

Akzo Nobel Pakistan Limited

Colors of sustainability

For the quarter and nine months period ended 30, September 2016

AkzoNobel



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Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter and nine months period ended September 30, 2016

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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	Saad Mehmood Rashid	Business Manager - Decorative Paints
Usman Ali Jamil	HR Business Partner	M. Ismail Hussain Naqvi	Business Manager - Performance Coatings

Bankers

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

Habib Metropolitan Bank Limited
Habib Bank Limited

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors

A. F. Ferguson & Co.,
Chartered Accountants

Registered Office

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

Shares Registrar

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

Review of the Directors

For the quarter and nine months ended September 30, 2016

The Directors are pleased to present their review along with the un-audited financial statements of the Company for the quarter and nine months ended September 30, 2016.

Financial Performance

Company's turnover continued its positive trend and the first nine months registered growth of 7% above the same period last year. The main driver backing this growth is an increase in our customer base, supported by increased investment in media campaigns and promotional schemes. The gross profit increased by 9% due to higher turnover and continuing depressed raw material prices. Accordingly operating results at PKR 574m were 5% higher than last year. Tax charges increased by PKR 30m as a result of a super tax levied by the government in the Finance Bill 2016. Consequently, profit after tax at PKR 378m and EPS at PKR 8.13 were 5% lower than the same period last year.

	PKR million					
	Quarter ended Sep 30,		Increase (Decrease) %	Nine months ended Sep 30,		Increase (Decrease) %
	2016	2015		2016	2015	
Turnover	1,829	1,820	0.5	5,776	5,424	7
Net Sales Income	1,225	1,231	(0.5)	3,858	3,740	3
Gross Profit	538	510	5	1,672	1,539	9
Operating Results	175	191	(9)	574	544	5
Profit After Tax	119	144	(18)	378	397	(5)
Earnings Per Share - Rs	2.55	3.10	(18)	8.13	8.55	(5)

The company contributed PKR 229m (Q3 2015: PKR 246m) and PKR 841m (YTD Q3 2015: PKR 809m) to the national exchequer through taxes, duties and other levies during the quarter and nine months ended September 30, 2016 respectively.

Business Performance

In an aggressive and highly competitive paint industry, the company delivered strong performance in the first nine months and was able to effectively engage trade channel and end consumers by offering effective promotional schemes and by running an extensive media campaign.

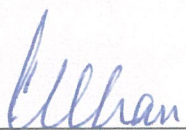
The Company also took advantage of opportunities in the Automotive OEM and Protective Coatings markets. The tractor segment benefited from an overall growth in the market due to a reduction in sales tax rate in the Finance Act, 2016, while the ongoing China Pakistan Economic Corridor (CPEC) projects provided growth opportunities to Protective Coatings range. The company continued its focus on adding new products and customers to its speciality chemicals portfolio.

Future Outlook

The government succeeded in stabilizing the macro economic scenario, Foreign exchange reserves have steadily strengthened, GDP growth is at the highest point for the last eight year and inflation is low. However, the balance of trade continues to cause concerns.

With the start of second traditional painting season in the last quarter of the year, the company continues to focus on enhancing shareholders value through brand building and engagement initiatives with concerned parties.

Effort for new product and customer development in Protective Coating portfolio will continue and are likely to yield positive results because of projects associated with CPEC.


Mueen Afzal
Chairman
Jehanzeb Khan
Chief Executive

ڈائریکٹر رپورٹ

30 ستمبر 2016 کو ختم ہونے والے سہ ماہی اور نو ماہ کا جائزہ

لیکزنوٹیل کے بورڈ آف ڈائریکٹرز 30 ستمبر 2016 کو ختم ہونے والے سہ ماہی اور نو ماہ کا جائزہ پیش کرنے پر مسرت محسوس کرتے ہیں

مالیاتی کارکردگی

کمپنی کی بہتر مالیاتی کارکردگی کا اندازہ اس بات سے لگایا جاسکتا ہے کہ کمپنی کی آمدنی میں مسلسل مثبت رجحان دیکھا گیا اور نو ماہ کی آمدنی گزشتہ سال کے مقابلے میں سات فیصد زیادہ ہے اس ترقی کی وجہ میڈیا کمپن اور پروموشنل اسکیم میں اضافی سرمایہ کاری سے حمایت اور کسٹمرز میں اضافہ ہے۔ Gross Profit میں 9 فیصد اضافہ کی وجہ زیادہ آمدنی اور خام مال کی قیمتوں میں بتدریج کمی ہے۔

