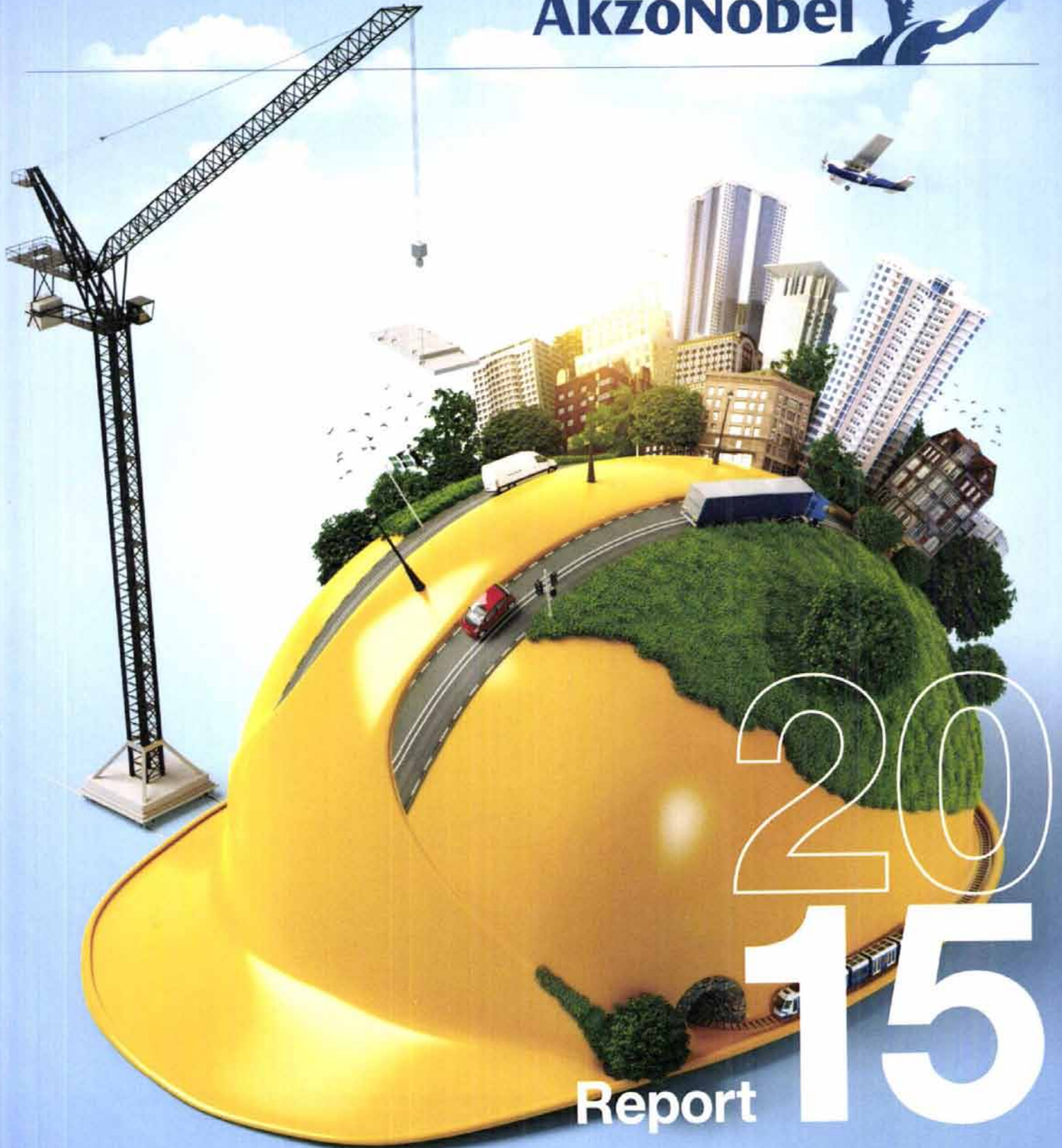


Akzo Nobel Pakistan Limited

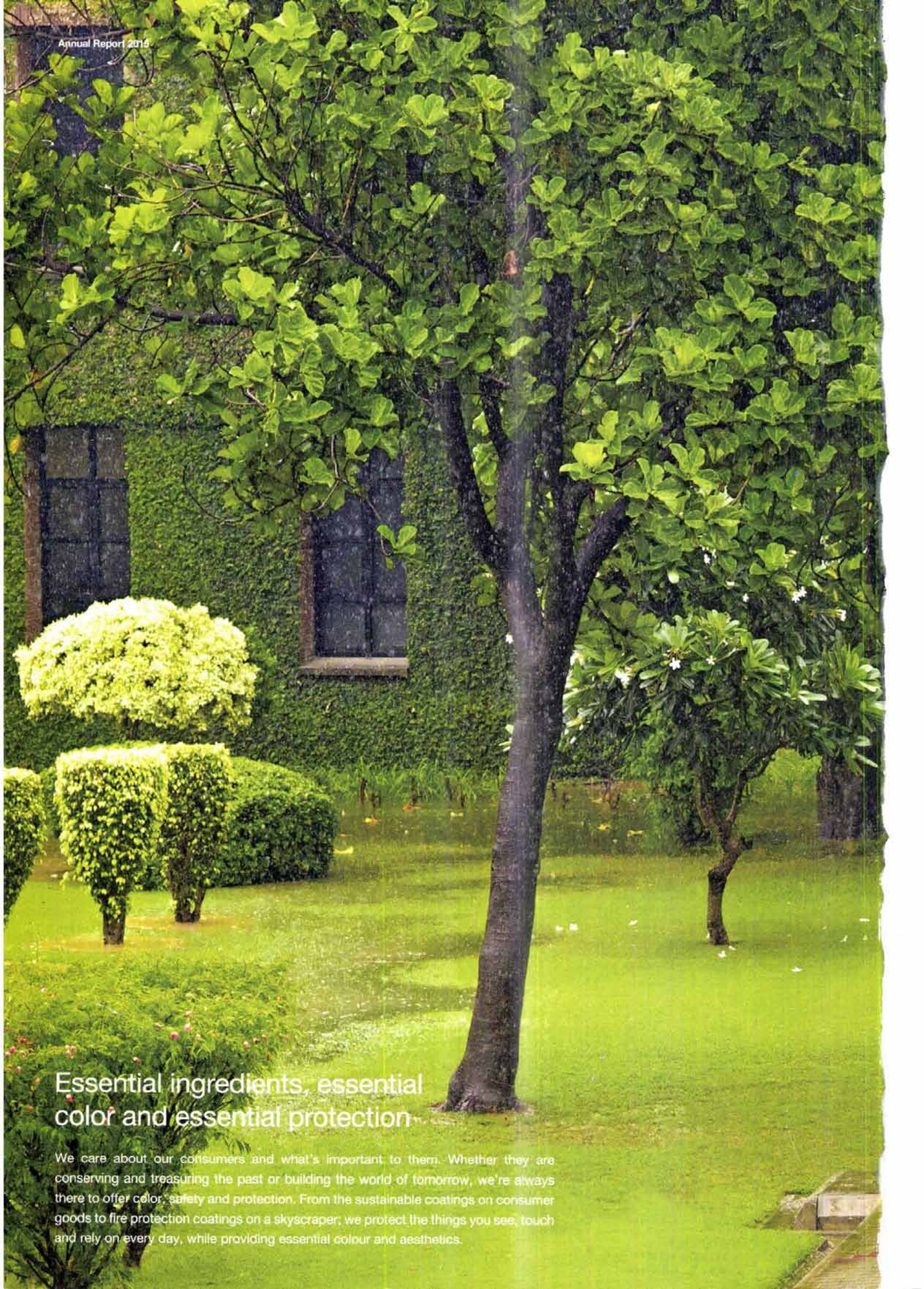
Colors of sustainability

AkzoNobel



20
15

Report

A full-page photograph of a lush green landscape. In the foreground, a large, dark-trunked tree with dense green foliage stands prominently. To its left, a building is partially visible, its walls covered in thick green ivy. Two windows with dark shutters are visible on the building. In front of the building, there are several manicured hedges, including a large, rounded one and two smaller, rectangular ones. The ground is covered in green grass and some fallen leaves. The overall scene is vibrant and natural.

Essential ingredients, essential color and essential protection

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

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Report

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Overview and Strategy

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



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

As a leading global paints and coatings company and a major producer of specialty chemicals, we supply essential ingredients, essential protection and essential color to industries and consumers worldwide. Backed by a pioneering heritage, our innovative products and sustainable technologies are designed to meet the growing demands of our fast-changing planet, while making life easier. Headquartered in Amsterdam, the Netherlands, we have approximately 45,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as a leader in sustainability, we are dedicated to energizing cities and communities while creating a protected, colorful world where life is improved by what we do.

AkzoNobel Pakistan being a part of the AkzoNobel Group

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

Our mission

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

Our strategic targets

To achieve our mission, we will:

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

Chief Executive's Statement

Dear Stakeholders,

2015 results have been rewarding, and consistent with the company's orientation towards innovation, safety, quality, and sustainability. Management has focused its attention on each sub-segment of business, its processes and practices, and this has resulted in a stronger, leaner, and more agile organization that is clearly delivering results.

Attention has been focused on incorporating AkzoNobel's global and regional best practices to various businesses, and this has added value across the board. ANPL has received immense support from Performance Coatings and Specialty Chemicals in the Middle East, from the Decorative Paints in SESAME, and several corporate functions, all lending their weight to making the Pakistan success truly a demonstration of our value of winning together.

As I look back on 2015, I take great pride in the fact that we continued to be successful doing what we do best – creating everyday essentials to make people's lives more liveable and inspiring. We have new operating models in place; we've refined our portfolio; our manufacturing footprint has been made more efficient; we have retained a continuous improvement culture, and there's ongoing focus on operational excellence. In addition, our ability to successfully commercialize innovation remains strong, and we continue to lead the way in terms of sustainability, and our Human Cities initiative has evolved and continues to grow and thrive.

Decorative Paints at AkzoNobel has launched the innovative Visualizer Application and has successfully reinforced its position as the leading paints in the industry whereas Specialty Chemicals boosted local business by developing, diversifying, and localising its portfolio, and improving customer service at the same time. The Performance Coatings business continues to embrace our valued business principle of exceeding customer expectations and hence has asserted its strength in the market. Through excellent customer service, advancements in technology and sustainable features of our products, we have strengthened reasons why customers should prefer our products and services over competition. We create a unique value proposition for all stakeholders by mitigating risks, and generating several synergies that would clearly not be possible without our very diverse portfolio.

Safety is at the core of how things are done at AkzoNobel. A healthy, safe and sustainable environment is what we strive to maintain and by offering consumers an environmentally friendly choice, we can help them demonstrate their concern for the environment by using products they know are safe, and do not compromise on quality. Our customers have come to acknowledge that our products are what we claim them to be. All of this contributed to our performance, which saw us successfully achieve significant growth

over the previous year. We continued our strong track record of performance improvement, with higher return on sales and return on investment for shareholders. The increase in the dividend is also a clear sign we are more confident about our future cash flow generation.

The journey to success is never an easy one. AkzoNobel continues to soar high due to the countless efforts of its team that not only includes our employees and executive management but also the customers and suppliers who instil their faith in our abilities to excel. We treat all those who do business with us as important partners, and actively work towards a relationship of mutual trust.

The employee engagement scores have improved; which is a credible confirmation of our company's beliefs in establishing a strong association between motivation and positive results. The global support that we gather from the Middle East and SESAME has had a huge positive impact on how we shape and build our strategies. This combined with the wisdom of our Board of Directors and expertise of our capable Executive Team, will help us continue to grow in the future.

The confidence entrusted in us by our shareholders motivates us to perform better every year; it sparks our creativity, gives us energy, enables us to deliver for our customers and, ultimately, generates value for our business. We are using our key strengths – essential ingredients, essential protection and essential color – to help build a solid foundation for the next phase of the company's strategy.

It is pertinent to mention that this company paid over a billion rupees into the government treasury this year, and we join all fellow business houses that pay taxes according to the letter and spirit of the law, to encourage the government to broaden tax collection rather than burdening only those who pay.

Looking back, I see 2015 as a rewarding and satisfying year, however I remain conscious that this company has so much future opportunity to offer, and that brings me back to my desk to work with my team on projects that will maintain the growth trajectory our stakeholders expect from us. I would like to express my humble gratitude to the AkzoNobel Pakistan team who have been at the heart of our efforts, and to our stakeholders and customers for supporting us to build a better, more inspiring Pakistan.



Jehanzeb Khan
Chief Executive



The Human Cities Initiative



1 Cities should be more colorful

2 Urban heritage needs to be embraced

3 People must connect to make cities come alive

Human Cities; our new company positioning is an opportunity for AkzoNobel to make a major contribution to one of the key challenges of our age. Currently, around half the world's population lives in cities. Estimates say this will increase to more than 75 percent by 2050. Many cities are already struggling to cope with the demands of fast-rising populations, alongside the difficulties posed by economic instability, social breakdown and climate change. Cities have to adapt to become more resilient to these changes and be better able to cope with this common set of challenges. AkzoNobel can play a major role in this because over 60 percent of our products are used in buildings, infrastructure and transport.

Many cities are losing their identity and have little sense of history or heritage. In other areas, public space for leisure activities has been sacrificed to make room for rapidly expanding housing developments. We want to find ways to help address those needs and breathe fresh life and energy into urban communities.

Through this initiative, we are linked to the challenge posed by rapid population growth in urban areas, and we can demonstrate why our products are so relevant to the world around us. The fact that we are already so active in these markets creates a strong platform for us to positively influence the process of urban transformation that is taking place.

We're trying to make cities come alive, enabling people to make more of an emotional connection with where they live.

Understanding both the trends in our end-user segments and the needs of our customers is fundamental to our strategy – and that's what Human Cities is all about. It's focused on directing our efforts towards current and future market demands, which will be heavily influenced by population growth. Human Cities also gives us a clearer focus and helps drive our vision of leading market positions delivering leading performance.



COLOR

1. Cities should be more colorful

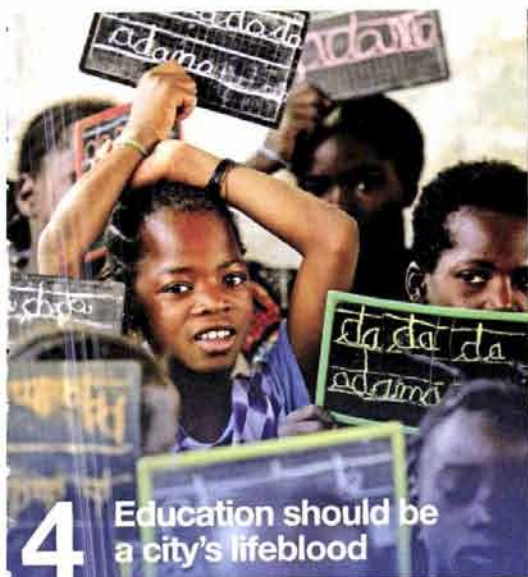
As our cities continue to grow and expand, we have to ensure they remain exciting and vibrant. A simple way of doing this is to make them more colorful. This helps to create an emotional connection and gives people a sense of place, space and identity. It also underlines our belief that everyone should be given the chance to benefit from the transformative power of color.



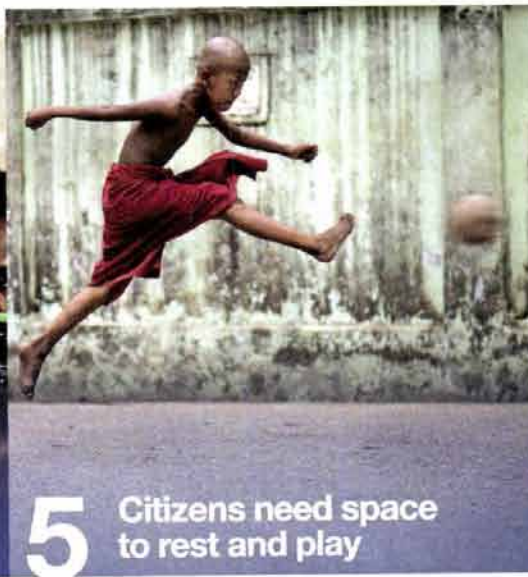
HERITAGE

2. Urban heritage needs to be embraced

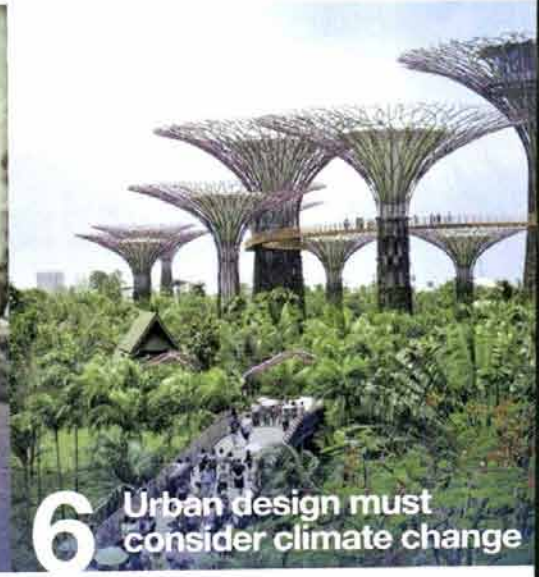
Balancing old and new is vital if our cities are to retain a sense of history and collective identity. Which means urban heritage shouldn't be allowed to fade away. We need to preserve places that are important to all sections of the community and make the past a part of the future.



4 Education should be a city's lifeblood



5 Citizens need space to rest and play



6 Urban design must consider climate change

TRANSPORT

3. People must connect to make cities come alive

As our cities become increasingly crowded, we need to ensure that transport remains affordable and accessible for everyone. This goes beyond simply ensuring that roads are properly maintained. It also includes improving the physical mode of transport that we use to make it safer, more efficient and more sustainable.

EDUCATION

4. Education should be a city's lifeblood

Cities aren't just defined by their buildings. Because they wouldn't function without the people who live and work there. It's vital, therefore, that more thought is given to providing proper education, as it will unlock potential and help ensure that cities continue to thrive.

SPORTS AND RECREATION

5. Citizens need space to rest and play

Public spaces refresh the soul of a city, because people need somewhere to relax and unwind. That's why we have to give more consideration to providing open areas for sport and recreation when planning and developing urban areas.

SUSTAINABILITY

6. Urban design must consider climate change

The future health of our cities – and the people who live there – will hinge on our ability to do radically more with less. That's why we have adopted a strategy of radical resource efficiency (known as Planet Possible) which is focused on developing more sustainable solutions for the built environment. By working with customers and suppliers, we can enable an ever-growing population to live a sustainable life in one finite world.

The Human Cities initiative is built on six main pillars. They outline some of the issues we think cities should be focusing on in order to create more 'human' urban environments.

