brazil in early 2020.

SUSTAINABILITY DRIVING BUSINESS SUCCESS

Sustainability is a core principle and shapes what happens at AkzoNobel every day. Our new holistic approach to sustainability is called "People. Planet. Paint." It's designed



to demonstrate the positive benefits of our products and services and how we can reduce the environmental impact of our own operations, along with those of our suppliers, customers and society in general. We continue to focus on actions aligned with the most relevant UN Sustainable Development Goals (SDGs). We aim to remain the sustainability leader in the paints and coatings industry, offering the most sustainable and best performing portfolio of products to our customers.

FOCUSED ON POWERFUL PERFORMANCE

In 2019, we again showed that we're delivering on our promises. We demonstrated an impressive improvement in financial performance on the previous year, despite a soft macro-economic environment. We completed the promised €2.5 billion share buyback plan and announced a new share buyback of €500 million, to be completed in the first half of 2020. Our cost discipline has delivered significant savings, while pricing initiatives also compensated for higher raw material costs.

OUR LOCAL STRATEGY

AkzoNobel Pakistan, being a part of the Akzo-Nobel group, builds on the global strategy in the local context.

Our vision is to "Establish AkzoNobel Pakistan as the first choice for all our stakeholders" through our transformation story:

Our Purpose

LEAD AN **ENGAGED** ORGANIZATION THROUGH **COLLABORATION** BY UTILIZING OUR **DIVERSE** CAPAPBILITIES TOWARDS A COMMON **GOAL**

Our Priorities & Goals

ACCELERATE PROGRESS ON MUST WIN BATTLES

- **Accelerated Pricing**
- **Introduction of Professional Didtributors**
- **Win in Premium**
- **Organizational Health Index**
- **Fit for Purpose Organization**

CODE OF CONDUCT AND LEADERSHIP BEHAVIORS

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

Growing with AkzoNobel

We believe that we can only grow our business as fast as we grow our people. To help make this happen, we're committed to helping our colleagues accelerate their development and make the most of the opportunities on offer in our multinational business. Here are a few highlights of some of our talent management initiatives:

PERFORMANCE AND DEVELOPMENT

My P&D is AkzoNobel's global performance appraisal and employee development program, the key aim of which is to improve the performance of both our employees and the company as a whole. All employees are required to participate. It involves employees being asked to define a series of personal and professional objectives for the year ahead. Together with their manager, they develop a plan for achieving them. Performance against these objectives is used as input for annual performance appraisal and salary review.

ORGANIZATIONAL HEALTH INDEX

We think of organizational health as more than just culture or employee engagement. It's the company's ability to align around a common vision, execute against that vision effectively and renew itself through innovation and creative thinking.

It's our aim to be the reference in paints and coatings. While our Winning together: 15 by 20 ambition (15% return on sales* (ROS) by 2020) provides great focus to improve our financial performance now we want to ensure we can drive sustainable performance over the long term.

To deliver a leading performance, we all are required to find new and better ways of doing business and realize the importance of transformation and changing with the dynamic work environment. Employee engagement is one of our strategic ambitions. In order to monitor our progress in this important area, we ask all our employees to complete our quarterly Insight survey, which focuses on our wider organizational health. While filling in the survey is important, engagement is not about meeting a specific metric or "hitting a number". Having good discussions about how we can improve our workplace and agreeing and following through on our action plans are the most important factors in making AkzoNobel a better place to work.

DIVERSITY & INCLUSION

To support the creation of a diverse and inclusive work environment, we've had a Diversity and Inclusion program in place since 2008, and have dedicated staff working to ensure we achieve our goals.

AkzoNobel strives to reflect the diversity of the society and markets in which it operates. Not just because this is fair, but also because it can work in our favor, helping us to understand our customers just that little bit better. Whatever business we are in, and whatever country we're based in, we want to make sure that the maximum contribution has been made to the company, irrespective of age, gender, ethnic background, religion, disability, sexual orientation or religion. At AkzoNobel, it's talent and contribution that count.

AkzoNobel will continue to be a leading global paints and coatings company by ensuring that our business and our employees become a true reflection of the regions in which we operate. We aim to embrace the full spectrum of cultures, perspectives and ideas that make up the regions we serve – while staying true to our strong company values. A company full of people from different backgrounds, and who think in different ways, broadens everyone's horizons and gives more possibilities to grow both ourselves and our business. Fostering diversity on a global scale is therefore a business enabler that will bring great emotional and economic benefits to AkzoNobel.

* Excluding unallocated corporate center costs; assumes no significant market disruption

HSE AND SUSTAINABILITY

At AkzoNobel, sustainability is one of our core principles. That's why we take action every day by empowering our people, reducing our impact on the planet and consistently innovating to deliver sustainable solutions to our customers. It's about focusing on the things we can truly influence.

HEALTH, SAFETY AND ENVIRONMENT PERFORMANCE

We strive to achieve leading performance in health, safety, environment and security (HSE&S). Our vision is to deliver zero injuries and harm through operational excellence. Our strategic HSE&S priorities are aligned with the company's Winning together: 15 by 20 ambition and are focused on driving:

- Continuous improvement of HSE&S processes to achieve leading maturity levels
- The implementation of an integrated HSE&S management system to drive continuous improvement and maintain best-in-class performance
- A commitment-based HSE&S culture and embedding operational excellence to achieve our vision of zero injuries and harm

ONE SAFETY MISSION:

Our vision

Our vision is ZERO injuries and zero serious incidents.

Our beliefs

- The value and values agendas 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 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 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

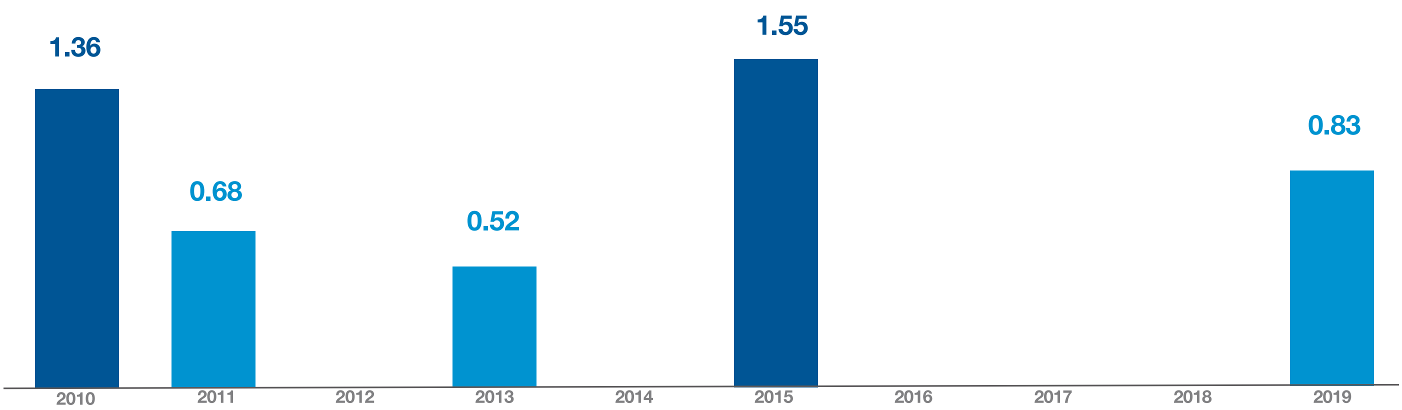
AkzoNobel Pakistan believes in, and is committed to, improving its Health, Safety, Environment and Security and product stewardship performance in order to achieve sustainable HSE&S operational excellence.

Three core safety processes – People Safety, Process Safety and Product Safety – across the organization are ensured through an HSE&S Management System integrated with the company's organization scheme. Process Safety Management and Behavior-Based Safety are two key components of the core safety processes and we are on track for continuous improvement, with a focus on achieving and sustaining leading levels.

Process Safety Management

We have prepared process hazard reviews in line with PSM requirements and completed the PHR(s) as per the plan in 2019 for its critical operations.

Total reportable injury rate



Total reportable incidents per million man hours worked by employees and supervised contractors

Achievements during 2019

Self-assessment questionnaire maturity assessment (SAQ)

The self-assessment questionnaire (SAQ) is a tool developed and implemented across AkzoNobel to assess and improve safety standards in a systematic and standardized way. AkzoNobel Pakistan is using this tool on a yearly basis to assess its safety performance and standards, analyze gaps and implement improvements to embed and sustain its safety culture. AkzoNobel Pakistan had an SAQ corporate audit planned in October 2019 and targeted achieving a score of 6.9. The corporate audit score achieved was 6.7 and site performance was appreciated in terms of the understanding regarding SAQ and implementation of safety systems.

Process Safety Management System (PSM)

Process Safety Management 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 21 building blocks, which are categorized according to 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 processes such as stakeholder outreach, safety audits and emergency response planning and safe working practices.

PSM also addresses the safety aspects of machinery and the interactions of personnel with plant equipment. Due the nature of processes and operations, AkzoNobel Pakistan is a PSM critical site. In 2014, PSM framework training was conducted by PSM experts in which an introduction and the basic building blocks of PSM were discussed. In 2015, a complete PSM scan was carried out by global PSM specialists, who assessed different plant processes and procedures. After the scanning process, a comprehensive plan was prepared. In 2016, AkzoNobel Pakistan achieved an integrated level in the PSM audit. AkzoNobel prepared process hazard reviews (PHRs) for its critical areas in 2019 and completed all the reviews as per plan.

Global Safety Day 2019

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 a theme "Handle with care". The theme was inspired by the idea that safety is paramount - wherever you are. Even though we have been able to improve our safety performance year on year at AkzoNobel our employees, temporary workers or contactors are confronted with incidents or near-misses at work. 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 quiz to ensure people's understanding around the theme and distribution of tokens of appreciations to departments and individuals who helped us improve our safety performance. 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. Overall safety day, 2019 was a successful event where we were able to achieve our target of engaging, spreading awareness and correcting behaviors around chemicals handling.

Behavioral Based Safety System (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). At AkzoNobel, BBS is designed to improve safety by encouraging positive change in the 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-workers, in addition to themselves. BBS was implemented at AkzoNobel Pakistan in the fourth quarter of 2015 and the observation process started in October 2015. In 2017, the company launched a BBS maturity toll for its sites to ensure continuous improvement in the process. Each site self-assessed the current process as per the maturity assessment and targeted to achieve level 6.3 by the end of 2018. AkzoNobel Pakistan achieved level 6.3 by the year-end, hence completing the target it set at the start of the year to improve its Behavior-Based Safety process. As well as reducing the observation target for individual observers from four observations to two observations per month, AkzoNobel Pakistan was also able to restrict its process index score to above 88%. In 2019, our focus on the BBS process continued, with a 6.5% improvement in the BBS contact rate and a 3% improvement in the BBS observations target compared with the previous year.

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. Having embarked on our sustainability journey many years ago, we are on a steady path towards delivering even more tangible benefits for our customers, society, the environment and our business.

Global population is increasing at an accelerated rate – it's estimated that by 2050 we'll hit the nine billion mark. At AkzoNobel Pakistan, we realize the impact a growing population can have, especially in term of scarcity of resources and climate change. Which is why we've adopted a People. Planet. Paint. approach to sustainability. By doing radically more with less and working closely with customers and suppliers in our key segments (buildings and infrastructure, transportation, consumer goods and 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 and using fewer resources across the value chain is the essence of our sustainability strategy, which takes a full value chain approach. This means we look at our sustainability impact from the extraction of raw materials, all the way through to the end of life. At AkzoNobel Pakistan, we're proud of what we have achieved. During 2019, our focus has remained on reduction of carbon footprint. In every manner, AkzoNobel Pakistan has strived and succeeded in becoming a greener and more eco-friendly organization. This performance could only have been achieved by focusing our energies year-round. Many initiatives were launched targeting one or more pillars of sustainable operations.

INSTALLATION OF SOLAR PANELS

AkzoNobel Pakistan has successfully completed a project to install solar power of 460 KW at its manufacturing site. The project has helped us by reducing carbon emissions by 387 tons per year and is equivalent to 10,000 trees grown for ten years. Installed capacity is equivalent to the same power produced by using 1,000 barrels of fuel and 423,406 pounds of coal burned.

Ultimate Water Proofing

Dulux Aquashield Flexible Waterproof Basecoat with revolutionary Hydroshield Technology that provides extreme water resistance to exterior and interior walls.

AkzoNobel

CREATING SOCIETAL IMPACT

AkzoNobel is working on early detection of long-term societal needs, which helps to shape our innovation. These insights bring new business opportunities, support swift business adaptation and enable first mover advantage.

The Sustainable Development Goals – UNDP

Sustainability is an integral part of our strategy. Over the last 15 years, our pragmatic approach to business sustainability has enabled us to differentiate ourselves from our competitors. Our commitment to generating more value from fewer resources – and turning environmental challenges and societal concerns into product innovations for customers – is helping to establish us as the reference in paints and coatings. Our value proposition for many stakeholders, including employees and business partners, has also been enhanced by making sustainability an explicit differentiator – part of the AkzoNobel brand. Our main focus areas are value selling and resource productivity.

We continue to develop business opportunities aligned with the most relevant UN Sustainable Development Goals (SDGs). Our agenda is built on core principles of sustainability, safety and integrity, including respect for human rights. We set sustainability targets that contribute to our ROS (return on sales) target, in line with our focus areas of resource productivity and value selling. By prioritizing our innovation towards developing eco-performer and eco-premium solutions, we enhance our value proposition and give customers choice and competitive advantage through our sustainable product portfolios. We believe we can drive growth by understanding how to build a better business, with solutions for environmental and social needs.

Our Approach to Sustainability

We've adopted a new, down-to-earth approach to sustainability which we call People. Planet. Paint. It's designed to help us deliver tangible benefits for our customers, society, the environment and our business. It's how we're making sustainability a daily priority, which we believe is the best commitment we can make if we're serious about being sustainable in the long term. And every step we take to create a positive impact on the world enables us to enhance our position as the leader when it comes to sustainability in the paints and coatings industry.

Building on our strong legacy, we have further developed our all-inclusive, holistic sustainability approach. It highlights how sustainability is reflected in our product innovations with customer benefits, our supply chain, the way we operate and how we behave as an employer and member of society.

Our challenging ambitions are realistic and deliverable, having been developed collaboratively with our businesses and functions. They're also designed to contribute to the global sustainability agenda represented by the United Nations Sustainable Development Goals (SDGs). We focus on the SDGs where we can have the biggest impact through our products, processes and partnerships.

By turning ambitions into actions, by innovating and creating a better world for future generations, AkzoNobel will remain at the forefront of sustainability in the paints and coatings industry. More details will be announced during the course of 2020.

Currently, our ambitions include the following:

- People: Inspire and empower people and communities through our passion for paint. We positively impacted 40 million people between 2015 and 2019

- Planet: Reducing waste, energy and greenhouse gas emissions are the main environmental indicators we're focusing on, which includes zero waste to landfill by 2020. We also aim to use 100% renewable energy by 2050 and become carbon neutral, also by 2050

- Paint: Continue to maintain at least 20% of our sales from eco-premium solutions by 2020. Together with our eco-performers, we're aiming to have more than 40% of revenue from sustainable solutions that bring benefits to our customers.

The future of sustainability at AkzoNobel is about further integrating and enhancing the quality of our sustainable solutions to ensure they have a positive impact on society and the environment. It's about taking both big and small steps that truly make a difference.

TO COLOR IS TO CARE

Corporate social responsibility practices are embedded at the company's core and we are dedicated to community engagement and responsible business practices. We focus on creating social value by not only helping our employees to develop their skills, but also by being active in the communities where we operate. Our people strongly 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 walls, but also to people's lives, as well by re-energizing our communities and doing our part to give Pakistan a better tomorrow.

Doing our part to create a healthy and sustainable society is ingrained into our DNA as employees and as a company. We believe that community investment serves to improve the social conditions of our country and give back to the people, who in turn breathe life into the community we call home. Every year we continue to make a major contribution to the positive development of society and people in an effort to embody this principle.

Since our early days, we've upheld our commitment to country and community by carrying out a number of focused community development initiatives. As always, our employees actively volunteer personal time and effort, along with the beneficiaries and the people directly affected in the areas being transformed.

COMMUNITY INITIATIVES

The Citizen's Foundation and AkzoNobel Pakistan

Around 70 children from The Citizen Foundation and a number of volunteers were invited for an office and site visit. They were given a detailed tour to help them get acquainted with the paint production process. The session also included "motivational speaking" from AkzoNobel Pakistan employees, who shared their experiences and motivated the children. Group pictures were taken and giveaways were presented.

SOS Children's Village Pakistan and AkzoNobel partner to strengthen youth employability with the power of paint

Armed with the power of paint, AkzoNobel and SOS Children's Villages are helping young people in Pakistan who are at risk of – or have lost parental care – to improve their employability prospects.

The assistance includes providing professional painter and soft skills training, along with mentoring by local AkzoNobel employees. In addition, the company is helping to fund renewal/renovation programs that will support young people to successfully transition into respectable jobs. There's also a greater goal to improve their chances of becoming independent adults who take responsibility, not just for themselves, but also for the communities around them.

In addition to tackling youth unemployment in the country, the partnership has also enabled AkzoNobel to paint and renovate 20 houses, with €48,000 being donated for repairs and improving the living spaces of vulnerable families from the SOS Children's Village in Lahore. The aim is to not only make their homes more enjoyable and livable, but also create a happy and safe space where resident children and their families can flourish.

BUSINESS PERFORMANCE

We use our passion for paint to make a difference, both big and small. The things our products can do may surprise you, whether they're applied to boats, buildings, cars, concrete, planes, phones, walls or wood. It's all about giving our customers what they want – and what they didn't even realize they needed.

PAINTS AND COATINGS

We supply a huge variety of quality products for every situation and surface, including paints, lacquers, varnishes and coatings. 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.

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

Our coatings make life easier by catering to a variety of consumer requirements, whether it that's in commuting, working in a manufacturing facility or sitting comfortably on a couch enjoying a can of soda. We have been working with some of our clients for decades. Continuing our legacy of sustainable partnership is at the heart of everything we do. Our coatings portfolio is categorized into three main sub-segments: Automotive and Specialty Coatings, Marine and Protective Coatings and Industrial Coatings.

DECORATIVE PAINTS

Competition in Pakistan's paint market remained highly aggressive. As the overall economy remained slower than anticipated, that same pace played out in the paints industry. The unprecedented devaluation of the rupee also adversely impacted overall consumer confidence, leading to further pressure on the industry. We continued to weather the storm by staying focused on driving innovation and sustainability, strengthening and building our brands and establishing long-term relationships through improved channel and influencer engagement. We were able to proactively improve our contribution margins, which helped us deliver positive growth in profitability versus last year.

Dulux Aquashield Flexible Waterproof Basecoat

Akzo Nobel Pakistan has always been an innovation leader in the paints industry, pioneering new-to-market technologies and products for consumers. A huge gap existed in the waterproofing category in Pakistan's paint industry with no paints manufacturer offering effective and durable solutions for common waterproofing problems. AkzoNobel Pakistan decided to enter this highly lucrative segment with the launch of Dulux Aquashield Flexible Waterproof Basecoat. With this launch, Akzo Nobel Pakistan became the first brand from the paints industry to venture into the waterproofing category. AkzoNobel Pakistan's envisions a complete waterproofing range which will serve as the "ultimate waterproofing solution." For this purpose, the product was launched under a separate brand name of "Aquashield" and all future launches in the waterproofing category will be made under this brand name.

Far Away Places

AkzoNobel Pakistan launched Dulux Far Away Places as differentiated color concept for Dulux EasyCare. The objective of this product launch was to engage more customers with Dulux and provide a first-of-its-kind decorating experience. Dulux Far Away Places is a painting toolkit made easily accessible to parents and their young ones. The toolkit comes in 8 magical themes consisting of 48 colors and multiple decorative assets to choose from. With the launch of this toolkit on Daraz.pk, Dulux venture into e-commerce in Pakistan.

Dulux Weathershield

Keeping in with its tradition of innovation and continuous improvement, AkzoNobel Pakistan decided to revamp its hero brand Dulux Weathershield with fresh new packaging and reasons-to-believe. Dulux Weathershield is the leading exterior paint in the decorative market and had not been refreshed since it's inception. Due to emerging competitive products and AkzoNobel's ambition for offering top of the line products, Dulux Weathershield is now available in the market with a new and improved formulation that offers 2X protection against algae and fungus and offers a 6 year performance warranty. With this product refresh, we aim to drive volume growth in the premium segment and maintain leadership in the exterior paints market.

AUTOMOTIVE AND SPECIALTY COATINGS

With new entrants in the automotive landscape of Pakistan, Specialty Coatings secured Hyundai Pre-Treatment business in the first quarter of 2019. A memorandum of understanding with Hyundai Pakistan was signed, under which AkzoNobel Pakistan will be providing high quality Nihon Parkerizing pre-treatment products to Hyundai Nishat Motor. The joint efforts strengthen cooperation between the two groups at a time when Hyundai Nishat Motor is venturing into Pakistan's automotive market. At year-end, the production line was charged, completing the commercialization. The company also won its first order from KIA Motors, another new entrant. KIA Motors had a set of approved regional suppliers of paint separation chemicals, which AkzoNobel Pakistan managed to break through based on our offer of better product quality and services.

Specialty Coatings was also able to expand its product portfolio at Millat Tractors Limited, a customer that AkzoNobel Pakistan has been serving for a long time. The team identified a need and then developed a product in close collaboration with the customer and R&D. The products improved paint performance efficiency at the customer's production line.

The Vehicle Refinishes continued to expand its network by identifying new potential distributors in the North and South regions. To focus on premium products, around six 3S body shops were also added to the customer base. Continuing our tradition of customer engagement, the business executed two sales incentive trips, including one to the United Arab Emirates (UAE).

PROTECTIVE COATINGS

In the Protective Coatings market, AkzoNobel's International paint products were specified by the National Transmission & Despatch Company (NTDC) for their transmission towers. Based on that, Protective Coatings was able to secure another order from engineering company ICC, which initiated the first phase of the Hub–Jamshoro transmission line project, to support the transmission of 1,320 megawatts in coal power supply from Bin Qasim.

Two further specifications were concluded at Izhar Steel, which is Pakistan's premier engineering and construction group. We also successfully coated Pakistan State Oil's storage tanks with high-end International paint products opposite the conventional technologies they currently use. Projects at customers like Fauji, PARCO energy company and the Pakistan Cricket Board (PCB) also contributed to profitability. The business won the first order from PCB in the third quarter of 2019 for the National Stadium Karachi. PCB has also specified and will be using our protective coatings for repair work at various stadiums.

CORPORATE GOVERNANCE AND COMPLIANCE

AkzoNobel Pakistan's corporate governance structure is based on the company's articles of association and 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 AND COMPLIANCE

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") is responsible for setting the goals, objectives and strategies the company should adopt, and for formulating the policies and guidelines towards achieving those goals and objectives. The Board of Directors is accountable to the shareholders for the discharge of its fiduciary function. The management is responsible for the implementation of goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. To facilitate a smooth running of the day-to-day affairs of the company, the Board of Directors entrusts the Chief Executive and Chief Financial Officers with necessary powers and responsibilities. The Board of Directors is also assisted by a number of sub-committees comprising mainly of 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 our values and ethics for strict adherence by all employees, contractors, suppliers and others doing business for the company. In order to apprise 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 they understand the Code of Conduct and abide by it 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 the Business Partner Code of Conduct or apply equivalent principles to the business they conduct for the company. Non-compliance with this Code may lead us to take measures, including termination of the business relationship.