PKR 574 m Operating Profit گزشتہ سال کے مقابلے میں 5 فیصد زیادہ رہا۔ فنانس بل 2016 میں حکومت کی طرف سے عائد کیئے جانے والے سپرنیکس کے نتیجے میں کمپنی نے 30m PKR اضافی ٹیکس ادا کیا جس کے باعث منافع 378m PKR اور EPS 8.13 PKR گزشتہ سال کے مقابلے میں 5 فیصد کم رہی۔

کمپنی نے ٹیکس ڈیوٹی اور دیگر محصولات کے ذریعے قومی خزانے میں سہ ماہی کے دوران 246m PKR اور نو ماہ کے دوران 809m PKR کا حصہ ڈالا۔

کاروباری کارکردگی

کمپنی نے مضبوط کارکردگی دکھاتے ہوئے آمدنی میں اضافہ کیا جس کی وجہ موثر پروموشنل اسکیمیں، وسیع میڈیا مہم چلانا ہے جس کے ذریعے کمپنی نے دکان داروں اور صارفین کو اپنی کمپنی کی جانب راغب کیا۔ کمپنی نے Automotive OEM اور Protective Coatings کی مارکیٹوں میں مواقع کا فائدہ اٹھایا۔ ٹریڈر میں سائیکس کی کمی سے مارکیٹ میں مجموعی اضافہ ہوا۔ جبکہ کمپنی کیلئے چین پاکستان اقتصادی راہ داری کے منصوبوں کے ذریعے Protective Coatings کی مارکیٹ میں بڑے منصوبے حاصل کرنے کے مواقع ہیں۔ کمپنی نے Specialty Chemicals کی نئی مصنوعات اور گاہکوں کو شامل کرنے پر توجہ مرکوز رکھی۔

مستقبل کے نقطہ نظر

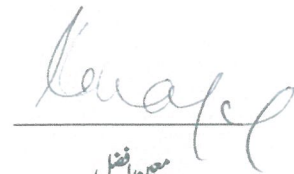
حکومت Macro-Economic حالات متحکم کرنے میں کامیاب نظر آتی ہے۔ غیر ملکی ذر مبادلہ اور GDP کے ذخائر میں مسلسل اضافہ دیکھا گیا ہے۔ GDP کی پیداوار پچھلے آٹھ سال میں اپنی بلند ترین سطح پر رہی ہے اور افراط زر کم ہوئی ہے۔ سال کے آخری سہ ماہی میں کمپنی اپنی توجہ Share holder اور پیٹنٹ کے صارفین کا خیال اور برینڈ کو مضبوط کرنے پر رکھے گی۔

کمپنی Protective Coatings میں نئی مصنوعات اور CPEC کے نئے منصوبے حاصل کرنے پر گامزن ہے۔



جہان زیب خان

چیف ایگزیکٹو



معین افضل

چیرمین

Akzo Nobel Pakistan Limited
Condensed Interim Balance Sheet (Un-audited)
As at September 30, 2016

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2016	December 31, 2015
Note			
ASSETS			
NON-CURRENT ASSETS			
	4	1,175,427	1,219,293
Property, plant and equipment			
Intangibles		964	2,631
Long term loans	5	84,433	78,322
Long term deposits and prepayments		4,802	5,414
Deferred tax asset - net		231,494	231,860
		<u>1,497,120</u>	<u>1,537,520</u>
CURRENT ASSETS			
		20,991	18,751
Stores and spares			
Stock-in-trade	6	534,411	361,481
Trade debts	7	539,126	459,082
Loans and advances		54,436	29,978
Trade deposits and short term prepayments		26,319	18,804
Interest accrued		3,764	3,233
Other receivables	8	19,960	16,213
Cash and bank balances	9	1,666,127	1,770,771
		<u>2,865,134</u>	<u>2,678,313</u>
		<u>4,362,254</u>	<u>4,215,833</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
100,000,000 (2015: 100,000,000) ordinary shares of Rs. 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital			
46,443,320 (2015: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves			
-Capital reserves		156,202	156,202
-Revenue reserve		1,458,466	1,383,041
Surplus on revaluation of property, plant and equipment		876,402	877,136
		<u>2,955,503</u>	<u>2,880,812</u>
NON-CURRENT LIABILITIES			
Deferred liabilities		52,100	48,440
CURRENT LIABILITIES			
Trade and other payables	10	1,351,843	1,275,547
Provision for taxation		2,808	11,034
		<u>1,354,651</u>	<u>1,286,581</u>
CONTINGENCIES AND COMMITMENTS			
	11		
		<u>4,362,254</u>	<u>4,215,833</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Jehanzeb Khan
Chief Executive


Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the nine months period ended September 30, 2016

		Amounts in Rs '000			
	Note	Quarter ended		Nine months ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Turnover		1,828,582	1,820,184	5,776,150	5,423,506
Sales tax, excise duty and discounts		(603,141)	(588,978)	(1,918,370)	(1,683,064)
Net Sales		1,225,441	1,231,206	3,857,780	3,740,442
Cost of sales	12	(687,850)	(720,921)	(2,186,018)	(2,201,213)
Gross profit		537,591	510,285	1,671,762	1,539,229
Selling and distribution expenses		(287,358)	(265,844)	(865,176)	(779,570)
Administrative and general expenses		(75,520)	(53,004)	(233,066)	(215,330)
Operating profit		174,713	191,437	573,520	544,329
Finance cost		(281)	(1,188)	(5,059)	(2,981)
Other charges	13	(15,145)	(24,088)	(47,117)	(50,972)
		(15,426)	(25,276)	(52,176)	(53,953)
Other income		22,642	43,666	86,833	112,308
Profit before taxation		181,929	209,827	608,177	602,684
Taxation	15	(63,386)	(66,081)	(230,627)	(205,675)
Profit for the period		118,543	143,746	377,550	397,009
Earnings per share					
- Basic and diluted - Rupees		2.55	3.10	8.13	8.55

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Jehanzeb Khan
Chief Executive


Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2016

Amounts in Rs '000

	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Profit for the period	118,543	143,746	377,550	397,009
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	118,543	143,746	377,550	397,009

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Jehanzeb Khan
Chief Executive


Harris Mahmood
Chief Financial Officer

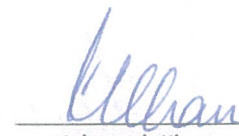
Akzo Nobel Pakistan Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2016

Amounts in Rs '000

	Share capital	Capital reserves		Revenue reserve	Total
		Share premium	Capital receipts	Unappropriated profit	
Balance as on December 31, 2014 (audited)	464,433	156,006	196	1,093,428	1,714,063
Total comprehensive income for the nine months period ended September 30, 2015					
Profit for the period	-	-	-	397,009	397,009
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	397,009	397,009
Incremental depreciation charge during the period - net of deferred tax	-	-	-	2,291	2,291
Transactions with owners of the Company recognised directly in equity					
Final dividend for the year ended December 31, 2014 @ Rs. 5.00 per share	-	-	-	(232,217)	(232,217)
Balance as on September 30, 2015 (un-audited)	464,433	156,006	196	1,260,511	1,881,146
Profit for the period	-	-	-	142,302	142,302
Other comprehensive loss for the period	-	-	-	(20,543)	(20,543)
Total comprehensive income for the three months period ended December 31, 2015	-	-	-	121,759	121,759
Incremental depreciation charge during the period - net of deferred tax	-	-	-	771	771
Balance as on December 31, 2015 (audited)	464,433	156,006	196	1,383,041	2,003,676
Profit for the period	-	-	-	377,550	377,550
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the nine months period ended September 30, 2016	-	-	-	377,550	377,550
Incremental depreciation charge during the period - net of deferred tax	-	-	-	(243)	(243)
Transactions with owners of the Company recognised directly in equity					
Final dividend for the year ended December 31, 2015 @ Rs. 6.50 per share	-	-	-	(301,882)	(301,882)
Balance as on September 30, 2016 (un-audited)	464,433	156,006	196	1,458,466	2,079,101