Code of Conduct and Values



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

A brief overview of our code:

Safety

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

Integrity

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

Sustainability

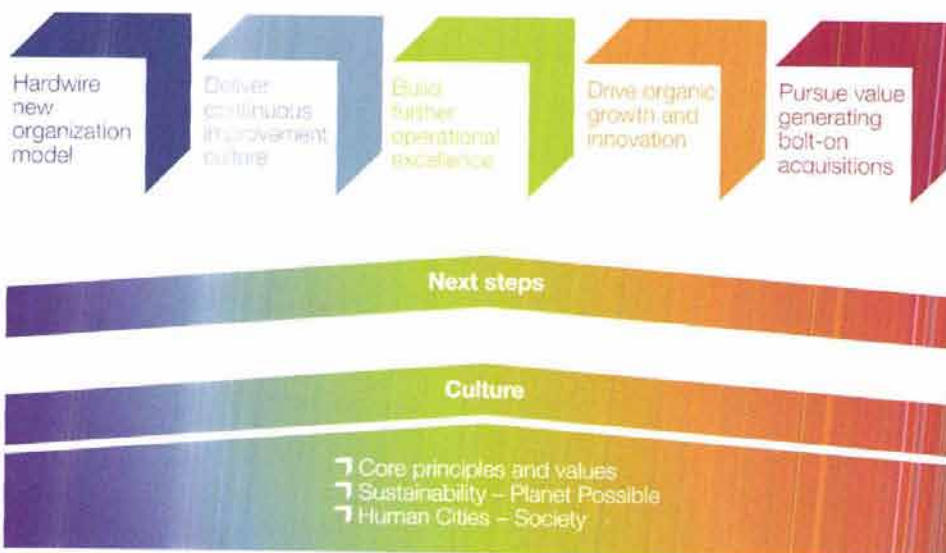
- We recognize human rights and treat people with dignity and respect
- We recruit and manage employees fairly
- We reduce the environmental impact of what we do
- We address the concerns of those affected by our operations
- We give back to communities we operate in
- We work with business partners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

The common thread running through our strategy is the need to change our mindset, assumptions, and the general way we do things.

We want to encourage a high performance culture of engagement, feedback and trust. The new core principles and values help shape the behavior that creates this culture.

Today we have four clear and simple values: Customer Focused, Deliver on Commitments, Passion for Excellence and Winning Together. These are supported by three 'core principles': Safety, Integrity and Sustainability. The core principles apply to everyone in the company and are our 'permission to play'.

The values and principles outline how we must conduct ourselves to succeed as a company, bring focus to operational excellence and organic growth to ultimately help improve, energize and regenerate urban communities around the world.



Our Passion for People



myCareer
P&D Dialog

myCareer
Talent &
Succession



ViewPoint



Take your IDEAS
further @ AkzoNobel

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

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

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

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

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

The right culture - Manufacturing is generally acknowledged to be one of the more difficult areas to build employee engagement in. Through the ViewPoint Employee Engagement Survey, our focused interventions, measurement and action planning improved our scores of 2014 from a GrandMean of 4.08 to 4.19, on a 5-point scale; with a high participation rate of 95%.

The right mix - Diversity of thought is an important factor in creating the right culture. Our workforce should reflect the society where we do business. We aim to create an inclusive environment where diversity and differences are valued, and everyone has the opportunity to develop skills and talents consistent with our company's values and ambitions.

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

When people ask us what sustainability means to AkzoNobel, we tell them that our success depends on it.

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

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

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



Raw materials



Own operations



Customer operations



End-user



End-of-life

HSE and Sustainability

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

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

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

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

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

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

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

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

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



Health, Safety and Environment Performance

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

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

One safety mission:

Our vision

Our vision is ZERO injuries and zero serious incidents

Our ambition for 2016

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

Our beliefs

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

Our commitment

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

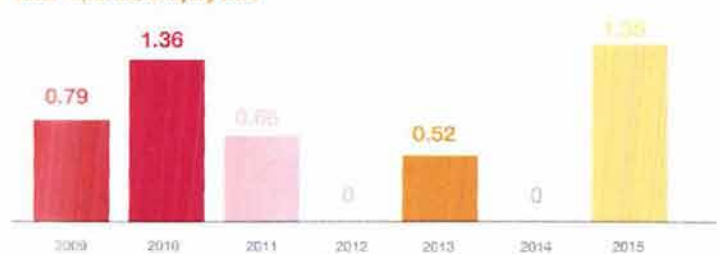
Take Care because....

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

HSE operational excellence

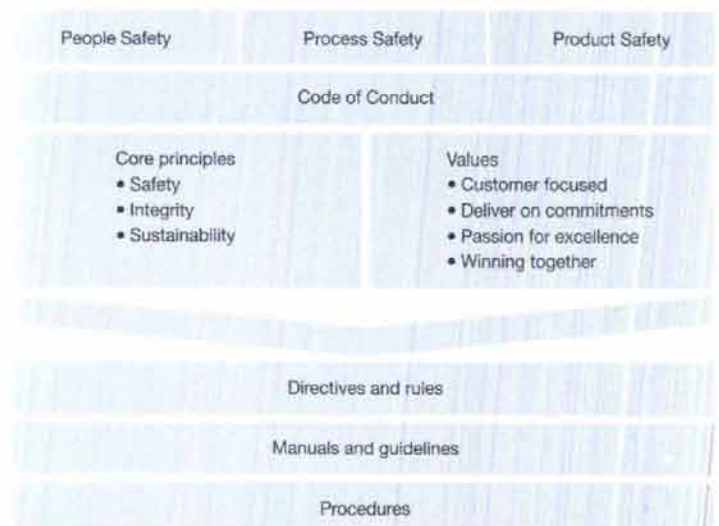
We at AkzoNobel Pakistan believe in & are committed to improve Health, Safety, Environment, Security and Product Stewardship to achieve sustainable HSE Operational excellence. Three Core Safety Processes; People Safety, Process Safety & Product Safety are ensured through HSE Management System which is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

Total reportable injury rate



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

This structure for our HSE&S management system can be defined as





TakeCare
Global Safety AkzoNobel

Achievements during 2015

Process safety management (PSM) Implementation:

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

The process safety management framework comprises 21 building blocks which are categorized according to People, Procedures and Plant. These building blocks are deeply inter-connected, driving a cultural transformation which 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, emergency response planning and safe working practices. Finally, PSM addresses the safety aspects of machinery and the interactions of personnel with plant equipment.

Due to 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 the basic building blocks of PSM were discussed. In 2015, a complete PSM scan was carried out by global PSM specialists in which they assessed different plant processes and procedures. After the scanning process, a comprehensive plan was prepared. Since the PSM framework training sessions have been conducted, safety procedures have been updated and risk assessment related to plant and people safety has also been done.

Launch of behavioral based safety (BBS):

Behavior-based safety is a broad term used to describe everything from basic employee behavior audits and feedback to a comprehensive safety management system designed to change a company's safety culture. Organizations often have effective training, appropriate procedures and state-of-the-art safety equipment. However, none of that matters if the people in the organization don't use what they learn in training, don't consistently follow the procedures and/or use safety equipment. From skipping steps in a confined space entry procedure, to failing to wear PPE at the appropriate time, to not drinking enough water to prevent heat stress, getting

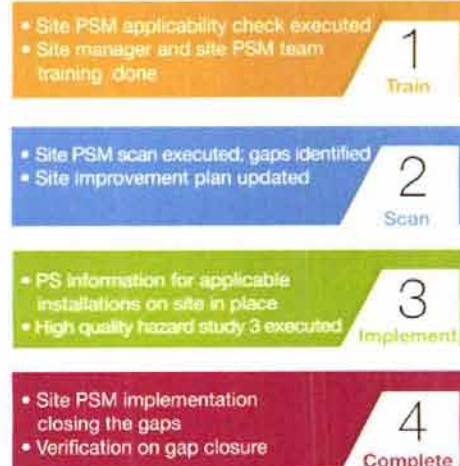
people to make consistent safe choices is often a challenge. These challenges can be overcome by implementing Behavior-Based Safety (BBS). AkzoNobel's BBS is a safety improvement process inducing changes in behavior of employees and contractors resulting in fewer exposures to hazards. Key factors of the process are observation and feedback techniques leading to removal of obstructions to safe behavior. AkzoNobel Pakistan has always tried to create a safety culture in which individuals hold safety as a value and take responsibility for the safety of their co-worker in addition to themselves.

BBS has been implemented at AkzoNobel Pakistan since Q4-2015. Observations process started in October, 2015. We have 26 active observers and a 13 member steering committee monthly meetings are on-going. The Barrier Removal Team training was completed in January, 2016. The BBS process index score by end December 2015 was 68%.

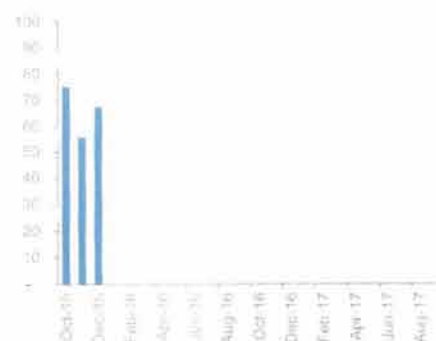
Global Safety Day 2015:

At AkzoNobel Pakistan Limited, Safety Day is celebrated with enthusiasm and a vision to engage all employees of the company under the umbrella of safe performance. This year's Safety Day was celebrated in its purest form. The theme selected by the company covered slip, trip and fall hazards awareness and mitigation. Safety day activities revolving around this theme were prepared and executed by AkzoNobel Pakistan Operations Team. The highlights of the event included a 'Walk around Safely' practical demonstration of slip, trip and fall hazards and the safe practices to mitigate the exposures. All the staff and employees of AkzoNobel Pakistan Head office and manufacturing area were invited to this major event and everyone participated and appreciated its effectiveness. A video on safety around the theme was shared along with a communication session. At the event, the safety game also remained a center of interest. Also, a team competition took place in which each department head was assigned to visit his area of responsibility to identify and rectify the possible hazards related to slip, trip and fall. Overall, the Safety Day 2015 was a successful event where we were able to achieve our target of engaging, spreading awareness and correcting behaviors around slip, trip and fall hazards.

Process Safety Management Procedure



BST Process Index Score Summary



BST Process Index components (Month)



Sustainability and Energy Efficiency

We have to use our ambition and imagination and deal more efficiently with the world's limited resources, which is why we've adopted a Planet Possible approach to sustainability. We can help to make life more affordable, colorful, healthy and comfortable for the world's ever growing population.

Generating maximum positive impact from our products and services, and using fewer resources across the value chain is the essence of our sustainability strategy and we at AkzoNobel Pakistan are proud of what we have achieved. Energy consumption per ton of product manufactured is a key sustainability performance indicator. Our energy consumption has reduced significantly over the last year; reduction in energy consumption means reduced carbon footprint and operational costs. Another key indicator is direct CO₂ emissions; over the course of 2016, massive reduction in carbon dioxide emissions were realized, improving on last year's performance. In every manner, AkzoNobel Pakistan has strived and succeeded in becoming a greener and eco-friendlier organization in 2015.

Thinner recycling machines

We, at AkzoNobel Pakistan constantly strive to improve on our current processes. In 2015, a project for installation of thinner recycling machines was successfully implemented. Thinner for cleaning plant equipment is consumable and very expensive. Furthermore, after the cleaning process, the dirty thinner is sent to a third party for recycling which adds additional cost to this whole activity. With the installation of two thinner recycling machines at our site, we are now self-reliant in recycling dirty thinner. This has helped reduce virgin thinner consumption by 43%. The impact of this is reduced costs, reduced VOCs and an improved sustainability index.

Bead Mill Upgrade

Bead mills are very critical plant machines producing significant a chunk of industrial coatings. After years of service, the control system on these machines became obsolete. In an effort to increase the service life of this equipment, an upgrade of the existing bead mill was executed. Owing to this upgrade, the machine is now running on latest and state of the art electronic system which is controlled by a sophisticated touch panel. With the installation of the upgrade package, sustained operation of the machine has been ensured and we can continue to reliably provide product to our industry and vehicle refinish customers.

Air Cooled Water Chiller

Chilled water is considered to be the most expensive utility at any plant. Over the years, AkzoNobel Pakistan has undertaken various capital projects to drive cost reductions and efficiency optimization in the generation and consumption of chilled water. This year, yet another initiative was executed successfully: the installation of energy efficient chillers. With the installation of this unit, process capacity of chilled water has increased by 28%. Automatic load sensing four step operation of this chiller enabled us to save 28% of

operational cost of chillers and finally due to its very low noise, working conditions in the area have improved as well.

These projects reflect the way we operate; we make environmentally conscious decisions and then reflect on our own performance and in turn strive to outperform ourselves, aiming to do better than we did previously. The above projects and many others to follow are all a part of our strategy to build a sustainable future. We started sowing the seeds of sustainability years ago and we are seeing it flourish and evolve right across the company.

Eco efficiency performance 2015 versus 2014 (per ton of product)

Waste 26%	Energy 8%
Direct CO ₂ 8%	Fresh Water 5%
VOC 5%	NOx 9%
COD 0%	SOx 0%



Corporate Social Responsibility

AkzoNobel firmly believes in the inspiring call to action that must be taken to foster a positive environment in the community. Since our early days, we have been heavily involved in the creation of a healthy and sustainable society.

AkzoNobel sees community investment as the panacea to social ills that plague our country and in an effort to embody this ideal, every year we continue to majorly contribute to the positive development of the society and its people. In carrying on the tradition of upholding its commitment to make the society a better place for its inhabitants, this year AkzoNobel Pakistan carried out a number of focused community development initiatives; mostly in the field of Health, Education, Sustainability and Social Development. Primarily in response to requests for the upkeep of dilapidated health and educational institutes, most of these initiatives involve our employees volunteering personal time and effort towards these activities.

Spreading colors for a sustainable society

Sustainability is a way of life that drives innovation to maintain our modern ways of living. It is an attitude which if incorporated in life practices, builds a healthy civilization. Being the sustainability champions, AkzoNobel acknowledges sustainability as its core value and promotes its significance through its actions. This year, we hosted the Board Meeting for the Pakistan Green Building Council; a nonprofit organization in the development sector, in which integration of sustainability in buildings was a key agenda. As one of the founding members of the PGBC, we see this initiative as an achievement in inspiring and engaging others to embrace sustainable practices.

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

Coloring a brighter future

Education is a necessity of our modern complex society and AkzoNobel has made use of untapped opportunities to facilitate various educational ventures. We joined hands with The Citizens Foundation to undertake the Rahbar Programs exposure trips twice this year. The Citizens Foundation is the largest nonprofit organization in the field of education in Pakistan. Their mission is to provide quality education to the less-privileged youth by getting them off the streets and into schools. A 100 children were invited at the AkzoNobel plant and were not only shown the production process of paint but also mentored and given professional guidance. We took the

opportunity to impart inspiration and motivate them to study to be able to secure careers later. Our employees volunteered to participate in the seven week programme and also conducted counseling sessions to expose the children to jobs in the paints and coatings industry. AkzoNobel Pakistan is proud of its employees who not only give inspiration but also get inspired- one positive step at a time!

LettuceBee Kids in Islamabad is another such institution that reintegrates street children back into the society by teaching them practical skills that are crucial to survival. AkzoNobel realizes the importance of healthy and positive upbringing of underprivileged children. We believe in eliminating



dullness by adding colors to the lives of these children and hence took a step forward to assist LettuceBee Kids to help achieve their glorious mission. AkzoNobel Pakistan created a modern design for their new school and helped to paint it as well. We are pleased to provide these children with a new and fresh space to study and excel. Our support for education is not limited to only one or two institutions. We aim to and work towards creating a positive impact on our society and education is at the heart of it. To spread this message, AkzoNobel continued to assist yet another education trust known as Sajan Nagar Public Education Trust that is located on Ferozepur Road Lahore. Research establishes that student attendance is low and dropout rates are high where school infrastructure is inadequate.

AkzoNobel, thus, took the responsibility to carry out the makeover of the ramshackled and crumbled school building by providing repair and paint to Sajan Nagar Trust. We are happy to make a difference in the lives of the underprivileged children who can now enjoy studying in a beautifully painted standard building. British Overseas School is yet another example that showcases our commitment to help build a more educated society. Each year, fundraising activities are carried out by the school and this year AkzoNobel takes pride in helping them for their good cause. By sponsoring them, we not only helped just one school but the money raised was given to three other affiliated charities. We take pride in not only providing remedy to the societal issues but also maintain strong

relationships with such institutions that work towards the betterment of society in Pakistan. We show them our support in every step of the way. We have created and maintained a strong bond with one of such organizations: Pakistan Society for the Rehabilitation of the Disabled which is a nonprofit charitable entity established in Lahore.

AkzoNobel sees community investment as the panacea to social ills that plague our country and in an effort to embody this ideal, every year we continue to majorly contribute to the positive development of the society and its people.



that provides medical, surgical, educational and rehabilitation services to the disabled. AkzoNobel honors its partnership with such a righteous organization and to keep our bond strong, we provided them with a significant volume of paint and also repainted their school.

What else could be the best way to elucidate our commitment to form a sustainable society than to support and cherish our relationships with various upstanding institutions investing in worthy causes. We believe that a key benefit of forging such partnerships brings additional awareness to the cause. SOS Childrens Village is one such name that stands out in the development of a home and education for orphans. SOS is not only a neighbor but enjoys a long established relationship with AkzoNobel Pakistan. Infact, the company enjoys one of the longest partnership with SOS Villages and the institution, its cause and its inhabitants are all very dear to us. This year, we were pleased to have shared their happiness at their anniversary celebrations. To help spread the joy, we not only sponsored the event that marked their 40 years of operations but we attended it as well. AkzoNobel Pakistan assisted SOS in holding a fundraising concert by which not only could the children enjoy an evening of festivity but the Friends of SOS and other donors could also channel their contributions to the welfare of the resident children at SOS.



Celebrating the colors of life

We believe in traits that foster life; we believe in sharing and spreading smiles. AkzoNobel conceptualizes mutual enjoyment as fundamental to development of our relationships with the society. At the occasion of our third anniversary, we visited Ganga Ram Thalassemia Ward, Care Foundation Sheikhupura and Bali Memorial Trust Girls Orphanage, to share our celebrations. We are happy to have had a fun day with the children and patients amongst whom food and balloons were distributed. Health and Education is the basic building block of the society and we at AkzoNobel have made a commitment in strengthening and supporting this block.

The spirit of giving

Every year in Ramadan, AkzoNobel Pakistan shows great philanthropic spirit by contributing towards a needy cause. This year, employees generously took part in the donation drive for Edhi Foundation which is one of the best social welfare service providers across the world for rendering their exemplary services to humanity in multidimensional fields. We are proud to say that our employees shared the highest levels of empathy and generosity such that the foundation was able to arrange water coolers from the given donations for a boys orphanage branch. Eid gifts were also bought and given. We believe that we have celebrated Ramadan in its purest form through our humble action of supporting Edhi Foundation.