To facilitate strict adherence to the Code of Conduct, the employees also have access to the "SpeakUp!" 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 is assured and all complaints are thoroughly investigated either internally by the company or assigned to the Internal Auditors. Results of the investigation are communicated to the complainant. The entirety of this process is 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, mainly responsible for internal controls, has been outsourced to EY Ford Rhodes and reports directly to the Chairperson of the Audit Sub Committee.

INSIDER TRADING & COMPETITION LAW

The company has a stringent policy on insider trading and securities transactions. The policy paper, occasionally circulated to all employees of the company, divides employees into certain categories based on their position, involvement in day-to-day decision-making and access to price-sensitive information. Certain senior executives and the finance staff are categorized as "Permanent Insiders", people who 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. Meanwhile, "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 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 competition laws. The company continues to regularly hold training sessions to ensure compliance with competition laws for relevant employees.

MATERIAL INTERESTS OF MEMBERS OF THE BOARD OF DIRECTORS

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 205 of the Companies Act, 2017, 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.

ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND CHIEF EXECUTIVE

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors. The Chairman is expected to promote and oversee the highest standards of corporate governance within the Board and the company. Specifically, the Chairman's functions include:

- To act as Chair at meetings of the Board
- To provide independent advice and counsel to the Chief Executive Officer (CEO)
- To keep abreast of the activities of the company and its management
- To ensure that the directors are properly informed with sufficient information to form appropriate judgments
- In concert with the CEO and the company secretary, to develop and set the agendas for meetings of the Board
- To review and sign minutes of Board meetings
- To sit on other committees of the Board where appropriate as determined by the Board
- To act as Chair at shareholder meetings
- To identify and participate in selecting Board members and to oversee a formal succession plan for the Board, CEO, CFO and key senior management

The Chief Executive Officer (CEO) is responsible for leading the development and execution of the company's long-term strategy with a view to creating shareholder value. The CEO's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the company's long-term and short-term plans. The CEO acts as a direct liaison between the Board of Directors and management of the company and communicates to the Board on behalf of management. The CEO also communicates on behalf of the company to shareholders, employees, Government authorities, other stakeholders and the public. The CEO's functions include the following:

- To lead, in conjunction with the Board, the development of the company strategy
- To lead and oversee the implementation of the company's long-term and short term plans in accordance with its strategy
- To ensure that the expenditures of the company are within the authorized annual budget
- To assess the principal risk of the company and to ensure that these risks are being monitored and managed
- To ensure effective internal controls and management information systems are in place
- To ensure that the company has appropriate systems to enable it to conduct its activities both lawfully and ethically
- To ensure that the company maintains high standards of corporate citizenship and social responsibility wherever it does business
- To communicate effectively with shareholders, employees, government authorities, other stakeholders and the public
- To ensure that directors are properly informed, and that sufficient information is provided to the Board to enable directors to form appropriate judgments
- To ensure the integrity of all public disclosures by the company
- To request that special meetings of the Board be called when appropriate

RISK MANAGEMENT

TTHE COMPANY'S DOCUMENTED AND REGULARLY REVIEWED PROCEDURES ARE DESIGNED TO SAFEGUARD OUR ASSETS, ADDRESS RISKS FACING THE BUSINESS, AND ENSURE TIMELY REPORTING TO THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT.

The Board of Directors 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-assessments and Enterprise Risk Management.

Internal Control Self-Assessment

The internal control self-assessment exercise carried out by the company every year assists in the thorough assessment of controls to ensure a robust control structure. The senior management of the company leads this annual 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 timely corrective action is 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, 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 and 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 (3Ts) the identified risks. These action plans are monitored on a regular basis.

COMPANY INFORMATION

Board of Directors

MUEEN AFZAL	Chairman (independent)
SAAD MAHMOOD RASHID	Chief Executive
OSCAR WEZENBEEK	Non-Executive
AYESHA HAMID	Non-Executive (Independent)
FREDERIC MOREUX	Non-Executive
SEBASTIAN TAN	Non-Executive
HARRIS MAHMOOD	Executive

Human Resource Remuneration Sub Committee

MUEEN AFZAL	Chairman
OSCAR WEZENBEEK	Member
SAAD MAHMOOD RASHID	Member
SYEDA INSIA BATOOL SHAH	Secretary

Audit Sub Committee

AYESHA HAMID	Chairperson
MUEEN AFZAL	Member
SEBASTIAN TAN	Member
MUHAMMAD ALI MURTAZA	Secretary

Chief Financial Officer

HARRIS MAHMOOD

Share Transfer Committee

SAAD MAHMOOD RASHID	Chief Executive
HARRIS MAHMOOD	Chief Financial Officer
MUHAMMAD ALI MURTAZA	Acting Company Secretary

Acting Company Secretary

MUHAMMAD ALI MURTAZA

Head of Internal Audit

MUHAMMAD ALI MURTAZA

Executive Management Team

SAAD MAHMOOD RASHID	Chief Executive
FAROOQ AYUB KHAN	Operations Manager
HARRIS MAHMOOD	Chief Financial Officer
SHAHID ISLAM	National Sales Manager, Specialty Coatings
USMAN HAFAZ	Head of Brand & Customer Marketing, Decorative Paints
WAQAS MIR	National Sales Manager, Decorative Paints
SYEDA INSIA BATOOL SHAH	Country HR Manager

Bankers

CITIBANK N.A.
DEUTSCHE BANK LIMITED A.G
HABIB METROPOLITAN BANK LIMITED
HABIB BANK LIMITED
FAYSAL BANK LIMITED

Internal Auditor

ERNST & YOUNG FORD RHODES
CHARTERED ACCOUNTANTS

External Auditor

A.F. FERGUSON AND CO.
CHARTERED ACCOUNTANTS

Registered Office

346, Ferozepur Road, Lahore – 54600
Tel: (042) 111-551-111
Fax: (042) 35835011
www.akzonobel.pk

Shares Registrar

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

Regional Offices

- 11th Floor, Tower-A
  Technology Park, Street-8,
  Sharah-e-Faisal, Karachi
  Tel: (021) 32781441-6
- Plot 3-A, Sector I-10/3,
  Industrial Area, Islamabad
  Tel: (051) 4447968

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.

Mueen Afzal (Chairman; independent member)
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 joined the Civil Service of Pakistan in 1964 and held important positions, including Finance Secretary in Baluchistan (1981-1984) and in the Punjab (1984-1986). He was also the Economic Minister in the Pakistan Embassy, Washington, DC in the US (1987-1990), Health Secretary to the Government of Pakistan (1995-1996), Finance Secretary to the Government of Pakistan (1996-1998), and Secretary General, Finance and Economic Affairs from 1999-2002. Mueen has been awarded Hilal-e-Imitaz for distinguished public service in 2002.

Additionally, Mueen is the Chairman of the Board of Langlands Endowment Trust and Chairman of the Board of IDEAS, a think tank that deals with public policy issues based in Lahore. Moreover, he currently holds directorships of Murree Brewery Company Limited; Sanjan Nagar Public Education Trust; Pakistan Philanthropy Centre; Beaconhouse National University. He is also a Senior Advisor for Nafa funds in Lahore and 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 is also a member of the pension committees for the management and staff at the Pakistan Tobacco Company.

Ayesha Hamid (independent member)
Ayesha Hamid holds a Bachelor's degree in Political Science from London School of Economics and a Bachelor of Laws degree from Punjab University Lahore. Ayesha started her career as an advocate in 2008 with Hamid Law Associates. She has a diversified legal experience of over ten years. Her areas of expertise include, but are not limited to: tax, banking, property, contract, trade mark, Constitutional, revenue and environmental law. Ayesha is an associate of Hamid Law Associates and is an Advocate of the Supreme Court of Pakistan.

Harris Mahmood (Executive Director and Chief Financial Officer)
Harris Mahmood was appointed to the Board of Directors of Akzo Nobel Pakistan Limited in January of 2015 and is also the Chief Financial Officer (CFO). He has been associated with ICI Pakistan and later Akzo Nobel Pakistan Limited for around 14 years in various roles looking after Finance and Internal Audit.

Harris joined ICI Pakistan Limited in 2006 as Internal Audit Manager at the head office and subsequently worked in business finance functions at Polyester Fibers and Paints before joining the Chemicals and Soda Ash businesses as Finance Manager. In March of 2013, he joined Akzo Nobel Pakistan Limited as Finance Manager and took over as CFO in January 2015.

He received his schooling from Aitchison College, Lahore, became an Associate Chartered Accountant from Institute of Charted 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 articleship from A F Ferguson & Company (member firm of PWC) and has attended several management development programs including the Advanced Financial Management Program at AkzoNobel in 2011.

Frederic Moreux (non-executive member)
Currently Asia Manufacturing Director ffor Akzonobel, Frederic Moreux is managing operations in Asia with more than 7,000 employees and 42 leading paints and coatings manufacturing sites across all the Akzonobel business units.

Fred has over 25 years of experience in various multinationals spanning different geographies and industries, and has led successful assignments such as Operations Director and Supply Chain and Manufacturing Director in world class supply FDA and GMP manufacturing environments.

Fred joined AkzoNobel in 2017 as the Operations Director Marine Division and was a member of the Global Marine Management Team.

Fred went through an International Manufacturing Program, MBA at INSEAD in 2010. He graduated from University of Technology of Compiègne with a Master's in chemical engineering thermal with a major in energy in 2000. He is French and fluent in English, German, Polish, Portuguese and Spanish.

Oscar Wezenbeek (non-executive member)
Oscar Wezenbeek is currently the Managing Director for AkzoNobel Decorative Paints in South East and South Asia (SESA). Over the course of his 28-year career with AkzoNobel, he has successfully led various portfolios in the coatings and automobile departments. In his previous role, Oscar managed the global Marine, Protective and Yacht Coatings business. He has had a proven track record in driving growth in market share and profitability, including sales when he was the Sales & Marketing Director of West Europe in the Powder Coatings business.

With a key interest in Sustainability, Oscar is actively involved in the ADB DutchCham Sustainable Business Committee.

Oscar went through an Advanced Management Program at INSEAD in 2006 and Global Executive Leadership Program at Yale School of Management in 2016. He graduated from Technical University Eindhoven with a Master's in Business Engineering and Management Sciences in 1988. Oscar was born in the Netherlands, and in addition to speaking English and Dutch, he is also fluent in Spanish, Swedish, German, and French.

Saad Mahmood Rashid (Chief Executive)
Saad Mahmood Rashid was appointed to the Board of Directors, Chief Executive Officer of AkzoNobel Pakistan Limited and General Manager for Decorative Paints on November 20, 2017. Saad joined AkzoNobel Pakistan Limited in October 2014 as Business Manager Decorative Paints, and under his leadership the business has shown a turnaround.

Saad Mahmood Rashid is a seasoned commercial leader with over 20 years of experience in various Blue Chip Multinationals spanning different geographies and industries. Before joining Akzo Nobel Pakistan Limited, Saad was working as Sales Director for Reckitt Benckiser. Prior to this, he has worked in various positions at Pepsi Cola International, Ceylon Tobacco and Pakistan Tobacco Company (BAT). Saad has an MBA Degree from IBA Karachi.

Sebastian Tan (non-executive member)
Sebastian Tan, Regional Head of Finance, Decorative Paints, South East, South Asia, was appointed to the Board of Directors of Akzo Nobel Pakistan Limited on October 26, 2016.

Sebastian joined AkzoNobel in 2006. Shortly afterwards, he was appointed the Asia Integration Lead and successfully merged the two reputable companies of the former ICI business and AkzoNobel in Asia, delivering significant synergies. Prior to joining AkzoNobel, 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 following boards: 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 multinational manufacturing experience and has been 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 the consumer paints business.

OUR EXECUTIVE MANAGEMENT TEAM

From Left to right: Waqas Mir, Farooq Ayub Khan, Syeda Insia Batool Shah (standing), Saad Mahmood Rashid, Shahid Islam (Standing), Harris Mahmood, Usman Hafaz.

Saad Mahmood Rashid

Chief Executive; General Manager, Decorative Paints

Saad Mahmood Rashid was appointed to the Board of Directors and Chief Executive Officer of Akzo Nobel Pakistan Limited on November 20, 2017. He also holds the position of General Manager for Decorative Paints in Pakistan. Saad joined Akzo Nobel Pakistan Limited in October 2014 as Business Manager Decorative Paints, and under his leadership the business has shown a turnaround performance.

Saad is a seasoned commercial leader with over 19 years of experience in various blue chip multinationals spanning various industries and geographies. Before joining Akzo Nobel Pakistan Limited, Saad was working as Sales Director for Reckitt Benckiser Pakistan. Prior to this role, he has worked in various commercial positions at Reckitt Benckiser South Africa, Pepsi Cola International, Pakistan Tobacco Company (BAT) and Ceylon Tobacco Company (BAT). His rich local and international experience has been a good value addition to the Akzo Nobel Pakistan Limited Management team. Saad has an MBA degree from IBA Karachi and has received his schooling from ICB, Islamabad and Australia. Saad is married and has three children.

Usman Hafaz

Head of Brand and Customer Marketing, Decorative Paints

Usman Hafaz is the Head of Brand and Customer Marketing in the Decorative Paints business. He joined AkzoNobel Pakistan in August 2013 as Brand Manager, Decorative Paints and subsequently took over the role of Marketing Manager in April of 2015.

Usman has over ten years of professional experience, starting with ICI Pakistan in 2008 as a graduate recruit. Usman has also worked for the United Nations in various roles before joining AkzoNobel Pakistan. Usman completed his BSc. (Hons) from Lahore University of Management Sciences (LUMS) in 2004, followed by Master's in Business Administration (MBA) from Judge Business School, University of Cambridge in 2007. He is married and has two children.

Farooq Ayub Khan

Operations Manager

Farooq Ayub Khan is the Operations Manager for the Paints and Coatings site in Lahore. He joined AkzoNobel Pakistan as an Engineering Manager in 2015 and since then has led the team in successfully achieving various milestones in re-structuring, process safety and lean manufacturing and sustainability. Prior to AkzoNobel, Farooq worked at Pakistan Tobacco Company in various functions across the supply chain as the Production Manager, Engineering Manager and Secondary Logistics Manager.

Farooq has done his Bachelor's in mechanical engineering from Ghulam Ishaq Khan Institute of Engineering Sciences & Technology. He is married and has three children.

Harris Mahmood

Chief Financial Officer

Harris Mahmood joined ICI Pakistan Limited in 2006 as Internal Audit Manager at the head office and subsequently worked in business finance functions at Polyester Fibers and Paints before joining Chemicals and Soda Ash businesses as Finance Manager. In March 2013, he joined AkzoNobel Pakistan as Finance Manager and took over as CFO of the company in January 2015.

Harris received his schooling from Aitchison College, Lahore and is a fellow member of the Institute of Chartered Accountants of Pakistan since 2016. He completed his articleship 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.

Shahid Islam

National Sales Manager, Specialty Coatings

Shahid Islam is currently working as National Sales Manager Specialty Coatings at Akzo Nobel Pakistan Limited. He has over two decades of management experience in various functions and businesses including production management, and supply chain. Shahid has over 31 years of experience, starting with ICI Pakistan in 1987 where he handled various managerial roles in sales and materials management.

Shahid received his Master of Business Administration from the University of the Punjab in 1990 after graduating as a chemical engineer from the same institution. He is married and has three children.

Syeda Insia Batool Shah

Country HR Manager

Insia Shah was appointed Country HR Manager with 17 years of prior experience in multiple industries including banking, engineering and consultancy within several areas of HR such as learning and development, change management and talent management. She has previously worked for Akzo Nobel ICI Pakistan from 2008-2009 as a corporate training and development manager. She holds a Master's degree in HR management from University of Punjab.

Waqas Mir

National Sales Manager, Decorative Paints

Waqas Mir joined AkzoNobel as National Sales Manager, Decorative Paints in January 2020. Previously, he worked as National Sales Manager for ICI Chemicals. Waqas brings with him more than ten years of experience in multiple industries including Oil and Gas, Chemicals and FMCG. Waqas holds a Master's degree in business administration from Lahore School of Economics.

REPORT OF DIRECTORS

FOR THE YEAR ENDED DECEMBER 31, 2019

The Directors of the Company are pleased to present the Annual Report along with the audited financial statements for the year ended December 31, 2019.

Overview

Economic challenges and uncertainty continued in 2019 due to currency depreciation, high inflation and rising interest rates. Currency depreciated from PKR 139 to PKR 164 by July 2019, before settling at PKR 155 by year end, resulting in net depreciation of 11%. Policy rates increased by 325 bps in first half of the year from 10% to 13.25% in July 2019 and these continued for the rest of the year. Inflation rate, which was at 5.6% in December 2018, soared to 12.6% in December 2019. These were a consequence of measures taken by the government as a part of its economic stabilization program, prepared together with IMF. The government also took measures to stabilize its fiscal deficit which resulted in a decline in the Public Sector Development Program (PSDP).

In addition to this, the government took initiatives to document the economy. One step was making it compulsory for CNIC of buyer to be printed on sales tax invoices along with inclusion of paints in the 3 rd schedule of Sales Tax Act. This impacted retailer profitability and cumulatively affected consumer demand. However, the Company continued to take internal measures for safeguarding its revenue and profitability through margins management actions. Net sales decreased by PKR 201 M as compared to 2018, mainly because of PKR 130 M Specialty Chemicals sales included in 2018, which were a part of ANPL till Aug'18. The Company also undertook several efficiency improvements and cost control programs resulting in reduction of operating expenses by 11% versus last year. Other income increased substantially as the Company was able to make higher profits on bank deposits. As a result, EPS for the Company increased by 42% versus last year.

The Company contributed PKR 1.028 billion to the national exchequer through taxes, duties and other levies during 2019 (2018: PKR 1.104 billion).

Financial Performance

PKR million

	2019	2018	Increase (Decrease)
Turnover	8,482	8,747	(2.9)%
Net sales	5,612	5,813	(3.5)%
Cost of sales	3,579	3,810	(6.1)%
Gross profit	2,033	2,003	1.5%
Operating profit	749	560	33.7%
Profit after taxation	549	387	41.8%
Earnings per share - PKR	11.82	8.34	41.8%

Dividends

Keeping in view future 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 6.00 per ordinary share i.e. 60% for the year ended December 31, 2019.

Health, Safety and Environment

The Company demonstrated its firm commitment to HSE with only one reportable injury. Behavior Based Safety program, which is about influencing people's behavior to avoid injuries, was further strengthened. Through the application of this program, the Company has been able to improve people and process safety at its site. On the operational eco efficiency side, a solar power project was initiated and is now operational making our factory more ecofriendly. Furthermore, the Company got certification of ISO 14001:2015. These developments are a clear demonstration of the Company's resolve to maintain health and safety as a core priority.

Business Performance

The Company consciously focused on value selling through media campaigns and fresh livery launches. The Company also entered into the waterproofing category, with the brand name 'Aquashield', to fetch first mover advantage in the market.

Despite a slowdown in the automotive segment and lower government infrastructure expenditure, the Company continued strengthening the foothold in the high performing coatings range of packaging coatings by ramping up sales in this segment.

Future Outlook

With the government's policies to document and improve the state of the economy, your Company expects that macro-economic stabilization will be followed by a gradual growth in GDP in the medium term. That would lead to higher demand for the Company's products.

The Board of Directors of the Company has resolved, dated 28th November 2019, to delist the Company from PSX under rule 5.13 of the voluntary delisting rules of the rule book. For this ICI Omicron B.V, the majority shareholder of the Company. has been authorized to buy-back ordinary shares held by the minority shareholders of the Company to an extent and at a price to be determined in accordance with the regulations or as may be determined by the PSX or the SECP for the purposes of voluntary delisting of the Company from the PSX.

Corporate Social Responsibility

As a part of its Corporate Social Responsibility, the Company donated 48,000 Euros to SOS Children's Village Pakistan in its efforts to uplift the lives of young people under the care of SOS Children's Villages of Pakistan. This initiative was part of Akzonobel's global "Let's Colour" program that aims to use education and renovation to drive a positive impact on youth unemployment. Moreover, with the same objective, AkzoNobel also provided Youth Mentorship Sessions to give young and aspiring kids professional counselling alongside internship opportunities which were aimed at providing children with necessary exposure to a corporate environment and workplace.

Acknowledgment

In 2019, the Company continued to strengthen its people processes to sustain an edge over competition. Key focus areas included leadership development, capability enhancement and employee relations management. This helped in building high performance teams to achieve organizational goals. At the same time, diversity and commitment to compliance continued to remain at the heart of our agenda. The results of the Company reflect the unrelenting commitment and contribution of its people, as well as the trust placed in the Company by its customers, suppliers, service providers and shareholders.

Auditors

The present auditors A.F. Ferguson & Co. Chartered Accountants, are retiring and being eligible have offered themselves for 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 accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on a reasonable and prudent exercise of judgement.
- 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 five years is summarized on page F56 and F57.
- 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 continue to be 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 2018, are as follows:

	Value in PKR million
Akzo Nobel Pakistan Limited Management Staff Provident Fund	197
Akzo Nobel Pakistan Limited Management Staff Gratuity Fund	115
Akzo Nobel Pakistan Limited Management Staff Pension Fund	124
Akzo Nobel Pakistan Limited Management Staff Defined Contribution Superannuation Fund	124
Akzo Nobel Pakistan Limited Non Management Staff Provident Fund	36

Directors' Attendance

During the year, 5 (five) Board of Directors, 4 (four) 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	5	4	2
Mr. Gary Brown *	2	-	-
Mr. Frederic Moreux **	1	-	-
Ms. Ayesha Hamid	4	4	-
Mr. Saad Mahmood Rashid Chief Executive	5	-	2
Mr. Harris Mahmood Chief Financial Officer	5	4	-
Mr. Oscar Wezenbeek	4	-	2
Mr. Sebastian Tan	5	4	-
Ms. Zunaira Dar Company Secretary	5	1	-
Mr. Muneer Tariq * Secretary Audit Committee	-	1	-
Mr. Muhammad Ali Murtaza** Secretary Audit Committee	-	2	-
Mr. Usman Ali Jamil * Secretary HR & R Committee	-	-	2

* left in 2019 | ** Joined in 2019

Composition of Board

Independent	2
Non-Executive	3
Executive	2
Total	7

Male	6
Female	1
Total	7

Committees of Board

Details of Audit and Human resources sub-committees have been set out on page number 34.

Director's Remuneration

Independent director's fee is paid in line with Board approval and is subject to Board's review after every three years.

Director's Training

Mr. Mueen Afzal, Mr. Saad Mahmood Rashid, Mr. Harris Mahmood and Ms. Ayesha Hamid have already completed training requirements and accordingly the Company is in compliance with CCG criteria to complete 50% of directors training by 2019.

Pattern of Shareholding

A statement showing the pattern of shareholding in the Company along with additional information as at December 31, 2019 appears on page numbers F58 to F60.

ICI Omicron B.V., the Netherlands (an AkzoNobel group Company) held 75.81% shares, while Institutions held 6.95% and individuals and others held the balance 17.24%.