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman

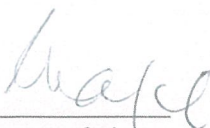

Jehanzeb Khan
Chief Executive


Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2016

	Amounts in Rs '000	
	Nine months ended	
	September 30, 2016	September 30, 2015
Cash flows from operating activities		
Profit before taxation	608,177	602,684
Adjustments for:		
Depreciation and amortization	67,550	91,013
(Gain) / Loss on disposal of property, plant and equipment	(161)	2,473
Provision for employee benefits obligation	24,595	27,445
(Reversal of) / Provision for doubtful debts	(14,365)	58,027
Provision for / (Reversal of) slow moving and obsolete stock	8,956	(6,304)
Interest income	(56,115)	(54,817)
	638,637	720,521
Movement in working capital:		
Decrease / (increase) in current assets		
Stores and spares	(2,240)	470
Stock-in-trade	(181,886)	(126,263)
Trade debts	(65,679)	(163,274)
Loans and advances	(24,458)	(38,756)
Trade deposits and short term prepayments	(7,515)	(7,167)
Other receivables	(3,747)	(4,010)
	(285,525)	(339,000)
Increase in current liabilities		
Trade and other payables	73,156	142,792
Net cash generated from operations	426,268	524,313
Long term loans	(6,111)	(12,163)
Long term deposits and prepayments	612	234
Employee benefits paid	(19,200)	(21,760)
Taxes paid	(238,176)	(279,201)
Net cash generated from operating activities	163,394	211,423
Cash flows from investing activities		
Payments for capital expenditure	(22,141)	(55,215)
Proceeds from disposal of property, plant and equipment	239	549
Interest received	55,584	55,348
Net cash generated from investing activities	33,682	682
Cash flows from financing activities		
Dividend paid	(301,720)	(232,093)
Net cash used in financing activities	(301,720)	(232,093)
Net decrease in cash and cash equivalents	(104,644)	(19,988)
Cash and cash equivalents at the beginning of the period	1,770,771	1,479,922
Cash and cash equivalents at the end of the period	1,666,127	1,459,934

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Jehanzeb Khan
Chief Executive


Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the nine months period ended September 30, 2016

1. Legal status and nature of business

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 is listed on Pakistan Stock Exchange. 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

This condensed interim financial information has been presented in condensed form in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and the directives issued under the Companies Ordinance, 1984. In case where requirements of Companies Ordinance 1984 differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Pakistan Stock Exchange. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with audited financial statements of the Company, for the year ended December 31, 2015.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended December 31, 2015, whereas comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been extracted from the un-audited condensed interim financial information for the nine months period ended September 30, 2015.

2.2 Judgements and estimates

In preparing this condensed interim financial information, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the financial statements as at and for the year ended December 31, 2015.

2.2.1 Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2.3 Functional and presentation currency

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

3. Significant accounting policies

The accounting policies applied in this condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended December 31, 2015.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the nine months period ended September 30, 2016

3.1 Standards, interpretations and amendments to published approved accounting standards

3.1.1 Amendments to published standards effective in current year

	Effective Date (accounting periods beginning on or after)
Disclosure Initiative - Amendments to IAS 1, 'Presentation of Financial Statements'	January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortization - Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets'	January 1, 2016
Annual Improvements to IFRSs 2012-2014 cycle: IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations', IFRS 7, 'Financial Instruments: Disclosures'	January 1, 2016
Annual Improvements to IFRSs 2012-2014 cycle: IAS 19, 'Employee Benefits' and IAS 34, 'Interim Financial Reporting'	January 1, 2016

The adoption of above amendments and improvements did not have any effect on the condensed interim financial information.

3.1.2 Standards, amendments and interpretations to existing standards not yet effective

Standards or Interpretation	Effective Date (accounting periods beginning on or after)
IFRS 15, 'Revenue from Contracts with Customers'	January 1, 2017
IFRS 9, 'Financial Instruments'	January 1, 2018
Amendments to IAS 12, 'Income Taxes'	January 1, 2017
Amendments to IAS 7, 'Statement of Cash Flows'	January 1, 2017