Sustainable relationships for today and tomorrow

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

Painting the expression of art

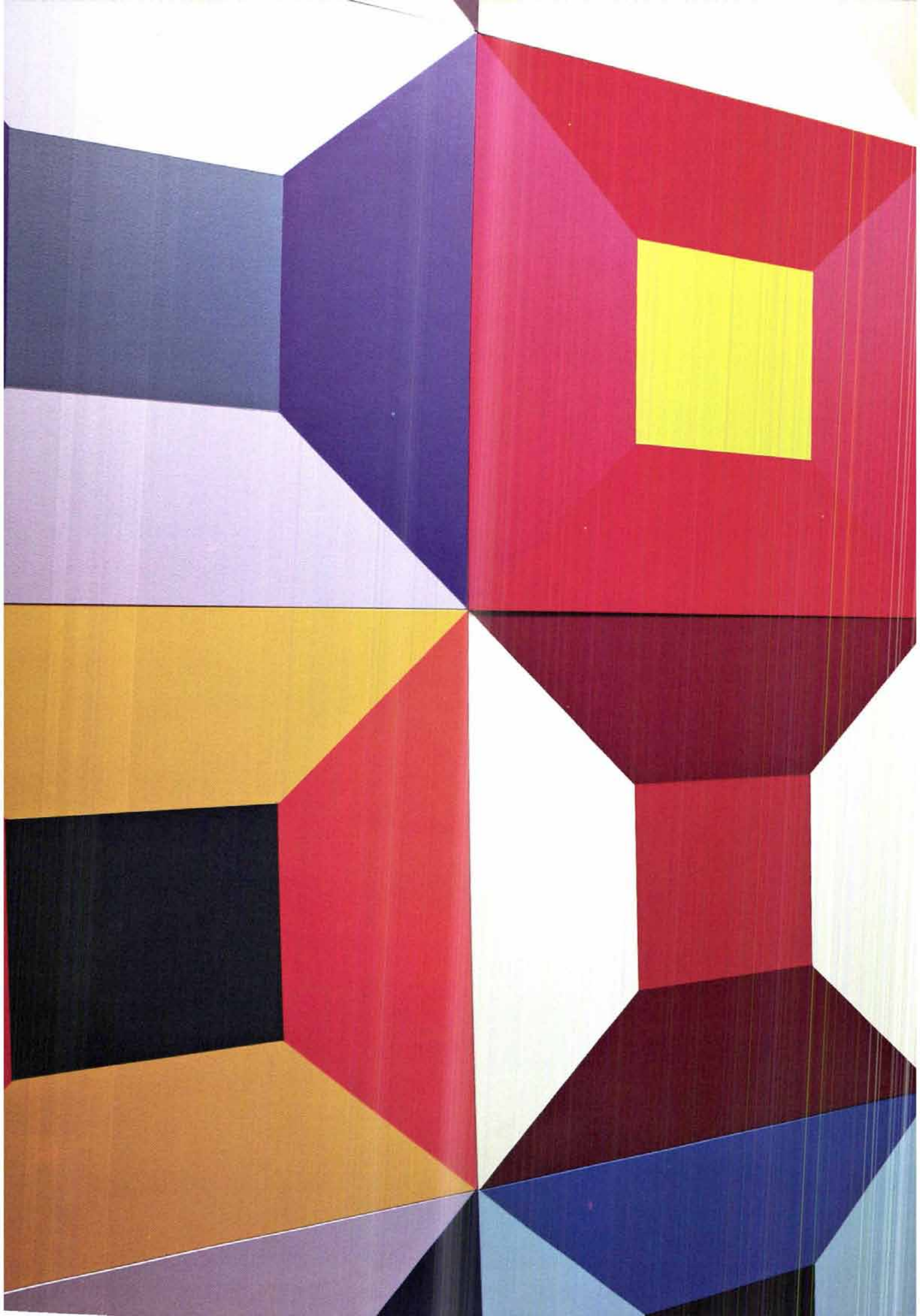
Color is not just for aesthetic appeal. We believe in impacting people's lives by not only bringing color to their surroundings but to extend our time, warmth and love to the recipients. This year, AkzoNobel Pakistan joined hands with the National College of Arts, Lahore to paint their fine art studios, to give an inspiring environment to

the students working on their theses. We believe that a good wall is stimulating to produce good work and yet this year again AkzoNobel showed concentrated efforts in supporting art amongst students. We believe that art is the cornerstone of a developed society and our support towards the NCA is proof of our commitment. AkzoNobel Pakistan also partnered with Discovering New Artists, a nonprofit promoting art as a means of expression amongst underprivileged schools in Lahore, Karachi and Islamabad. Children from underprivileged as well as private schools participated in an exhibition, Art for Change, where their artwork was displayed and sold with funds cycling back to the underprivileged schools that had participated. AkzoNobel not only sponsored the exhibition but also went a step ahead to buy

the paintings. To appreciate the talent these children have and support their endeavors, our calendar for 2016 was a tribute to these children and their work.

This year, we have also had the privilege to collaborate with Indus Valley School of Art and Architecture. Through this collaboration, we repainted the cancer wards in National Institute of Child Health, Karachi. Colors are at the heart of AkzoNobel and we believe spreading colors is a way of spreading happiness. The makeover from bleak, white walls to a space lit up with colors and murals gives a feeling of positivity to the environment. Our colors being safe, chrome-free and low in VOC provide a healthy touch to the wards and thus show a positive impact in recovery of patients.







Business Performance

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Our businesses

Decorative Paints

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

Brands include:

ICI Dulux, ICI Paintex

Some of our customers:

Thousands of paint dealers, contractors and home owners around the country

Performance Coatings

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

Brands include:

Sikkens, DynaCoat, Industrial Coatings, International, ICI AutoPaints

Some of our customers:

Millat Tractors, Indus Motors Company, Pakistan Suzuki Motors Company, Atlas Honda, Descon Engineering

Specialty Chemicals

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

Brands include:

Bermocoll, Arquad, Dissolvine, Alcosperse, Redicote, Perkadox, BeroI

Some of our customers:

Unilever, FMC, Colgate-Palmolive, Fospak, Reckitt Benckiser

Decorative Paints

Overview

ICI Dulux is the world's leading brand of premium quality paint. Drawing on a keen understanding of our markets' needs and latest technologies, we aim at improving people's lives by helping them improve their living spaces. Being the Color Authority, ICI Dulux is the pioneer of the Tinting Systems in Pakistan under the label of 'ICI Dulux Color Solutions' which offers over 2,000 shades available all over Pakistan at designated dealer outlets. We take pride in being the 'Let's Color' people. Transforming the world and making it a more colorful place is at the heart of ICI Dulux. Color is what we breathe, live and are.

Analysis

Despite improvement in law and order situation and a stable government at the helm, the economic growth remained slow in Pakistan. Falling prices of crude oil made the paints industry highly aggressive. The business proactively took initiatives for improving channel engagement while continuing its focus on building brand equity of

ICI Dulux via continuous investment throughout the year. The positive impact of these proactive initiatives started to become visible within H2 and is expected to continue as we move forward.

Highlights

ICI Dulux Visualizer App

Color inspiration can be found just about anywhere; from a cushion or a pair of shoes, to the flowers in your garden. AkzoNobel Pakistan has continued to take initiatives to keep ahead of the curve in digital marketing and launched the 'ICI Dulux Visualizer' application. The state of the art app now makes it easier than ever before to bring those colors to your home. The application, with its revolutionary technology, gives the consumer an instant and realistic impression of how their room will look, in the colors of their choice.

The application improves the consumer paint journey by allowing them to experience the actual colors of ICI Dulux on their walls and select products best suited to their needs. The app lets the

consumer pick a color from anywhere, and, with augmented reality technology, allows them to see the colors live in their living spaces.

Launch of tablets for back-selling team

The Decorative Business took yet another step in using the digital platform to improve the customer decorative journey through introduction of computer tablets for its back-selling team. The tablets will facilitate in making homeowners' decorative journey more interactive and efficient while helping them meet their aesthetic needs. The tablets are equipped with the ICI Dulux Visualizer App, Paint Calculator, technical information of all our product lines, inspirational color schemes and ICI Dulux TVCs and promotional videos.

Media campaign: ICI DuluxWeathershield

The decorative business launched an extensive media campaign from April-May and from September-October for ICI DuluxWeathershield over carefully selected TV channels, radio stations and cable networks. The campaign is in line with our brand ideology to strengthen our brand equity and to establish ICI DuluxWeathershield as the first choice premium exterior emulsion for our end consumer.

ICI DuluxPentalite Classic

The media campaign for ICI DuluxPentalite Classic was aired on carefully selected media outlets from October to December, 2015. The campaign carefully crafts a balance between aesthetics and functional information with focus on how color can bring positive change to an office environment. It also helped increase brand pull and maintain ICI Dulux's leadership in the premium interior emulsions category.

Color of the Year 2016

Every year, AkzoNobel's Global Aesthetic Center brings together a group of international experts and trend watchers from across the globe and from various disciplines of design – architecture, textile, product design, graphics and research. This process allows us to nominate a number of trends with one overriding idea that captures the mood of the moment. This year we are at a very interesting stage where we could see the advantage both of tradition and of modern innovation. The theme of duality is the driving influence for 2016. In identifying a color that would connect with the overall trend of 'looking both ways', we noted that all the key trends for 2016



had an element of gold in them and because of this 'Ochre Gold' was selected as the color of the year for 2016. It is both bright enough to attract attention and soft enough to combine well with other tones.

To celebrate the Color of the Year 2016, we arranged a series of high profile dinners in Karachi, Lahore and Islamabad where a selective group of illustrious architects with prolific careers were invited. The objective of these events was to engage Pakistan's architects in the color trends of 2016. The dinners were attended by approximately 100 architects nationwide. Through color themed décor, enjoyable live music and delectable feasting, the company strengthened their rapport with each architect and concluded the year with promising and productive relations ahead.



Green Build Council Expo

Here at AkzoNobel Pakistan, our Planet Possible commitment inspires us to explore new possibilities of working in partnership with others to deliver innovative, high quality, sustainable and cost effective solutions to our customers. We aim to turn what is an obvious challenge into a clear opportunity and bring more value to our customers by proving that having limited resources doesn't mean our ambition and imagination have to be restricted as well. That is why ICI Dulux is continually developing new ways to reduce the adverse environmental impact of its products and activities. Our consumers save money by lowering their electricity consumption by using our 'green' products; ICI Dulux WeathershieldSunreflect, ICI Dulux Weathershield Roof and ICI Dulux Light and Space. These products are designed and tested to combat global warming by reducing electricity consumption. Acting on our commitment to sustainability, we sponsored the Green Building Council Expo and participated in the expo to create awareness of our environmentally beneficial product lines.



Discovering New Artists: Art for Change

A major component of the AkzoNobel's Human Cities initiative is fostering elements that promote education and innovation within cities to preserve their cultural authenticity. In line with this initiative, ICI Dulux Pakistan was proud to partner with Discovering New Artists (DNA), an NGO that promotes access to art and colour for underprivileged students across Pakistan for their Art for Change exhibition. The aim of the competition was to encourage aspiring young artists to

paint their vision of the world with colours. After receiving an overwhelming response with more than 2,500 entries, Art for Change 2015 showcased more than 170 entries in exhibitions held in both Lahore and Islamabad. The opening ceremony of the exhibition held in Lahore was inaugurated by Mr. Jehanzeb Khan (Chief Executive, AkzoNobel Pakistan), Mr. Nayyar Ali Dada and Mr. Ben French (Head of DFID, Punjab). The Second event was held in Islamabad, where H.E. Mrs. Jeanette Seppen (Ambassador of the Kingdom of the Netherlands) inaugurated the exhibition. The reception of the exhibition was in tandem to its overwhelming participation.

National Institute of Child Health

This year ICI Dulux joined hands with the students of the Fine Arts Department of Indus Valley School of Art and Architecture to add colour to the cancer ward at National Institute of Child Health. The ward was painted in bright colors and cheerful murals

that were inspiring and uplifting for the children under treatment at NICH.

Developments

ICI Dulux resonates innovation and our business intends on working on its product offerings by taking on multiple innovation projects in the near future to ensure that it provides a robust portfolio for consumers to address their specific needs with the most attractive USP to price trade off in the market. This would not only involve launching new sub brands, but will also include focus on refreshing our core sub brands in the market. The Business intends to take on multiple brand building initiatives to communicate with the consumer across their entire customer decorative journey and driving mental availability. The same initiatives will be taken at the retail end to drive physical availability of products to ensure that all planned actions will create a winning brand and improve people's lives by helping them better their living spaces.

Performance Coatings



Overview

The Performance Coatings business of AkzoNobel Pakistan supplies coatings with strong product technologies and solutions to customers in multiple industries. We are supplying high performance products and cutting-edge technologies primarily to industrial customers. Additionally, we are increasingly incorporating low energy processes and working to reduce our carbon footprint across the value chain. Innovation in our products and technologies is also key to our product portfolio development, which is often highly technical in order to meet strict customer specifications.

Our two key segments are specialty coatings and protective coatings. In the specialty coating segment we are providing coatings to the Tractors, Passenger Cars, Commercial Vehicles and the Motorcycle segment. The protective coatings segment provides high quality products to customers in Infrastructure, Power, Oil & Gas, Sugar and other industries. We provide our customers with sustainable products that help them protect their assets.

Analysis

The Performance Coatings business continued its strong performance in 2015 and the business was able to achieve growth in sales and contribution margin. The growth was driven by leveraging our global expertise and offering our customers a wider portfolio of products including international and local brands. The business acquired new customers in specialty coatings and increased footprint in protective coatings by winning a number of projects including multiple Wind Power projects. The team not only focused on increasing sales but also worked towards improving operational KPIs through robust sales and operation planning processes.

Highlights

It was a year of driving performance improvement and we made good progress in implementing our strategy and reducing our cost base. The business depicted growth in specialty coatings and protective coating segments. In specialty coatings, the team strengthened its position in the tractor segment. In Pakistan, Millat Tractors and

Al-Ghazi Tractors dominate the tractor industry. AkzoNobel Pakistan was able to strengthen its position in this segment by providing technologically advanced solution to Millat Tractor Limited and by gaining share at Al-Ghazi Tractors.

The passenger car segment also reflected an upsurge in sales. The growth was primarily driven by Indus Motors and Pak Suzuki. Pak Suzuki was awarded the taxi scheme contract by the Government of Pakistan last year due to which production increased, resulting in higher volumes for specialty coatings.

Protective coating is another major segment of AkzoNobel group and the Performance Coatings business has been focusing on growing this segment in Pakistan. By increasing sales force across the country and by leveraging our global portfolio we have been able to expand our footprint in the local market. The Maintenance & Repair and Power segment have been the main areas of focus and have reflected significant growth since 2014.

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

Developments

Performance Coatings will continue to offer its customers technologically advanced solutions to meet their needs. We will invest in generating higher levels of growth. To achieve the growth ambition, the team will continue its focus on the Automotive manufacturing segment, Power segment and Maintenance & Repair segment. The business will also continue its focus on sustainability and will ensure that it continues to improve the environmental profile of its product offering. Performance Coatings is also focusing on localizing products from its global brand 'International' to improve lead times and increase volume for future growth.

Specialty Chemicals

Overview

Globally, AkzoNobel is a major producer of specialty chemicals with leadership positions in many markets. In Pakistan, the Chemicals business has spent about 8 years operating in different markets and industries. There are over 2,000 products and variants in our global Specialty Chemicals portfolio, yet only selective products are supplied to the Pakistan market. However, the business is launching new products every year and expects to do so for the coming years as well.

Despite tough pricing conditions due to lower raw material and petroleum prices, the global financial scenario had a positive impact on revenue stream of Specialty Chemicals business in Pakistan.

2015 was a good year for the Specialty Chemicals business, presenting unique hurdles and challenges while at the same time creating exciting opportunities for business growth and development. With a strong focus on new business development, new products were launched in the local portfolio and new customers joined the AkzoNobel family. To improve alignment and synergy of the Specialty Chemicals business areas and segments, the Organic Peroxides sub business unit was removed from the Functional Chemicals umbrella and made into a separate business unit named Polymer Chemistry, while the Functional Chemicals business unit itself was renamed to Ethylene & Sulfur Derivatives.

Analysis

Similar to last year, business in Pakistan was mainly driven by Ethylene & Sulfur Derivatives (ESD), Polymer Chemistry (PC), and Surface Chemistry (SC) portfolios. Minor dip in volume sales of ESD and PC business was offset by good performance of SC business. Tough economic conditions impacted the Pharmaceutical and Rubber segments, while inconsistent government policies plagued the Agriculture segment. Performance of Chelates segment was barely affected by discontinuation of high-value product line in the last quarter, though the full impact is projected to be felt in 2016. Despite tough pricing conditions due to lower raw material and petroleum prices, the global financial scenario had a positive impact on revenue stream of Specialty Chemicals business in Pakistan. Good growth was achieved in Intermediates, Performance Additives, & Asphalt segments which helped the Specialty Chemicals business perform better versus previous year.

Highlights

The core focus of increasing business through local invoicing was achieved. Significant growth was achieved in key segments catered via local invoicing, including Agriculture and Personal Care. New developments were also secured through local invoicing especially in Paint and Cleaning segments. Relationships with existing customers were strengthened, while new business relationships were established with traders which helped AkzoNobel connect with small-scale customers that were previously unfeasible to interact with.



Developments

Business with Paint industry was marked with launch of new products and grades from Performance Additives portfolio. Business development in Paint and Polymer Emulsion industries is projected to continue with the launch of new products from Surface Chemistry portfolio. Business with Pharmaceutical and Rubber industries is expected to pick up with new projects planned for 2016. Asphalt segment is also showing potential for higher volumes in 2016, as government has announced new projects for roads & highways. The Specialty Chemicals team is looking forward to leverage on strong business relationships with the customers and distributors to sustain business growth and development for 2016.

Corporate Governance and Compliance

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

Corporate Governance Statement

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

Code of Conduct and SpeakUp!

Akzo Nobel Pakistan Limited has always held in high esteem the best practices of corporate governance and believes in widely propagating the values and the ethics for strict adherence by all the employees, contractors, suppliers and others while doing business for the Company. In order to apprise the employees of the Code of Conduct, the Company organizes training sessions and induction programs on a regular basis to ensure compliance at all levels. Besides this, every employee and director of the Company is required to sign, on an annual basis, a statement to the effect that he or she understands the Code of Conduct and that he or she abides by it at all times while doing business for the Company. Business partners of the Company such as suppliers, distributors and agents are expected to comply with the principles laid down in Business Partner Code of Conduct or apply equivalent principles to the business they conduct for the Company. Non-compliance with this Code may lead to measures, including termination of the business relationship.