The highest and the lowest market prices during 2019 were PKR 270 and PKR 76 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

Saad Mahmood Rashid
Chief Executive

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019
Akzo Nobel Pakistan Limited for the year ended December 31, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:
a. Male: 6
b. Female: 1

2. The composition of Board is as follows:

Category	**Names**
Independent Directors	Mr. Mueen Afzal
	Ms. Ayesha Hamid (Female Director)
Non-Executive Directors	Mr. Oscar Wezenbeek
	Mr. Sebastian Tan
	Mr. Frederic Moreux
Executive Directors	Mr. Harris Mahmood
	Mr. Saad Mahmood Rashid

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. 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;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance
with the Act and these Regulations;

9. No Directors Training program was arranged by the Board during the year.

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The board has formed committees comprising of members given below:

Audit Committee

Ms. Ayesha Hamid	Chairperson
Mr. Sebastian Tan	
Mr. Mueen Afzal	

HR and Remuneration Committee

Mr. Mueen Afzal	Chairman
Mr. Oscar Wezenbeek	
Mr. Saad Mahmood Rashid	

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/yearly) of the committee were as per following,

a) Audit Committee	Quarterly
b) HR and Remuneration Committee	Half Yearly

15. The Board has outsourced the internal audit function to M/s Ernst & Young Ford Rhodes, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. 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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and

19. The Board has not constituted Nomination Committee and Risk Management Committee as the relevant functions are performed by HR and Remuneration Committee and Audit Committee respectively. The Board will formalise this in the next Board Meeting.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive Officer

February 27, 2020
Lahore.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF AKZO NOBEL PAKISTAN LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Akzo Nobel Pakistan Limited for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2019.

Date: 28 February, 2020

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

Akzo Nobel Pakistan Limited
Financial Statements

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the annexed financial statements of Akzo Nobel Pakistan Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	**Initial adoption of International Financial Reporting Standards (IFRS) 16 – 'Leases'** *(Refer note 2.5.1.1 and 4.1 to the financial statements)* IFRS 16 "Leases" is effective for the Company for the first time during the current year. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.	Our audit procedures included the following: - reviewed the design and tested the operating effectiveness of key controls over identification and measurement of right-of-use assets and corresponding lease liabilities; - evaluated the appropriateness of the methodology and assumptions used by the management in recognising right-of-use assets and corresponding lease liabilities; - tested on a sample basis, the completeness, accuracy and reliability of the underlying data used by the management to support the right-of-use assets and corresponding lease liabilities recognised; and

S. No.	Key audit matters	How the matter was addressed in our audit
	Upon initial application the Company has recognized right-of-use asset amounting to Rs. 61,072 thousand and a corresponding lease liability amounting to Rs. 48,823 thousand with respect to leased premises. The Company has adopted IFRS 16 from January 1, 2019 and has not restated comparatives for the 2018 reporting period, using the modified retrospective approach, as permitted under the specific transitional provisions in the standard. We considered this as a key audit matter due to the significant amounts and judgements involved regarding the matter.	- Reviewed the presentation and disclosures related to the adoption of IFRS 16 and assessed whether it complied with the relevant accounting and reporting framework.
2	**Initial adoption of International Financial Reporting Standards (IFRS) 15 – 'Revenue from contracts with customers'** *(Refer note 2.5.1.2 and 4.2 to the financial statements)* IFRS 15 "Revenue from contracts with customers" is effective for the Company for the first time during the current year. This standard replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. Key changes in the new standard include a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers. Upon initial application the Company has made adjustments in the financial statements in accordance with the modified retrospective approach, as permitted under the specific transitional provisions in the standard. We considered this as a key audit matter due to the significant amounts and judgements involved regarding the matter.	Our audit procedures included the following: - evaluated internal control activities over revenue recognition and testing of key controls; - considered the management's process to identify the additional disclosures required in the Company's financial statements; - obtained on sample basis relevant underlying supporting documents to test management's compliance with the revenue recognition criteria as introduced by IFRS 15; and - verified on a test basis the supporting evidence for the additional disclosures and ensured appropriateness of the disclosure made.
3	**Valuation of property, plant and equipment** *(Refer note 3.3, 7 and 13 to the financial statements)* The Company, during the year, revalued its property, plant and equipment which resulted in a net revaluation surplus / gain, net of deferred tax amounting to Rs. 2,462,931 thousand. The property, plant and equipment are stated at their fair value based on valuation carried out by external valuer. The fair value of property, plant and equipment is arrived by using the market value approach. We considered this as a key audit matter due to the significant amounts and judgements involved regarding the matter.	Our audit procedures included the following: - assessed and discussed the management's process for the valuation exercise and appointment of the external valuers. We also assessed the competence, independence and integrity of the external valuer; - tested the integrity of underlying information regarding property, plant and equipment provided to the external valuer used for valuation purpose; - engaged an independent auditor's expert to obtain and review the valuation report of the external valuer engaged by the Company; - tested on a sample basis the computation for revaluation surplus / gain resulting from the revaluation; and - examined the adequacy of the related disclosures in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

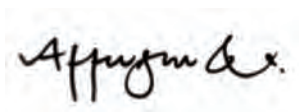
a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



Chartered Accountants
Lahore

Date: March 03, 2020

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

Amounts in Rs '000

	Note	2019	2018
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	**2,441,115**	2,130,632
Surplus on revaluation of property, plant and equipment	7	**3,688,599**	1,264,962
		6,594,147	3,860,027
NON-CURRENT LIABILITIES			
Deferred liabilities	8	**66,538**	61,568
Lease liabilities against right-of-use assets	9	**12,490**	-
		79,028	61,568
CURRENT LIABILITIES			
Trade and other payables	10	**1,652,066**	1,710,026
Contract liabilities	11	**54,039**	49,975
Current portion of lease liabilities against right-of-use assets	9	**6,381**	-
Unpaid dividend		**3,084**	2,986
Unclaimed dividend		**26,899**	26,612
		1,742,469	1,789,599
CONTINGENCIES AND COMMITMENTS	12	-	-
		8,415,644	5,711,194

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

Amounts in Rs '000

	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,545,722**	1,961,553
Right-of-use assets	14	**28,200**	-
Intangible assets	15	-	37,668
Long term loans	16	**59,874**	66,747
Long term deposits and prepayments	17	**4,223**	5,713
Deferred tax asset - net	18	**17,708**	147,322
		4,655,727	2,219,003
CURRENT ASSETS			
Stores and spares	19	**26,297**	22,661
Stock in trade	20	**683,591**	668,883
Trade debts	21	**830,019**	741,838
Loans and advances	22	**77,810**	95,398
Trade deposits and short term prepayments	23	**2,940**	16,601
Other receivables	24	**53,812**	21,481
Income tax receivable		**82,900**	23,061
Interest accrued		**5,007**	7,141
Cash and bank balances	25	**1,997,541**	1,895,127
		3,759,917	3,492,191
		8,415,644	5,711,194

The annexed notes 1 to 47 form an integral part of these financial statements.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

	Note	2019	2018
Revenue	26	**8,492,146**	8,746,846
Sales tax and discounts	26	**(2,880,605)**	(2,934,103)
Net revenue		**5,611,541**	5,812,743
Cost of sales	27	**(3,578,784)**	(3,810,004)
Gross profit		**2,032,757**	2,002,739
Selling and distribution expenses	28	**(946,952)**	(1,041,911)
Administrative and general expenses	29	**(332,555)**	(346,657)
Net impairment losses on financial assets	30	**(4,333)**	(54,098)
		748,917	560,073
Finance cost	31	**(10,820)**	(9,992)
Other charges	32	**(121,155)**	(89,938)
		(131,975)	(99,930)
Other income	33	**167,872**	149,212
Profit before taxation		**784,814**	609,355
Taxation	34	**(235,921)**	(222,176)
Profit for the year		**548,893**	387,179
Earnings per share - Basic and diluted (Rupees)	35	**11.82**	8.34

The annexed notes 1 to 47 form an integral part of these financial statements.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

	Note	2019	2018
Profit for the year		**548,893**	387,179
Other comprehensive income			
Items that may not be reclassified to the profit or loss			
Remeasurement of defined benefit liability	8.3	**(5,001)**	11,835
Related tax impact		**1,450**	(3,432)
		(3,551)	8,403
Items that may be reclassified to the profit or loss			
Revaluation surplus for the year		**2,553,940**	-
Related tax impact		**(91,009)**	-
	7	**2,462,931**	-
Total comprehensive income for the year		**3,008,273**	395,582

The annexed notes 1 to 47 form an integral part of these financial statements.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

	Note	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserve	Surplus on revaluation of property, plant and equipment	Total
			Share premium	Capital receipts	Unappropriated profit		
Balance as at December 31, 2017		464,433	156,006	196	1,862,301	1,306,613	3,789,549
Total comprehensive income for the year ended December 31, 2018							
Profit for the year		-	-	-	387,179	-	387,179
Other comprehensive income		-	-	-	8,403	-	8,403
Total comprehensive income for the year		-	-	-	395,582	-	395,582
Incremental depreciation charge during the year - net of deferred tax	7	-	-	-	41,651	(41,651)	-
Transactions with owners recognized directly in equity							
Final dividend for the year ended December 31, 2017 @ Rs. 7.00 per share		-	-	-	(325,104)	-	(325,104)
Balance as at December 31, 2018		**464,433**	**156,006**	**196**	**1,974,430**	**1,264,962**	**3,860,027**
Impact of initial adoption - IFRS 15	4.2	-	-	-	(41,936)	-	(41,936)
Balance as on January 1, 2019		**464,433**	**156,006**	**196**	**1,932,494**	**1,264,962**	**3,818,091**
Total comprehensive income for the year ended December 31, 2019							
Profit for the year		-	-	-	548,893	-	548,893
Other comprehensive (loss) / income		-	-	-	(3,551)	2,462,931	2,459,380
Total comprehensive income for the year		-	-	-	545,342	2,462,931	3,008,273
Incremental depreciation charge during the year - net of deferred tax	7	-	-	-	39,294	(39,294)	-
Transactions with owners recognized directly in equity							
Final dividend for the year ended December 31, 2018 @ Rs. 5.00 per share		-	-	-	(232,217)	-	(232,217)
Balance as at December 31, 2019		**464,433**	**156,006**	**196**	**2,284,913**	**3,688,599**	**6,594,147**

The annexed notes 1 to 47 form an integral part of these financial statements.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

	Note	2019	2018
Cash flows from operating activities			
Profit before taxation		**784,814**	609,355
Adjustments for:			
Depreciation and amortization		**130,414**	148,338
Depreciation on right-of-use assets	14	**28,125**	-
Gain on disposal of property, plant and equipment	33	**(801)**	(182)
Gain on disposal of right-of-use assets	33	**(331)**	-
Provision for employee benefits obligation	8.2	**35,296**	33,869
Net impairment losses on financial assets	30	**4,333**	54,098
Reversal of provision no longer required	33	**(19,789)**	(32,193)
Provision for slow moving and obsolete stock		**12,938**	31,133
Provision for obsolete stores and spares	19.1	**1,306**	2,300
Gain on disposal of Specialty Chemicals business	33	**-**	(33,500)
Interest income	33	**(129,609)**	(71,301)
Interest expense on right-of-use assets	31	**3,597**	-
		65,479	132,562
Profit before working capital changes		**850,293**	741,917
Effect on cash flow due to working capital changes			
(Increase) / decrease in current assets:			
Stores and spares		**(4,942)**	607
Stock in trade		**(27,646)**	(112,972)
Trade debts		**(92,514)**	(56,343)
Loans and advances		**17,588**	(33,587)
Trade deposits and short term prepayments		**1,412**	(2,568)
Other receivables		**(32,331)**	23,005
		(138,433)	(181,858)
(Decrease) / increase in current liabilities:			
Trade and other payables, excluding employee benefits		**(17,186)**	(99,704)
Contract liabilities		**4,064**	14,358
Net cash generated from operations		**698,738**	474,713
Decrease in long term loans		**6,873**	19,598
Decrease in long term deposits and prepayments		**1,490**	527
Employee benefits paid		**(40,780)**	(46,943)
Taxes paid		**(249,443)**	(247,655)
Interest paid		**(3,597)**	-
Net cash generated from operating activities		**413,281**	200,240
Cash flows from investing activities			
Payments for capital expenditure		**(224,649)**	(120,422)
Reimbursement / (payments) for software development costs		**37,668**	(37,668)
Proceeds from disposal of property, plant and equipment		**1,077**	1,806
Proceeds from disposal of Specialty Chemicals business		**-**	33,500
Interest received		**131,743**	68,656
Net cash used in investing activities		**(54,161)**	(54,128)
Cash flows from financing activities			
Dividend paid		**(231,832)**	(321,162)
Payment principal portion of lease liability against right-of-use assets		**(24,874)**	-
Net cash used in financing activities		**(256,706)**	(321,162)
Increase / (decrease) in cash and cash equivalents		**102,414**	(175,050)
Cash and cash equivalents at the beginning of the year		**1,895,127**	2,070,177
Cash and cash equivalents at the end of the year	25	**1,997,541**	1,895,127

The annexed notes 1 to 47 form an integral part of these financial statements.

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1 Legal status and nature of business

Akzo Nobel Pakistan Limited ("the Company") is a public limited Company registered under the Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on the Pakistan Stock Exchange. The registered office of the Company and the factory is situated at 346, Ferozepur Road, Lahore. The Company is primarily involved in the manufacturing and sale of paints and coatings. The Company is a subsidiary of ICI Omicron B.V. which is a wholly owned subsidiary of Akzo Nobel N.V.

During the year the Company has initiated voluntary delisting from Pakistan Stock Exchange which is currently under process.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

2.3 Critical accounting estimates and judgments

The Company's significant accounting policies are stated in note 3. 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 these financial statements are as follows:

a) Defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in note 8.11 to these 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 after every five years or earlier if necessary 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 AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

c) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's views differ from the view taken by income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The tax period of the Company is the same as its accounting year. The income tax assessments of the Company up to and including tax year 2019 have been completed under the provisions of section 120 of the Income Tax Ordinance, 2001 except for the cases as mentioned in note 12.1.1 to 12.1.6.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and tax credits to the extent that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The recoverability of deferred tax assets are analyzed at each reporting period end and adjusted if considered necessary with a corresponding effect on deferred tax charge/income for the period.

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 of the impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

e) Impairment of trade debts and contract assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts and contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

f) Provision for discounts

The Company offers various forms of discounts to its customers based on approved promotion schemes. In this regard, the Company maintains a provision for discounts based on the sales that satisfy the promotion criteria at the reporting date. Adjustment of the same is made upon claim by the respective customers. Charges and reversal thereof are recognized in the statement of profit and loss account.

g) Lease term of right of use asset and lease liability

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

2.4 Functional and presentation currency

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

2.5 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 / will be applicable to the Company's financial statements covering annual periods, beginning on or after the dates mentioned in the sub-notes.

2.5.1 Standards, interpretations and amendments to published approved accounting standards that became effective during the year and are relevant

2.5.1.1 First time adoption of IFRS 16 - Leases

This standard was notified by the SECP to be effective from annual periods beginning on or after January 01, 2019. This standard replaces existing guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a Lease', SIC-15 'Operating Leases- Incentive' and SIC-27 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The impact resulting from the initial adoption of IFRS 16 by the Company is disclosed in note 4.1 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

This standard was notified by the SECP to be effective from annual periods beginning on or after July 1, 2018. This standard, replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. Key changes in the new standard include a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers. The impact resulting from the initial adoption of IFRS 15 by the Company is disclosed in note 4.2 to these financial statements.

2.5.1.3 First time adoption of IFRS 9 - Financial Instruments

This standard was notified by the SECP to be effective from annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement'. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model. Accordingly, the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The impact resulting from the initial adoption of IFRS 9 by the Company is disclosed in note 4.3 to these financial statements.

In addition to the above, there are certain standards, amendments to the approved accounting standards and new interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates but the Company has not early adopted them.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of Financial Statements (Amendments)'	January 1, 2020
- IAS 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)'	January 1, 2020

2.5.3 Standards, amendments and interpretations to existing standards not yet effective and not applicable / relevant to the Company

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, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3 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, except for as stated in note 4 to these financial statements.

3.1 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 reporting date.

3.2 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 estimated costs necessary to make the sale.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

3.3 Property, plant and equipment

Property, plant and equipment (except freehold land, buildings on freehold land and plant and machinery) are stated 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 the statement of 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 13.1 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 reporting 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, in the statement of changes in equity.

Maintenance and normal repairs are charged to the statement of profit and loss account as and when incurred. Subsequent improvements to the assets 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 statement of profit and loss account, and the related surplus / deficit on revaluation of property, plant and equipment is transferred directly to retained earnings (unappropriated profits) through the statement of changes in equity.

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

3.4 Right-of-use asset and Lease liability

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

The Company's accounting policy in this regard has been disclosed in note 4.1 to the financial statements.

3.5 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 accumulated 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 the statement of 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 the statement of profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

3.6 Financial instruments

3.6.1 Financial assets

3.6.1.1 Classification

From January 1, 2019 the Company classifies its financial assets in the following measurement categories:

- at Fair Value through Profit or Loss (“FVPL”),
- at Fair Value through Other Comprehensive Income (“FVOCI”), or
- at amortised cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

For assets measured at fair value, gains and losses will either be recorded in profit or loss, or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

3.6.1.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date i.e. the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.6.1.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in statement of profit and loss account.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are Solely Payment of Principal and Interest (SPPI).

a) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

i) At amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of profit and loss account and presented in other income/(other charges), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit and loss account, if significant. The Company measures its trade debts and other receivables at amortised cost because it meets the criteria of the SPPI test.

ii) At FVOCI

Assets that are held for both collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the statement of profit and loss account. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit and loss account and recognised in other income/(other charges). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/(other charges).

iii) At FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in statement of profit and loss account and presented net within other income/(other charges) in the period in which it arises.

b) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statement of profit and loss account following the derecognition of the investment. Dividends from such investments continue to be recognised in statement of profit and loss account as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income/(other charges) in the statement of profit and loss account, as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value and are recognised in the statement of comprehensive income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

3.6.1.4 Impairment of financial assets

From January 1, 2019, the Company assesses on a forward-looking basis the Expected Credit Losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debts the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance to be recognised from initial recognition of the receivables while general 3-stage approach for loans, deposits, other receivables and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (adjusted for factors that are specific to the counterparty, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate). As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the instrument as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are considered while assessing credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

- actual or expected significant changes in the operating results of the debtor;

- significant increase in credit risk on other financial instruments of the same debtor; and

- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees, if applicable.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collaterals held by the Company).

Irrespective of the above analysis, in case of trade debts, the Company considers that default has occurred when a debt is more than 360 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- The lender(s) of The borrower, for economic or contractual reasons relating to The borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

The Company recognises life time ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; and

- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts with individually significant balance are separately assessed for ECL measurement. All other receivables are grouped and assessed collectively based on shared credit risk characteristics and the days past due. The expected credit losses on these financial assets are estimated using a provision matrix approach based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the nature of financial instruments; past-due status; nature, size and industry of debtors; and external credit ratings where available. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Company recognizes an impairment gain or loss in the statement of profit and loss account for financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

3.6.1.5 Financial assets - policy up to December 31, 2018

a) 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 FVPL) 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.

b) 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.

c) Impairment of financial assets

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 delinquency by a debtor or indications that a debtor / 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 the statement of profit and loss account 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 the statement of profit and loss account.

3.6.2 Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the obligation specified in the contract is discharged, cancelled or expired. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit and loss account.

All financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial liabilities are subsequently measured at FVPL or at amortised cost, as the case may be. Financial liabilities are measured at amortised cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVPL. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Where management has opted to recognise a financial liability at FVPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income/(loss). Currently, there are no financial liabilities designated at FVPL.

Financial liabilities - policy up to December 31, 2018

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.

3.6.3 Derivative financial instruments

Derivative financial instruments are recognized at fair value on the statement of financial position. Fair values are derived from market prices and quotes from dealers and brokers, or are estimated using observable market inputs. When determining fair values, credit risk for our contract party, as well as for the Company, is taken into account.

Changes in the fair value are recognized in the statement of profit and loss account, unless cash flow hedge accounting or net investment hedge accounting is applied. In those cases, the effective part of the fair value changes is deferred in the statement of other comprehensive income and released to the related specific lines in the statement of profit and loss account, or the statement of financial position at the same time as the hedged item.

Derivative financial instruments - policy up to December 31, 2018

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 are taken directly to the statement of profit and loss account.

3.7 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are stated at cost and comprise of cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash which are subject to insignificant risk of changes in values. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

3.8 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

3.9 Impairment of 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 the 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.

3.10 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.

3.11 Staff retirement benefits

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

3.12 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".

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 the statement of 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 the statement of profit and loss account. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.13 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.

3.14 Provisions

A provision is recognized in the statement of financial position 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.

3.15 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.

3.16 Revenue recognition

3.16.1 Revenue from contract with customers primarily includes sale of paints and coatings. Revenue is recognized when performance obligations are satisfied by transferring control of a good or service to a customer, either at a point in time or over time of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the aforementioned principle by applying the following steps:

i) Identify the contract with a customer.
ii) Identify the performance obligation in the contract.
iii) Determine the transaction price of the contract.
iv) Allocate the transaction price to each of the separate performance obligations in the contract.
v) Recognise the revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. Any bundled goods or services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements.

3.16.2 a) Sale of goods

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). Although the transfer of risks and rewards is not the only criterion to be considered to determine whether control over the goods has transferred, it is in most situations considered to be the main indicator of the customer's ability to direct the use of and obtain the benefits from the asset and largely also coincides with the physical transfer of the goods and the obligation of the customer to pay. In case of expected returns, no revenue is recognized for such products.

Variable considerations, including among others rebates and discounts are accrued for as performance obligations are satisfied and revenue is recognized. Variable considerations are only recognized when it is highly probable that it is not subject to significant reversal.

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

b) Equipment provided to customers

The Company at times also provides tinting machines to its customers at the start of a paint delivery contract.

Under IFRS 15, the delivery of such assets qualifies as a separate performance obligation. Revenue can only be recognized at the moment of transfer of such assets, when there is an agreed sales price or when there is a binding take-or-pay commitment for a minimum quantity of paint to be acquired by the customer.

c) Others

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

- Financial income on funds invested, mark-up / interest income on lendings made by the Company and amortization gains on interest free loans given to staff is accounted for using the effective interest rate method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

3.16.3 Policy up to December 31, 2018

The revenue recognition policy below was applied for the comparative figures in relation to 2018:

a) Sale of goods

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 probable, the associated costs and possible return of goods can be estimated reliably, and the amount of revenue can be measured reliably. In case of goods sold through consignment, revenue is recognized after assuming lead time for the delivery of goods from the shipment date unless the sales are acknowledged by the customer.

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

b) Others

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

- Financial income on funds invested, mark-up / interest income on lendings made by the Company and amortization gains on interest free loans given to staff is accounted for using the effective interest rate method.

3.17 Financial expenses

Financial expenses are recognized using the effective interest rate method and comprise of mark-up / interest expense on borrowings, along with amortization losses on interest free loans given to staff.

3.18 Operating lease / Ijarah contracts

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset i.e. 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 statement of profit and loss account on a straight-line basis over the period of the lease.

Certain leases previously classified as operating leases have been classified to right-of-use assets in accordance with recognitions criteria mentioned in note 4.1 to these financial statements.

3.19 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.