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2016	December 31, 2015
	Note		
4. Property, plant and equipment			
Operating property, plant and equipment	4.1	1,164,201	1,209,489
Capital work-in-progress	4.2	11,226	9,804
		<u>1,175,427</u>	<u>1,219,293</u>
4.1 Operating property, plant and equipment			
Opening net book value		1,209,489	1,247,850
Additions during the period	4.1.1	21,960	79,828
Disposals/write-offs during the period at book value		(1,365)	(4,247)
Depreciation charged during the period		(65,883)	(113,942)
Closing net book value		<u>1,164,201</u>	<u>1,209,489</u>
4.1.1 Following is the details of additions during the period			
Buildings on freehold land		698	4,003
Plant and machinery		14,045	67,166
Vehicles		1,058	64
Furniture and equipment		6,159	8,595
		<u>21,960</u>	<u>79,828</u>

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the nine months period ended September 30, 2016

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2016	December 31, 2015
4.2 Capital work-in-progress			
Civil works and buildings		3,913	3,913
Plant and machinery		7,313	5,138
Equipments		-	753
		11,226	9,804
5. Long term loans - Considered good			
Due from executives and employees		107,277	98,326
Recoverable within one year		(22,844)	(20,004)
		84,433	78,322

5.1 The maximum aggregate amount of long term loans due from the executive directors and other executives at the end of any month during the period was nil and Rs. 78.24 million (December 31, 2015: Nil and Rs. 71.42 million) respectively.

6. Stock-in-trade

Out of the total carrying value of inventory Rs. 1.68 million (December 31, 2015: Rs. 0.90 million) is measured at net realizable value. As at September 30, 2016 stock has been written down by Rs. 0.56 million (December 31, 2015: Rs.0.17 million) to arrive at its net realizable value.

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2016	December 31, 2015
7. Trade debts			
Considered good:			
- Secured		26,869	39,088
- Unsecured		1,041,486	923,210
		1,068,355	962,298
Considered doubtful		279,417	294,282
		1,347,772	1,256,580
Less: provision for:			
- Doubtful debts		(279,417)	(294,282)
- Discounts payable on sales		(529,229)	(503,216)
		(808,646)	(797,498)
		539,126	459,082

8. Other receivables

This includes balance amounting to Rs. 17.61 million (December 31, 2015: Rs. 14.45 million) receivable from associated undertakings.

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2016	December 31, 2015
9. Cash and bank balances			
Cash in hand		11,349	7,892
Cash at bank - current accounts		236,128	208,829
Short term deposits	9.1	1,418,650	1,554,050
		1,666,127	1,770,771

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9.1 These represent Term Deposit Receipts placed with commercial banks under Shariah non-compliant arrangements. These carry mark-up at rate, ranging between 4.80% to 5.20% (December 31, 2015: 5.25% to 5.50%) per annum and will mature on various dates latest by October 31, 2016.

9.2 The facility for running finance and issuance of letters of credit is available from Deutsche Bank amounting to Rs. 391 million (December 31, 2015: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2015: 1 month KIBOR plus 1% per annum) and is secured by parental guarantee from AkzoNobel N.V., first parri passu hypothecation charge over the current assets of the Company amounting to Rs. 90 million, demand promissory note and counter guarantee / indemnity duly signed and stamped by the Company.

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 (December 31, 2015: Rs. 300 million) carrying commission / mark-up at the rate of 0.075% (December 31, 2015: 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.

10. Trade and other payables

This includes balance amounting to Rs. 358.470 million (December 31, 2015: Rs. 393.626 million) payable to related parties.

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2016	December 31, 2015

11. Contingencies and commitments

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

Sales Tax authorities	91,087	91,087
Others	10,000	10,000
	101,087	101,087

11.2 Commitments in respect of capital expenditure amounting to Rs. 19.18 million (December 31, 2015: Rs. 7.33 million)

11.3 Commitments in respect of forward foreign exchange contracts amounting to Rs. 6.907 million (December 31, 2015: Rs. 27.474 million)

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

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2016	December 31, 2015
Year		
2016	4,572	17,918
2017	15,019	14,641
2018	8,825	8,447
2019	6,009	4,787
2020	2,813	698
2021	984	-
	38,222	46,491
Payable not later than one year	16,503	17,918
Payable later than one year but not later than five years	21,719	28,573
	38,222	46,491