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

Internal Control

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

These procedures include a risk assessment and control system, as well as a system of assurances on compliance with the applicable laws, regulations and company's code of conduct.

Insider Trading and Competition Law

The Company has a stringent policy on insider trading and securities transactions. The policy paper which is circulated to all the employees of the Company from time to time, divides the employees in certain categories on the basis of their position and involvement in day-to-day decision making process and access to price sensitive information. Certain senior executives and the finance staff are categorized as "Permanent Insiders", while "Executives" (as defined in the Code of Corporate Governance) some of whom may not be "Permanent Insiders", can deal in the Company's shares any time outside the closed period announced by the Company on the eve of the quarterly Board meetings. The "Permanent

Insiders" can deal in the Company's shares only during the open period specifically announced by the Company immediately after the quarterly Board meetings and the announcement of financial results. This open period does not exceed 15 calendar days in each quarter from the date of announcement of the financial results. All such transactions are required to be reported to the Company Secretary within two days of execution of the transaction with relevant details of purchase/sale of shares.

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

Material interests of Board Members

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

Risk Management

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

The Board has an overall responsibility for the risk management process. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. We maintain a clear organizational structure with defined delegation of authorities. Our senior management

takes the day to day responsibility for implementation of procedures; ongoing risk monitoring; and effectiveness of controls. On an ongoing basis, we monitor risks faced by the Company to ensure pertinent control arrangements. Our risk and control procedures are supported through:

Internal Control Self Assessment

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

Enterprise Risk Management

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



Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Michiel Franse	Non-Executive
Jehanzeb Khan	Chief Executive	Peter Tomlinson	Non-Executive
Bart Kaster	Non-Executive	Harris Mahmood	Executive
Zia Ur Rehman	Non-Executive (Independent)		

Audit Sub Committee

Zia Ur Rehman	Chairman
Mueen Afzal	Member
Bart Kaster	Member
Michiel Franse	Member

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Peter Tomlinson	Member
Jehanzeb Khan	Member

Share Transfer Committee

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

Chief Financial Officer

Harris Mahmood

Company Secretary

Sara Shah

Executive Management Team

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

Bankers

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

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

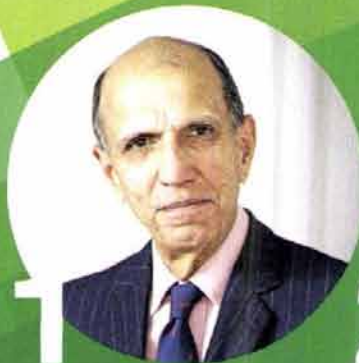
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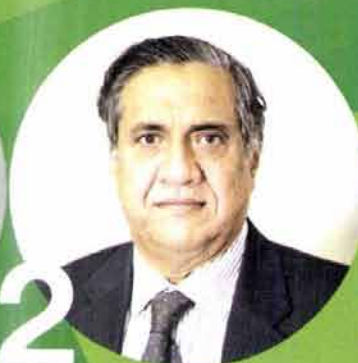
Shares Registrar

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

Our Directors



1



2



3

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

1. Mueen Afzal (Chairman; Independent)

Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 23, 2012. Mr. Mueen Afzal is also the Chairman of Akzo Nobel Pakistan Limited. Mr. Afzal joined the Civil Service of Pakistan in 1964 and held important positions, including Finance Secretary in Balochistan (1981-1984) and in the Punjab (1984-1986). He was also the Economic Minister in the Pakistan Embassy, Washington, DC, USA (1987-1990), Health Secretary for the Government of Pakistan (1995-1996), Finance Secretary for the Government of Pakistan (1996-1998), and Secretary General, Finance and Economic Affairs from 1999-2002. Mr. Afzal has been awarded Hilal-e-Imtiaz for distinguished public service in 2002. Additionally, Mr. Mueen Afzal is the Chairman of Pakistan Tobacco Company Limited and Sanjan Nagar Public Education Trust, Lahore and currently holds directorships of Murree Brewery Company Limited Rawalpindi, Pakistan Philanthropy Centre, Islamabad, Beaconhouse National University, Lahore, Children's Global Network, Islamabad, Karachi Education Initiative, Dawood Centre, Karachi, Green bean Coffee Company, a private company in Islamabad which roasts and market coffee beans. He is also a Senior Advisor in Pakistan for Faber Industries Spa, an Italian company which produces CNG cylinders for road transport. Nafa funds in Lahore, member of the board of directors of IDEAS, a think tank that deals with public policy issues based in Lahore 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. Mr. Afzal is also a member of the pension committees for the management and staff at the Pakistan Tobacco Company.

2. Muhammad Zia ur Rehman (Independent)

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

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

3. Peter Tomlinson (Non-Executive)

Appointed to the Board of Directors of Akzo Nobel Pakistan Limited on May 23, 2012. Peter Tomlinson a graduate of University of York (UK) with a degree in Chemistry 1984, has held various sales and marketing management positions for Courtaulds PLC (UK) within Decorative and Yacht Coatings from 1984-1990. From 1990-1992, Peter acted as the General Manager Courtaulds Yacht Coatings (Italy). In the years 1992-2003 Peter held various General Management Operations, R&D and Commercial positions in AkzoNobel UK. Peter was the Aerospace General Manager, from 2003-2005, in AkzoNobel, The Netherlands. Moreover, Peter was also the SBU Director EMEA Marine & Protective Coatings (UK) 2005-2011 (board member of UK, German, French, Netherlands, Belgian and East Russian companies). Currently since 2011 Peter is the Managing Director of AkzoNobel Middle East and on the board of management for Akzo Nobel UAE (Paints) LLC, Akzo Nobel Saudi Arabia Ltd, Akzo Nobel LLC (Qatar), Akzo Nobel Powder Coatings SAE (Egypt), International Wartsa (Kuwait), Akzo Nobel Powder Coatings South Africa (Pty) Ltd, Akzo Nobel Oman SAOC. Mr. Tomlinson is also on the board of Akzo Nobel Qatar since January 2014 and Akzo Nobel Decorative Paints LLC (UAE) since January 2016.



4. Bart Kaster (Non-Executive)

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

Bart is also Director of Akzo Nobel Limited, Akzo Nobel UK Limited, Akzo Nobel Decorative Coatings Limited, ICI Limited, ICI Chemicals and Polymers Ltd and also chairman of Anholmen Fastighets AB, a Swedish AkzoNobel company and of Akzo Nobel Bygglim AB (Sweden). Bart is also a supervisory Board member of Akzo Nobel GmbH (Germany).

5. Michiel Franse (Non-Executive)

Michiel, a Dutch national did his MSc in Business Administration from Erasmus University Rotterdam (NL) and a post-doc degree in Controlling (Chartered Controller) from Maastricht University (NL). He also attended the Strategic Finance program at IMD in Lausanne. Michiel started to work for AkzoNobel after graduating in 2002 on the Rotterdam site (NL) of BU Industrial Chemicals as controller for the Technical Maintenance Department. He moved to the Industrial Chemicals site Hengelo (NL) as Site controller in 2004. He joined the Functional Chemicals in 2006 as SBU Controller for the global MCA (Monochloroacetic Acid) business. After spending 2.5 years with MCA, Michiel changed jobs again in 2008 and joined Corporate HQ as Manager Economic Affairs assisting the BA Controller Performance Coatings and the Corporate Controlling Department.

Michiel is an all-round senior Finance professional with experience in business strategy, business partnering, capital allocation, budgeting,



forecasting, financial modelling, acquisitions, JV's, SAP implementations, Compliance and IM. He has been working as the Finance Director Middle East since April 2011 and is based in UAE.

Michiel is also serving on the board of management of Akzo Nobel (UAE) Paints LLC, Akzo Nobel Saudi Arabia Ltd, Akzo Nobel Middle East FZE (UAE), Akzo Nobel LLC (Qatar), Akzo Nobel Powder Coatings SAE (Egypt), since 2011, Akzo Nobel Oman SAOC since January 2014 and Akzo Nobel Decorative Paints LLC (UAE) since January 2016.

6. Jehanzeb Khan (Chief Executive)

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

In 2012, Jehanzeb led his team in demerging the paints business from ICI Pakistan, and in the same year established AkzoNobel Pakistan as an independent public listed company. Since then he has successfully steered AkzoNobel Pakistan in establishing itself as a successful, profitable and sustainable entity. At work he is passionate about creating value for stakeholders, and doing so in a manner that embraces AkzoNobel's excitement about sustainability. He received his schooling from Burn Hall in Abbottabad, has a BS in Auto Diesel Technology from the Oregon Institute of Technology in the US, and studied for his MBA degree at the Darden School, University of Virginia. Jehanzeb has attended several management programs including the



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

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

Harris Mahmood was appointed to the Board of Directors of Akzo Nobel Pakistan Limited in January 2015 and is also the Chief Financial Officer of the Company. He has been associated with ICI Pakistan and later Akzo Nobel Pakistan Limited for around 10 years in various roles looking after Finance and Internal Audit.

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

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

Our Executive Management Team

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

(left to right)

Bashar Rasheed
Supply Chain Manager

Jehanzeb Khan
Chief Executive

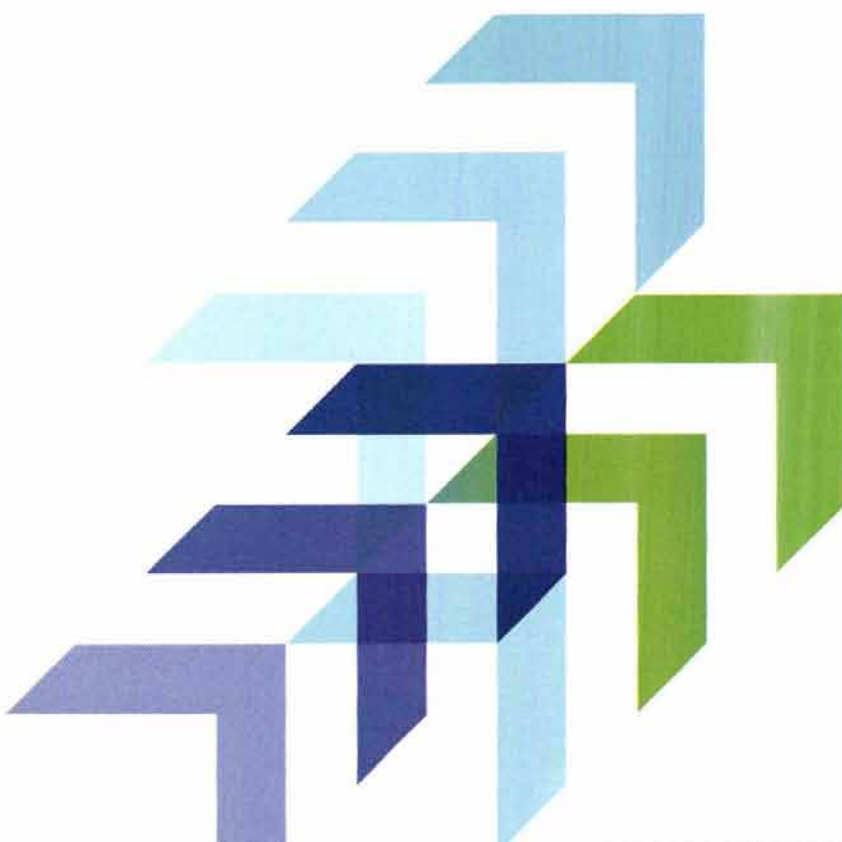
Rizwan Afzal
Operations Manager

Harris Mahmood
Chief Financial Officer

Usman Ali Jamil
HR Business Partner

**Syed Muhammad Ismail
Hussain Naqvi**
Business Manager,
Performance Coatings

Saad Mahmood Rashid
Business Manager,
Decorative Paints





Report of the Directors

For the year ended December 31, 2015

Your Directors are pleased to present the annual report together with the audited financial statements of the company for the year ended December 31, 2015.

Mr. Zia Ur Rehman joined the board as independent director replacing Mr. Asad I A Khan during the year. The Board thanks Mr. Asad I A Khan for his contribution to the company in its formative years.

Overview

The year's turnover at PKR 7.2 billion was higher by 4% over last year. The company's gross profit increased by 14% primarily due to lower raw material costs as a result of significant reduction in petroleum prices. To remain competitive, the company introduced effective promotional schemes and media campaigns to secure volumes; consequently selling and distribution expenses were 23% higher compared to last year. The company's focus on cost controls continued and as a result manufacturing, administrative and general expenses were 5% below last year's levels. Hence, operating profit at PKR 671m was 21% higher than last year's.

Profit before tax at PKR 804m was higher by 19% and accordingly earnings per share at PKR 11.61 were higher than last year by 18%.

The company contributed PKR 1.09 billion to the national exchequer through taxes, duties and other levies during 2015 (2014: PKR 1.02 billion).

Financial Performance

PKR million

	2015	2014	Increase (Decrease)
Turnover	7,171	6,915	4%
Net sales	4,927	4,902	1%
Gross profit	2,018	1,772	14%
Operating profit	671	555	21%
Profit before taxation	804	678	19%
Profit after taxation	539	459	18%
Earnings per share - PKR	11.61	9.88	18%

Dividends

Keeping in view its business prospects and after due consideration of the Company's cash flow requirements, the Board of Directors is pleased to propose a final dividend of PKR 6.50 per ordinary share i.e. 65% for the year ended December 31, 2015.

Health, Safety and Environment - HSE

The company recorded two injury accidents during the year, and the experience gained will be used to make the workplace safer. In line with AkzoNobel's policies, the company has embarked on two major initiatives (BBS - Behavior Based Safety and PSM - Process Safety Management) to further enhance the safety of our people and equipment.

As a part of the company's drive to improve Operational Eco Efficiency a number of initiatives were undertaken in 2015 to reduce waste and water consumption at our plant. These were lower by 26% and 5% respectively.

Business performance

Competition in the decorative paint market remained aggressive and the major players invested savings from lower raw materials costs on channel partners and influencers by offering higher discounts and lucrative promotional schemes. Your company also introduced fresh promotional schemes to engage the trade channel and to support volumes during the year. Our media campaign

continued on major television and radio channels of the country to strengthen overall brand equity.

The Company took advantage of opportunities in the Automotive OEM and Protective Coatings markets, achieving healthy volume growth and adding a new customer in the Tractors segment. Passenger car segment showed growth on the back of additional volumes from the Taxi Scheme launched by the Government in Q1 2015. Specialty Chemicals portfolio also continued to deliver good growth and maintained its focus on expanding its product range and adding customers to this portfolio.

Future Outlook

With an improved security situation the macro-economic outlook of the country is showing positive signs. The gradual increase in foreign exchange reserves, low inflation and very low discount rate are expected to play a significant role in promoting industrial growth. Successful outcomes of the governments' plans to alleviate the energy crisis and further improvement in the security situation will add to the positives in the economy.

To remain competitive in the market, the business will continue to invest on brand building initiatives and product promotion to increase equity and awareness of ICI Dulux and to maintain shelf space in the channel.

Introduction of new products and customer development in Protective Coatings and Specialty Chemicals market are likely to yield good results in the short to medium term for the Company. However the Tractor segment is expected to slow down due to a variety of reasons, which include two successive poor harvests in the agriculture sector.

Acknowledgment

We take this opportunity to thank our valued customers and consumers who have trust in our products and continued to provide sustained support in ensuring the progress of company. The company is also immensely proud of and thankful to the employees for their commitment, loyalty and dedication. We greatly value the support and cooperation received from our esteemed suppliers, trading partners, bankers and all stakeholders who are helping and contributing towards the continued growth of the company. This is helping us in enhancing the quality of life for our citizens by creating a more aesthetically attractive environment in the country.

Auditors

The present auditors KPMG Taseer Hadi & Co. Chartered Accountants have retired. The management has proposed to appoint A. F. Ferguson & Co. Chartered Accountants as the external auditor for 2016.

Compliance with the Code of Corporate Governance

As required under the code of corporate governance 2012, the Directors are pleased to state as follows:

- The financial statements, prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and 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 F52 and F53.
- Outstanding taxes and levies are given in the Notes to the Financial Statements.
- The management of the Company is committed to good corporate governance and appropriate steps are taken to comply with best practices.

Investment in retirement benefits

The value of investments made by the staff retirement funds operated by the trustees of the funds, as per their respective audited financial statements for the year ended December 31, 2014, are as follows:

Value in PKR million

Akzo Nobel Pakistan Limited Management Staff Provident Fund	253
Akzo Nobel Pakistan Limited Management Staff Gratuity Fund	160
Akzo Nobel Pakistan Limited Management Staff Pension Fund	276
Akzo Nobel Pakistan Limited Management Staff Defined Contribution Superannuation Fund	116
Akzo Nobel Pakistan Limited Non Management Staff Provident Fund	32

Directors' attendance

During the year, 5 (five) Board of Directors, 5 (five) 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	5	2
Mr. Peter Tomlinson	4	-	1
Mr. Asad I A Khan	1	1	-
Mr. Jehanzeb Khan Chief Executive	5	-	2
Mr. Harris Mahmood Chief Financial Officer	5	5	-
Mr. Bart Kaster	5	5	-
Mr. Michiel Franse	4	4	-
Mr. Zia Ur Rehman	4	4	-
Ms. Saira Soofi Company Secretary	3	2	-
Mr. Rehan Hamid Secretary Audit Committee	-	2	-
Mr. Usman Ali Jamil Secretary HR & R Committee	-	-	2

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

Director's training

Mr. Harris Mahmood has completed the certification for the Director's Training Program conducted by Pakistan Institute of Corporate Governance (PICG) in 2015. Mr. Mueen Afzal, Mr. Asad I A Khan and Mr. Jehanzeb Khan had already completed this training in previous years.

Pattern of shareholding

A statement showing the pattern of shareholding in the Company along with additional information as at December 31, 2015 appears on page numbers F54 to F56.

ICI Omicron B.V. (an AkzoNobel group company) held 75.81% shares, while Institutions held 5.91% and individuals and others held the balance 18.3%.

The highest and the lowest market prices during 2015 were PKR 462.11 and PKR 216.95 per share respectively.