3.20 Foreign currency translation

Transactions denominated in foreign currencies are translated into Pak Rupees, at the foreign exchange rates prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates at the reporting date. Exchange differences i.e. gains / losses, are taken to the statement of profit and loss account.

3.21 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of 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.

a) 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.

b) Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in these 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 utilized.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 reporting date. Deferred tax is charged or credited in the statement of 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.

3.22 Earnings per share

The Company presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.23 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.

3.24 Related party transactions

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

4 Changes in accounting policies

4.1 First time adoption of IFRS 16 - Leases (right-of-use asset and lease liability)

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

At inception of a lease contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

For lease contracts other than the aforementioned, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate and amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the statement of profit and loss account if the carrying amount of right-to-use asset has been reduced to zero.

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

The Company has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The impact of adoption of this standard is therefore recognised in the opening statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Company recognised certain lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental weighted average borrowing rate of 11.55% per annum as of January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

The following summary reconciles the Company's operating lease commitments at December 31, 2018 as previously disclosed in the Company's annual financial statements as at December 31, 2018 to the lease liabilities recognised on initial application of IFRS 16 at January 01, 2019:

Operating lease as at December 31, 2018	32,973
Discounted using the lessee's incremental borrowing rate at the date of initial application	27,318
Add: finance lease liabilities recognised as at December 31, 2018	21,505
Lease liability recognised as at January 1, 2019	48,823
Of which are:	
Current lease liabilities	26,448
Non-current lease liabilities	22,375
	48,823

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

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

	Note	December 31, 2019	January 1, 2019
The recognised right-of-use assets relate to the following types of assets:			
Buildings	14	28,200	61,072

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

4.1.1 Impact on statement of financial position

Assets		
Increase in right-of-use assets	28,200	61,072
Decrease in deferred tax - net	2,527	-
Decrease in other assets - trade deposits and short term prepayments	(10,285)	(12,249)
Increase in total assets	20,442	48,823
Liabilities		
Increase in total lease liability against right-of-use assets	18,871	48,823
Decrease in taxation - provision less payment	2,250	-
Increase in total liabilities	21,121	48,823
Decrease in net assets	(679)	-

4.1.2 Impact on statement of profit and loss account

	For the year ended 2019
(Increase) / decrease in administrative and general expenses:	
Increase in depreciation on right-of-use assets	(6,233)
Decrease in rent expense	7,811
	1,578
(Increase) / decrease in Selling and distribution expenses:	
Increase in depreciation on right-of-use assets	(21,892)
Decrease in rent expense	22,624
	732
Increase in finance cost	(3,597)
Increase in other income	331
Decrease in profit before tax	(956)
Decrease in tax	277
Decrease in profit after tax	(679)

Earnings per share for the year ended December 31, 2019 are Rs 0.01 per share lower as a result of the adoption of IFRS 16.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

4.1.3 Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- grandfathered the assessment of which transactions are lease on the date of initial application;

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- reliance on previous assessments on whether leases are onerous;

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

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

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

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

The effect of this change in accounting policy upon initial application is as follows:	Note	January 1, 2019
Decrease in property, plant and equipment at net book value	13.1	(48,198)
Increase in deferred tax asset	18.2	13,027
Increase in taxation - provision less payment		(6,765)
Decrease in opening retained earnings		(41,936)

4.3 First time adoption of IFRS 9 – Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In respect of application of IFRS 9 from January 1, 2019, the Company has adopted modified retrospective approach as permitted by this standard, according to which the Company is not required to restate the prior period results.

Upon initial adoption of IFRS 9 there were no adjustments resulting in the measurement of financial assets and liabilities of the Company from the previously applicable IAS 39.

In respect of classification of financial assets, the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories as follows on January 1, 2019:

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Long term loans	Loans and receivables	Amortised cost
Long term deposits	Loans and receivables	Amortised cost
Trade debts	Loans and receivables	Amortised cost
Loans and advances	Loans and receivables	Amortised cost
Short term trade deposits	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Interest accrued	Loans and receivables	Amortised cost
Cash and bank balances	Loans and receivables	Amortised cost

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

Financial liabilities

There has been no change in the classification of the Company's financial liabilities under IFRS 9 from its previous classification under IAS 39

5 Share capital

5.1 Authorized share capital

2019	2018		Note	2019	2018
(Number of shares)					
100,000,000	100,000,000	Ordinary shares of Rs. 10/- each		**1,000,000**	1,000,000

5.2 Issued, subscribed and paid-up capital

(Number of shares)				
46,443,320	46,443,320	Ordinary shares of Rs. 10/- each issued as fully paid shares for consideration other than cash	**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 (2018: 35,209,665) ordinary shares of Rs. 10/- each representing 75.81% (2018: 75.81%) of the share capital of the Company.

During the year the ICI Omircon B.V. resolved to purchase all the outstanding securities and share of the Company, without exception, from all security holders with the purpose to further increase ownership and to de-list the Company in accordance with section 96 of the Securities Act, 2015 and clause 5.6.1(a) of PSX Regulations. As on December 31, 2019 the Company is in the process of voluntary delisting from the Pakistan Stock Exchange (PSX) and subsequently submitted a formal application thereof on January 30, 2020 to PSX.

6 Reserves

	Note	2019	2018
Capital reserves			
- Share premium	6.1	**156,006**	156,006
- Capital receipts	6.2	**196**	196
		156,202	156,202
Revenue reserve			
- Unappropriated profit		**2,284,913**	1,974,430
		2,441,115	2,130,632

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 81(2) of the Companies Act, 2017.

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.

	2019	2018
Balance at beginning of the year	**1,264,962**	1,306,613
Revaluation surplus for the year - net of deferred tax	**2,462,931**	-
Transferred to unappropriated profit in respect of incremental depreciation during the year - net of deferred tax	**(39,294)**	(41,651)
Balance at end of the year	**3,688,599**	1,264,962

8 Deferred liabilities

8.1 The amounts recognized in the statement of financial position are:

	2019	2018
Non-current liabilities		
Unfunded - recognized in deferred liability		
- Gratuity fund - non-management	**10,016**	10,406
- Post retirement medical benefits	**56,522**	51,162
	66,538	61,568
Current liabilities		
Funded - payable to employee retirement benefit fund:		
- Pension fund - management	**70,561**	75,829
- Gratuity fund - management	**42,664**	42,849
	113,225	118,678
	179,763	180,246

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

	2019					2018				
	Funded			Unfunded	Total	Funded			Unfunded	Total
	Pension	Gratuity	Subtotal			Pension	Gratuity	Subtotal		
8.2 The amounts recognized in the profit and loss account against defined benefit schemes are as follows:										
Current service cost	**4,042**	**13,760**	**17,802**	**1,682**	**19,484**	5,211	13,828	19,039	1,718	20,757
Contribution by associates	**-**	**(360)**	**(360)**	**-**	**(360)**	-	(697)	(697)	-	(697)
Interest cost	**18,739**	**16,204**	**34,943**	**6,046**	**40,989**	16,365	13,087	29,452	4,263	33,715
Expected return on plan assets	**(12,005)**	**(12,812)**	**(24,817)**	**-**	**(24,817)**	(10,495)	(9,411)	(19,906)	-	(19,906)
Net charge for the year	**10,776**	**16,792**	**27,568**	**7,728**	**35,296**	11,081	16,807	27,888	5,981	33,869
8.3 Included in other comprehensive income:										
Actuarial (loss) / gain on remeasurement of plan obligation from:										
- Change in financial assumptions	**1,759**	**118**	**1,877**	**26**	**1,903**	4,833	159	4,992	(159)	4,833
- Experience adjustments	**3,272**	**13,813**	**17,085**	**(643)**	**16,442**	5,596	6,853	12,449	1,720	14,169
Return on plan assets, excluding interest income	**(8,231)**	**(15,115)**	**(23,346)**	**-**	**(23,346)**	(6,544)	(623)	(7,167)	-	(7,167)
Net (loss) / gain for the year	**(3,200)**	**(1,184)**	**(4,384)**	**(617)**	**(5,001)**	3,885	6,389	10,274	1,561	11,835
8.4 Movement in the net liability recognized in the statement of financial position are as follows:										
Balance at beginning of the year	**75,829**	**42,849**	**118,678**	**61,568**	**180,246**	87,877	59,216	147,093	58,062	205,155
Net charge for the year	**10,776**	**16,792**	**27,568**	**7,728**	**35,296**	11,081	16,807	27,888	5,981	33,869
Contributions / payments during the year	**(19,244)**	**(18,161)**	**(37,405)**	**(3,375)**	**(40,780)**	(19,244)	(26,785)	(46,029)	(914)	(46,943)
Actuarial loss charged to / (gain) recognized in other comprehensive income	**3,200**	**1,184**	**4,384**	**617**	**5,001**	(3,885)	(6,389)	(10,274)	(1,561)	(11,835)
Balance at end of the year	**70,561**	**42,664**	**113,225**	**66,538**	**179,763**	75,829	42,849	118,678	61,568	180,246
8.5 The amounts recognized in the statement of financial position are as follows:										
Fair value of plan assets	**(129,711)**	**(126,543)**	**(256,254)**	**-**	**(256,254)**	(112,647)	(118,619)	(231,266)	-	(231,266)
Present value of defined benefit obligation	**200,272**	**169,207**	**369,479**	**66,538**	**436,017**	188,476	161,468	349,944	61,568	411,512
Liability recognized	**70,561**	**42,664**	**113,225**	**66,538**	**179,763**	75,829	42,849	118,678	61,568	180,246
8.6 Movement in the present value of defined benefit obligation:										
Balance at beginning of the year	**188,476**	**162,165**	**350,641**	**61,568**	**412,209**	221,046	177,824	398,870	58,062	456,932
Current service cost	**4,042**	**13,760**	**17,802**	**1,682**	**19,484**	5,211	13,828	19,039	1,718	20,757
Interest cost	**18,739**	**16,204**	**34,943**	**6,046**	**40,989**	16,365	13,087	29,452	4,263	33,715
Benefits paid	**(5,954)**	**(8,991)**	**(14,945)**	**(3,375)**	**(18,320)**	(43,717)	(35,562)	(79,279)	(914)	(80,193)
Actuarial (gain) / loss on remeasurement of plan obligation	**(5,031)**	**(13,931)**	**(18,962)**	**617**	**(18,345)**	(10,429)	(7,012)	(17,441)	(1,561)	(19,002)
Balance at end of the year	**200,272**	**169,207**	**369,479**	**66,538**	**436,017**	188,476	162,165	350,641	61,568	412,209
8.7 Movement in the fair value of plan assets:										
Balance at beginning of the year	**112,647**	**119,316**	**231,963**	**-**	**231,963**	133,169	118,608	251,777	-	251,777
Expected return	**12,005**	**12,812**	**24,817**	**-**	**24,817**	10,495	9,411	19,906	-	19,906
Contributions by the Company	**19,244**	**18,161**	**37,405**	**-**	**37,405**	19,244	26,785	46,029	-	46,029
Contributions by associates	**-**	**360**	**360**	**-**	**360**	-	697	697	-	697
Benefits paid	**(5,954)**	**(8,991)**	**(14,945)**	**-**	**(14,945)**	(43,717)	(35,562)	(79,279)	-	(79,279)
Return on plan assets, excluding interest income	**(8,231)**	**(15,115)**	**(23,346)**	**-**	**(23,346)**	(6,544)	(623)	(7,167)	-	(7,167)
Balance at end of the year	**129,711**	**126,543**	**256,254**	**-**	**256,254**	112,647	119,316	231,963	-	231,963
8.8 Plan assets comprise:										
Government bonds	**83,772**	**83,299**	**167,071**	**-**	**167,071**	8,618	2,527	11,145	-	11,145
Corporate bonds	**11,255**	**8,742**	**19,997**	**-**	**19,997**	6,740	4,815	11,555	-	11,555
Mutual funds – debt	**920**	**27**	**947**	**-**	**947**	925	27	952	-	952
Equity instruments	**21,145**	**20,931**	**42,076**	**-**	**42,076**	38,490	34,402	72,892	-	72,892
Cash	**12,619**	**13,544**	**26,163**	**-**	**26,163**	57,874	76,848	134,722	-	134,722
	129,711	**126,543**	**256,254**	**-**	**256,254**	112,647	118,619	231,266	-	231,266

8.9 The expected charge in statement of profit and loss account pertaining to pension fund, gratuity fund and unfunded schemes for the year ending December 31, 2020 is Rs. 12.06 million, Rs. 17.53 million and Rs. 9.73 million, respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 are valued at market prices and are level 2. The funds do not have any investment in the securities issued by the Company or any associated companies. The Gratuity Fund and Pension Fund are invested through approved trust funds.

8.11 The principal actuarial assumptions at the reporting date were as follows:

	2019	2018
Discount rate	**12.10%**	10.10%
Expected return on plan assets	**12.10%**	10.10%
Future salary increases - Management staff	**12.60%**	10.60%
Future salary increases - Non-management staff	**9.90%**	7.90%
Future pension increases	**7.50%**	5.60%
Medical cost trend	**6.80%**	4.90%

As at December 31, 2019, the weighted average duration of the defined benefit obligation was 9.4 years (2018: 10 years).

Plan duration of defined benefit obligation:

Pension	**8 years**	8 years
Gratuity - Management staff	**8.9 years**	9.5 years
Gratuity - Non-management staff	**5.5 years**	5.2 years
Pensioners' medical plan	**16.3 years**	16.7 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 are 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 composition of the plan assets is disclosed in note 8.8 to the financial statements.

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 reporting date. Expected return on equity investments reflect long term real rates of return experienced in the market.

8.15 Normal retirement age is 60 years for non-management staff. Normal retirement age for management staff depends on date of joining. If joining date is before February 1988, normal retirement age is 58 years for men and 55 years for women. If joining date falls between February 1, 1988 and February 24, 2013, it is 60 years extendable to 62 years by the mutual consent of employee and Company. If joining date is February 25, 2013 or later, normal retirement age is 62 years.

Currently the Company has the following plans:

a) Pension

Pension scheme entitles the members to pension, subject to the conditions laid down in the rules, on reaching the normal retirement age, disability, early retirement or death in which case the surviving spouse and the children under the 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%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

b) 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. The Company maintains a separate gratuity fund for management and non-management staff.

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

c) 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.

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%	(17,114)	18,452
Salary growth rate	0.50%	9,432	(8,977)
Pension growth rate	0.50%	4,928	(4,567)
Medical cost trend rate	0.50%	4,394	(3,973)

If life expectancy increases by 1 year, the obligation decreases by Rs. 5.46 million.

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different sets of assumptions. The impact of increase in longevity has been calculated on the aggregate for each class of employees.

8.18 The Company contributed Rs. 19.80 million (2018: Rs. 22.42 million) and Rs. 10.10 million (2018: Rs. 10.83 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

8.19 Investments out of fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

		2019	2018
9	**Lease liabilities against right-of-use assets**		
	Lease liabilities against right-of-use assets at year end	**18,871**	-
	Less: current portion of lease liabilities against right-of-use assets	**(6,381)**	-
	Non current lease liabilities against right-of-use assets	**12,490**	-

9.1 Commitments in relations to leases recognised under IFRS 16 against right-of-use assets are payable as follows:

	2019	2018
Payable not later than one year	**8,015**	-
Payable later than one year but not later than five years	**13,960**	-
	21,975	-
Future finance cost	**(3,104)**	-
Total lease liabilities against right-of-use assets	**18,871**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
10	**Trade and other payables**			
	Creditors:			
	- Related parties	10.1	**216,339**	176,766
	- Others		**800,523**	880,702
			1,016,862	1,057,468
	Royalty and technical service fee	10.2	**175,785**	181,352
	Accrued liabilities		**214,998**	244,318
	Sales tax, excise and custom duties		**64,826**	38,024
	Workers' Profit Participation Fund	10.3	**40,517**	31,240
	Workers' Welfare Fund	10.4	**4,815**	3,246
	Payable for capital expenditure		**7,544**	23,076
	Withholding tax payable to Government		**11,384**	10,337
	Payable to employee retirement benefit funds	8.1	**113,225**	118,678
	Others		**2,110**	2,287
			635,204	652,558
			1,652,066	1,710,026

10.1 This includes balances due to following related parties:

	2019	2018
Akzo Nobel Car Refinishes B.V.	**14,861**	26,481
Akzo Nobel N.V.	**70,194**	43,852
ICI Omicron B.V.	**20,754**	20,754
Akzo Nobel Paints Singapore Pte Limited	**94,524**	55,714
Akzo Nobel Packaging Coatings Limited	**3,243**	6,284
International Paint (Nederland) B.V.	**9,138**	9,113
Akzo Nobel Saudi Arabia Limited	**-**	7,326
Akzo Nobel India Limited	**-**	2,742
Akzo Nobel UAE Paints L.L.C.	**-**	1,878
Akzo Nobel GEHQ	**-**	2,622
Akzo Nobel Decorative Coatings	**3,625**	-
	216,339	176,766

10.2 This includes royalty and technical service fee payable to the following related parties:

	2019	2018
Akzo Nobel Coatings International B.V.	**169,027**	174,984
	169,027	174,984

10.3 Workers' Profit Participation Fund

	Note	2019	2018
Balance at beginning of the year		**31,240**	44,923
Allocation for the year	32	**41,307**	31,240
Interest on funds	31	**514**	919
Payments made to the fund during the year		**(32,544)**	(45,842)
Balance at end of the year		**40,517**	31,240

10.4 Workers' Welfare Fund

	Note	2019	2018
Balance at beginning of the year		**3,246**	8,909
Allocation for the year	32	**15,696**	13,376
Provision written back		**-**	(7,000)
Payments made during the year		**(14,127)**	(12,039)
Balance at end of the year		**4,815**	3,246

10.5 Due to initial adoption of IFRS 15, advances from customers previously presented under 'trade and other payables', are now separately disclosed as contract liabilities on the statement of financial position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

11 Contract liabilities

Advances received from customer are recognised as revenue when performance obligation in accordance with the policy as described in note 3.16 is satisifed. Following is a movement in the balance with respect to contract liabilities during the year:

	2019	2018
Balance at beginning of the year	**49,975**	35,617
Advances received during the year	**249,822**	135,969
Revenue recognised during the year	**(245,758)**	(121,611)
Balance at end of the year	**54,039**	49,975

12 Contingencies and commitments

12.1 Contingencies

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

12.1.1 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 additional tax demand of Rs. 89.49 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. The management, in consultation with their tax advisor, is of the view that these tax matters will eventually be decided in favor of the Company; therefore no provision has been made in these financial statements.

12.1.2 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 additional tax demand of Rs. 15.53 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, advertisement 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. The management, in consultation with their tax advisor, is of the view that these tax matters will eventually be decided in favor of the Company; therefore no provision has been made in these financial statements.

12.1.3 For the tax year 2014, the CIR through assessment orders dated March 1, 2018 passed under section 122(5A) of the Income Tax Ordinance, amended the taxable income of the Company and raised additional tax demands of Rs. 747.48 million. The tax demands mainly pertain to disallowance of advertisement and publicity; discounts and commission; service expenses due to non-deduction of withholding tax and expenses on account of gratuity, provident and pension funds. The Company had filed appeals before the CIR (A) who annulled the impugned demand and remanded back the case to the assessing officer with directions of re-examination. The management, in consultation with their tax advisor, is of the view that these tax matters will eventually be decided in favor of the Company; therefore no provision has been made in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

12.1.4 For the tax year 2016, the CIR through assessment orders dated March 31, 2018 passed under section 122(5A) of the Income Tax Ordinance, amended the taxable income of the Company and raised additional tax demands of Rs. 454.48 million, respectively. The tax demands mainly pertain to disallowance of advertisement and publicity; discounts and commission; and expenses on account of gratuity, provident and pension funds. The Company has filed appeals before the CIR (A), which are currently pending adjudication. The management, in consultation with their tax advisor, is of the view that these tax matters will eventually be decided in favor of the Company; therefore no provision has been made in these financial statements.

12.1.5 The Income Tax Department, during the current reporting period, passed an order under section 161/205 of the Income Tax Ordinance, 2001, creating a demand of Rs. 102.3 million on account of non-deduction / withholding of tax on payments under various heads. The matter was appealed by the Company before the CIR(A) who annulled the impugned demand and remanded back the case to the assessing officer with directions of re-examination. The management, in consultation with their tax advisor, is of the view that all withholding tax deductions have been made and the tax matter will eventually be decided in favor of the Company; therefore no provision has been made in these financial statements.

12.1.6 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. 40.61 million. The Company preferred an appeal before the Customs, Excise & Sales Tax Appellate 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 Honorable Lahore High Court, Lahore. The appeal is pending adjudication. The management, in consultation with their tax advisor, is of the view that these tax matters will eventually be decided in favor of the Company; therefore no provision has been made in these financial statements.

		Note	2019	2018
12.2	**Commitments**			
12.2.1	Commitments in respect of capital expenditure		**28,705**	13,615

12.2.2 The commitments of future payments under finance leases and Ijarah financing contracts in the year in which these payments shall become due are as follows:

Year	2019	2018
2019	-	29,834
2020	**26,000**	26,351
2021	**21,749**	20,696
2022	**17,277**	13,334
2023	**5,305**	647
2024	**459**	-
	70,790	90,862
Payable not later than one year	**26,000**	29,834
Payable later than one year but not later than five years	**44,790**	61,028
	70,790	90,862

12.2.2.1 Contracts under Ijarah agreements have been accounted for under IFAS-2, and accordingly classified as operating leases.

12.2.3 Commitments in respect of outstanding letters of credit and outstanding letter of guarantee at the reporting date have been disclosed in note 25.3 of these financial statements.