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	Amounts in Rs '000			
	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
12. Cost of sales				
Raw and packing materials consumed	558,363	562,124	1,784,020	1,748,070
Manufacturing costs	111,246	130,520	382,023	384,136
	<u>669,609</u>	<u>692,644</u>	<u>2,166,043</u>	<u>2,132,206</u>
Opening work-in-process	27,171	15,611	11,863	10,069
Closing work-in-process	(12,987)	(20,792)	(12,987)	(20,792)
Cost of goods manufactured	<u>683,793</u>	<u>687,463</u>	<u>2,164,919</u>	<u>2,121,483</u>
Opening finished goods	230,135	197,592	162,754	165,826
Finished goods purchased	56,233	66,541	140,657	144,579
Closing finished goods	(282,311)	(230,675)	(282,311)	(230,675)
	<u>687,850</u>	<u>720,921</u>	<u>2,186,018</u>	<u>2,201,213</u>

13. This includes exchange loss amounting to Rs. 1.92 million (2015: loss amounting to Rs. 4.48 million). It includes exchange loss from actual currency amounting to Rs. 2.22 million (2015: loss amounting to Rs. 4.35 million) and exchange gain from forward contracts amounting to Rs. 0.30 million (2015: loss amounting to Rs. 0.13 million).

	Amounts in Rs '000			
	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
14. Other income				
Income from financial assets				
Profit on short-term and call deposits	17,441	17,014	56,115	54,817
Exchange gain - net	22	-	-	-
Income from non-financial assets				
Scrap sales	1,576	4,330	8,093	10,707
Income from sale of fixed assets	73	-	161	-
Interest income on staff loans	-	-	-	6,614
Others				
Provisions no longer required and written back	541	547	14,365	6,304
Miscellaneous income	2,989	21,775	8,099	33,866
	<u>22,642</u>	<u>43,666</u>	<u>86,833</u>	<u>112,308</u>

	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
15. Taxation				
Current	80,619	76,187	229,950	234,970
Deferred	(17,233)	(10,106)	677	(29,295)
	<u>63,386</u>	<u>66,081</u>	<u>230,627</u>	<u>205,675</u>

16. 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

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retirement funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim financial information is as follows:

	Amounts in Rs '000			
	Quarter ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Holding company				
Dividend paid - net of tax	-	-	205,977	158,443
Associates				
Purchase of goods, materials and services	46,413	52,530	133,133	164,977
Indenting commission income	6,936	5,805	20,178	13,396
Sale of good and services	36	193	343	397
Reimbursement of expenses	5,038	3,473	10,280	24,993
Royalty	-	-	1,594	-
Contribution to staff retirement benefit plans	21,022	19,215	61,929	47,857

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

Transactions with key management personnel

Salaries and benefits of key management personnel for the nine months period ended September 30, 2016 amounted to Rs. 88.73 million (September 30, 2015: Rs. 87.87 million) out of which Rs. 11.29 million (September 30, 2015: Rs. 12.73 million) relates to post employment benefits.

17. Operating segments

- 17.1 These financial statements have been prepared on the basis of a single reportable segment.
- 17.2 Revenue from sale of paints represents 98.08% (September 30, 2015: 98.10%) of the total revenue of the Company.
- 17.3 99.78% (September 30, 2015: 99.68%) sales of the Company relate to customers in Pakistan.
- 17.4 All non-current assets of the Company as at September 30, 2016 are located in Pakistan.

18. Fair value of financial assets and liabilities

The carrying amounts of long term loans equal their fair value and are determined using valuation model that considers the present value of expected future cash flows, discounted using a market rate of interest. As the input is unobservable market data, it is classified under level 3.

In case of other financial assets and financial liabilities that are expected to be settled within one year, carrying amounts are the reasonable approximation of the fair values.

19. Financial risk management

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended December 31, 2015.

20. Ijarah rentals

Company is engaged in a Shariah compliant arrangement with Standard Chartered Modaraba in respect of vehicles under operating lease / Ijarah contracts. Rentals in respect of aforementioned contracts are included in condensed interim

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financial information as under:

Description	Amounts in Rs '000	
	Nine months ended	
	September 30, 2016	September 30, 2015
Cost of sales	1,309	1,270
Selling and distribution expenses	3,363	4,947
Administrative and general expenses	5,135	6,060

21. Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on October 26, 2016.

22. General

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

22.2 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation. Major reclassification includes Rs. 58.027 million which has been reclassified from administrative and general expenses to selling and distribution expenses in respect of provision for doubtful debts.


Mueen Afzal
 Chairman


Jehanzeb Khan
 Chief Executive


Harris Mahmood
 Chief Financial Officer