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



Mueen Afzal
Chairman

Lahore
February 24, 2016



Jehanzeb Khan
Chief Executive

Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2015

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

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At December 31, 2015 the Board includes:

Category	Names
Independent Director	Mr. Mueen Afzal (Chairman) Mr. Zia Ur Rehman
Executive Director	Mr. Jehanzeb Khan
Non-Executive Director	Mr. Harris Mahmood Mr. Peter Tomlinson Mr. Bart Kaster Mr. Michiel Franse

The independent directors meet the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including Akzo Nobel Pakistan Limited.
3. All the resident directors of the Company are registered as tax-payers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs, or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board during the year on January 17, 2015 and was filled up by the Directors within the stipulated time.
5. Election of Directors was held at Annual General Meeting on April 28, 2015, for the next three years term and seven Directors were elected as fixed by the Board.
6. 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.
7. The Board has developed a mission statement, overall corporate strategy and significant policies of the Company. In the meantime, the Company has adopted all significant policies applicable at the time of demerger.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of CEO, other executive and non executive directors, have been taken by the Board.
9. During the year five meetings of the Board were held which were all presided over by the Chairman. Written notices of the regular Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of these meetings were appropriately recorded and circulated in time.
10. The directors have been provided with copies of the listing regulations of the Karachi Stock Exchange Limited, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are all conversant with their duties and responsibilities. During the year, one of the directors attended the Corporate Governance Leadership Skill - Director Educational Programme at PICG, while two of the directors on the Board have already acquired this training in previous years.
11. The Board has approved appointment of the CFO, Acting Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board. The half yearly and annual accounts were also initiated by the external auditors before presentation to the Board.
14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
16. The Board has formed an Audit Committee comprising of four members, all of whom are either non-executive or independent directors and the chairman of the committee is an independent director.
17. The meetings of the Audit committee were held at least once every quarter prior to approval of interim and final results of the company as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has formed an HR and Remuneration Committee comprising of three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
19. The Board has outsourced the internal audit function to M/s Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Market / price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.



Mueen Afzal
Chairman

Lahore
February 24, 2016



Jehanzeb Khan
Chief Executive

Review Report

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

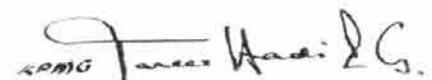
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Akzo Nobel Pakistan Limited ("the Company") for the year ended December 31, 2015 to comply with the requirements of Rule Book of Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchanges), where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon the recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2015.



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

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

E: customer.contact.centre@akzonobel.com

Akzo Nobel Pakistan Limited

Financial Statements

Akzo Nobel Pakistan Limited

AkzoNobel 

Auditors' Report to the Members

We have audited the annexed balance sheet of **Akzo Nobel Pakistan Limited ("the Company")** as at 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred to in note 3.1 of the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore

Date: 24 February 2016



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

Balance Sheet

As at December 31, 2015

Amounts in Rs '000

	Note	2015	2014
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital	5	1,000,000	1,000,000
Issued, subscribed and paid-up capital	5	464,433	464,433
Reserves	6		
-Capital reserves		156,202	156,202
-Revenue reserve		1,383,041	1,093,428
		2,003,676	1,714,063
Surplus on revaluation			
of property, plant and equipment	7	877,136	880,198
Non-current liabilities			
Deferred liabilities	8	48,440	44,227
Current liabilities			
Trade and other payables	9	1,275,547	1,278,991
Provision for taxation		11,034	55,888
		1,286,581	1,334,879
Contingencies and commitments	10		
		4,215,833	3,973,367

Balance Sheet

As at December 31, 2015

Amounts in Rs '000

	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,219,293	1,277,471
Intangibles	12	2,631	6,397
Long term loans	13	78,322	64,591
Long term deposits and prepayments	14	5,414	5,754
Deferred tax asset - net	15	231,860	184,101
		1,537,520	1,538,314
Current assets			
Stores and spares	16	18,751	19,368
Stock-in-trade	17	361,481	359,589
Trade debts	18	459,082	509,976
Loans and advances	19	29,978	33,098
Trade deposits and short term prepayments	20	18,804	17,347
Interest accrued		3,233	3,116
Other receivables	21	16,213	12,637
Cash and bank balances	22	1,770,771	1,479,922
		2,678,313	2,435,053
		4,215,833	3,973,367

The annexed notes from 1 to 40 form an integral part of these financial statements.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Profit and Loss Account

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
Sales - net	23	4,927,235	4,901,791
Cost of sales	24	(2,909,340)	(3,129,630)
Gross profit		2,017,895	1,772,161
Selling and distribution expenses	25	(1,008,678)	(820,321)
Administrative and general expenses	26	(338,157)	(396,922)
Operating profit		671,060	554,918
Finance cost	27	(9,606)	(9,734)
Other charges	28	(61,489)	(52,415)
		(71,095)	(62,149)
Other income	29	204,257	185,730
Profit before taxation		804,222	678,499
Taxation	30	(264,911)	(219,643)
Profit after taxation		539,311	458,856
Earnings per share - Basic and diluted - Rupees	31	11.61	9.88

The annexed notes from 1 to 40 form an integral part of these financial statements.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Statement of Comprehensive Income

For the year ended December 31, 2015

Amounts in Rs '000			
	Note	2015	2014
Profit for the year		539,311	458,856
Other comprehensive (loss) / income			
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurement of defined benefit liability	8.3	(30,210)	34,889
Related tax impact		9,667	(11,513)
		(20,543)	23,376
Total comprehensive income for the year		518,768	482,232

The annexed notes from 1 to 40 form an integral part of these financial statements.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Statement of Changes in Equity

For the year ended December 31, 2015

Amounts in Rs '000

	Note	Share capital	Capital reserves		Revenue reserve	Total
			Share premium	Capital receipts	Unappropriated profit	
Balance at January 01, 2014		464,433	156,006	196	1,374,519	1,995,154
Total comprehensive income for year ended December 31, 2014						
Profit for the year		-	-	-	458,856	458,856
Other comprehensive income for the year		-	-	-	23,376	23,376
Total comprehensive income		-	-	-	482,232	482,232
Incremental depreciation charge during the year - net of deferred tax	7	-	-	-	2,994	2,994
Transactions with owners of the Company recognized directly in equity						
Final dividend for the year ended December 31, 2013 @ Rs. 2.50 per share		-	-	-	(116,111)	(116,111)
Interim dividend for the year ended December 31, 2014 @ Rs. 14.00 per share		-	-	-	(650,206)	(650,206)
Balance at December 31, 2014		464,433	156,006	196	1,093,428	1,714,063
Total comprehensive income for year ended December 31, 2015						
Profit for the year		-	-	-	539,311	539,311
Other comprehensive loss for the year		-	-	-	(20,543)	(20,543)
Total comprehensive income		-	-	-	518,768	518,768
Incremental depreciation charge during the year - net of deferred tax	7	-	-	-	3,062	3,062
Transactions with owners of the Company recognized directly in equity						
Final dividend for the year ended December 31, 2014 @ Rs. 5.00 per share		-	-	-	(232,217)	(232,217)
Balance at December 31, 2015		464,433	156,006	196	1,383,041	2,003,676

The annexed notes from 1 to 40 form an integral part of these financial statements.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Cash Flow Statement

For the year ended December 31, 2015

Amounts in Rs '000			
	Note	2015	2014
Cash flows from operating activities			
Profit before taxation		804,222	678,499
Adjustments for:			
Depreciation and amortization		117,756	155,914
Loss on disposal of property, plant and equipment		2,882	2,672
Provision for employee benefits obligation		35,868	43,469
Provision for doubtful debts		56,025	50,471
Reversal of provision no longer required		(69,158)	(58,720)
Write in of other payables		(19,307)	-
Provision for slow moving and obsolete stores and spares		-	1,839
Reversal of provision for obsolete stock		(3,997)	(2,521)
Interest income		(72,855)	(74,687)
		851,436	796,936
Movement in working capital:			
Decrease / (increase) in current assets			
Stores and spares		617	3,075
Stock-in-trade		2,105	236,642
Trade debts		(5,131)	(13,498)
Loans and advances		3,120	19,056
Trade deposits and short term prepayments		(1,457)	(9,171)
Other receivables		(3,576)	22,816
		(4,322)	258,920
Increase in current liabilities			
Trade and other payables		54,392	45,778
Net cash generated from operations		901,506	1,101,634
Increase in long term loans		(13,731)	(1,180)
Decrease in long term deposits and prepayments		340	101
Employee benefits paid		(30,861)	(37,396)
Tax paid		(347,857)	(241,446)
Net cash generated from operating activities		509,397	821,713
Cash flows from investing activities			
Payments for capital expenditure		(60,758)	(62,052)
Proceeds from disposal of property, plant and equipment		1,365	609
Interest received		72,938	81,053
Net cash generated from investing activities		13,545	19,610
Cash flows from financing activities			
Dividend paid		(232,093)	(765,907)
Net cash used in financing activities		(232,093)	(765,907)
Net cash generated during the year		290,849	75,416
Cash and cash equivalents at the beginning of the year		1,479,922	1,404,506
Cash and cash equivalents at the end of the year	22	1,770,771	1,479,922

The annexed notes from 1 to 40 form an integral part of these financial statements.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Notes to the Financial Statements

For the year ended December 31, 2015

1 Reporting entity

Akzo Nobel Pakistan Limited ("the Company") was incorporated in Pakistan on August 25, 2011 as a public unlisted company under the Companies Ordinance, 1984 subsequent to demerger of Paints Business of ICI Pakistan Limited with effect from July 01, 2011 in accordance with the Scheme of Arrangement. The Company was listed on the Karachi and Islamabad Stock Exchanges on July 11, 2012 and Lahore Stock Exchange on July 17, 2012. The registered office of the Company is situated at 346, Ferozepur Road, Lahore. The Company is primarily involved in the manufacturing of paints and trading of specialty chemicals.

2 Basis of preparation

2.1 Statement of compliance

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

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 (Note 8); and
- derivative financial instruments.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency and has been rounded to the nearest thousand.

2.4 Use of estimates and judgments

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

Estimates and judgments made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are as below:

Defined benefit obligation

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

Notes to the Financial Statements

For the year ended December 31, 2015

Property, plant and equipment and Intangibles

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

Income Taxes

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

The tax year of the Company is same as its accounting year. The income tax assessments of the Company up to and including tax year 2015 have been completed under the provisions of section 120 of the Income Tax Ordinance, 2001 except for the followings:

For the tax year 2012, the Additional Commissioner Inland Revenue (Audit) ['ACIR'], Zone-II, Large Taxpayers Unit, Lahore through order dated January 31, 2014 raised a tax demand of Rs. 89.49 million, in addition to the original assessment of Rs. 151.91 million. The Company filed an appeal before Commissioner Inland Revenue (Appeals) ['CIR (A)'] against the aforesaid order, which was disposed through the appellate order dated May 05, 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 'WWF' 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. However, the respective order had not been finalized.

For the tax year 2013, the ACIR through assessment order dated April 30, 2014, passed under section 122(5A) of the Income Tax Ordinance, amended the taxable income of the Company and raised a tax demand of Rs 15.53 million, in addition to original assessment of Rs. 44.73 million. The 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.

For the tax year 2014, the Company has been selected by Federal Board of Revenue ('FBR') for audit of Income Tax u/s 214C for Tax Year 2014 and Sales Tax u/s 72B for tax periods July 2013 to June 2014 through computer ballot held on September 14, 2015. The Company has also approached the Honourable Lahore High Court which has directed FBR officials not to pass any order till the final decision of this petition. However, no adverse inference could be drawn from this exercise at present.

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.

Notes to the Financial Statements

For the year ended December 31, 2015

Trade debts, advances and other receivables

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

Other areas where estimates and judgments are involved have been disclosed in the respective notes to the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change explained below:

3.1 Change in Accounting Policy

During the year, the Company has adopted IFRS 13 'Fair Value Measurement' which became effective for the financial periods beginning on or after January 01, 2015. IFRS 13 'Fair Value Measurement' establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments Disclosures'. As a result, the Company has included an additional disclosure in this regard in note 35 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The application of IFRS 13 does not have any significant impact on the financial statements of the Company except for certain additional disclosures.

3.2 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. Capital work-in-progress is stated at cost. Cost of certain property, plant and equipment comprises historical cost, exchange differences recognized, cost of exchange risk cover in respect of foreign currency loans obtained, if any, for the acquisition of property, plant and equipment up to the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken, if any, for specific projects.

Depreciation charge is based on the straight-line method whereby the cost or revalued amount of an asset is written off to profit and loss account over its estimated useful life after taking into account the residual value, if material. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month preceding the disposal. The rate of depreciation is specified in note 11.1 to these financial statements.

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

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

Notes to the Financial Statements

For the year ended December 31, 2015

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

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

3.3 Intangibles

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

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

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

3.4 Stores and spares

Stores and spares are stated at the lower of cost and net realizable value. Cost is determined using weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon upto the balance sheet date.

3.5 Stock-in-trade

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

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials	Weighted average cost
Work-in-process and finished goods	Cost of direct materials, labour and appropriate manufacturing overheads

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

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

3.6 Financial instruments

3.6.1 Non-derivative financial assets

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

The Company derecognises 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 recognised as a separate asset or liability.

Notes to the Financial Statements

For the year ended December 31, 2015

The Company classifies non-derivative financial assets into the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity financial assets;
- Loans and receivables; and
- Available-for-sale financial assets.

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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised 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.

Cash and cash equivalents

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

As at December 31, 2015 no financial assets of the Company are classified under following categories:

- Financial assets at fair value through profit or loss;
- Available-for-sale financial assets; and
- Held-to-maturity financial assets.

3.6.2 Non-derivative financial liabilities

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

The Company derecognises 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 recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured as amortised cost using the effective interest method.

3.6.3 Derivative financial instruments

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

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

Notes to the Financial Statements

For the year ended December 31, 2015

3.6.4 Offsetting

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

3.7 Impairment

Financial assets (including receivables)

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

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

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

Non-Financial assets

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

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

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

3.8 Share capital (ordinary shares)

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

Notes to the Financial Statements

For the year ended December 31, 2015

3.9 Staff retirement benefits

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

Defined benefit plans

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

All past service costs are recognized at earlier of when the amendment or curtailment occurs and when the Company has recognised 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 recognised 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.

Remeasurements 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 recognised 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 recognised in profit and loss account.

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

Defined contribution plans

The Company operates two registered contributory provident funds for its permanent staff and a registered defined contribution superannuation fund for its management staff, who have either opted for this fund by July 31, 2004 or have joined the Company after April 30, 2004. The said funds were transferred from ICI Pakistan Limited pursuant to the scheme of demerger in 2011. In addition to this, the Company also provides group insurance to all its employees.

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

3.10 Provisions

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

Notes to the Financial Statements

For the year ended December 31, 2015

3.11 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.

3.12 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer (i.e. on the dispatch of goods to the customer), 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.

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

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

3.13 Financial expenses and financial income

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

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

3.14 Operating lease / Ijarah contracts

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

3.15 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.

3.16 Foreign currency translation

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

3.17 Taxation

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

Notes to the Financial Statements

For the year ended December 31, 2015

equity, in which case it is recognized in other comprehensive income or below equity respectively.

Current

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

Deferred

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

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

3.18 Earnings per share

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

3.19 Dividend and other appropriations

Dividend is recognised 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.

3.20 Related party transactions

The Company enters into transactions with related parties on arm's length basis except in rare circumstances where, subject to approval of Board of Directors, it is in the interest of the Company to do so.

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

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

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company, except for as disclosed in note 3.1.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based

Notes to the Financial Statements

For the year ended December 31, 2015

amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the financial statements of the Company.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after January 01, 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on the financial statements of the Company.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the financial statements of the Company.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after January 01, 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the financial statements of the Company.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the financial statements of the Company.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to

Notes to the Financial Statements

For the year ended December 31, 2015

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be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the financial statements of the Company.

5 Share capital

	2015	2014	Note	2015	2014
5.1 Authorized share capital					
	Number of shares				
	100,000,000	100,000,000	Ordinary shares of Rs. 10/- each	1,000,000	1,000,000
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

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

6 Reserves

Capital reserves					
- Share premium			6.1	156,006	156,006
- Capital receipts			6.2	196	196
				156,202	156,202
Revenue reserve - Unappropriated profit				1,383,041	1,093,428
				1,539,243	1,249,630

6.1 This amount has been allocated and transferred to the Company pursuant to the scheme of demerger. This reserve can be utilized by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

6.2 Capital receipts represent the amount received from various Akzo Nobel companies overseas for the purchase of property, plant and equipment. The remitting companies have no claim to their repayments. The amount has been allocated and transferred to the Company pursuant to the Scheme of demerger.

7 Surplus on revaluation of property, plant and equipment

This represents surplus arising on revaluation of freehold land, buildings on freehold land and plant and machinery carried out in December 2011.