12.2.4 The Company has a commitment in respect of indemnity agreement signed with ICI Pakistan Limited to cover the possible outcome of the tax issues of ICI Pakistan Limited prior to demerger up to the extent of Rs. 1,583 million (2018: Rs. 1,583 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
13	**Property, plant and equipment**			
	Property, plant and equipment	13.1	**4,428,157**	1,895,907
	Capital work-in-progress	13.2	**117,565**	65,646
			4,545,722	1,961,553

13.1 Property, plant and equipment

	Note	Freehold land	Buildings on Freehold land	Plant and machinery	Furniture and fixtures	Office equipment	Vehicles	Total
Net carrying value basis								
Year ended December 31, 2019								
Opening Net Book Value (NBV)		**1,348,361**	**95,879**	**421,805**	**21,295**	**7,264**	**1,303**	**1,895,907**
Impact of initial adoption - IFRS 15	4.2	**-**	**-**	**(48,198)**	**-**	**-**	**-**	**(48,198)**
NBV on January 1, 2019		**1,348,361**	**95,879**	**373,607**	**21,295**	**7,264**	**1,303**	**1,847,709**
Additions (at cost)		**-**	**9,319**	**143,432**	**1,251**	**3,196**	**-**	**157,198**
Revaluation during the year		**2,217,939**	**81,460**	**254,541**	**-**	**-**	**-**	**2,553,940**
Disposals (at NBV)		**-**	**-**	**(276)**	**-**	**-**	**-**	**(276)**
Depreciation charge for the year	13.1.2	**-**	**(27,353)**	**(91,304)**	**(2,919)**	**(8,189)**	**(649)**	**(130,414)**
Closing NBV		**3,566,300**	**159,305**	**680,000**	**19,627**	**2,271**	**654**	**4,428,157**
Gross carrying value basis								
As at December 31, 2019								
Cost / revalued amount		3,566,300	159,305	680,000	120,471	20,313	2,281	4,548,670
Accumulated depreciation		-	-	-	(100,844)	(18,042)	(1,627)	(120,513)
NBV		3,566,300	159,305	680,000	19,627	2,271	654	4,428,157
Depreciation rate (% per annum)		-	4 - 20	5 - 33.33	10 - 33.33	10 - 33.33	25 - 33.3	
Net carrying value basis								
Year ended December 31, 2018								
Opening NBV		1,348,361	114,641	431,604	19,047	5,273	527	1,919,453
Additions (at cost)		-	11,856	96,004	5,168	11,907	1,472	126,407
Disposals / write-off (at NBV)		-	(586)	(710)	(1)	(326)	(1)	(1,624)
Adjustments		-	(555)	-	481	74	-	-
Depreciation charge for the year	13.1.2	-	(29,477)	(105,093)	(3,400)	(9,664)	(695)	(148,329)
Closing NBV		1,348,361	95,879	421,805	21,295	7,264	1,303	1,895,907
Gross carrying value basis								
As at December 31, 2018								
Cost / revalued amount		1,348,361	375,138	1,401,824	119,450	32,520	2,281	3,279,574
Accumulated depreciation		-	(279,259)	(980,019)	(98,155)	(25,256)	(978)	(1,383,667)
NBV		1,348,361	95,879	421,805	21,295	7,264	1,303	1,895,907
Depreciation rate (% per annum)		-	4 - 20	5 - 33.33	10 - 33.33	10 - 33.33	25 - 33.3	

13.1.1 Particulars of immovable property and plant are as follows:

Class	Location	Usage of immovable property	Total area (square feet) 2019	2018
Land and building	346 Ferozpur Road, Lahore, Pakistan	Plant and Head office	**480,195**	480,195
Land	Rachna Industrial Estate, Sheikhupura, Pakistan	Idle	**720,047**	720,047
Land and building	Port Qasim , Karachi, Pakistan	Training center	**87,120**	87,120

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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		Note	2019	2018
13.1.2	The depreciation charged during the year has been allocated as follows:			
	Cost of sales	27	**94,795**	100,439
	Selling and distribution expenses	28	**19,992**	30,016
	Administrative and general expenses	29	**15,627**	17,874
			130,414	148,329

13.1.3 Depreciation for the year includes incremental depreciation due to revaluation, amounting to Rs. 55.2 million (2018: Rs. 58.7 million).

13.1.4 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. According to Company's policy to revalue property, plant and equipment i.e. after every five year or earlier if fair value of the same is determined to differ materially from its carrying amount at the reporting date, 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 resulted in a surplus of Rs. 587.92 million during August 2016 and Rs. 2,553.94 million during January 2020 respectively. Valuations for buildings on freehold land and plant and machinery are 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 Level 3.

13.1.5 The aggregate book value of assets disposed by the Company during the current year and prior year does not exceed five million rupees.

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

	2019	2018
Freehold land	**220,819**	220,819
Buildings on freehold land	**37,813**	37,751
Plant and machinery	**318,973**	277,155
	577,605	535,725

13.1.7 The forced sale value of revalued property, plant and machinery as per latest available revaluation reports are as follows;

Particulars	Date of inspection	Revaluation report dates	Forced Sales Value
Freehold land			
-346 Ferozpur Road, Lahore, Pakistan	December 12, 2019	January 20, 2020	2,561,132
-Rachna Industrial Estate, Sheikhupura, Pakistan	December 19, 2019	January 20, 2020	212,000
-Port Qasim , Karachi, Pakistan	December 24, 2019	January 20, 2020	80,365
			2,853,497
Buildings on freehold land			
-346 Ferozpur Road, Lahore, Pakistan	December 12, 2019	January 20, 2020	119,848
-Port Qasim , Karachi, Pakistan	December 24, 2019	January 20, 2020	7,635
			127,483
Plant and machinery	December 12, 2019	January 20, 2020	544,020
			3,525,000

		2019	2018
13.2	**Capital work-in-progress**		
	Civil works and buildings	**9,565**	3,761
	Plant and machinery	**100,101**	55,069
	Equipment	**7,899**	6,816
		117,565	65,646
14	**Right-of-use assets**		
	Opening net book value	**-**	-
	Impact of initial adoption - IFRS 16	**61,072**	-
	Disposals / adjustments made during the year	**(4,747)**	-
	Depreciation charged during the year	**(28,125)**	-
	Closing net book value	**28,200**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
15	**Intangible assets**			
	Capital work-in-progress	15.1	-	37,668
			-	37,668

15.1 During the year the Company has derecognized its capital work in progress relating to the development of a new ERP system i.e. SAP Saturn against reimbursement of development costs from its parent entity Akzo Nobel N.V., a related party.

		Note	2019	2018
16	**Long term loans**			
	Secured - considered good			
	- Executives	16.1	**20,824**	19,661
	- Other employees		**59,629**	72,481
			80,453	92,142
	Less: Receivable within one year	22	**(20,579)**	(25,395)
			59,874	66,747
16.1	Reconciliation of the carrying amount of loans to executives:			
	Balance at beginning of the year		**19,661**	23,319
	Disbursements - gross		**12,701**	12,194
	Repayments / adjustments		**(11,538)**	(15,852)
	Balance at end of the year	16.2 & 16.3	**20,824**	19,661

16.2 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.

16.3 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. The Company is entitled to recover from the employee's salary and other dues in case of default.

16.4 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 26.49 million (2018: Rs. 30.25 million).

		Note	2019	2018
17	**Long term deposits and prepayments**			
	Deposits		**3,715**	3,715
	Prepayments		**508**	1,998
			4,223	5,713
18	**Deferred tax asset - net**			
18.1	The balance comprises of the following temporary differences:			
	Deductible temporary differences			
	Provisions		**159,124**	204,286
	Property, plant and equipment		**4,136**	3,676
	Lease liabilities against right-of-use assets		**5,111**	-
		18.2	**168,371**	207,962
	Taxable temporary differences			
	Property, plant and equipment		**(143,025)**	(60,640)
	Right-of-use assets		**(7,638)**	-
		18.3	**(150,663)**	(60,640)
	Net deferred tax asset		**17,708**	147,322

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
18.2	**Changes in deductible temporary differences**			
	Opening balance		**207,962**	206,809
	Impact of initial adoption - IFRS 15	4.2	**13,027**	-
	(Charged) / credited during the year in statement of profit and loss account		**(52,618)**	8,047
	Adjustment for change in tax rate		**-**	(6,894)
	Closing balance		**168,371**	207,962
18.3	**Changes in taxable temporary differences**			
	Opening balance		**60,640**	74,645
	(Credited) / charged / during the year in			
	-statement of profit and loss account		**(986)**	(11,517)
	-statement of other comprehensive income	18.3.1	**91,009**	-
	Adjustment for change in tax rate		**-**	(2,488)
			150,663	60,640

18.3.1 This represents deferred tax resulting from revaluation surplus on buildings on freehold land and plant and machinery as disclosed in 13.1.4.

		Note	2019	2018
19	**Stores and spares**			
	Stores		**4,739**	4,774
	Spares		**21,639**	17,968
			26,378	22,742
	Less: Provision for slow moving and obsolete stores and spares - net	19.1	**(81)**	(81)
			26,297	22,661
19.1	**Provision for slow moving and obsolete stores and spares**			
	Balance at beginning of the year		**81**	130
	Provision charged during the year		**1,306**	2,300
	Stores written-off against provision		**(1,306)**	(2,349)
	Balance at end of the year		**81**	81

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

		Note	2019	2018
20	**Stock in trade**			
	Raw and packing material including stock in transit amounting to Rs. 110.54 million (2018: Rs. 86.82 million)		**437,342**	437,915
	Work-in-process	27	**11,336**	9,312
	Finished goods		**231,108**	189,303
	Goods purchased for resale including stock in transit amounting to Rs. 3.62 million (2018: Rs. nil)		**79,850**	108,619
			759,636	745,149
	Provision for slow moving and obsolete stock in trade:			
	- Raw material		**(27,082)**	(28,704)
	- Finished goods		**(48,963)**	(47,562)
		20.1	**(76,045)**	(76,266)
			683,591	668,883

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
20.1	**Provision for stock in trade**			
	Balance at beginning of the year		**76,266**	51,616
	Provision charged during the year		**12,054**	31,133
	Stock written-off against provision		**(12,275)**	(6,483)
	Balance at end of the year		**76,045**	76,266

20.2 Out of the total carrying value of inventory, Rs.0.83 million (2018: Rs. 7.46 million) is measured at net realizable value. As at December 31, 2019 stock has been written down by Rs. 0.10 million (2018: Rs. 0.19 million) to arrive at its net realizable value.

		Note	2019	2018
21	**Trade debts**			
	Considered good			
	- Secured	21.1	**51,936**	51,272
	- Unsecured		**1,117,370**	1,166,338
			1,169,306	1,217,610
	Considered doubtful		**172,068**	203,712
			1,341,374	1,421,322
	Less: allowances and provisions			
	- allowances for impairment of trade debts	30	**(172,068)**	(203,712)
	- provision for discounts	21.4	**(339,287)**	(475,772)
			(511,355)	(679,484)
			830,019	741,838

21.1 These trade debts are secured against letters of credit and bank guarantee.

		Note	2019	2018
21.2	Trade debts include balances due from the following related parties:			
	Akzo Nobel Paints (Malaysia) Sdn Bhd		**-**	3,338
	Akzo Nobel UAE Paints L.L.C		**33**	33
		21.2.1	**33**	3,371

21.2.1 Ageing analysis of amounts due from related parties, included in trade debts, are as follows:

	2019	2018
Neither past due nor impaired (1 - 30 days)	**-**	3,338
Past due but not impaired (31 - 90 days)	**-**	-
Past due and impaired (91 - 120 days)	**-**	-
Past due and impaired (More than 120 days)	**33**	33
As at December 31, 2019	**33**	3,371

21.2.2 The maximum aggregate amount of trade receivable from related parties at the end of any month during the year was Rs. 3.37 million (2018: Rs. 3.37 million).

21.3 The outstanding trade debts in relation to the export sales made during the year are as follows:

Name of Party	Country	Export sale during the year		Outstanding trade debts as on	
		2019	2018	**2019**	2018
Akzo Nobel Paints (Malaysia) Sdn Bhd - a related party	Nilai, Malaysia	-	3,338	**-**	3,338
Akzo Nobel UAE Paints L.L.C - a related party	Dubai, UAE	-	33	**33**	33

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
21.3.1	The outstanding trade debts relate to the export sales made in accordance with contract terms and are unsecured.			
21.4	**Provision for discounts**			
	Balance at beginning of the year		**475,772**	475,863
	Charge for the year - net		**633,206**	919,374
	Discounts paid during the year		**(769,691)**	(919,465)
	Balance at end of the year		**339,287**	475,772
22	**Loans and advances**			
	Secured - considered good			
	Current portion of long term loans to:			
	- Executives		**5,103**	4,696
	- Other employees		**15,476**	20,699
		16	**20,579**	25,395
	Unsecured - considered good			
	Advances to contractors and suppliers		**57,231**	70,003
			77,810	95,398
23	**Trade deposits and short term prepayments**			
	Trade deposits		**921**	1,348
	Short term prepayments	23.1 & 23.2	**2,019**	15,253
			2,940	16,601

23.1 On adoption of IFRS 16, short term prepayments relating to rentals against leased buildings amounting to Rs.10.29 million have been reclassified to right-of-use assets.

23.2 This represents prepayments made by the company against rented premises classified as operating lease under IFRS 16 as on December 31, 2019 only. The comparative figures for the 2018 reporting period have not been restated as permitted under specific transitional provisions of the standard.

		Note	2019	2018
24	**Other receivables**			
	Unsecured - considered good			
	Due from related parties	24.1	**47,647**	10,918
	Others		**6,165**	10,563
			53,812	21,481
24.1	These represent receivable from following related parties:			
	Akzo Nobel UAE Paints L.L.C		**38**	2,983
	Akzo Nobel N.V.		**27,218**	7,560
	ICI Swire Paints (Shanghai) Limited		**161**	145
	Akzo Nobel Saudi Arabia		**365**	-
	Akzo Nobel Paints Singapore Pte Limited		**4,191**	-
	Akzo Nobel Paints Vietnam Limited		**476**	-
	Akzo Nobel Car Refinishes SL		**12,500**	-
	Marshall Boya Ve Vernik Sanayi		**1,081**	-
	Akzo Nobel Paints Thailand Limited		**477**	-
	International Farbenwerke GmbH		**1,140**	-
	Akzo Nobel Paints Lanka Private Limited		**-**	230
			47,647	10,918

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
24.1.1	Ageing analysis of amounts due from related parties, included in other receivables, are as follows:			
	Neither past due nor impaired (1 - 30 days)		**36,104**	6,209
	Past due but not impaired (31 - 90 days)		**9,839**	1,351
	Past due and not impaired (91 - 120 days)		**47**	145
	Past due and not impaired (More than 120 days)		**1,657**	3,213
	As at December 31, 2019		**47,647**	10,918
25	**Cash and bank balances**			
	Cash in hand		**8,093**	17,112
	Cash at bank - current accounts	25.1	**276,166**	290,751
	Cash at bank - saving accounts		**3,282**	264
	Short term deposits	25.2	**1,710,000**	1,587,000
			1,997,541	1,895,127

25.1 Cash and bank balances include cheques in hand amounting to Rs. 212.37 million (2018: Rs. 239.32 million) and US Dollars amounting to US $332 (2018: US $8,332).

25.2 These represents Term Deposit Receipts placed with commercial banks, having maturity period ranging from 14 to 32 days (2018: 30 to 31 days). The mark-up on these deposits ranges between 12.55% to 12.63% (2018: 8.85% to 9.32%) per annum.

25.3 Particulars of credit facilities available to the Company

25.3.1

2019

Bank	Nature of facility	Mark up rate / Commission	Frequency of mark-up / commission payment	Facility expiry date	Facility limit	Facility utilized at year end
Deutsche Bank	**Bank Guarantee**	**0.20%**	**Quarterly**	**N/A**	**38,000**	**2,476**
Deutsche Bank	**Letters of Credit (LC)**	**0.10%**	**Upon LC issuance**	**N/A**	**315,000**	**33,446**
Deutsche Bank	**Short-term running finance**	**1 Month KIBOR + 1% per annum**	**Calendar quarter basis**	**N/A**	**38,000**	**-**

2018

Bank	Nature of facility	Mark up rate / Commission	Frequency of mark-up / commission payment	Facility expiry date	Facility limit	Facility utilized at year end
Deutsche Bank	Bank Guarantee	0.20%	Quarterly	N/A	38,000	1,540
Deutsche Bank	Letters of Credit (LC)	0.10%	Upon LC issuance	N/A	315,000	103,155
Deutsche Bank	Short-term running finance	1 Month KIBOR + 1% per annum	Calendar quarter basis	N/A	38,000	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
25.3.2	The abovementioned facilities are secured by parental guarantee from Akzo Nobel N.V. along with first pari passu hypothecation charge over the current assets amounting to Rs. 210 million (2018: Rs. 210 million), demand promissory note and counter guarantee / indemnity duly signed and stamped by the Company.			
25.4	Cash and bank balances represents the cash and cash equivalents for the purpose of cash flow statement.			
26	**Revenue**			
	Export sales		**5,976**	8,288
	Local sales and commission income		**8,486,170**	8,738,558
			8,492,146	8,746,846
	Less:			
	Sales tax		**1,232,618**	1,299,650
	Discounts		**1,647,987**	1,634,453
			2,880,605	2,934,103
			5,611,541	5,812,743
27	**Cost of sales**			
	Raw and packing materials consumed	27.1	**2,845,621**	2,881,565
	Salaries, wages and benefits	27.2	**118,630**	124,816
	Fuel and power expenses		**28,717**	23,599
	Stores and spares consumed		**14,920**	19,320
	Insurance expenses		**573**	722
	Repairs and maintenance expenses		**17,039**	19,664
	Royalties and technical assistance	27.3	**207,515**	219,713
	Depreciation	13.1.2	**94,795**	100,439
	Amortization		**-**	9
	Communication, printing and stationery expenses		**1,280**	3,100
	Contractual services expenses		**50,602**	50,867
	Security, safety, health and environment expenses		**12,438**	11,683
	Provision for obsolete stocks - raw material		-	13,417
	Provision for obsolete stores and spares		**1,306**	2,300
	Other expenses		**16,312**	19,095
			564,127	608,744
	Opening work-in-process		**9,312**	12,217
	Closing work-in-process	20	**(11,336)**	(9,312)
	Cost of goods manufactured		**3,407,724**	3,493,214
	Opening finished goods		**250,360**	233,331
	Finished goods purchased		**182,695**	333,819
	Closing finished goods		**(261,995)**	(250,360)
			3,578,784	3,810,004
27.1	**Raw and packing materials consumed**			
	Opening stock		**409,210**	341,497
	Add: Purchases		**2,846,671**	2,949,278
	Less: Closing stock		**(410,260)**	(409,210)
			2,845,621	2,881,565

27.2 Salaries, wages and benefits include Rs. 4.01 million (2018: Rs. 4.21 million) in respect of provident fund contribution, Rs. 3.14 million (2018: Rs. 3.10 million) in respect of pensions, Rs. 4.44 million (2018: Rs. 3.98 million) in respect of gratuity and Rs. Nil (2018: Rs. 0.95 million) in respect of pensioners' medical plan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

	Note	2019	2018

27.3 Royalties and technical assistance includes expenses against royalties and technical services obtained from related party Akzo Nobel Coatings International B.V. amounting to Rs. 199.49 million (2018: Rs. 208.24 million).

27.4 Details of royalties and technical assistance paid to companies / entities / individuals during the year are as follows:

Name	Registered address	Relationship with Company
Akzo Nobel Coatings International B.V.	Velperweg 76 Arnhem, Netherlands	Associate
Nihon Parkerizing Co. Ltd	1-15-1, Nihonbashi, Chuo-ku, Tokyo, Japan	N/A

28 Selling and distribution expenses

	Note	2019	2018
Salaries and benefits	28.1	**271,807**	296,837
Advertising and publicity expenses		**320,362**	349,839
Outward freight and handling		**142,075**	165,436
Fuel and power		**4,206**	3,613
Rent, rates and taxes		**7,857**	25,322
Repairs and maintenance		**1,790**	2,714
Depreciation	13.1.2	**19,992**	30,016
Depreciation on right-of-use assets		**21,892**	-
Travelling expenses		**30,597**	38,478
Communication, printing and stationery expenses		**4,901**	9,361
Contractual services		**72,917**	71,298
Training and recruitment		**438**	440
Security, safety, health and environment expenses		**6,704**	8,001
Provision for obsolete stocks - finished goods		**12,938**	17,716
Other expenses		**28,476**	22,840
		946,952	1,041,911

28.1 Salaries, wages and benefits include Rs. 10.89 million (2018: Rs. 12.06 million) in respect of provident fund contribution, Rs. 6.43 million (2018: Rs. 9.17 million) in respect of pensions, Rs. 11.37 million (2018: Rs. 8.50 million) in respect of gratuity and Rs. Nil (2018: Rs. 2.40 million) in respect of pensioners' medical plan.

29 Administrative and general expenses

	Note	2019	2018
Salaries and benefits	29.1	**164,795**	171,581
Fuel and power		**6,923**	6,840
Rent, rates and taxes		**1,977**	14,593
Insurance		**8,509**	7,916
Repairs and maintenance		**5,783**	22,503
Depreciation	13.1.2	**15,627**	17,874
Depreciation on right-of-use assets		**6,233**	-
Travelling expenses		**4,497**	7,105
Communication, printing and stationery expenses		**1,487**	9,610
Auditors' remuneration	29.2	**2,255**	2,050
IT services		**62,862**	46,905
Contractual services		**12,074**	17,146
Training and recruitment		**740**	1,788
Other expenses		**38,793**	20,746
		332,555	346,657

29.1 Salaries, wages and benefits include Rs. 5.46 million (2018: Rs. 6.14 million) in respect of provident fund contribution, Rs. 10.65 million (2018: Rs. 9.63 million) in respect of pensions, Rs. 6.50 million (2018: Rs. 5.60 million) in respect of gratuity and Rs. 2.11 million (2018: Rs. 1.66 million) in respect of pensioners' medical plan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
29.2	**Auditors' remuneration**			
	Statutory audit		**1,414**	1,285
	Half yearly review		**346**	315
	Other assurances and certifications		**220**	200
	Out of pocket expenses		**275**	250
			2,255	2,050
30	**Allowance for impairment of trade debts**			
	The reconciliation of loss allowance is as follows:			
	Balance at beginning of the year	30.2	**203,712**	211,659
	Movement in net allowance during the year:			
	Charge		**4,333**	54,098
	Debts written-off against allowance		**(35,977)**	(62,045)
			(31,644)	(7,947)
	Balance at end of the year		**172,068**	203,712

30.1 Due to initial adoption of IFRS 9, impairment losses on trade debts previously presented under 'selling and distribution expenses', are now separately disclosed on the statement of profit and loss account.

30.2 In 2019, the impairment of trade debts is based on the expected credit losses model following the simplified approach under IFRS 9. However, in the comparative period 2018, it was based on the incurred loss model under IAS 39 and no additional allowance for provision was required upon initial adoption of IFRS 9.

		Note	2019	2018
31	**Finance cost**			
	Amortization of loans to staff		**6,027**	7,559
	Interest on Workers' Profit Participation Fund	10.3	**514**	919
	Bank charges		**682**	1,514
	Interest expense on right-of-use assets		**3,597**	-
			10,820	9,992
32	**Other charges**			
	Workers' Profit Participation Fund	10.3	**41,307**	31,240
	Workers' Welfare Fund	10.4	**15,696**	6,376
	Exchange loss		**64,152**	52,322
			121,155	89,938
33	**Other Income**			
	Income from financial assets			
	Profit on short-term and call deposits		**129,609**	71,301
	Income from non-financial assets			
	Scrap sales		**9,792**	8,293
	Provisions no longer required written back		**19,789**	32,193
	Gain on disposal of specialty chemicals business		**-**	33,500
	Miscellaneous income		**7,550**	3,743
	Profit on disposal of property, plant and equipment		**801**	182
	Profit on disposal of right-of-use assets		**331**	-
			167,872	149,212

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
34	**Taxation**			
	Current year		**178,441**	213,170
	Prior year		**5,848**	24,164
	Deferred	18	**51,632**	(15,158)
			235,921	222,176
34.1	**Tax charge reconciliation**			
	Profit before taxation		**784,814**	609,355
	Tax using domestic rates		**227,596**	176,713
	Current year super tax charge		**-**	13,666
	Effect of prior year charge		**5,848**	24,164
	Tax impact on income under presumptive tax regime of the current year		**7,640**	9,714
	Others		**(5,163)**	(2,081)
	Net tax charged		**235,921**	222,176
	Average effective tax rate		**30.06%**	36.46%

34.2 Management's assessment on sufficiency of provision for income taxes

A comparison of provision on account of income taxes with most recent tax assessment for last three tax years is as follows:

	TY 2019	TY 2018	TY 2017
Tax assessed as per most recent tax assessment	**222,450**	257,445	287,094
Provision in accounts for income tax	**222,450**	257,445	280,283

The tax assessed as per most recent tax assessment for the tax year 2019 is based on "deemed assessment" as per income tax return filed for the respective year.

The treatments adopted in tax returns filed by the Company are based on the applicable tax laws and decisions of appellate authorities on similar matters. The management, in consultation with their tax advisor, is of the view that the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities. Accordingly, no provision has been made in these financial statements in this regard.

35 Earnings per share

35.1 Basic earnings per share

	2019	2018
Profit for the year (after tax)	**548,893**	387,179
	(Number of shares)	
Weighted average number of ordinary shares	**46,443,320**	46,443,320
	(Rupees)	
Earnings per share	**11.82**	8.34

35.2 Diluted earnings per share

There is no dilutive effect as the Company does not have any convertible instruments in issue as at December 31, 2019 and December 31, 2018, which would have any effect on the earnings per share if the option to convert was exercised.

36 Operating segments

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

36.2 Revenue from sale of paints represents 99.98% (2018: 97.39%) of the total revenue of the Company.

36.3 99.93% (2018: 99.86%) sales of the Company relates to customers in Pakistan.

36.4 All non-current assets of the Company as at December 31, 2019 are located in Pakistan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs ‘000

37 Remuneration of Chief Executive, Director and Executives

The aggregate amounts 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:

	Chief Executive		Directors		Executives	
	2019	2018	**2019**	2018	**2019**	2018
Fee - note 37.4	**-**	-	**2,175**	1,970	**-**	-
Managerial remuneration	**11,312**	13,802	**9,060**	8,522	**133,807**	135,907
Bonus and sales incentives	**2,080**	9,140	**1,296**	2,660	**8,584**	30,950
Contribution to retirement benefits	**3,727**	3,363	**2,882**	2,560	**37,243**	36,995
Group insurance	**52**	45	**31**	34	**1,102**	715
Rent and house maintenance	**3,985**	3,739	**3,342**	3,088	**39,304**	39,675
Utilities	**996**	935	**743**	686	**9,708**	9,741
Medical expenses	**105**	251	**43**	16	**17,788**	7,842
	22,257	31,275	**19,572**	19,536	**247,536**	261,825
Number of person(s)	**1**	1	**6**	6	**55**	50

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

37.2 During the year an amount of Rs. 32.36 million (2018: Rs.42.64 million) on account of bonus and sales incentives to employees has been recognized as expense in the current year. Out of this, bonus is payable in the year 2020 after verification of achievement against target.

Out of the bonus and sales incentives recognized for 2019, payment of Rs. 2.08 million (2018: Rs.9.14 million) and Rs. 9.88 million (2018: Rs.23.89 million) were made to Chief Executive and Executives respectively.

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

37.4 Fee represents payments made to the Chairman and Non-Executive Director for attending board and other meetings. The total Non-Executive Directors of the Company as at December 31, 2019 are 5 (December 31, 2018: 5).

38 Transactions with related parties

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

		2019	2018
Associated companies	Purchase of goods, materials and services	**199,593**	359,876
	Indenting commission income	**-**	2,240
	Sale of goods and services	**1,001**	16,445
	Reimbursement of expenses	**100,106**	19,241
	Royalty paid	**168,056**	168,717
	Reimbursement of development costs	**37,668**	-
Retirement benefit plan	Contributions made to retirement funds / plans	**94,347**	114,854
Key management personnel	Remuneration of key management personnel	**81,906**	95,991
	Sale of goods and services	**1,525**	-

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

38.2 Following are the details of related parties incorporated within / outside Pakistan with whom the Company had entered into transactions or had agreements and / or arrangements in place during the financial year:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

Basis of association	Name of the related party	Country of incorporation	Aggregate % of shareholding*
Outside Pakistan:			
Parent company	ICI Omicron B.V.	Netherlands	75.81%
Group / associated company	Akzo Nobel Car Refinishes B.V.	Netherlands	-
	Akzo Nobel Coatings International B.V.	Netherlands	-
	Akzo Nobel Decorative Coatings	Netherlands	-
	Akzo Nobel India Limited	India	-
	Akzo Nobel N.V.	Netherlands	-
	Akzo Nobel Oman SAOC	Oman	-
	Akzo Nobel Packaging Coatings Limited	United Kingdom	-
	Akzo Nobel Saudi Arabia Limited	Saudi Arabia	-
	Akzo Nobel UAE Paints L.L.C	United Arab Emirates	-
	Akzo Nobel Car Refinishes SL	Spain	-
	Akzo Nobel Paints Thailand Limited	Thailand	-
	ICI Swire Paints (Shanghai) Limited	China	-
	International Farbenwerke GmbH	Germany	-
	Marshall Boya Ve Vernik Sanayi	Turkey	-
	International Paint (Nederland) B.V.	Netherlands	-
Associated company / common directorship	Akzo Nobel Paints Singapore Pte Limited	Singapore	-
	Akzo Nobel Paints Vietnam Limited	Vietnam	-
Within Pakistan:			
Retirement benefit plan	Akzo Nobel Pakistan Limited Management Staff Provident Fund		-
	Akzo Nobel Pakistan Limited Management Staff Gratuity Fund		-
	Akzo Nobel Pakistan Limited Management Staff Pension Fund		-
	Akzo Nobel Pakistan Limited Management Staff Defined Contribution Superannuation Fund		-
	Akzo Nobel Pakistan Limited Provident Fund		-

* This represents aggregate % of shareholding, including shareholding through other companies or entities.

39 Financial instruments - Fair values and risk management

39.1 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, which has the following levels:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

	Carrying amount			Fair value			
December 31, 2019	**Amortised cost**	**Other (FVPL / FVOCI)**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets							
Measured at fair value	-	-	-	-	-	-	-
Not measured at fair value							
Long term loans	**59,874**	-	**59,874**	-	-	-	-
Long term deposits	**3,715**	-	**3,715**	-	-	-	-
Trade debts	**830,019**	-	**830,019**	-	-	-	-
Loans and advances	**20,579**	-	**20,579**	-	-	-	-
Short term trade deposits	**921**	-	**921**	-	-	-	-
Other receivables	**53,812**	-	**53,812**	-	-	-	-
Interest accrued	**5,007**	-	**5,007**	-	-	-	-
Cash and bank balances	**1,989,448**	-	**1,989,448**	-	-	-	-
	2,963,375	-	**2,963,375**	-	-	-	-
Financial liabilities							
Measured at fair value	-	-	-	-	-	-	-
Not measured at fair value							
Deferred liabilities	**66,538**	-	**66,538**	-	-	-	-
Trade and other payables	**1,575,856**	-	**1,575,856**	-	-	-	-
Lease liabilities	**18,871**	-	**18,871**	-	-	-	-
Unpaid dividend	**3,084**	-	**3,084**	-	-	-	-
Unclaimed dividend	**26,899**	-	**26,899**	-	-	-	-
	1,691,248	-	**1,691,248**	-	-	-	-
December 31, 2018							
Financial assets							
Measured at fair value	-	-	-	-	-	-	-
Not measured at fair value							
Long term loans	66,747	-	66,747	-	-	-	-
Long term deposits	3,715	-	3,715	-	-	-	-
Trade debts	741,838	-	741,838	-	-	-	-
Loans and advances	25,395	-	25,395	-	-	-	-
Short term trade deposits	1,348	-	1,348	-	-	-	-
Other receivables	21,481	-	21,481	-	-	-	-
Interest accrued	7,141	-	7,141	-	-	-	-
Cash and bank balances	1,878,015	-	1,878,015	-	-	-	-
	2,745,680	-	2,745,680	-	-	-	-
Financial liabilities							
Measured at fair value	-	-	-	-	-	-	-
Not measured at fair value							
Deferred liabilities	61,568	-	61,568	-	-	-	-
Trade and other payables	1,661,665	-	1,661,665	-	-	-	-
Unpaid dividend	2,986	-	2,986	-	-	-	-
Unclaimed dividend	26,612	-	26,612	-	-	-	-
	1,752,831	-	1,752,831	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

39.2 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.

39.3 Risk management framework

The Board of Directors has overall responsibility for establishment and over sight 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.

39.4 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 and bank guarantees.

39.4.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Note	2019	2018
Long term loans	16	**59,874**	66,747
Long term deposits	17	**3,715**	3,715
Trade debts	21	**830,019**	741,838
Loans and advances	22	**20,579**	25,395
Trade deposits	23	**921**	1,348
Other receivables	24	**53,812**	21,481
Interest accrued		**5,007**	7,141
Bank balances and short term deposits	25	**1,989,448**	1,878,015
		2,963,375	2,745,680
Secured			
Long term loans	16	**59,874**	66,747
Trade debts	21	**51,936**	51,272
Loans and advances	22	**20,579**	25,395
		132,389	143,414
Unsecured		**2,830,986**	2,602,266
		2,963,375	2,745,680

39.4.1.1 Movement / reconciliation of loss allowances for trade debts has been detailed in note 30 to these financial statements.

39.4.2 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
39.4.2.1	**Bank balances and accrued interest on short term deposits**			
	Bank balances and short term deposits	25	**1,989,448**	1,878,015
	Interest accrued		**5,007**	7,141
			1,994,455	1,885,156

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

	Credit Ratings		Rating		
	Short term	Long term	Agency	2019	2018
Habib Bank Limited	A-1+	AAA	JCR-VIS	**217,191**	733,050
Citi Bank N.A.	P-1	Aa3	Moody's	**1,219,601**	7,029
Deutsche Bank A.G.	A-2	BBB+	S&P	**530,614**	1,118,418
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	**150**	50
Faysal Bank Limited	A-1+	AA	JCR-VIS	**26,899**	26,611
				1,994,455	1,885,158

39.4.2.2 Trade debts

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

	Note	2019	2018
Neither past due nor impaired		**986,101**	980,179
Past due			
1 - 30 days		**110,287**	126,966
31 - 90 days		**67,168**	91,459
91 - 120 days		**13,021**	23,718
More than 120 days		**164,797**	199,000
		355,273	441,143
		1,341,374	1,421,322
Allowance for impairment of trade debts	30	**(172,068)**	(203,712)
Provision for discounts	21.4	**(339,287)**	(475,772)
		830,019	741,838

The above mentioned ageing includes outstanding balances of related parties as disclosed in note 21.2 to these financial statements.

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

	Note	2019	2018
Distributors / wholesale customers		**64,826**	69,826
Retail customers		**213,926**	266,665
End-user customers		**76,521**	104,652
		355,273	441,143
Allowance for impairment of trade debts	30	**(172,068)**	(203,712)
		183,205	237,431

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

39.4.2.3 Loss allowance for trade debts

The Company determines the loss allowances for trade debts based on the following ageing under the expected credit loss model:

	2019					
	Neither past due nor impaired	**Past but not impaired (1 - 30 days)**	**Past but not impaired (31 - 90 days)**	**Past and impaired (91 - 120 days)**	**Past and impaired (More than 120 days)**	**As at December 31, 2019**
Expected credit loss rate (%)	0.25%	0.09%	2.47%	8.71%	79.67%	
Gross carrying value of trade debts	986,101	110,287	67,168	13,021	164,797	1,341,374
General allowance	2,465	99	1,659	1,134	131,294	136,651
Specific allowance	-	-	-	1,914	33,503	35,417
Loss allowance	2,465	99	1,659	3,048	164,797	172,068

In the comparative reporting period i.e. 2018, the impairment of trade debts was based on the incurred loss model under IAS 39 and no additional allowance for provision was required upon initial adoption of IFRS 9.

39.4.2.4 Other financial assets

The remaining financial assets mainly pertain to balances due from related parties, employees or are otherwise secured. These are expected to be recovered in due course and based on past experience the credit risk related to these financial assets is not material.

39.4.3 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 credit worthy counter parties thereby mitigating any significant concentrations of credit risk.

	2019	2018
Textile	**2,132**	1,874
Paper and board	**476**	776
Chemicals	**34,056**	16,524
Pharmaceuticals	**4,205**	7
Construction	**34,810**	21,357
Transport	**29,192**	30,757
Dealers	**1,097,062**	1,161,703
Banks	**1,994,455**	1,885,156
Employees	**80,453**	92,539
Others	**197,889**	214,471
	3,474,730	3,425,164
Allowance for impairment of trade debts	**(172,068)**	(203,712)
Provision for discounts	**(339,287)**	(475,772)
	(511,355)	(679,484)
	2,963,375	2,745,680

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

39.5 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.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the maturity date. The following are contractual maturities of financial liabilities at the reporting dates:

	2019			
	Carrying amount	**Contractual cash flows**	**Up to one year or less**	**More than one year**
Non-derivative financial liabilities				
Deferred liabilities	**66,538**	**66,538**	**-**	**66,538**
Trade and other payables	**1,575,856**	**1,575,856**	**1,575,856**	**-**
Lease liabilities	**18,871**	**18,871**	**6,381**	**12,490**
Unpaid dividend	**3,084**	**3,084**	**3,084**	**-**
Unclaimed dividend	**26,899**	**26,899**	**26,899**	**-**
	1,691,248	**1,691,248**	**1,612,220**	**79,028**

	2018			
	Carrying amount	Contractual cash flows	Up to one year or less	More than one year
Non-derivative financial liabilities				
Deferred liabilities	61,568	61,568	-	61,568
Trade and other payables	1,661,665	1,661,665	1,661,665	-
Unpaid dividend	2,986	2,986	2,986	-
Unclaimed dividend	26,612	26,612	26,612	-
	1,752,831	1,752,831	1,691,263	61,568

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

39.6 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.

39.6.1 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:

		Effective rate		**Carrying amount**	
	Note	**2019**	2018	**2019**	2018
Fixed rate instruments					
Financial assets					
Short term deposits	25.2	**12.55% to 12.63%**	8.85% to 9.32%	**1,710,000**	1,587,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

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.

39.6.2 Foreign currency risk

Foreign currency (FCY) 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.

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

	Average rate for the year		Spot rate as at December 31	
	2019	2018	**2019**	2018
	Rupee per FCY			
AED	**39.98**	36.44	**42.16**	37.80
JPY	**1.35**	1.21	**1.43**	1.26
SGD	**108.48**	99.16	**115.04**	101.92
EUR	**166.21**	157.64	**173.58**	158.84
USD	**146.86**	133.86	**154.85**	138.86
GBP	**190.18**	177.85	**203.45**	176.90

39.6.2.2 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:-

					2019			
	Note	**AED**	**JPY**	**SGD**	**EUR**	**USD**	**GBP**	**Total**
Financial assets								
Due from related parties	**24.1**	**-**	**-**	**-**	**44,322**	**3,325**	**-**	**47,647**
Cash and bank balances		**-**	**-**	**-**	**-**	**51**	**-**	**51**
		-	**-**	**-**	**44,322**	**3,376**	**-**	**47,698**
Financial liabilities								
Trade and other payables		**-**	**-**	**3,101**	**18,584**	**87,404**	**16,411**	**125,500**
Due to related parties	**10.1 & 10.2**	**-**	**-**	**44,776**	**46,482**	**12,762**	**3,243**	**107,263**
		-	**-**	**47,877**	**65,066**	**100,166**	**19,654**	**232,763**
		-	**-**	**(47,877)**	**(20,744)**	**(96,790)**	**(19,654)**	**(185,065)**

					2018			
		AED	JPY	SGD	EUR	USD	GBP	Total
Financial assets								
Due from related parties	24.1	2,964	-	-	7,790	164	-	10,918
Cash and bank balances		-	-	-	-	1,157	-	1,157
		2,964	-	-	7,790	1,321	-	12,075
Financial liabilities								
Trade and other payables		14	6,936	13,484	11,164	22,884	2,727	57,209
Due to related parties		-	-	37,058	59,467	23,344	6,284	126,153
		14	6,936	50,542	70,631	46,228	9,011	183,362
		2,950	6,936	(50,542)	(62,841)	(44,907)	(9,011)	(171,287)

39.6.2.3 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.1.85 million (2018: Rs. 1.69 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 AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

- 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; and
- risk mitigation, including insurance where this is effective.

39.8 Capital risk management

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

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

40 Employee provident fund

The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the conditions specified thereunder. Details regarding investments of the provident fund trust are as follows:

	2019	2018
Size of the fund - fund assets	**209,474**	241,442

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

	2019 (Un-audited)			2018 (Audited)		
	Cost	**Fair Value**	**Percentage**	Cost	Fair Value	Percentage
Government securities	**104,273**	**105,174**	**50.21%**	60,907	60,853	25.20%
Listed securities	**52,999**	**52,363**	**25.00%**	72,840	65,451	27.11%
	157,272	**157,537**		133,747	126,304	

40.1 The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

41 Plant capacity and annual production

Annual production - litres in thousand	**18,515**	22,185

The capacity of the plant is indeterminable because this is a multi-product plant involving varying processes of manufacturing.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

		Note	2019	2018
42	**Number of employees**			
	Number of employees		**217**	245
	Average number of employees during the year		**227**	250

The number of employees mentioned above does not include third party contractual employees.

43 Disclosure for all shares Islamic index

43.1	**Description**	**Explanation**
	(i) Loans / advances obtained as per Islamic mode;	There were no loans / advances obtained under Islamic mode of financing.
	(ii) Shariah compliant bank deposits / bank balances;	There are no deposits / bank balances in shariah compliant financial institutions.
	(iii) Profit earned from shariah compliant bank deposits / bank balances;	No profit was earned from shariah compliant bank deposits / bank balances.
	(iv) Revenue earned from a shariah compliant business segment;	Revenue earned from sale of paints and coatings is shariah compliant.
	(v) Gain / loss or dividend earned from shariah compliant investments;	No gain / loss or dividends was earned from shariah compliant investments.
	(vi) Exchange gain / (loss);	Loss incurred on actual currency amounting to Rs. 64.15 million.
	(vii) Mark up paid on Islamic mode of financing;	The Company is engaged in a shariah compliant arrangement with Orix Modaraba in respect of vehicles under operating lease / Ijarah contracts, as disclosed in note 43.2.
	(viii) Relationship with shariah compliant banks; and	The Company has no relationship with shariah compliant banks.
	(ix) Profits	Profits earned by the Company, as disclosed in note 33 on short-term and call deposits with conventional banks.

43.2 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	Note	2019	2018
Cost of sales	27	**2,654**	2,683
Selling and distribution expenses	28	**5,617**	4,365
Administrative and general expenses	29	**9,100**	5,602

Disclosures other than above are not applicable to the Company.

44 Non adjusting event after reporting date

The Board of Directors of the Company in its meeting held on 27th Feberuary 2020 has proposed a final dividend of Rs. 6.00 per share. These financial statements of the Company for the year ended December 31, 2019 do not include the effect of the final dividend which will be accounted for in the year in which it is approved.

45 Date of authorization

These financial statements were authorized for issue in the meeting of the Board of Directors held on 27th Feberuary 2020.

46 General

Figures in these financial statements have been rounded off to the nearest thousand rupees unless stated otherwise.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Amounts in Rs '000

47 Corresponding figures

The corresponding figures have been reclassified or rearranged, wherever considered necessary, to comply with the requirements of IFRS-15, IFRS-9 and, for better and fair presentation. Accordingly, no other significant reclassification or rearrangement have been made during the year, except for the following:

- Allowance for impairment of trade debts previously 'provision for doubtful debts' was classified under 'Selling and distribution expenses' has now been disclosed separately in the statement of profit and loss account - IFRS 9	54,098
- Contract liabilities previously 'advances from customer' was classified under 'Trade and other payables' has now been disclosed separately in the statement of financial position - IFRS 15	49,975
- Expenses previously classified under 'advertising and publicity expenses' have now been classified under 'contractual services'	41,901

Mueen Afzal
Chairman

Saad Mahmood Rashid
Chief Executive

Harris Mahmood
Chief Financial Officer

Comparison of Results
For the year ended December 31, 2019

Amounts in Rs '000

	2019	2018	2017	2016	2015
Statement of Financial Position					
Equity and revaluation reserve	**6,594,147**	3,860,027	3,789,549	3,559,221	2,880,812
Non-current liabilities	**79,028**	61,568	58,062	57,210	48,440
Current liabilities	**1,742,469**	1,789,599	1,924,441	1,491,872	1,286,581
Total equity and liabilities	**8,415,644**	5,711,194	5,772,052	5,108,303	4,215,833
Non-current assets	**4,655,727**	2,219,003	2,208,672	2,068,270	1,537,520
Current assets	**3,759,917**	3,492,191	3,563,380	3,040,033	2,678,313
Total assets	**8,415,644**	5,711,194	5,772,052	5,108,303	4,215,833
Profit and Loss Account					
Turnover	**8,492,146**	8,746,846	8,529,673	7,684,222	7,170,924
Net sales	**5,611,541**	5,812,743	5,690,577	5,136,961	4,927,235
Cost of sales	**3,578,784**	3,810,004	3,461,452	2,947,355	2,909,340
Gross profit	**2,032,757**	2,002,739	2,229,125	2,189,606	2,017,895
Operating profit	**748,917**	560,073	782,710	674,894	647,616
Profit before taxation	**784,814**	609,355	853,531	771,931	804,222
Profit after taxation	**548,893**	387,179	573,006	490,737	539,311
Summary of Cash Flows					
Cash generated from operations	**698,738**	474,713	953,916	868,377	901,506
Net cash generated from operating activities	**413,281**	200,240	629,548	537,482	509,397
Net cash (used in) / generated from investing activities	**(54,161)**	(54,128)	(208,078)	(57,580)	13,545
Net cash (used in) financing activities	**(256,706)**	(321,162)	(300,244)	(301,722)	(232,093)
Cash and cash equivalents at 31 December	**1,997,541**	1,895,127	2,070,177	1,948,951	1,770,771
Ratios				-	
Profitability Ratios					
Gross margin	**36.22%**	34.45%	39.17%	42.62%	40.95%
Gross profit turnover	**23.94%**	22.90%	26.13%	28.49%	28.14%
Operating profit	**13.35%**	9.64%	13.75%	13.14%	13.14%
Net profit margin	**9.78%**	6.66%	10.07%	9.55%	10.95%
Profit markup	**56.80%**	52.57%	64.40%	74.29%	69.36%
Profit before tax margin	**13.99%**	10.48%	15.00%	15.03%	16.32%
Return on equity	**18.89%**	14.92%	23.08%	22.19%	26.92%
Return on capital employed	**11.76%**	15.54%	22.18%	21.35%	27.45%
Return on assets	**6.52%**	6.78%	9.93%	9.61%	12.79%
Return on fixed assets	**12.00%**	19.37%	28.88%	26.66%	44.14%