Balance at beginning of the year	880,198	883,192
Transferred to unappropriated profit in respect of incremental depreciation during the year - net of deferred tax	(3,062)	(2,994)
Balance at end of the year	877,136	880,198

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For the year ended December 31, 2015

Amounts in Rs '000

	2015	2014
8 Deferred liabilities		
8.1 The amounts recognized in the balance sheet are:		
Non-current liabilities		
Unfunded - recognized in deferred liability	48,440	44,227
Current liabilities		
Payable to employee retirement benefit fund:		
- Pension fund	48,154	2,571
- Gratuity fund	59,319	73,898
	107,473	76,469
	155,913	120,696

	2015					2014				
	Funded			Unfunded	Total	Funded			Unfunded	Total
Note	Pension	Gratuity	Sub Total			Pension	Gratuity	Sub Total		
8.2 The amounts recognized in the profit and loss account against defined benefit schemes are as follows:										
Current service cost	9,110	14,184	23,294	1,569	24,863	11,077	13,947	25,024	1,414	26,438
Interest cost	24,176	22,178	46,354	4,574	50,928	34,000	26,384	60,384	4,480	64,864
Expected return on plan assets	(24,372)	(15,551)	(39,923)	-	(39,923)	(30,024)	(17,809)	(47,833)	-	(47,833)
Net charge for the year	8,914	20,811	29,725	6,143	35,868	15,053	22,522	37,575	5,894	43,469
8.3 Included in other comprehensive income:										
Remeasurement of plan obligation from:										
- Change in financial assumptions	(21,611)	14,814	(6,797)	-	(6,797)	-	-	-	-	-
- Experience on obligation	(3,019)	4,472	1,453	634	2,087	25,208	3,828	29,036	(4,194)	24,842
Return on plan assets, excluding										
Interest income	(20,899)	(4,601)	(25,500)	-	(25,500)	10,047	-	10,047	-	10,047
	(45,529)	14,685	(30,844)	634	(30,210)	35,255	3,828	39,083	(4,194)	34,889

8.4	Movement in the net asset / (liability) recognized in the balance sheet are as follows:										
Balance at beginning of the year		(2,571)	(73,898)	(76,469)	(44,227)	(120,696)	(38,398)	(76,297)	(114,695)	(34,817)	(149,512)
Net charge for the year	8.2	(8,914)	(20,811)	(29,725)	(6,143)	(35,868)	(15,053)	(22,522)	(37,575)	(5,894)	(43,469)
Contributions / payments during the year		8,860	20,705	29,565	1,296	30,861	15,625	21,093	36,718	678	37,396
Actuarial gain / (loss) charged to OCI	8.3	(45,529)	14,685	(30,844)	634	(30,210)	35,255	3,828	39,083	(4,194)	34,889
Balance at end of the year		(48,154)	(59,319)	(107,473)	(48,440)	(155,913)	(2,571)	(73,898)	(76,469)	(44,227)	(120,696)

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

		2015					2014					
		Funded			Unfunded	Total	Funded			Unfunded	Total	
		Note	Pension	Gratuity			Sub Total	Pension	Gratuity			Sub Total
8.5	The amounts recognized in the balance sheet are as follows:											
	Fair value of plan assets		188,851	143,656	332,507	-	332,507	278,840	163,503	442,343	-	442,343
	Present value of defined benefit obligation		(237,005)	(202,975)	(439,980)	(48,440)	(488,420)	(281,411)	(237,401)	(518,812)	(44,227)	(563,039)
	Liability recognized		(48,154)	(59,319)	(107,473)	(48,440)	(155,913)	(2,571)	(73,898)	(76,469)	(44,227)	(120,696)
8.6	Movement in the present value of defined benefit obligation:											
	Balance at beginning of the year		281,411	237,401	518,812	44,227	563,039	261,542	205,314	466,856	34,817	501,673
	Current service cost	8.2	9,110	15,044	24,154	1,599	25,753	11,077	14,245	25,322	1,414	26,736
	Interest cost		24,176	22,178	46,354	4,574	50,928	34,000	26,384	60,384	4,480	64,864
	Benefits paid		(102,322)	(52,362)	(154,684)	(1,326)	(156,010)	-	(4,714)	(4,714)	(678)	(5,392)
	Actuarial loss / (gain)		24,630	(19,286)	5,344	(634)	4,710	(25,208)	(3,828)	(29,036)	4,194	(24,842)
	Balance at end of the year		237,005	202,975	439,980	48,440	488,420	281,411	237,401	518,812	44,227	563,039
8.7	Movement in the fair value of plan assets:											
	Balance at beginning of the year		278,840	163,503	442,343	-	442,343	223,144	129,017	352,161	-	352,161
	Expected return	8.2	24,372	15,551	39,923	-	39,923	30,024	17,809	47,833	-	47,833
	Contributions		8,860	21,565	30,425	-	30,425	15,625	21,391	37,016	-	37,016
	Benefits paid		(102,322)	(52,362)	(154,684)	-	(154,684)	-	(4,714)	(4,714)	-	(4,714)
	Actuarial gain / (loss)		(20,899)	(4,601)	(25,500)	-	(25,500)	10,047	-	10,047	-	10,047
	Balance at end of the year		188,851	143,656	332,507	-	332,507	278,840	163,503	442,343	-	442,343
8.8	Plan assets comprise:											
	Government bonds		36,999	61,498	98,497	-	98,497	156,333	127,311	283,644	-	283,644
	Corporate bonds		-	370	370	-	370	-	1,057	1,057	-	1,057
	Mutual funds – debt		719	21	740	-	740	713	21	734	-	734
	Equity instrument		110,053	32,569	142,622	-	142,622	121,546	35,025	156,571	-	156,571
	Cash		41,080	49,198	90,278	-	90,278	248	89	337	-	337
			188,851	143,656	332,507	-	332,507	278,840	163,503	442,343	-	442,343

8.9 The expected charge pertaining to pension fund, gratuity fund and unfunded schemes for the year ending December 31, 2016 is Rs. 12.21 million, Rs. 17.72 million and Rs. 5.86 million respectively.

8.10 Government bonds, mutual funds and shares are valued at quoted market prices and are level 1. Corporate bonds were valued at marketized prices. The Company booked cost on earlier projections of plan assets. The resulting difference is the level 3 asset. The values of the Company's shares included in the plan assets of the pension and gratuity fund are Rs. 1.56 million and Rs. 1.67 million (2014: Rs. 2.58 million and Rs. 2.76 million) respectively. The Gratuity Fund is invested within the limits specified by the regulations governing investment of approved retirement funds in Pakistan.

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

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

	2015	2014
Discount rate	8.8%	10.5%
Expected return on plan assets	8.8%	10.5%
Future salary increases - management staff	9.3%	12.0%
Future salary increases - non-management staff	6.7%	8.4%
Future pension increases	6.0%	5.2%
Medical cost trend	3.6%	5.2%

As at December 31, 2015, the weighted average duration of the defined benefit obligation was 7 years (2014: 6.4 years).

Plan duration of defined benefit obligation:

Pension	4.1 years	3.2 years
Gratuity - Management	7.9 years	7.9 years
Gratuity - Non management	7.7 years	7.8 years
Pensioners' medical plan	18.3 years	18.8 years

Mortality rate

Mortality of active employees and pensioners is represented by the LIC (96-98) Table. The table has been rated down three years for mortality of female pensioners and widows. Non-management staff mortality is assumed to be 70% of the EFU (61-66) Table.

These figures are based on the actuarial valuation as at December 31, 2015. The valuation uses the Projected Unit Credit method.

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

Salary risks

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

Mortality / withdrawal risks

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

Investment risks

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

Notes to the Financial Statements

For the year ended December 31, 2015

- 8.13** In case of the funded plans, it is ensured that the long-term investments are in line with the obligation under the retirement benefit plan. Duration and the expected yield of the investments are matched with the expected cash outflows arising from the retirement benefit plan obligations. The process used to manage its risks has not been changed from previous periods. Investments are well diversified and large portion plans' assets in 2015 consist of Equity Instruments.
- 8.14** The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the market.
- 8.15** Under the pension plan, management staff gratuity, non- management staff gratuity and pensioners' medical plan the normal retirement age is 60 years. For management staff, who joined before February 1988, the normal retirement age is 58 years for men and 55 years for women. Currently, the Company has the following plans:

Pension

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

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

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

Gratuity

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

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

Pensioners' Medical Plan

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

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

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

8.17 Sensitivity analysis

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(28,242)	32,511
Salary growth rate	1%	23,952	(21,834)
Pension growth rate	1%	-	-
Medical cost trend rate	1%	7,766	6,060

If life expectancy increases by 1 year, the obligation decreases by Rs. 0.26 million.

The impact of changes in assumption has been determined by revaluation of the obligations on different rates.

- 8.18 The Company contributed Rs. 18.53 million (2014: Rs. 18.11 million) and Rs. 11.84 million (2014: Rs. 11.80 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

	Note	2015	2014
9 Trade and other payables			
Creditors:			
- Related parties - associated companies	9.1	109,931	76,727
- Others		547,548	601,686
		657,479	678,413
Royalty and technical service fee	9.2	181,195	183,185
Accrued liabilities		206,424	215,714
Advances from customers		27,866	34,687
Sales tax, excise and custom duties		33,160	31,494
Workers' Profit Participation Fund	9.3	42,321	35,844
Workers' Welfare Fund	9.4	8,907	9,733
Payable for capital expenditure		1,018	1,717
Withholding tax payable to Government		5,703	8,484
Unpaid dividend		2,486	2,156
Payable to employee retirement benefit funds	8.1	107,473	76,469
Others		1,515	1,095
		1,275,547	1,278,991

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
9.1	This includes balances due to following related parties:		
AkzoNobel N.V.		10,922	39,424
AkzoNobel Car Refinishes B.V.		26,483	13,977
AkzoNobel Chemicals (Ningbo) Co. Ltd.		15,337	13,932
International Paint Saudi Arabia		24,708	5,727
AkzoNobel UAE Paints LLC		6,333	1,549
AkzoNobel Surface Chemistry AB		4,198	1,157
Imperial Chemical Industries Ltd.		-	554
AkzoNobel Packaging Coatings S.A		199	213
International Paint Netherlands		189	177
AkzoNobel (Asia Pacific) Pte Ltd.		17	17
AkzoNobel Middle East FZE		141	-
AkzoNobel Chemicals S.P.A		650	-
ICI Omicron B.V.		20,754	-
		109,931	76,727
9.2	This includes royalty and technical service fee payable to following related parties:		
Imperial Chemical Industries Ltd.		25,237	49,155
AkzoNobel Coatings International B.V.		147,613	126,503
AkzoNobel Chemicals International B.V.		3,166	3,771
		176,016	179,429
9.3	Workers' Profit Participation Fund		
Balance at beginning of the year		35,844	49,312
Allocation for the year	28	42,197	35,844
Interest on funds utilized in the Company's business	27	257	1,262
Payments made to the fund during the year		(35,977)	(50,574)
Balance at end of the year		42,321	35,844
9.4	Workers' Welfare Fund		
Balance at beginning of the year		9,733	8,517
Allocation for the year	28	16,410	13,899
Payments made during the year		(17,236)	(12,683)
Balance at end of the year		8,907	9,733

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		Amounts in Rs '000	
	Note	2015	2014
10	Contingencies and commitments		
10.1	Claims against the Company not acknowledged as debts are as follows:		
	Sales tax authorities	91,087	91,087
	Others	10,000	10,887
		101,087	101,974
10.2	Commitments in respect of capital expenditure	11,772	8,304
10.3	Commitments in respect of forward exchange contracts	27,474	7,290
10.4	The commitments of future payments under operating leases / Ijarah financing contracts in respect of vehicles in the year in which these payments shall become due are as follows:		
	Year		
	2015	-	19,434
	2016	17,918	18,724
	2017	14,641	13,242
	2018	8,447	6,563
	2019	4,787	2,539
	2020	698	-
		46,491	60,502
	Payable not later than one year	17,918	19,434
	Payable later than one year but not later than five years	28,573	41,068
		46,491	60,502
11	Property, plant and equipment		
	Operating property, plant and equipment	11.1 1,209,489	1,247,850
	Capital work-in-progress	11.2 9,804	29,621
		1,219,293	1,277,471

Notes to the Financial Statements

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Amounts in Rs '000

11.1 Operating property, plant and equipment

	Note	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and fixture	Office equipment	Vehicles	Total
Cost								
Balance at January 01, 2014		878,960	256,419	948,319	133,260	28,924	2,911	2,248,793
Additions		-	5,571	23,877	8,026	969	461	38,904
Disposals		-	(451)	(21,687)	(24,210)	(6,244)	-	(52,592)
Balance at December 31, 2014		878,960	261,539	950,509	117,076	23,649	3,372	2,235,105
Balance at January 01, 2015		878,960	261,539	950,509	117,076	23,649	3,372	2,235,105
Additions		-	4,003	67,166	8,195	400	64	79,828
Disposals		-	(2,298)	(60,814)	(16,941)	(755)	-	(80,808)
Balance at December 31, 2015		878,960	263,244	956,861	108,330	23,294	3,436	2,234,125
Accumulated depreciation								
Balance at January 01, 2014		-	156,444	637,374	86,282	18,861	2,911	901,872
Depreciation for the year	11.1.1	-	25,671	75,226	29,780	3,876	141	134,694
Disposals		-	(451)	(18,673)	(23,964)	(6,223)	-	(49,311)
Balance at December 31, 2014		-	181,664	693,927	92,098	16,514	3,052	987,255
Balance at January 01, 2015		-	181,664	693,927	92,098	16,514	3,052	987,255
Depreciation for the year	11.1.1	-	22,572	68,562	19,332	3,317	159	113,942
Disposals		-	(1,835)	(57,237)	(16,842)	(647)	-	(76,561)
Balance at December 31, 2015		-	202,401	705,252	94,588	19,184	3,211	1,024,636
Carrying amounts								
At December 31, 2014		878,960	79,875	256,582	24,978	7,135	320	1,247,850
At December 31, 2015		878,960	60,843	251,609	13,742	4,110	225	1,209,489
Depreciation rate - (% per annum)		-	5 - 10	3.33 - 10	10 - 33.3	10 - 33.3	10 - 25	

	Note	2015	2014
11.1.1 The depreciation charged during the year has been allocated as follows:			
Cost of sales	24	74,258	82,848
Selling and distribution expenses	25	14,507	16,107
Administrative and general expenses	26	25,177	35,739
		113,942	134,694

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11.1.2 Depreciation for the year includes incremental depreciation due to revaluation, amounting to Rs. 4.54 million (2014: Rs. 4.54 million).

11.1.3 Subsequent to transfer of property, plant and equipment (along with net revaluation surplus of Rs. 526.56 million) from ICI Pakistan Limited on the effective date (July 01, 2011) of the scheme of demerger, specific classes of property, plant and equipment (i.e. freehold land, buildings on freehold land and plant and machinery) of the Company were revalued by an independent valuer. The said revaluation resulted in a surplus of Rs. 371.02 million. Valuations for buildings on freehold land and plant and machinery were based on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account of the age, conditions and obsolescence. Land was valued on the basis of fair market value. The fair value measurement of the assets are categorised as a level 3 fair value based on the inputs to revaluation technique used, as stated above.

	2015	2014
11.1.4 Had there been no revaluation, the net book value of specific classes of property, plant and equipment would have amounted to:		
Freehold land	6,259	6,259
Buildings on freehold land	56,344	72,728
Plant and machinery	249,097	252,183
	311,700	331,170

11.1.5 Following assets were disposed-off during the year:

2015						
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Plant and machinery						
Tinting machines	As per agreement	5,100	1,998	3,102	-	Faizan Enterprises, Soni Paint, Javad Paint, Wasi Traders, Haidry Paint, VIP Paints, Paint Gallery, Almeezan Paints
DH Equipment	Negotiation	1,000	908	92	28	Bismillah Traders
Mixers / Tank	Negotiation	960	872	88	27	Bismillah Traders
Furniture and equipment - Furniture and fixtures						
Fire Alarm System		222	124	98	-	Written-off
Noise Barriers	Negotiation/write-off	262	92	170	13	Bismillah Traders
Ceilings / Designing Cost	Write-off	333	177	156	-	Written-off
Other assets with book value less than Rs. 50,000	Negotiation / write-off	72,931	72,390	541	1,297	Bismillah Traders, Khan Brothers, Al Hamad, Piya Scrap, Written-off
		80,808	76,561	4,247	1,365	

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Amounts in Rs '000

2014						
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Plant and machinery						
Tinting machines	As per agreement	4,753	1,771	2,982	-	Fatimid Paints, Karachi, Saqib Traders Lahore, Jabbar Paints, Sialkot, Sab Rang, Dudhyaal, Zeeshan Paints Lahore, Milli Paints, Sarae Alamgir and Bismillah Paints, Multan
Furniture and equipment - Furniture and fixtures						
Steel racks	Write-off	200	120	80	-	Written-off
Other assets with book value less than Rs. 50,000	Negotiation	47,639	47,420	219	609	Bismillah Traders, Younis Urf Nika Kabaria, Al Hamad
		52,592	49,311	3,281	609	

	2015	2014
11.2 Capital work-in-progress		
Civil works and buildings	3,913	5,324
Plant and machinery	5,138	23,688
Equipments	753	609
	9,804	29,621

12 Intangibles			
	Software	Licenses	Total
Cost			
Balance at January 01, 2014	3,229	93,866	97,095
Additions	730	2,689	3,419
Written-off	(2,800)	-	(2,800)
Balance at December 31, 2014	1,159	96,555	97,714
Balance at January 01, 2015	1,159	96,555	97,714
Additions	48	-	48
Balance at December 31, 2015	1,207	96,555	97,762

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Software	Licenses	Total
Accumulated amortization			
Balance at January 01, 2014	2,895	70,002	72,897
Amortization	346	20,874	21,220
Amortization on assets written-off	(2,800)	-	(2,800)
Balance at December 31, 2014	441	90,876	91,317
Balance at January 01, 2015	441	90,876	91,317
Amortization	393	3,421	3,814
Balance at December 31, 2015	834	94,297	95,131
Carrying amounts			
At December 31, 2014	718	5,679	6,397
At December 31, 2015	373	2,258	2,631
Amortization rate - (% per annum)	20 - 50	20 - 50	
	Note	2015	2014
12.1	The amortization charged during the year has been allocated as follows:		
Cost of Sales	24	7	-
Selling and distribution expenses	25	143	203
Administrative and general expenses	26	3,664	21,017
		3,814	21,220
13	Long term loans		
Secured - considered good			
- Directors and executives	13.1	67,519	63,816
- Other employees		30,807	32,122
	13.2	98,326	95,938
Less: Receivable within one year	19	(20,004)	(31,347)
		78,322	64,591

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014	
13.1	Reconciliation of the carrying amount of loans to directors and executives:			
		63,816	53,298	
	Balance at beginning of the year			
	Disbursements	25,359	24,780	
	Repayments / adjustments	(21,656)	(14,262)	
	Balance at end of the year	13.4 67,519	63,816	
13.2	Loans to employees are provided for purchase of motorcycle, motor car and construction of house. Vehicle loans are secured against registration documents of vehicles and house building loans are secured against provident fund, gratuity, pension or any other dues payable to the employees.			
13.3	Loans for purchase of motor cars and house building are repayable between two to ten years. These loans are interest free and granted to the employees including executives of the Company in accordance with their terms of employment.			
13.4	The maximum aggregate amount of long term loans due from the directors and executives at the end of any month during the year was nil (2014: Rs. 0.89 million) and Rs. 71.42 million (2014: Rs. 74.21 million) respectively.			
14	Long term deposits and prepayments			
		4,048	4,470	
	Deposits			
	Prepayments	1,366	1,284	
		5,414	5,754	
15	Deferred tax asset - net			
		2015		
		Balance at beginning of the year	Recognized in profit and loss	Balance at end of the year
	Deductible temporary differences			
	Provisions and tax credits	214,282	32,588	246,870
	Taxable temporary differences			
	Property, plant and equipment and intangibles	(30,181)	15,171	(15,010)
		184,101	47,759	231,860

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

		2014		
		Balance at beginning of the year	Recognized in profit and loss	Balance at end of the year
Deductible temporary differences				
	Provisions and tax credits	178,074	36,208	214,282
Taxable temporary differences				
	Property, plant and equipment and intangibles	(54,349)	24,168	(30,181)
		123,725	60,376	184,101
		Note	2015	2014
16	Stores and spares			
	Stores		4,756	5,729
	Spares including in transit amounting to Rs. 0.68 million (2014: Rs. Nil)		14,125	22,922
			18,881	28,651
	Less: Provision for slow moving and obsolete stores and spares	16.1	(130)	(9,283)
			18,751	19,368
16.1	Provision for slow moving and obsolete stores and spares			
	Balance at beginning of the year		9,283	7,444
	Charge for the year	24	-	1,839
	Stores written-off against provision		(9,153)	-
	Balance at end of the year		130	9,283
16.2	Stores and spares does not include any item that has been purchased for the purpose of capital expenditure.			
17	Stock-in-trade			
	Raw and packing material including in transit amounting to Rs. 58.86 million (2014: Rs. 50.48 million)		193,576	200,373
	Work-in-process		11,863	10,069
	Finished goods		104,343	118,185
	Goods purchased for resale including in transit amounting to Rs. 6.81 million (2014: Rs. 2.58 million)		72,944	65,983
			382,726	394,610
	Provision for slow moving and obsolete stocks:			
	- Raw material		(6,711)	(16,679)
	- Finished goods		(14,534)	(18,342)
		17.1	(21,245)	(35,021)
			361,481	359,589

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
17.1 Provision for stock-in-trade			
Balance at beginning of the year		35,021	46,562
Stock written-off against provision		(9,779)	(9,020)
Provision written back	29	(3,997)	(2,521)
Balance at end of the year		21,245	35,021
17.2	Out of the total carrying value of inventory, Rs. 0.90 million (December 31, 2014: Rs. 0.71 million) is measured at net realizable value. As at December 31, 2015 stock has been written down by Rs. 0.17 million (December 31, 2014: Rs. 0.26 million) to arrive at its net realizable value.		
18 Trade debts			
Considered good			
- Secured	18.1	39,088	42,050
- Unsecured		923,210	823,042
		962,298	865,092
Considered doubtful		294,282	248,173
		1,256,580	1,113,265
Provision for			
- Doubtful debts	18.2	(294,282)	(248,173)
- Discounts	18.3	(503,216)	(355,116)
		(797,498)	(603,289)
		459,082	509,976
18.1	These debts are secured against letters of credit.		
18.2 Provision for doubtful debts			
Balance at beginning of the year		248,173	242,276
Charge for the year	26	56,025	50,471
Debts written-off against provision		(9,916)	(44,574)
Balance at end of the year		294,282	248,173

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
18.3 Provision for discounts			
Balance at beginning of the year		355,116	256,776
Charge for the year		1,053,455	791,084
Provision written back		(30,200)	(16,300)
Discounts paid during the year		(875,155)	(676,444)
Balance at end of the year		503,216	355,116
19 Loans and advances			
Secured - considered good			
Current portion of loans to:			
- Directors and executives		14,264	22,565
- Other employees		5,740	8,782
	13	20,004	31,347
Advances to			
- Executives	19.1	627	137
Unsecured - considered good			
Advances to contractors and suppliers		9,347	1,614
		29,978	33,098
19.1	These are advances to executives in respect of travelling expenses. The maximum aggregate amount of advances due from the executives at the end of any month during the year was Rs. 1.28 million (2014: Rs. 2.46 million).		
20 Trade deposits and short term prepayments			
Trade deposits		1,536	4,817
Short term prepayments		17,268	12,530
		18,804	17,347
21 Other receivables			
Unsecured - considered good			
Due from related parties	21.1	14,449	6,804
Insurance claims		629	506
Others		1,135	5,327
		16,213	12,637

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
21.1	These represent receivable from following related parties:		
	AkzoNobel UAE Paints LLC	2,515	2,020
	AkzoNobel N.V.	1,341	1,833
	AkzoNobel Car Refinishes B.V.	101	1,683
	AkzoNobel Chemicals (Ningbo) Co. Ltd.	2,915	970
	AkzoNobel Functional Chemicals LLC	1,865	196
	International Paint (Saudi Arabia)	3,972	-
	AkzoNobel Surface Chemistry	1,631	-
	ICI Swire Paints (Shanghai) Limited	109	102
		14,449	6,804
	Aging of receivables from related parties is as follows:		
	1 - 30 days	3,302	1,858
	31 - 90 days	2,053	2,610
	91 - 120 days	2,142	607
	more than 120 days	6,952	1,729
		14,449	6,804
22	Cash and bank balances		
	Cash in hand	7,892	8,927
	Cash at bank - current accounts	22.1 208,829	333,077
	Short term deposits	22.2 1,554,050	1,137,918
		1,770,771	1,479,922
22.1	This includes US dollars amounting Nil (2014: USD 140,013.32).		
22.2	These represent Term Deposit Receipts placed with commercial banks, having maturity period ranging from 30 to 32 days (2014: 2 to 33 days). The mark-up on these deposits ranges between 5.25% to 5.50% (2014: 7% to 8.47%) per annum.		
22.3	The facility for running finance and issuance of letters of credit is available from Deutsche Bank amounting to Rs. 391 million (2014: Rs. 391 million). The facility carries mark-up rate of 1 month KIBOR plus 1% per annum (2014: 1 month KIBOR plus 1% per annum) and is secured by parental guarantee from AkzoNobel N.V., first pari passu hypothecation charge over the current assets of the Company amounting to Rs. 90 million and demand promissory note and counter guarantee / indemnity duly signed and stamped by the Company.		
22.4	The facility for issuance of letters of credit and discounting of local documentary bills payable is available from Habib Metropolitan Bank Limited amounting to Rs. 300 million (2014: Rs. 300 million) carrying commission / mark-up rate of 0.075% (2014: 0.075%) and relevant KIBOR per annum, respectively. The facility is secured by lien on import bills of lading / local documents and goods, import or local documents made to the order of the bank, trust receipt and accepted local documentary bills drawn under local letters of credit of approved banks without recourse to the Company.		

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
23 Sales - net			
Export sales		20,626	47,374
Local sales and commission income		7,150,298	6,868,100
		7,170,924	6,915,474
Sales tax and excise duty		(1,118,397)	(1,069,301)
Discounts		(1,125,292)	(944,382)
		(2,243,689)	(2,013,683)
		4,927,235	4,901,791
24 Cost of sales			
Raw and packing materials consumed	24.1	2,192,331	2,379,242
Salaries, wages and benefits	24.2	106,952	100,880
Fuel and power		28,414	45,558
Stores and spares consumed		13,172	12,720
Insurance		16,163	20,213
Repairs and maintenance		15,352	14,807
Royalties and technical assistance	24.3	197,917	162,495
Depreciation	11.1.1	74,258	82,848
Amortization	12.1	7	-
Communication, printing and stationery expenses		2,752	2,155
Contractual services		43,097	35,300
Security, safety, health and environment		10,965	8,008
Provision for slow moving and obsolete stores and spares	16.1	-	1,839
General expenses		10,635	17,439
		519,684	504,262
Opening work-in-process		10,069	18,498
Closing work-in-process	17	(11,863)	(10,069)
Cost of goods manufactured		2,710,221	2,891,933
Opening finished goods		165,826	260,777
Finished goods purchased		196,046	142,746
Closing finished goods	17	(162,753)	(165,826)
		2,909,340	3,129,630

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
24.1 Raw and packing materials consumed			
Opening Stock		183,694	314,435
Add: Purchases		2,196,049	2,248,501
Less: Closing Stock		187,412	183,694
		2,192,331	2,379,242
24.2	Salaries, wages and benefits include Rs. 3.52 million (2014: Rs. 3.13 million) in respect of provident fund contribution, Rs. 4.15 million (2014: Rs. 4.82 million) in respect of pensions, Rs. 4.69 million (2014: Rs. 4.71 million) in respect of gratuity and Rs. 0.93 million (2014: Rs. 0.79 million) in respect of pensioners' medical plan. It includes ljarah rentals amounting to Rs. 1.84 million (2014: Rs. 2.27 million).		
24.3	Royalties and technical assistance includes expenses against royalties and technical services obtained from the related parties; Imperial Chemical Industries Ltd. amounting Rs. 152.81 million (2014: Rs. 124.76 million), AkzoNobel Coatings International B.V. Rs. 32.32 million (2014: Rs. 26.41 million) and AkzoNobel Chemicals International B.V. Rs. 3.49 million (2014: Rs. 3.94 million).		
25 Selling and distribution expenses			
Salaries and benefits	25.1	281,304	269,168
Advertising and publicity expenses		465,957	279,900
Outward freight and handling		130,368	136,160
Fuel and power		4,002	6,280
Rent, rates and taxes		23,748	22,131
Repairs and maintenance		1,842	2,003
Depreciation	11.1.1	14,507	16,107
Amortization	12.1	143	203
Travelling expenses		31,122	34,256
Communication, printing and stationery expenses		7,930	8,366
Contractual services		26,763	24,901
Training and recruitment		4,160	4,646
Security, safety, health and environment		10,434	8,077
General expenses		6,398	8,123
		1,008,678	820,321
25.1	Salaries, wages and benefits include Rs. 10.06 million (2014: Rs. 9.87 million) in respect of provident fund contribution, Rs. 9.99 million (2014: Rs. 11.98 million) in respect of pensions, Rs. 11.08 million (2014: Rs. 11.60 million) in respect of gratuity and Rs. 2.73 million (2014: Rs. 2.44 million) in respect of pensioners' medical plan. It includes ljarah rentals amounting to Rs. 5.25 million (2014: Rs. 7.43 million).		

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
26 Administrative and general expenses			
Salaries and benefits	26.1	122,617	157,990
Fuel and power		5,707	5,702
Rent, rates and taxes		11,674	9,969
Insurance		1,919	2,212
Repairs and maintenance		14,610	8,121
Depreciation	11.1.1	25,177	35,739
Amortization	12.1	3,664	21,017
Provision for doubtful debts	18.2	56,025	50,471
Travelling expenses		1,223	6,837
Communication, printing and stationery expenses		17,431	11,535
Auditors' remuneration	26.2	1,900	2,000
IT services		10,738	34,676
Contractual services		22,494	18,183
Training and recruitment		7,151	4,912
General expenses		35,827	27,558
		338,157	396,922
26.1	Salaries, wages and benefits include Rs. 4.95 million (2014: Rs. 5.11 million) in respect of provident fund contribution, Rs. 6.61 million (2014: Rs. 10.05 million) in respect of pensions, Rs. 6.07 million (2014: Rs. 7.33 million) in respect of gratuity and Rs. 1.47 million (2014: Rs. 1.53 million) in respect of pensioners' medical plan. It includes ljarah rentals amounting to Rs. 8.05 million (2014: Rs. 8.65 million).		
26.2 Auditors' remuneration			
Statutory audit		1,200	1,200
Half yearly review		300	300
Other assurances and certifications		150	300
Out of pocket expenses		250	200
		1,900	2,000
27 Finance cost			
Discounting charges on receivables		-	1,694
Interest on Workers' Profit Participation Fund	9.3	257	1,262
Exchange loss		2,330	-
Bank charges		7,019	6,778
		9,606	9,734

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
28 Other charges			
Workers' Profit Participation Fund	9.3	42,197	35,844
Workers' Welfare Fund	9.4	16,410	13,899
Loss on disposal of property, plant and equipment		2,882	2,672
		61,489	52,415
29 Other income			
<u>Income from financial assets</u>			
Profit on short-term and call deposits		72,855	74,687
Exchange gain - net		-	19,538
<u>Income from non-financial assets</u>			
Scrap sales		13,522	10,688
<u>Others</u>			
Provisions no longer required written back:			
- Obsolete stocks	17.1	3,997	2,521
- Others		69,158	58,720
Miscellaneous income		44,725	19,576
		204,257	185,730
30 Taxation			
Current year		312,670	278,769
Prior year		-	1,250
Deferred	15	(47,759)	(60,376)
		264,911	219,643
30.1 Tax charge reconciliation			
Profit before taxation		804,222	678,499
Tax using domestic rates	30.2	257,351	223,905
Effect of prior year change		-	1,250
Tax impact on income under FTR of the current year		12,523	10,768
Others		(4,963)	(16,280)
Net tax charged		264,911	219,643
Average effective tax rate		32.94%	32.37%

30.2 During the year, the Federal Government of Pakistan through an amendment vide Finance Act, 2015 reduced the tax rate for the tax year 2016 from 33% to 32%. The current tax expense has been computed using the tax rate enacted for the tax year 2016.

Notes to the Financial Statements

For the year ended December 31, 2015

		Amounts in Rs '000	
	Note	2015	2014
31 Earnings per share			
31.1 Basic earnings per share			
Profit after taxation		539,311	458,856
		Number of shares	
Weighted average number of ordinary shares		46,443,320	46,443,320
		Rupees	
Earnings per share	31.2	11.61	9.88
31.2 Diluted earnings per share			
There is no dilutive effect as the Company does not have any convertible instruments in issue as at December 31, 2015 and December 31, 2014, which would have any effect on the earnings per share if the option to convert was exercised.			
32 Operating segments			
32.1	These financial statements have been prepared on the basis of single reportable segment.		
32.2	Revenue from sale of paints represents 98.14% (2014: 98.76%) of the total revenue of the Company.		
32.3	99.71% (2014: 99.31%) sales of the Company relate to customers in Pakistan.		
32.4	All non-current assets of the Company as at December 31, 2015 are located in Pakistan.		
33 Remuneration of chief executive, directors and executives			
The aggregate amounts charged in these financial statements during the year for remuneration, including certain benefits, to the chief executive, executive directors, non-executive directors and executives of the Company are as follows:			

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Chief Executive*		Executive Director*		Executives	
	2015	2014	2015	2014	2015	2014
Managerial remuneration	17,021	15,301	5,689	8,479	177,051	161,199
Medical	17	123	316	312	9,920	8,729
Utilities	1,513	1,360	444	694	12,066	11,363
Retirement benefits	7,482	7,027	1,643	3,929	52,560	55,783
Group insurance	46	49	33	31	1,332	1,300
Rent and house maintenance	6,052	5,441	1,997	3,122	47,867	45,369
	32,131	29,301	10,122	16,567	300,796	283,743
Number of persons	1	1	1	1	130	117

* The chief executive and the executive director hold 10 shares each of the Company.

- 33.1** In addition to above, an amount of Rs. 46.65 million (2014: Rs. 39.28 million) on account of variable pay to employees has been recognized in the current year. This is payable in the year 2016 after verification of achievements against target.
- 33.2** Out of variable pay recognized for 2014, payments of Rs. 3.87 million (2014: Rs. 8.53 million) and Rs. 31.87 million (2014: Rs. 56.58 million) were made to chief executive and executives respectively.
- 33.3** The chief executive, one director and certain executives are provided with free use of Company maintained cars in accordance with their entitlement.
- 33.4** Fees paid to chairman and non-executive director amounted to Rs. 1.6 million (2014: Rs. 1.7 million) for attending board and other meetings. The total non-executive directors of the Company as at December 31, 2015 are 5 (2014: 5).
- 33.5** Executives are employees whose basic salaries exceed Rs. 500,000 in a financial year.
- 34 Transactions with related parties**

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

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	2015	2014
Holding Company		
Dividend paid - net of tax	158,443	522,864
Associates		
Purchase of goods, materials and services	188,994	206,691
Indenting commission income	17,507	11,284
Sale of goods and services	799	528
Reimbursement of expenses	31,779	15,499
Royalty	262,193	181,659
Contribution to Retirement funds	73,612	85,583
Remuneration of Key management personnel	103,454	99,609

34.1 The above transactions were carried out at, in accordance with the Company's accounting policy.

35 Financial instruments - Fair values and risk management

35.1 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

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

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

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

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

	Carrying amount			Fair value			
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2015							
Financial assets - not measured at fair value							
Long term loans	78,322	-	78,322	-	-	-	-
Long term deposits	4,048	-	4,048	-	-	-	-
Trade debts	459,082	-	459,082	-	-	-	-
Loans and advances	20,631	-	20,631	-	-	-	-
Short term trade deposits	1,536	-	1,536	-	-	-	-
Other receivables	16,213	-	16,213	-	-	-	-
Interest accrued	3,233	-	3,233	-	-	-	-
Cash and bank balances	1,770,771	-	1,770,771	-	-	-	-
	2,353,836	-	2,353,836	-	-	-	-
Financial liabilities - measured at fair value							
Forward exchange contract	-	382	382	-	382	-	382
Financial liabilities - not measured at fair value							
Trade and other payables	1,208,436	-	1,208,436	-	-	-	-
Provision for taxation	11,034	-	11,034	-	-	-	-
	1,219,470	-	1,219,470	-	-	-	-
December 31, 2014							
Financial assets - not measured at fair value							
Long term loans	64,591	-	64,591	-	-	-	-
Long term deposits	4,470	-	4,470	-	-	-	-
Trade debts	509,976	-	509,976	-	-	-	-
Loans and advances	31,484	-	31,484	-	-	-	-
Short term trade deposits	4,817	-	4,817	-	-	-	-
Other receivables	12,637	-	12,637	-	-	-	-
Interest accrued	3,116	-	3,116	-	-	-	-
Cash and bank balances	1,479,922	-	1,479,922	-	-	-	-
	2,111,013	-	2,111,013	-	-	-	-
Financial liabilities - measured at fair value							
Forward exchange contract	-	55	55	-	55	-	55
Financial liabilities - not measured at fair value							
Trade and other payables	1,204,271	-	1,204,271	-	-	-	-
Provision for taxation	55,888	-	55,888	-	-	-	-
	1,260,159	-	1,260,159	-	-	-	-

Notes to the Financial Statements

For the year ended December 31, 2015

35.2 Financial risk management

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

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

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

35.3 Risk management framework

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

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

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

35.4 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted, without taking into account the fair value of any collateral. The Company does not have significant exposure to any individual counter party. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2015	2014
35.4.1 Exposure to credit risk			
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:			
Long term loans	13	78,322	64,591
Long term deposits	14	4,048	4,470
Trade debts	18	459,082	509,976
Loans and advances	19	20,631	31,484
Short term trade deposits	20	1,536	4,817
Other receivables	21	16,213	12,637
Interest accrued		3,233	3,116
Bank balances and short term deposits	22	1,762,879	1,470,995
		2,345,944	2,102,086
Secured			
Long term loans	13	78,322	64,591
Trade debts	18	39,088	42,050
Loans and advances	19	20,631	31,484
		138,041	138,125
Unsecured		2,207,903	1,963,961
		2,345,944	2,102,086

35.4.2 Credit quality of financial assets

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

35.4.2.1 Bank balances and accrued interest on short term deposits

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

- Bank balances and short term deposits	22	1,762,879	1,470,995
- Interest accrued		3,233	3,116
		1,766,112	1,474,111

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Credit Ratings		Rating	2015	2014
	Short term	Long term	Agency		
Habib Bank Limited	A-1+	AAA	JCR-VIS	382,042	838,272
United Bank Limited	A-1+	AA+	JCR-VIS	189,480	312,763
Citi Bank N.A.	P-1	A2	Moody's	1,178,969	284,886
Deutsche Bank A.G	P-2	A3	Moody's	10,654	38,140
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	4,967	50
				1,766,112	1,474,111

35.4.2.2 Trade debts

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

Neither past due nor impaired

772,872 720,747

Past due

1 - 30 days

145,897 118,494

31 - 90 days

92,339 54,398

91 - 120 days

9,577 19,736

more than 120 days

235,895 199,890

483,708 392,518

1,256,580 1,113,265

Provision for doubtful debts

18.2 (294,282) (248,173)

Provision for discounts

18.3 (503,216) (355,116)

459,082 509,976

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

Wholesale customers

99,507 71,548

Retail customers

327,678 256,010

End-user customers

56,523 64,960

483,708 392,518

Provision for doubtful debts

18.2 (294,282) (248,173)

189,426 144,345

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

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

- Provide impairment loss for 50% of the outstanding receivable when overdue more than 90 days; and
- Provide an impairment loss for 100% when overdue more than 120 days.