Comparison of Results
For the year ended December 31, 2019

						Amounts in Rs '000
		2019	2018	2017	2016	2015
Efficiency Ratios						
Asset turnover	Times	**0.67**	1.02	0.99	1.01	1.17
Fixed asset turnover	Times	**1.23**	2.91	2.87	2.79	4.03
Inventory turnover	Times	**5.11**	5.84	6.29	6.80	7.66
Current asset turnover	Times	**1.49**	1.66	1.60	1.69	1.84
Capital employed turnover	Times	**0.84**	1.48	1.48	1.42	1.68
Debtor turnover ratio	Days	**51**	47	40	34	36
Creditor turnover ratio	Days	**171**	175	178	170	160
Inventory turnover ratio	Days	**71**	62	58	54	48
Operating cycle	Days	**(49)**	(66)	(80)	(82)	(76)
Revenue per employee	Rs. '000	**37,410**	35,701	33,450	30,985	28,121
Net income per employee	Rs. '000	**2,418**	1,580	2,247	1,979	2,115
Cost Ratios						
Operating costs (as % of sales)		**22.88%**	24.82%	25.42%	29.49%	27.81%
Administration costs (as % of sales)		**5.93%**	5.96%	5.81%	7.19%	7.27%
Selling costs (as % of sales)		**16.95%**	18.86%	19.61%	22.30%	20.54%
Equity Ratios						
Price earning ratio	Times	**22.75**	18.45	17.26	22.14	18.69
Earnings per share	Rs.	**11.82**	8.34	12.34	10.57	11.61
Dividend per share	Rs.	**6.00**	5.00	7.00	6.50	6.50
Dividend cover	Times	**1.97**	1.67	1.76	1.63	1.79
Dividend yield		**2.23%**	3.25%	3.29%	2.78%	3.00%
Market value per share	Rs.	**268.87**	153.81	213.00	234.02	216.95
Break-up value per share with surplus on revaluation	Rs.	**141.98**	83.11	81.60	76.64	62.03
Break-up value per share excluding surplus on revaluation	Rs.	**62.56**	55.86	53.46	47.62	43.14
Liquidity Ratios						
Current ratio	Ratio	**2.16:1**	1.95:1	1.85:1	2.04:1	2.08:1
Quick ratio	Ratio	**1.75:1**	1.56:1	1.53:1	1.71:1	1.79:1
Cash ratio	Ratio	**1.15:1**	1.06:1	1.08:1	1.31:1	1.38:1
Leverage Ratios						
Total debt to capital ratio	Ratio	**0:100**	0:100	0:100	0:100	0:100

Pattern Of Shareholding
As At December 31, 2019

NO OF SHAREHOLDERS	NO. OF SHARESHOLDINGS		Total Shares
	FROM	TO	
7,082	1	100	200,069
2,019	101	500	500,130
526	501	1,000	412,628
513	1,001	5,000	1,175,249
91	5,001	10,000	693,613
26	10,001	15,000	308,658
22	15,001	20,000	412,375
9	20,001	25,000	209,051
10	25,001	30,000	286,266
5	30,001	35,000	171,700
7	35,001	40,000	264,149
4	40,001	45,000	174,600
8	45,001	50,000	394,073
4	50,001	55,000	206,000
2	55,001	60,000	112,872
1	60,001	65,000	60,185
1	65,001	70,000	70,000
2	75,001	80,000	156,000
1	80,001	85,000	82,400
1	85,001	90,000	86,169
1	110,001	115,000	115,000
1	150,001	155,000	154,518
1	190,001	195,000	191,795
1	200,001	205,000	200,700
1	240,001	245,000	241,200
1	270,001	275,000	273,682
1	275,001	280,000	279,500
1	315,001	320,000	316,200
1	365,001	370,000	368,900
1	450,001	455,000	450,900
1	645,001	650,000	647,800
1	945,001	950,000	946,600
1	1,070,001	1,075,000	1,070,673
1	35,205,001	35,210,000	35,209,665
10,348			**46,443,320**

Pattern Of Shareholding
As At December 31, 2019

Information as required under Code of Corporate Governance

Shareholder's category	Number of shareholder	Number of share Held
Associated Companies, Undertaking and Related Parties		
ICI OMICRON B.V.	1	35,209,665
TOTAL	**1**	**35,209,665**
Mutual Funds (name wise details)		
CDC - TRUSTEE ABL STOCK FUND	1	400
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	6,200
CDC - TRUSTEE JS ISLAMIC FUND	1	2,500
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	273,682
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND	1	29,900
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	191,795
CONFIDENCE MUTUAL FUND LTD	1	3
DOMINION STOCK FUND LIMITED	1	85
GOLDEN ARROW SELECTED STOCKS FUND	1	3
MC FSL - TRUSTEE JS GROWTH FUND	1	6,500
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	4,100
SAFEWAY MUTUAL FUND LIMITED	1	128
SECURITY STOCK FUND LIMITED	1	18
TOTAL	**13**	**515,314**
Directors and their spouse		
MR. MUEEN AFZAL	1	10
MR. HARRIS MAHMOOD	1	10
MR. TAN TIAN HOCK SEBASTIAN	1	10
MR. SAAD MAHMOOD RASHID	1	10
MS. AYESHA HAMID	1	10
MR. OSCAR WEZENBEEK	1	10
MR. FREDERIC MOREUX	1	10
TOTAL	**7**	**70**
Executives		
TOTAL	8	184
Public Sector Companies and Corporations		
TOTAL	**3**	**1,225,330**
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds		
TOTAL	**40**	**1,550,425**
Shareholder Holding five percent or more voting Rights in the Listed Company		
ICI OMICRON B.V.	1	35,209,665
TOTAL	**1**	**35,209,665**

Categories Of Shareholding
As At December 31, 2019

Sr No.	Shareholders Category	No. of Shareholder	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	20	1,269,668	2.73
5	Insurance Companies	14	1,429,981	3.08
6	Modarabas and Mutual Funds	16	525,968	1.13
7	Share holders holding 10%	1	35,209,665	75.81
8	General Public : a. Local b .Foreign	 10,139 -	 5,511,237 -	 11.87 -
9	Others	151	2,496,731	5.38
	Total (excluding : share holders holding 10%)	**10,348**	**46,443,320**	**100.00**

Akzo Nobel Pakistan Limited

NOTICE OF 9TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 9th Annual General Meeting of Akzo Nobel Pakistan Limited will be held on Thursday April 30, 2020, at 01:30 p.m. via video-link (details provided in note 2 & 3 below), to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 8th Annual General Meeting held on April 23, 2019.
2. To receive, consider and adopt the audited accounts of Akzo Nobel Pakistan Limited, for the year ended December 31 2019, together with the Auditors Report and the Directors Report thereon.
3. To declare and approve final cash dividend @ 60% i.e. Rs. 6 per ordinary share of Rs. 10/-each for the year ended December 31, 2019, as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at April 19, 2020.
4. To appoint the External Auditors of the Company and to fix their remuneration.
5. Any other business with the permission of the Chairman.

April 09, 2020
Lahore

By Order of the Board

Muhammad Ali Murtaza
Acting Company Secretary

NOTES:

1. **Closure of share Transfer Books:**

The Share Transfer Books of the Company will remain closed from April 20, 2020 to April 30, 2020 (both days inclusive). Transfers received in order at the office of our Shares Registrar, Messrs. FAMCO Associates (Pvt) Ltd. 8-F, near Hotel Faran, Nursery, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, by the close of business on April 19, 2020, will be treated in time for payment of the final dividend to the transferees.

2. **Participation in the Annual General Meeting:**

In consideration of the country wide situation due to Corona Virus (COVID-19) epidemic, the Annual General Meeting of the Company will be convened through webinar. Shareholders will be able to login, participate and vote in the proceedings of AGM through their smartphones or computer devices from their homes or any convenient location after completing meeting attendance formalities. For this purpose, the Members registering to connect through webinar facility are required to email their Name, **Folio Number, CNIC or Passport Number** and **Number of Shares** held in their name with subject **"Registration for AKZO's AGM"** at muhammadali.murtaza@akzonobel.com by Tuesday, 28th of April 2020. Video link and login credentials will be shared with only those members whose emails containing all required particulars are received at the given email address by or before 01:30 pm on 28th April 2020.

All Members 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 emailed to the Company along with a completed proxy form. The proxy holders are requested to share their CNICs or original passports at the email address; muhammadali.murtaza@akzonobel.com by 1.30 pm on 28th April 2020 for us to share the video link and login credentials.

3. **Form of Proxy**

In order to be effective, duly completed and signed proxy forms available at Company's website www.akzonobel.pk must be emailed at muhammadali.murtaza@akzonobel.com at least 48 hours (excluding holidays) before the time of the meeting. Form of Proxy should be witnessed by two persons whose names, addresses and CNIC Numbers must be mentioned on the forms.

4. **Mandatory Notice to Shareholders who have not provided their 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 e-credit of dividend to such shareholders.

5. **Deduction of Income Tax from Dividend:**

Please note that withholding tax will be deducted on the basis of latest Active Taxpayers List (ATL) available at FBR website as per following rates:

(a) Shareholders appearing in Active Taxpayers List (ATL): 15%

(b) Shareholders not appearing in Active Taxpayers List (ATL): 30%

(i) To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, 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 that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

(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., latest 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:

			Principal Shareholder		**Joint Shareholder**	
Company Name	**Folio/CDS Account #**	**Total Shares**	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: Muhammadali.murtaza@akzonobel.comand/or FAMCO Associates (Pvt.) Ltd. at phone 021-34380101-5 and email address: info.shares@famco.com.pk

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

Pursuant to the provision of section 242 of the Companies Act, 2017, It is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode by making direct remittance into their respective bank account designated by the entitled shareholder(s) (“the Bank Account”), therefor, in order to receive dividends directly into their bank accounts, shareholders holding shares in physical form are requested to fill in “Electronic Credit Mandate Form” available on Company’s website i.e. www.akzonobel.pk and send the completed form along with the copy of a valid CNIC or provide the following information to the registrar of the Company M/s. FAMCO Associates (Private) Limited, 8-F, near Hotel Faran, Nursery, Block -6, P.E.C.H.S., Shahrah e Faisal, Karachi latest by April 19, 2020. In the absence of valid accounts details the Company will be constrained to withhold dividend payment.

7. Audited Financial Statements Through E-mail CD/DVD/USB

Considering the gravity of pandemic Corona Virus (COVID-19) on the public health and the lock down situation in the country, SECP through its circular No. 10 of 2020, has allowed the public entities to circulate Annual Reports electronically. Therefore, the Company will be circulating Annual Report for 2019 through email and will deliver CD/DVD to the shareholders once the lockdown situation is eased down in the country.

The Annual Report is also available for download on our website www.akzonobel.pk . Those shareholders who have provided their email addresses shall receive a PDF copy of the Annual Report for 2019. For shareholders who have not provided their updated contact details, we request them to share their name, CNIC/NTN number, CDC Participant ID / Folio Number and their updated email address with us on saimahaq.nawaz@akzonobel.com so that PDF copy of the Annual Report can be shared ahead of the Annual General Meeting.

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 /CD/DVD/USB. Therefore, all Members who wish to receive the hard copy of Annual Report are requested to send their e-mail addresses.

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:

Non CDC 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 **(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. 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 it Circular 1 of January 26, 2000.

10. E- voting

Members can exercise their right to poll subject to meeting requirements of Section 143 – 145 of the Companies Act 2017 and applicable clauses of Companies (Postal-Ballot)Regulations, 2018.

FORM OF PROXY
9^{th} ANNUAL GENERAL MEETING

I/We ____ of ____ being mebers(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 9thAnnual General Meeting of the Company to be via webinar, Lahore, Pakistan, on Thursday, April 30, 2020, at 01.30 p.m., and at any adjournment thereof.

As witness my/our hand(s) this _________ day of __________ 2020.

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 (excluding holidays) 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.

AFFIX
CORRECT
POSTAGE

Akzo Nobel Pakistan Limited
346, Ferozepur Road
Lahore - 54600
Tel: (042) 111-551-111
Fax: (042) 35835011
www.akzonobel.pk

Akzo Nobel Pakistan Limited

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 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) Limited,8-F, Next to Faran Nursery, Block 6, P.E.C.H.S. Shahra-e-Faisal Karachi

DIVIDEND MANDATE (Mandatory)
We wish to inform you that according to the provisions of the Companies Act, 2017, shareholders are MANDATORILY required to provide their Bank Account Detail to receive their dividends by way of direct credit or electronic transfer to their Bank Accounts instead of receiving them through dividend (crossed as A/c Payee only).

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

Yours faithfully

Muhammad Ali Murtaza
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)

ملک میں صحت عامہ اور لاک ڈاؤن کی صورتحال پر وبائی کورونا وائرس (COVID-19) کی سنجیدگی کو مدنظر رکھتے ہوئے، ایس ای سی پی نے 2020 کے اپنے سرکلر نمبر 10 کے ذریعے عوامی اداروں کو سالانہ رپورٹس برقی (ڈیجیٹل) انداز میں گردش کرنے کی اجازت دے دی ہے۔ لہذا، کمپنی 2019 کے لئے سالانہ رپورٹ ای میل کے ذریعے گردش کرے گی اور ملک میں لاک ڈاؤن کی صورتحال میں نرمی کے بعد حصص یافتگان کو سی ڈی/ڈی وی ڈی فراہم کرے گی۔

سالانہ رپورٹ ہماری ویب سائٹ www.akzonobel.pk پر ڈاؤن لوڈ کے لئے بھی دستیاب ہے۔ جن حصص یافتگان نے اپنا ای میل ایڈریس فراہم کیا ہے وہ 2019 کے لئے سالانہ رپورٹ کی پی ڈی ایف کاپی وصول کریں گے۔ ان حصص یافتگان کیلئے جنہوں نے اپنے موجودہ رابطے کی تفصیلات فراہم نہیں کی ہیں، ہم ان سے درخواست کرتے ہیں کہ وہ اپنا نام، قومی شناختی کارڈ/این ٹی این نمبر، سی ڈی سی شراکت آئی ڈی/فولیو نمبر اور ان کا موجودہ ای میل ایڈریس ہمارے ساتھ اس ای میل saimahaq.nawaz@akzonobel.com پر فراہم کریں تاکہ سالانہ رپورٹ کی پی ڈی ایف کاپی جنرل اجلاس سے پہلے فراہم کی جاسکے۔

ایس ای سی پی نے اپنے نوٹیفیکیشن SRO787(1)2014 مورخہ 08 ستمبر، 2014 کے تحت آڈٹ شدہ فنانشل سٹیٹمنٹس سالانہ جنرل میٹنگ کے نوٹس کے ساتھ کمپنی ممبران میں بذریعہ ای میل تقسیم کرنے کی اجازت دی ہے۔ تاہم ایسے تمام ممبران جو سالانہ رپورٹ کی ہارڈ کاپی حاصل کرنا چاہتے ہیں ان سے درخواست ہے کہ اپنے ای میل ایڈریس فراہم کردیں۔

تاہم، کمپنی اپنے شیئر ہولڈرز کی درخواست کے مطابق درخواست کی تاریخ سے سات روز کے اندر اندر آڈٹ شدہ فنانشل سٹیٹمنٹس کی پرنٹ کاپی فراہم کر دے گی۔ ایس ای سی پی کے SRO634(1)2014 مورخہ 10 جولائی 2014 کے قوائد کے مطابق کمپنی اپنی فنانشل سٹیٹمنٹس اور رپورٹس سالانہ جنرل میٹنگ سے 21 روز قبل کمپنی کی ویب سائٹ پر فراہم کردے گی۔

(۸) پتے کی تبدیلی اور زکوٰۃ کی کٹوتی روکنے کا ڈیکلریشن فارم

فزیکل شیئر ہولڈرز سے درخواست ہے کہ پتے کی تبدیلی کی صورت میں فوراً اطلاع کریں اور (اگر اطلاق ہوتا ہے اور پہلے فراہم نہیں کیا تو) زکوٰۃ کی کٹوتی روکنے کا ڈیکلریشن فارم کمپنی شیئر رجسٹرار کو بھجوا دیں۔ مزید برآں وہ ممبرز جن کے شیئرز سی ڈی سی/شراکتی اکاؤنٹس میں ہیں ان سے بھی درخواست ہے کہ اپنے پتے کی درستگی کی تصدیق کے ضمن میں تازہ معلومات فراہم کریں اور (اگر اطلاق ہوتا ہے اور پہلے فراہم نہیں کیا تو) زکوٰۃ کی کٹوتی سے روکنے کا ڈیکلریشن فارم سی ڈی سی یا اپنے شراکت دار/سٹاک بروکرز کو فراہم کریں۔

(۹) سی ڈی سی اکاؤنٹ ہولڈرز کے لئے ہدایات

سی ڈی سی اکاؤنٹ ہولڈرز کو میٹنگ میں شامل ہونے کے لئے یا پراکسیز کی تعیناتی کے لئے ان ہدایات کی تعمیل کرنا ہوگی جو سیکیورٹیز اینڈ ایکسچینج کمشن آف پاکستان نے اپنے سرکلر 1 مورخہ 26 جنوری 2000 کے ذریعے وضع کی ہیں۔

(۱۰) ای ووٹنگ رائٹس

اراکین کمپنیز ایکٹ 2017 کے سیکشن 143-145 کے ساتھ ساتھ کمپنیز پوسٹل بیلٹ ریگولیشن 2018 کی مد میں پول کا مطالبہ کرنے کا حق رکھتے ہیں۔

(۳) پراکسی فارم

مؤثر ہونے کے لئے ،کمپنی کی ویب سائٹ www.akzonobel.pk پر دیئے گئے مکمل اور دستخط شدہ پراکسی فارمز کو اجلاس کے وقت سے کم از کم 48 گھنٹے (تعطیلات کے علاوہ) پہلے mumadali.murtaza@akzonobel.com پر ای میل کر دیا جائے۔ پراکسی فارم پر ان دو اشخاص کی گواہی ہوگی جن کے نام، پتے اور قومی شناختی کارڈ نمبرز فارم پر درج ہونگے۔

(۴) لازمی نوٹس، اُن شیئرز ہولڈرز کیلئے جنہوں نے اپنا شناختی کارڈ فراہم نہیں کیے

تمام شیئرز ہولڈرز جن کے پاس فیزیکل شیئرز موجود ہیں اور جنہوں نے ابھی تک اپنے شناختی کارڈ (جن کی میعاد ختم نہیں ہوئی) جمع نہیں کروائے، ان سے درخواست ہے کہ اپنے شناختی کارڈ کی تصدیق شدہ کاپی بمعہ اپنے فولیو نمبر کمپنی کے، شیئرز رجسٹرار کو بھجوادیں۔ شیئرز ہولڈرز کے شناختی کارڈ کی غیر موجودگی کمپنی میں متعلقہ شیئرز ہولڈرز کو ڈیویڈنڈ کی ترسیل روک دے گی۔

(۵) ڈیویڈنڈ (منافع) سے انکم ٹیکس کی کٹوتی

از راہ کرم توجہ فرمائیں، ود ہولڈنگ ٹیکس کی ایف بی آر کی ویب سائٹ پر موجود ایکٹو پیئر لسٹ کے مطابق کٹوتی ان شرائط کے مطابق ہوی

(الف) انکم ٹیکس فائلر کے لئے ٹیکس کٹوتی 15 فیصد

(ب) انکم ٹیکس نان فائلر کے لئے ٹیکس کٹوتی 30 فیصد

(۱) ایسے تمام شیئرز ہولڈرز جن کے نام ایف بی آر کی ویب سائٹ پر موجود ایکٹو ٹیکس پیئرز لسٹ (ATL) میں باوجود انکم ٹیکس فائلر ہونے کے شامل نہیں، ان کو ہدایت کی جاتی ہے کہ فی الفور (کتب کی بندش کے پہلے روز تک) اپنے ناموں کا ATL میں اندراج ممکن بنائیں بصورت دیگر ان کے کیش منافع پر 15 فیصد کی بجائے 30 فیصد ٹیکس کی کٹوتی عمل میں لائی جائے گی۔

(۲) منافع کی رقم سے ویدہولڈنگ کی کٹوتی سے استثنیٰ صرف اس صورت میں دیا جائے گا، اگر درست Tax Exemption Certificate کی کاپی، کتب کی بندش کے پہلے روز تک فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ تک دی جائے گی۔

(۳) مزید برآں مشترکہ کھاتوں/اکاؤنٹس کی صورت میں، ایف بی آر کی وضاحت کے مطابق ویدہولڈنگ ٹیکس کا تعین پرنسپل شیئرز ہولڈر اور جوائنٹ شیئرز ہولڈرز دونوں کے الگ الگ فائلر/نان فائلر سٹیٹس اور شیئرز ہولڈنگ کی حصہ داری کے مطابق ہوگا۔

اس حوالے سے وہ تمام شیئرز ہولڈرز جن کے مشترکہ کھاتے/اکاؤنٹس ہیں (اور جنہوں نے ابھی تک تفصیل فراہم نہیں کی)، ان سے درخواست کی جاتی ہے کہ اپنے اپنے پرنسپل شیئرز ہولڈرز اور جوائنٹ ہولڈرز کی حصہ دار شیئرز کی تفصیل درج ذیل فارمیٹ میں تحریری صورت میں ہمارے شیئرز رجسٹرار تک پہنچائیں۔

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 اور (شیئرز کی تعداد)	نام اور شناختی کارڈ نمبر	شیئرز کا تناسب اور (شیئرز کی تعداد)

یہ معلومات ہمارے شیئرز رجسٹرار تک اس نوٹس کے جاری ہونے کے دس روز کے اندر اندر پہنچ جانی چاہئیں۔ بصورت دیگر یہ تصور کیا جائے گا کہ پرنسپل شیئرز ہولڈر اور جوائنٹ شیئرز ہولڈرز شیئرز کی برابر تعداد کے مالک ہیں۔

(۴) ایسے کارپوریٹ شیئرز ہولڈرز جن کے سی ڈی سی اکاؤنٹ ہیں ان کے لئے ضروری ہے کہ اپنے شراکت داروں کے حوالے سے این ٹی این نمبر اپ ڈیٹ کریں جبکہ وہ کارپوریٹ شیئرز ہولڈرز جو فزیکل شیئرز ہولڈرز ہیں اپنے این ٹی این کی کاپی کمپنی کو یا پھر فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو بھجوائیں۔ این ٹی این یا این ٹی این سرٹیفیکیٹ (جو بھی صورت ہو) بھجواتے وقت یاد سے کمپنی کا نام اور مخصوص فولیو نمبر ضرور درج کریں۔ کسی بھی مسئلے/سوال/معلومات کی صورت میں سرمایہ کار حضرات کمپنی سیکرٹری کو فون 111-551-111-042 یا ای میل ali.murtaza@akzonobel.com پر رابطہ کریں یا پھر فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو فون 5-021-34380101 یا پھر ای میل info.shares@famco.com پر رابطہ کریں۔

(۶) منافع کی ادائیگی IBAN کے ذریعے (لازما)

کمپنیز ایکٹ 2017 کی دفعہ 242 کے تحت، ایک لسٹڈ کمپنی کیلئے یہ لازم ہے کہ وہ اپنے حصص یافتگان کو الیکٹرانک موڈ کے ذریعے صرف حصص یافتگان کے بینک اکاؤنٹ میں نقد منافع ادا کرے جس کا عنوان حصص یافتہ کے نام کے ساتھ شروع ہوتا ہو لہذا منافع براہ راست اپنے اکاؤنٹ میں حاصل کرنے کیلئے فزیکل حصص رکھنے والے حصص یافتگان سے درخواست کی جاتی ہے کہ وہ کمپنی کی ویب سائٹ www.akzonobel.pk پر جا کر "الیکٹرانک کریڈٹ مینڈیٹ فارم" پُر کریں اور مکمل شدہ فارم کے ساتھ قومی شناختی کارڈ کی کاپی بھیجیں یا 19 اپریل 2020 تک کمپنی کے رجسٹرار آفس "فیمکو ایسوسی ایٹس پرائیویٹ لمیٹڈ، F-8، نزد ہوٹل فاران، نرسری بلاک 6، PECHS، شاہراہ فیصل کراچی پر مہیا کریں۔ درست اکاؤنٹس کی تفصیلات کی عدم موجودگی کی صورت میں کمپنی منافع کی ادائیگی کو روکنے پر پابند کی جائے گی۔

(۷) آڈٹ شدہ فنانشل سٹیٹمنٹس بذریعہ ای میل

ایکزونوبل پاکستان لمیٹڈ

نوٹس برائے نویں سالانہ جنرل میٹنگ

ایکزونوبل پاکستان لمیٹڈ کی جانب سے نویں سالانہ جنرل میٹنگ کا نوٹس پیش کیا جارہا ہے، جو کہ مورخہ 30 اپریل 2020ء بروز جمعرات دوپہر 01:30 پر بزریعہ ویڈیو لنک منعقد ہوگا (نیچے نوٹس ۲ اور ۳ میں اس کی مزید تفصیلات درج ہیں)۔ جس میں درج ذیل نکات کی منظوری دی جائے گی۔

عمومی کاروائی:۔

۱۔ 23 اپریل 2019 کو منعقدہ آٹھویں سالانہ عمومی اجلاس کے منٹس کی توثیق۔

۲۔ ایکزونوبل پاکستان لمیٹڈ کے 31 دسمبر 2019 کو مکمل ہونے والے سال کے موصول شدہ حسابات (اکاؤنٹس) بشمول آڈیٹرز رپورٹ اور ڈائریکٹرز صاحبان کی رپورٹس کی وصولی اور ان پر غور وخوض اور منظوری۔

۳۔ ڈائریکٹرز کی تجویز کے مطابق 31 دسمبر 2019 کو مکمل ہونے والے سال کے فائنل کیش ڈیویڈنڈ کا اعلان اور منظوری دی جائے گی۔ جو کہ 60 فیصد کے حساب سے یعنی 10 روپے کے ہر عام شیئر پر 6.00 روپے ہوگا جس کی ادائیگی ان ممبران کو کی جائے گی جن کے نام 19 اپریل 2020 و رجسٹر آف ممبرز پر موجود ہوگا۔

۴۔ کمپنی کے ایکسٹرنل آڈیٹرز کا تقرر اور ان کے معاوضے کا تعین۔

۵۔ چیئرمین کی اجازت سے کوئی بھی دیگر متعلقہ کاروباری معلومات زیر بحث لائے جائیں گے۔

بحوالہ آرڈر آف بورڈ

محمد علی مرتضی

کمپنی سیکریٹری

09 اپریل 2020،

لاہور

نوٹس:۔

(۱) شیئر ٹرانسفر بکس کی بندش

کمپنی کی شیئر ٹرانسفر بکس 20 اپریل 2020 سے 30 اپریل 2020 کے دوران بند رہے گی (بشمول دونوں دنوں کے) قوائد کے مطابق کاروبار کے اختتام سے قبل 19 اپریل 2020 تک شیئرز رجسٹرار میسرز فیمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، ایف۔8، بز دہوٹل فاران نرسری، بلاک۔6، پی۔ای۔سی۔ایچ۔ایس، شاہراہ فیصل، کراچی میں موصول ہونے والی ٹرانسفرز کو ٹرانسفریز کے ڈیویڈنڈ کی ادائیگی کے لئے شامل کیا جائے گا۔

(۲) سالانہ عمومی اجلاس میں شرکت

کورونا وائرس COVID-19 کی وجہ سے ملک کی وسیع ترین صورتحال کے پیش نظر، کمپنی کی سالانہ جنرل میٹنگ و بیبنار کے ذریعے طلب کی جائے گی۔ حصص یافتگان میٹنگ میں شرکت کی رسمی کارروائیوں کو مکمل کرنے کے بعد اپنے گھروں یا کسی بھی مناسب جگہ سے اپنے اسمارٹ فونز یا کمپیوٹر آلات کے ذریعہ AGM کی کارروائی میں شامل ہونے، حصہ لینے اور ووٹ ڈالنے کے قابل ہوسکیں گے۔ اس مقصد کے لئے وہ ممبران جو و بیبنار سہولت حاصل کرنا چاہتے ہیں ای او جی ایم کے منگل 28 اپریل 2020 تک اپنا نام، فولیو نمبر، قومی شناختی کارڈ یا پاسپورٹ نمبر اور اپنے نام کے حصص کی تعداد "Registration for AKZO's AGM" کے عنوان کے ساتھ "muhammadali.murtaza@akzonobel.com" پر ای میل کریں۔ ویڈیو لنک اور لاگ ان کی اسناد صرف وہ ممبران حاصل کر پائیں گے جن کی تمام مطلوبہ تفصیلات دیے گئے ای میل ایڈریس پر 28 اپریل 2020 کو دوپہر 01:30 بجے یا اس سے پہلے موصول ہوں گی۔

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 کیلئے کسی پراکسی کو نامزد کرسکتا ہے۔ پراکسی کے لئے ضروری ہے کہ وہ کمپنی کا رکن ہو۔ ایک کارپوریٹ شناخت، باحثیت رکن، اس بات قطع نظر کسی بھی شخص کو اپنا پراکسی مقرر کر سکتا ہے چاہے وہ رکن ہے یا نہیں۔ کارپوریٹ شخصیات کی صورت میں بورڈ آف ڈائریکٹرز یا پھر پاور آف اٹارنی کے لئے نامزد پراکسی فارم کے ہمراہ کمپنی کو ای میل کروائی جاسکے گی۔ پراکسی یافتگان سے درخواست ہے کہ وہ اپنے قومی شناختی کارڈ یا اصل پاسپورٹ اس ای میل ایڈریس "muhammadali.murtaza@akzonobel.com" پر 28 اپریل 2020 دوپہر 01:30 سے پہلے ہمیں ارسال کریں تا کہ ویڈیو لنک اور لاگ ان کی سند حاصل کرسکیں۔

4	جنابہ عائشہ حامد	4	4	-
5	جناب سعد محمود راشد (چیف ایگزیکیٹو آفیسر)	5	-	2
6	جناب حارث محمود (چیف فائننشل آفیسر)	5	4	-
7	جناب آسکر ویزن بیک	4	-	2
8	جناب سیبسٹین ٹین	5	4	-
9	جنابہ زنیرہ ڈار (کمپنی سیکریٹری)	5	1	-
10	جناب منیر طارق* (سیکریٹری آڈٹ کمیٹی)	-	1	-
11	جناب محمد علی مرتضیٰ** (سیکریٹری آڈٹ کمیٹی)	-	2	-
12	جناب عثمان علی جمیل * (سیکریٹری ایچ آر اینڈ آر کمیٹی)	-	-	2

*جو 2019 میں چلے گئے　　　**جنہوں نے 2019 میں آغاز کیا

کمپوزیشن آف بورڈ

انڈیپینڈنٹ	2	مرد	6
نان ایگزیکٹو	3	خاتون	1
ایگزیکٹو	2		
میزان	7	میزان	7

بورڈ کی کمیٹیاں

آڈٹ اور ہیومن ریسورس ذیلی کمیٹیوں کی تفصیلات صفحہ 34 پر درج ہیں۔

ڈائریکٹرز کی تنخواہ کی تقرری

آزاد ڈائریکٹر کی تنخواہ بورڈ کی اجازت کے بعد ادا کی جاتی ہے اور ہر تین سال کے بعد بورڈ کی جائزے سے مشروط ہوتی ہے

ڈائریکٹرز کی ٹریننگ

جناب معین افضل، جناب سعد محمود راشد، جناب حارث محمود اور محترمہ عائشہ حامد پہلے ہی ٹریننگ مکمل کر چکے ہیں۔ اس طرح کمپنی CCG کے قانون کے تحت 50 فیصد تک اپنے ڈائریکٹرز کی ٹریننگ مکمل کروا چکی ہے۔

شیئر ہولڈنگ کا پیٹرن

کمپنی میں شیئر ہولڈنگ کا پیٹرن بمعہ اضافی معلومات برائے تکمیل سال 31 دسمبر 2019 صفحہ نمبر F58 تا F60 پر درج ہے۔ آئی سی آئی اومی کورن بی. وی. (جو کہ ایکزونوبل گروپ کی ایک کمپنی ہے) 75.8 فیصد شیئرز کی مالک ہے جبکہ انسٹی ٹیوشنز کے پاس 6.95% اور افراد اور دیگر کے پاس 17.24% شیئر بیلنس ہے۔ فی شیئر بلند ترین اور پست ترین مارکیٹ کی قیمت 2019 کے دوران بالترتیب 270 روپے اور 76 روپے رہی۔ ڈائریکٹرز، سی ای او اور کمپنی سیکریٹری اور ان کے شریک حیات اور بچوں نے سال کے دوران کمپنی میں موجود اپنے اپنے حصے کے شیئرز کا کوئی لین دین نہیں کیا۔

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معین افضل　　　سعد محمود راشد

(چیئرمین)　　　(چیف ایگزیکیٹو)

کارپوریٹ سماجی ذمہ داری

پاکستان کے Children Villages SOS کی دیکھ بھال کے تحت نوجوانوں کی زندگیوں کو ترقی دینے کیلئے کمپنی نے سماجی ذمے داری کی طور پر Pakistan SOS کو 48،000 یورو عطیہ کیئے۔ یہ قدم عالمی ''لیٹس کلر'' پروگرام جو ایکزونوبل پاکستان کا حصہ ہے، جس کا مقصد تعلیم اور تزئین و آرائش کو نوجوانوں کی بے روزگاری پر مثبت اثر ڈالنے کیلئے استعمال کرنا ہے۔ مزید برآں اسی مقصد کے ساتھ ایکزونوبل نے نوجوانوں اور خواہشمند بچوں کیلئے یوتھ مینٹورشپ سیشنز بھی مہیا کیے جس کا مقصد بچوں کی انٹرن شپ کے مواقع کے ساتھ کارپوریٹ ماحول اور کام کی جگہ پر پیشہ ورانہ مشاورت فراہم کرنا ہے۔

اعتراف

2019 میں کمپنی مقابلہ کی برتری کو برقرار رکھنے کیلئے اپنے لوگوں کے عمل کو مضبوط بناتی رہی۔ کلیدی توجہ کے شعبہ میں قیادت کی ترقی، صلاحیت میں اضافہ اور ملازمین کے تعلقات کے انتظام شامل ہیں۔ اس سے اعلٰی کارکردگی کے حصول کیلئے تنظیمی احداف کی ٹیمیں بنانے میں مدد ملی۔ اسی وقت ہمارے مرکزی ایجنڈے پر تنوع اور تعمیل سے وابستگی کا سلسلہ جاری رہا۔ کمپنی کے نتائج اپنے ملازمین کی پرجوش وابستگی اور شراکت کی عکاسی کرتے ہیں، نیز صارفین، سپلائرز، سروس فراہم کرنے والوں اور حصص یافتگان نے کمپنی پر اپنا اعتماد قائم رکھا ہے۔

آڈیٹرز

موجودہ آڈیٹرز Ferguson AF اور کمپنی چارٹرڈ اکاونٹنٹ کی مدت مکمل ہو رہی ہے اور اہلیت کی بنیاد پر انہوں نے دوبارہ تقرری کی خواہش کا اظہار کیا ہے۔

کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل

جیسا کہ ہماری ملکی سٹاک مارکیٹ کے لسٹنگ رولز میں موجودہ کوڈ آف کارپوریٹ گورنینس تقاضا کرتا ہے اس کے عین مطابق ڈائریکٹرز نہایت مسرت سے بیان کرتے ہیں

- کمپنی کی انتظامیہ کی تیار کردہ فنانشل سٹیٹمنٹس واضح طور پر کمپنی کے عملی معاملات، نتائج، کیش فلوز، اور ایکویٹی میں تبدیلی کو ظاہر کرتی ہے۔
- کمپنی کی باقائدہ اکاؤنٹس بکس کو اہتمام سے برقرار رکھا جا رہا ہے۔
- مناسب اکاؤنٹنگ پالیسیز کو فنانشل اسٹیٹمنٹس کی تیاری میں مستقل بنیادوں پر لاگو رکھا جاتا ہے اور مالیاتی تخمینے محتاط تجزیوں پر مبنی ہوتے ہیں۔
- مالیاتی رپورٹنگ کے جن بین الاقوامی قوائد کا اطلاق پاکستان میں ہوتا ہے۔ وہ تمام فنانشل سٹیٹمنٹس کی تیاری میں استعمال کیا جاتا ہے۔ اس ضمن میں کسی قسم کی تبدیلی کو مناسب طریقے سے واضح طور پر بیان کر دیا گیا ہے۔
- انٹرنل کنٹرول کا نظام مضبوط بنیادوں پر تشکیل دیا گیا ہے اس کا اطلاق پر اثر ہے اور اس کی بھرپور نگرانی کی جاتی ہے۔
- کمپنی کی قابلیت بطور کاروباری ادارہ مستحکم ہے اور اس مد میں کسی قسم کا کوئی شک موجود نہیں ہے۔
- Listing Regulations کے مطابق بہترین کارپوریٹ مینجمنٹ کو ممکن بنایا گیا ہے جس کی بدولت نظام سے کسی قسم کا انحراف یا خلاف ورزی وقوع پزیر نہیں ہوئی۔
- گزشتہ سال کے اہم عملی و مالیاتی ڈیٹا کی سمری صفحہ نمبر F56 اور F57 پر درج ہے۔
- قابل ادائگی ٹیکسز اور لیویز، فنانشل سٹیٹمنٹس کے نوٹس میں درج ہے۔
- کمپنی کی انتظامیہ اچھے کارپوریٹ انتظام کیلئے پرعزم ہے اور اس ضمن میں مناسب اقدامات کر رہی ہے تا کہ بہترین معیار پر پورا اترا جا سکے۔

ریٹائرمنٹ بینیفیٹس میں سرمایہ کاری

تکمیلی سال 31 دسمبر 2018 کی آڈٹ شدہ فنانشل سٹیٹمنٹس کے مطابق سٹاف کے ریٹائرمنٹ فنڈز سے سرمایہ کاری کی رقوم کی تفصیل درج ذیل ہے۔ یہ نظام Trusties of Fund کے زیر اہتمام چلایا جاتا ہے۔

1	ایکزونوبل پاکیستان لمیٹڈ مینجمنٹ اسٹاف پراویڈنٹ فنڈ	197 ملین روپے
2	ایکزونوبل پاکیستان لمیٹڈ مینیجمنٹ گریجویٹی فنڈ	115 ملین روپے
3	ایکزونوبل پاکیستان لمیٹڈ مینیجمنٹ سٹاف پنشن فنڈ	124 ملین روپے
4	ایکزونوبل پاکیستان لمیٹڈ مینیجمنٹ اسٹاف طے شدہ برائے ریٹائرمنٹ فنڈ	124 ملین روپے
5	ایکزونوبل پاکیستان لمیٹڈ نان مینیجمنٹ اسٹاف لمیٹڈ	36 ملین روپے

ڈائریکٹرز کی حاضری

سال کے دوران پانچ عدد بورڈ آف ڈائریکٹرز میٹنگز، چار آڈٹ کمیٹی کی میٹنگز اور دو ایچ آر اینڈ آر اجرت و معاوضہ کی میٹنگز ہوئیں۔ ہر ڈائریکٹر/ سی ایف او/ کمپنی سیکریٹری کی حاضری کی تفصیل درج ذیل ہیں۔

	ڈائریکٹروں کے نام	بورڈ آف ڈائریکٹروں کی حاضری	آڈٹ کمیٹی کی حاضری	ایچ آر اینڈ آر کمیٹی کی حاضری
1	جناب معین افضل	5	4	2
2	جناب گیری براؤن*	2	-	-
3	جناب فیڈرک موریکس**	1	-	-

ڈائریکٹرز رپورٹ

برائے تکمیل شدہ سال 31 دسمبر 2019

کمپنی کے ڈائریکٹرز نہایت مسرت سے سالانہ رپورٹ بمعہ آڈٹ شدہ فنانشل سٹیٹ منٹس برائے سال مکمل شدہ 31 دسمبر 2019 پیش کرتے ہیں۔

جائزہ

2019 میں کرنسی کی گراوٹ، افراط زر اور بڑھتی ہوئی شرح سود کی وجہ سے معاشی چیلنجز اور غیر یقینی کی صورتحال جاری رہی۔ جولائی 2019 تک کرنسی 139 سے 164 پاکستانی روپے تک کم ہوئی، اور سال کے آخر تک یہ 155 روپے پر قائم رہی، جس کے نتیجے میں خالص فرسودگی 11 فیصد رہ گئی۔ 2019 کے پہلے نصف میں پالیسی کی شرح میں 325 bps کا اضافہ ہوا، جو 10 فیصد سے جولائی تک 13.25 فیصد ہوگیا اور یہ باقی سال تک جاری رہا۔ افراط زر کی شرح جو دسمبر 2018 میں 5.6 فیصد تھی، وہ دسمبر 2019 میں 12.6 فیصد ہوگئی۔ یہ سب ان اقدامات کا نتیجہ تھا جو حکومت نے معاشی استحکام پروگرام کے ایک حصہ کے طور پر آئی ایم ایف کے ساتھ مل کر اٹھائے۔ حکومت نے اپنے مالی خسارے کو کم کرنے کیلئے اقدامات بھی کیئے جس کے نتیجے میں پبلک سیکٹر ڈویلپمنٹ پروگرام میں کمی واقع ہوئی۔

اس کے علاوہ حکومت نے معیشت کی دستاویزات کیلئے بھی پہل کی۔ پہلے قدم کے طور پر خریدار کے شناختی کارڈ کو سیلز ٹیکس انوائس پر چھپا ہوا ہونا لازمی قرار دیا اور پینٹس کو سیلز ٹیکس ایکٹ کے تیسرے شیڈول شامل کر دیا۔ اس کا اثر خوردہ فروش کے منافع پر پڑا اور مجموعی طور پر صارفین کی طلب پر بھی۔ تاہم، کمپنی نے مارجن مینجمنٹ اقدامات کے ذریعے اپنی آمدنی اور منافع کو محفوظ رکھا 2018 کے مقابلے میں خالص فروخت میں 201 ملین پاکستانی روپے تک کمی واقع ہوئی، جس کی بڑی وجہ 2018 میں 130 ملین پاکستانی روپے تھے جو سپیشلٹی کیمیکلز کی فروخت کی مد میں شامل تھے، جو اگست 2018 تک ایکزونوبل کا حصہ تھے۔ کمپنی نے کارکردگی میں بہتری اور لاگت پر قابو پانے کے بہت سے پروگرام بھی انجام دیئے جس کے نتیجے میں آپریٹنگ اخراجات میں گزشتہ سال کے مقابلے میں 11 فیصد کمی واقع ہوئی۔ دیگر آمدنی میں خاطر خواہ اضافہ ہوا کیونکہ کمپنی بنک ڈپازٹ پر زیادہ منافع حاصل کرنے میں کامیاب رہی۔ اس کے نتیجے میں کمپنی کیلئے EPS میں گزشتہ سال کے مقابلے میں 42 فیصد اضافہ ہوا۔

کمپنی نے 2019 کے دوران ٹیکس ڈیوٹیوں اور دیگر عائد محصولات کے توسط سے قومی خزانے میں پاکستانی 1.028 بلین روپے جمع کروائے۔

اضافہ / (کمی)	2018	2019	مالیاتی کارکردگی (ملین روپے میں)
-2.9%	8,747	8,492	ٹرن اوور
-3.5%	5,813	5,612	نیٹ سیلز
-6.1%	3,810	3,579	سیلز کے اخراجات
1.5%	2,003	2,033	مجموعی منافع
33.7%	560	749	آپریٹنگ منافع
41.8%	387	549	ٹیکس کی کٹوتی کے بعد منافع
41.8%	8.34	11.82	فی شیئر کمائی–روپوں میں

منافع جات

مستقبل کے کاروباری اقدامات کو مدنظر رکھتے ہوئے اور کمپنی کو نقد بہاؤ کی ضروریات پر غور کرنے کے بعد بورڈ آف ڈائریکٹرز 31 دسمبر 2019 کو ختم ہونے والے سال کیلئے عام طور پر یعنی عام ۔۔۔ روپے کا حتمی منافع تجویز کرنے پر راضی ہیں

صحت، حفاظت اور ماحولیات

کمپنی نے صرف ایک اطلاع دہندگی سے ہونے والی چوٹ کے ساتھ HSE سے اپنی پختہ وابستگی کا مظاہرہ کیا۔ اس پروگرام کے اطلاق کے ذریعے سلوک پر مبنی حفاظتی پروگرام جو زخموں سے بچنے کیلئے لوگوں کے طرز عمل کو متاثر کرتا ہے، کو تقویت ملی۔ اس پروگرام کے شروع ہوتے ہی کمپنی اپنی سائٹ پر لوگوں کو بہتر بنانے اور حفاظت کے عمل میں آپریشنل کارکردگی کیلئے ایک شمسی توانائی شروع کیئے گئے پراجیکٹ کا آغاز کیا جو اب ہماری فیکٹری کو زیادہ ماحول دوست بنانے کیلئے کام کر رہا ہے۔ مزید برآں، کمپنی نے 2015 ISO 14001 کی سند حاصل کی۔ یہ سب کمپنی کیلئے صحت اور حفاظت کو بنیادی ترجیح دینے کا واضح مظاہرہ ہیں۔

کاروباری کارکردگی

کمپنی نے شعوری طور پر میڈیا کمپینز اور لیوری لانچز کے ذریعے قیمت فروخت پر توجہ دی۔ کمپنی ''ایکوافیلڈ'' نام کے ساتھ واٹر پروفنگ کے زمرے میں آ گئی تا کہ مارکیٹ میں پہلے ہونے کا فائدہ اٹھا سکے۔

آٹو موٹو طبقے میں سست روی اور سرکاری بنیادی ڈھانچے کے اخراجات میں کمی کے باوجود، کمپنی نے اپنے حصے میں فروخت کے اضافے کے ذریعے پیکجنگ کوٹنگز کی اعلی کارکردگی والے کوٹنگز کو مظبوط بنائے رکھا۔

مستقبل کا نظریہ

معیشت کی دستاویز اور حالت کو بہتر بنانے کیلئے حکومتی پالیسیوں کے ذریعے آپ کی کمپنی کو توقع ہے کہ میکرو اکنامک استحکام GDP میں متوسط مدت میں بتدریج نمو پائے گا۔ جس سے کمپنی کی مصنوعات کی اعلی مانگ ہوگی۔ کمپنی کے بورڈ آف ڈائریکٹرز نے ضابطہ 5.13 کے تحت کمپنی کو پاکستان سٹاک ایکسچینج سے خارج کرنے کیلئے 28 نومبر 2019 کی تاریخ کو طے کرلیا ہے۔ اس کیلئے آئی سی آئی اومی کرون، کمپنی کے اکثریتی حصص یافتگان کو کمپنی کے اقلیتی حصص یافتگان کے پاس رکھے ہوئے عام حصص کو ضابطہ کے مطابق طے شدہ پاکستان سٹاک ایکس چینج یا SECP کے ذریعے رضا کارانہ طور پر پاکستان سٹاک ایکس چینج سے کمپنی کے اخراج کا اختیار دے دیا گیا ہے۔

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AkzoNobel has a passion for paint. We're experts in the proud craft of making paints and coatings, setting the standard in color and protection since 1792. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. Headquartered in the Netherlands, we are active in over 150 countries and employ around 34,000 talented people who are passionate about delivering the high-performance products and services our customers expect.

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