35.4.2.3 Other receivables and deposits

Other receivables include balance of Rs. 14.45 million (2014: Rs. 6.80 million) receivable from related parties as mentioned in Note 21.1. The remaining other receivables and deposits mainly pertain to balances due from related parties and employees which are expected to be received in due course. Based on past experience the credit risk related to these financial assets is not material.

35.4.3 Concentration risk

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

	Note	2015	2014
Textile		1,093	1,987
Paper and Board		1,076	1,118
Chemicals		1,776	900
Pharmaceuticals		211	255
Construction		8,506	2,708
Transport		24,899	27,569
Dealers		1,110,549	945,782
Banks		1,766,112	1,474,111
Employees		98,953	96,075
Others		130,266	154,870
		3,143,441	2,705,375
Provision for doubtful debts	18.2	(294,282)	(248,173)
Provision for discounts	18.3	(503,216)	(355,116)
		(797,498)	(603,289)
		2,345,943	2,102,086

35.5 Liquidity risk

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

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date. The following are contractual maturities of financial liabilities at December 31, 2015:

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

The following are contractual maturities of financial liabilities at December 31, 2014:

	Carrying amount	Contractual cash flows	Up to one year or less
<u>Non-derivative financial liabilities</u>			
Trade and other payables	1,204,271	1,204,271	1,204,271
Provision for taxation	55,888	55,888	55,888
<u>Derivative financial liabilities</u>			
Forward foreign exchange contracts	55	7,290	7,290
	1,260,214	1,267,449	1,267,449

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

35.6 Market risk

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

35.6.1 Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of Company's interest-bearing financial instruments were:

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

		Effective rate		Carrying amount	
	Note	2015	2014	2015	2014
Fixed rate instruments					
Financial assets	22	5.25% to 5.50%	7% to 8.47%	1,554,050	1,137,918

Sensitivity analysis for fixed rate instruments

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

35.6.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into are denominated in foreign currencies. The Company is exposed to foreign currency risk on sales and purchases, which are entered in a currency other than Pak Rupees. To hedge this risk, the Company has entered into forward foreign exchange contracts in accordance with instructions of State Bank of Pakistan and the Company's Treasury policy. The policy allows the Company to take currency exposure within predefined limits while open exposures are rigorously monitored.

The individual foreign currency wise exposure in Pak Rupees is as follows:

		2015						
	Note	AED	JPY	SGD	EUR	USD	GBP	Total
Financial assets								
Due from related parties	21.1	2,149	-	-	3,772	8,528	-	14,449
Cash and bank balances		-	-	-	-	-	-	-
		2,149	-	-	3,772	8,528	-	14,449
Financial liabilities								
Trade and other payables		-	6,745	-	12,310	44,231	2,824	66,110
Due to related parties		288	-	17	38,690	50,181	-	89,176
		288	6,745	17	51,000	94,412	2,824	155,286
Gross balance sheet exposure		1,861	(6,745)	(17)	(47,228)	(85,884)	(2,824)	(140,837)
Forward foreign exchange contracts								
		-	-	-	-	(382)	-	(382)
		1,861	(6,745)	(17)	(47,228)	(86,266)	(2,824)	(141,219)

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	Note	2014						Total
		AED	JPY	SGD	EUR	USD	GBP	
Financial assets								
Due from related parties	21.1	-	-	-	3,516	3,288	-	6,804
Cash and bank balances		-	-	-	-	14,069	-	14,069
		-	-	-	3,516	17,357	-	20,873
Financial liabilities								
Trade and other payables		-	18,166	-	7,525	24,048	2,741	52,480
Due to related parties		-	-	17	54,772	21,386	554	76,729
		-	18,166	17	62,297	45,434	3,295	129,209
Gross balance sheet exposure		-	(18,166)	(17)	(58,781)	(28,077)	(3,295)	(108,336)
Forward foreign exchange contracts		-	-	-	-	(55)	-	(55)
		-	(18,166)	(17)	(58,781)	(28,132)	(3,295)	(108,391)

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

	Average rate for the year		Spot rate as at December 31,	
	2015	2014	2015	2014
AED	28.53	27.32	28.52	27.36
JPY	0.87	0.84	0.87	0.84
SGD	74.75	79.64	74.16	76.04
EUR	114.53	122.04	114.43	122.12
USD	104.77	100.37	104.74	100.48
GBP	155.32	156.19	155.27	156.56

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. 7.09 million (2014: Rs. 3.02 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.

35.7 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

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

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

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

35.8 Capital risk management

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

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

	2015	2014
36 Employee Provident Fund		
Size of the fund - fund assets	260,908	285,005

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

	2015 (Un-audited)		
	Cost	Fair Value	Percentage
Government securities	137,246	137,794	52.81%
Listed securities	39,489	63,449	24.32%
	176,735	201,243	

Notes to the Financial Statements

For the year ended December 31, 2015

Amounts in Rs '000

	2014 (Audited)		
	Cost	Fair Value	Percentage
Government securities	193,782	195,589	68.63%
Listed securities	40,154	68,668	24.09%
	233,936	264,257	

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

	2015	2014
37 Plant capacity and annual production		
Annual production - thousands of liters	19,987	19,136
The capacity of the plant is indeterminable because this is a multi-product plant.		
38 Number of employees		
Number of employees as at December 31,	255	261
Average number of employees	254	263
39 Non adjusting event after reporting date		

The Board of Directors of the Company in its meeting held on February 24, 2016 has proposed a final dividend of Rs. 6.50 per share. The financial statements of the Company for the year ended December 31, 2015 do not include the effect of the final dividend which will be accounted for in the year in which it is approved.

40 General

40.1 These financial statements were authorized for issue in the Board of Directors meeting held on February 24, 2016.

40.2 Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison. However, no significant rearrangement or reclassification has been made during the year ended December 31, 2015.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Comparison of Results

For the year ended December 31, 2015

Amounts in Rs '000					
	2015	2014	2013	2012	2011
Balance Sheet					
Equity and revaluation reserve	2,880,812	2,594,261	2,878,346	5,992,518	5,646,577
Non-current liabilities	48,440	44,227	34,817	46,549	28,985
Current liabilities	1,286,581	1,334,879	1,335,467	1,322,898	1,003,951
Total equity and liabilities	4,215,833	3,973,367	4,248,630	7,361,965	6,679,513
Non-current assets	1,537,520	1,538,314	1,573,918	1,741,987	1,685,275
Current assets	2,678,313	2,435,053	2,674,712	5,619,978	4,994,238
Total assets	4,215,833	3,973,367	4,248,630	7,361,965	6,679,513
					Six months period from July 01, 2011 to December 31, 2011
	2015	2014	2013	2012	2011
Profit and Loss Account				Restated	Restated
Turnover	7,170,924	6,915,474	7,124,812	6,335,301	3,288,511
Net sales	4,927,235	4,901,791	5,265,144	4,764,191	2,446,420
Cost of sales	2,909,340	3,129,630	3,326,178	3,189,510	1,646,325
Gross profit	2,017,895	1,772,161	1,938,966	1,574,681	800,095
Operating profit	671,060	554,918	644,445	259,818	154,903
Profit before taxation	804,222	678,499	936,935	522,268	284,952
Profit after taxation	539,311	458,856	605,726	376,123	187,681
Summary of Cash Flows					
Cash generated / (used in) from operations	901,506	1,101,634	689,798	4,529,779	(281,872)
Net cash generated from / (used in) operating activities	509,397	821,713	340,979	4,354,469	(77,175)
Net cash generated from / (used in) investing activities	13,545	19,610	151,507	(16,925)	58,079
Net cash (used in) / generated from financing activities	(232,093)	(765,907)	(3,648,699)	-	1
Cash and cash equivalents at 31 December	1,770,771	1,479,922	1,404,506	4,560,719	223,175
Ratios					
Profitability Ratios					
Gross margin	40.95%	36.15%	36.83%	33.05%	32.70%
Gross profit turnover	28.14%	25.63%	27.21%	24.86%	24.33%
Operating profit	13.62%	11.32%	12.24%	5.45%	6.33%
Net profit margin	10.95%	9.36%	11.50%	7.89%	7.67%
Profit markup	69.36%	56.63%	58.29%	49.37%	48.60%
Profit before tax margin	16.32%	13.84%	17.80%	10.96%	11.65%
Return on equity *	26.92%	26.77%	30.36%	7.37%	7.89%
Return on capital employed *	27.45%	25.72%	32.16%	8.65%	10.04%
Return on assets *	12.79%	11.55%	14.26%	5.11%	5.62%
Return on fixed assets *	44.14%	35.74%	43.86%	25.59%	26.37%
* 2011: Annualized					

[illegible]

Pattern of Shareholding As at December 31, 2015

No. of Shareholders	Categories		No. of Shares
	From	To	
7,492	1	100	215,599
2,221	101	500	546,323
533	501	1,000	412,115
432	1,001	5,000	930,697
67	5,001	10,000	489,203
20	10,001	15,000	237,122
11	15,001	20,000	196,810
5	20,001	25,000	118,471
3	25,001	30,000	82,895
4	30,001	35,000	135,100
3	35,001	40,000	113,609
3	40,001	45,000	130,800
2	45,001	50,000	96,100
4	55,001	60,000	227,545
1	60,001	65,000	60,185
1	80,001	85,000	84,669
1	90,001	95,000	94,300
1	105,001	110,000	110,000
1	140,001	145,000	143,647
1	150,001	155,000	154,518
1	190,001	195,000	191,795
1	320,001	325,000	320,382
1	410,001	415,000	410,400
1	560,001	565,000	562,400
1	565,001	570,000	566,405
1	1,070,001	1,075,000	1,070,673
1	3,530,001	3,535,000	3,531,892
1	35,205,001	35,210,000	35,209,665
10,814			46,443,320

Pattern of Shareholding

As at December 31, 2015

Information as required under Code of Corporate Governance

Shareholder's category	Number of shareholders	Number of shares held
i. Associated Companies, Undertakings and Related Parties (name wise details)		
ICI OMICRON B.V.	1	35,209,665
Total:	1	35,209,665
ii. Mutual Funds (name wise details)		
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	10,000
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	1	10,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	4,000
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	29,900
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	1	13,900
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	1	44,700
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	41,800
CDC - TRUSTEE NAFA STOCK FUND	1	94,300
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	320,382
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	191,795
CONFIDENCE MUTUAL FUND LTD	1	3
DOMINION STOCK FUND LIMITED	1	92
GOLDEN ARROW SELECTED STOCKS FUND	1	3
SAFEWAY MUTUAL FUND LIMITED	1	128
SECURITY STOCK FUND LIMITED	1	18
Total:	15	761,021
iii. Directors and their spouse(s) and minor children (name wise details)		
MR. BART KASTER	1	10
MR. HARRIS MAHMOOD	1	10
MR. JEHAZEB KHAN	1	10
MR. MICHEL FRANSE	1	10
MR. MUEEN AFZAL	1	10
MR. MUHAMMAD ZIA UR REHMAN	1	10
MR. PETER TOMLINSON	1	10
Total:	7	70
iv. Executives		
	10	371
Total:	10	371
v. Public Sector Companies and Corporations		
	4	1,225,607
Total:	4	1,225,607
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds		
	39	785,445
Total:	39	785,445
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)		
ICI OMICRON B.V.	1	35,209,665
WASATCH FRONTIER EMERGING SMALL COUNTRIES FUND	1	3,531,892
Total:	2	38,741,557

Categories of Shareholding As at December 31, 2015

Sr No.	Shareholders Category	No. of Shareholders	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children.	7	70	0.00
2	Associated Companies, undertakings and related parties	1	35,209,665	75.81
3	NIT & ICP	-	-	-
4	Banks Development Financial Institutions, Non-Banking Financial Institutions	21	569,850	1.23
5	Insurance Companies	15	1,410,638	3.04
6	Modarabas and Mutual Funds	18	766,675	1.65
7	Shareholders holding 10%	1	35,209,665	75.81
8	General Public:			
	a. Local	10,614	3,403,402	7.33
	b. Foreign	-	-	-
9	Others	138	5,083,020	10.94
Total (excluding shareholders holding 10%)		10,814	46,443,320	100.00

Akzo Nobel Pakistan Limited

AkzoNobel



NOTICE OF 5th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 5th Annual General Meeting of Akzo Nobel Pakistan Limited will be held on Tuesday, April 26, 2016, at 10:30 a.m. at its Registered Office, 346, Ferozepur Road, Lahore, to transact the following business:

1. To confirm the minutes of the 4th Annual General Meeting held on April 28, 2015.
2. To receive, consider and adopt the accounts of Akzo Nobel Pakistan Limited, for the year ended December 31, 2015, together with the Auditors Report and the Directors Report thereon.
3. To declare and approve final cash dividend @ 65% i.e. Rs 6.50 per ordinary share of Rs. 10/- each for the year ended December 31, 2015, as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at April 18, 2016.
4. To appoint the auditors of the Company and to fix their remuneration.
5. To consider, and if thought fit, to pass the following resolution as a Special Resolution:

RESOLVED that the Articles of Association of the Company be amended by adding a new Article under the Heading of Votes of Members as follows:

The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles, irrespective of the other provisions of these Articles of Association and notwithstanding anything contradictory therein.

Any other business with the permission of the Chairman.

April 05, 2016
Lahore

By order of the Board

Sara Shah
Company Secretary

NOTES

1. Closure of share Transfer Books:

The Share Transfer Books of the Company will remain closed from April 19, 2016 to April 26, 2016 (both days inclusive). Transfers received in order at the office of our Shares Registrar, Messrs FAMCO Associates (Pvt) Ltd. 8-F, Next to Hotel Faran, Nursery, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi, by the close of business on April 18, 2016, will be treated in time for payment of the final dividend to the transferees.

2. Participation in the Annual General Meeting:

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

3. Form of Proxy:

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

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

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

5. Deduction of Income Tax From Dividend:

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

- (a) **Rate of tax deduction for filers of income tax return 12.5%**
- (b) **Rate of tax deduction for non-filers of income tax return 17.5%**

- (I) To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, 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 make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.
- (II) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate or stay order from a competent court of law is made available to FAMCO Associates (Pvt) Ltd., by the first day of Book Closure.
- (III) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts.

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

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

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

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

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

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

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

7. Audited Financial Statements Through E-Mail:

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

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

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

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

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

9. Video Conference Facility:

Members can also avail the Video conferencing facility in Karachi & Islamabad. In this regard, please fill the attached form in the Annual Report and submit to registered address of the Company 10 days before of the Annual General Meeting.

The video conferencing facility will be provided only if the company receives consent from members holding in aggregate 10% or more shareholding residing at Karachi or Islamabad, to participate in the meeting through video conference at least 10 days prior to date of meeting.

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

10. Guidelines for CDC Account Holders:

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

Admission Slip

The 5th Annual General Meeting of Akzo Nobel Pakistan Limited will be held on Tuesday, April 26, 2016, at 10:30 a.m. at its Registered Office, Akzo Nobel Pakistan Limited, 346, Ferozepur Road, Lahore.

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

Company Secretary

Name: _____

Holding: _____

Shareholder No: _____

Signature: _____

Note:

- i) The signature of the shareholder must tally with the specimen on the Company's record.
- ii) Shareholders are requested to hand over duly completed admission slips at the counter before the Meeting premises.

CDC Account Holders / Proxies / Corporate Entities:

- a) The CDC Account Holder / Proxy shall authenticate his identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

This Admission Slip is Not Transferable

**FORM OF PROXY
5th ANNUAL GENERAL MEETING**

I/We _____ of _____ being member/(s) of

Akzo Nobel Pakistan Limited holding _____ ordinary shares hereby appoint _____ or failing him/her _____ of _____ who is/are also members(s) of AkzoNobel Pakistan Limited as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 5th Annual General Meeting of the Company to be held at its Registered Office, 346, Ferozepur Road, Lahore, Pakistan, on Tuesday, April 26, 2016, at 10.30 a.m., and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2016.

Signed in the presence of:

(Signature of Witness 1)

Name of Witness:

CNIC No.:

Address:

(Signature of Witness 2)

Name of Witness:

CNIC No.:

Address:

Signature across
Revenue Stamp of
appropriate value

Signed by

Shareholder's Folio No./CDC Account No.

This signature should agree with the specimen registered with the Company

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, at 346, Ferozepur Road, Lahore, not less than 48 hours before the time of holding the Meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. Any alteration made in this instrument of proxy should be initialed by the person who signs it.
5. In the case of joint holders any one may vote either personally or by proxy but if more than one of such joint holders be present either personally or by proxy that one of the said joint holders whose name stands first on the Register of Members in respect of such share shall alone be entitled to vote.

For CDC Account Holders/Corporate Entities:

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

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- (iv) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AkzoNobel



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POSTAGE

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

REQUEST FOR VIDEO CONFERENCING FACILITY FORM

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

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

In this regard please fill up the following form and submit it to registered address of the Company 10 days before holding of the annual general meeting.

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

Date: _____

Signature of Member/Shareholder



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Lahore - 54600
Tel: (042) 111-551-111
Fax: (042) 35835011
www.akzonobel.com/pk/paints

Mandate Letter

Dear Shareholder,

SUBMISSION OF COPY OF CNIC (Mandatory)

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

DIVIDEND MANDATE (Optional)

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

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

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

Yours faithfully



Sara Shah
Company Secretary

SHAREHOLDER'S SECTION

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

Name of Shareholder : _____
Folio Number : _____
Contact Number of Shareholder : _____
Bank Account No. : _____
Title of Account : _____
Name of Bank and Address : _____

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

Shareholder's signature

CNIC No: _____
(copy attached)

A publication of the
Corporate Communication Office
AkzoNobel Pakistan
346, Ferozepur Road
Lahore 54000
Pakistan

T +92 42 111 551 111

F +92 42 3583 5011

E communications.pakistan@akzonobel.com

www.akzonobel.com/pk/paints



www.akzonobel.com

AkzoNobel creates everyday essentials to make people's lives more liveable and inspiring. As a leading global paints and coatings company and a major producer of specialty chemicals, we supply essential ingredients, essential protection and essential color to industries and consumers worldwide. Backed by a pioneering heritage, our innovative products and sustainable technologies are designed to meet the growing demands of our fast-changing planet, while making life easier. Headquartered in Amsterdam, the Netherlands, we have approximately 45,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as a leader in sustainability, we are dedicated to energizing cities and communities while creating a protected, colorful world where life is improved by what we do.

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