

Akzo Nobel Pakistan Limited

Colours of Change

Report for the quarter and nine months ended September 30, 2013



Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter and nine months period ended 30 September 2013

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Company Information

Board of Directors

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

Audit Sub Committee

Asad I A Khan	<i>Chairman (Non-Executive)</i>
Mueen Afzal	<i>Non-Executive</i>
Bart Kaster	<i>Non-Executive</i>

Human Resource & Remuneration Sub Committee

Mueen Afzal	<i>Chairman (Non-Executive)</i>
Peter Tomlinson	<i>Non-Executive</i>
Jehanzeb Khan	<i>Chief Executive</i>

Share Transfer Committee

Jehanzeb Khan	<i>Chief Executive</i>
Zia U Syed	<i>Chief Financial Officer</i>
Saira Soofi	<i>Company Secretary</i>

Chief Financial Officer

Zia U Syed

Company Secretary

Saira Soofi

Executive Management Team

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

Bankers

Citibank N.A.
Deutsche Bank Limited A.G

Habib Metropolitan Bank Limited
United Bank Limited

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Registered Office

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

Shares Registrar

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

Review of the Directors

For the quarter & nine months ended 30 September 2013

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 30 September 2013.

Financial Performance

Net sales income for the quarter and nine months was higher by 16% and 12% respectively on the back of higher volumes. Higher sales volumes, improved unit margins, strict control over costs and a one-off gain due to reversal of provisions no longer required resulted in higher profit before tax for the quarter and nine months. Accordingly EPS for Q3 and nine months at PKR 4.08 and PKR 9.82 respectively was significantly higher than same periods last year.

	For the quarter ended 30 September 2013	For the nine months ended 30 September 2013	For the quarter ended 30 September 2012 (Restated)*	For the nine months ended 30 September 2012 (Restated)*
Turnover (PKR million)	1,760	5,496	1,494	4,841
Net Sales Income (PKR million)	1,303	4,078	1,119	3,629
Gross Profit (PKR million)	490	1,499	362	1,176
Operating Results (PKR million)	195	521	61	152
Profit Before Tax (PKR million)	294	795	125	334
Profit After Tax (PKR million)	189	456	82	201
Earnings Per Share (PKR)	4.08	9.82	1.76	4.34

*Restatement due to IAS19 (refer note 3 of condensed interim financial statements)

Business Performance

The traditional painting season kicked off towards the end of the third quarter and was capitalized by the Company through customer engagement and brand building initiatives. As a result, the Company was able to secure a healthy growth in volumes in the first nine months compared to the same period last year.

Changes in government policies pertaining to reduced duty on hybrid cars and increase in sales tax for tractors have adversely impacted market conditions in the automotive sector. A surge in the import of used cars is also hurting the business of local car assemblers. However the impact was mitigated by focusing on Vehicle Refinishes and Protective Coatings to compensate for the slowdown in the automotive sector.

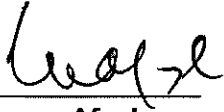
Future Outlook

In the short term, painting activity is expected to remain slow ahead of the Eid-ul-Adha holidays and due to an extra sales tax of 2% on supply of paints. The recent hike in sales tax is on top of a 1% increase announced by the Government through the Finance Act 2013, making paints dearer and is likely to have a dampening effect on sales volumes. The Company plans to mitigate the impact through focused customer engagement initiatives and brand building efforts to strengthen equity among homeowners and those who influence decisions on paints usage.

Automotive sector is likely to continue witnessing a slowdown, especially with the passenger car segment struggling to gain momentum in the face of lower seasonal demand. The Company expects growth through

increased market coverage in Vehicle Refinish and by capturing new opportunities in the power and maintenance sectors.

If the positive market sentiment associated with the newly elected government continues, it is likely to result in improved business climate in the medium to long term.



Mueen Afzal
Chairman / Director




Jehanzeb Khan
Chief Executive

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Akzo Nobel Pakistan Limited
Condensed Interim Balance Sheet (Unaudited)
As at 30 September 2013

		Amounts in Rs '000	
		(Unaudited)	(Audited)
		30 September 2013	31 December 2012 (Restated)
	Note		
ASSETS			
Non-current assets			
Fixed assets	4	1,411,702	1,469,589
Long term loans	5	63,210	58,717
Long term deposits and prepayments		4,985	2,196
Deferred tax asset - net		125,371	211,485
		<u>1,605,268</u>	<u>1,741,987</u>
Current assets			
Stores and spares		31,659	32,101
Stock-in-trade	6	550,430	533,626
Trade debts		637,303	332,488
Loans and advances		70,151	43,332
Trade deposits and short-term prepayments		19,405	5,583
Tax refund due from the Government		2,477	-
Interest accrued		5,916	71,985
Other receivables	7	32,105	40,144
Cash and bank balances		1,302,171	4,560,719
		<u>2,651,617</u>	<u>5,619,978</u>
Total assets		<u><u>4,256,885</u></u>	<u><u>7,361,965</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
100,000,000 (2012: 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 (2012: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Capital reserves		156,202	156,202
Unappropriated profit		1,294,830	4,485,743
Total equity		<u>1,915,465</u>	<u>5,106,378</u>
Surplus on revaluation of fixed assets		883,929	886,140
Non-current liabilities			
Deferred liabilities - Staff retirement benefits		38,882	46,549
Current liabilities			
Trade and other payables	10	1,418,609	1,313,610
Provision for taxation		-	9,288
		<u>1,418,609</u>	<u>1,322,898</u>
Contingencies and commitments	11		
Total equity and liabilities		<u><u>4,256,885</u></u>	<u><u>7,361,965</u></u>

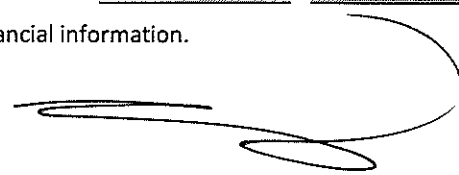
The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



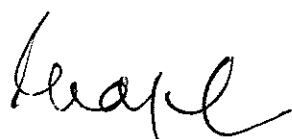
Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Profit and Loss Account (Unaudited)
For the quarter and nine months period ended 30 September 2013

Amounts in Rs '000

	Note	For the quarter ended 30 September 2013	For the nine months period ended 30 September 2013	For the quarter ended 30 September 2012 (Restated)	For the nine months period ended 30 September 2012 (Restated)
Turnover		1,760,289	5,495,541	1,494,080	4,841,449
Sales tax, excise duty and discounts		(457,822)	(1,417,882)	(374,785)	(1,212,350)
Net Sales		1,302,467	4,077,659	1,119,295	3,629,099
Cost of sales	12	(812,338)	(2,578,332)	(757,360)	(2,452,685)
Gross profit		490,129	1,499,327	361,935	1,176,414
Selling and distribution expenses		(230,219)	(702,484)	(189,228)	(631,638)
Administrative and general expenses		(64,927)	(275,624)	(111,422)	(393,103)
Operating result		194,983	521,219	61,285	151,673
Finance cost		(27,003)	(36,221)	(1,948)	(6,752)
Other operating charges		(21,401)	(67,610)	(10,263)	(28,559)
		(48,404)	(103,831)	(12,211)	(35,311)
Other income		147,482	377,788	75,395	217,640
Profit before taxation		294,061	795,176	124,469	334,002
Taxation	13	(103,435)	(337,856)	(42,552)	(132,650)
Profit after taxation		190,626	457,320	81,917	201,352
Earnings per share - basic and diluted - Rupees		4.10	9.85	1.76	4.34

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Comprehensive Income (Unaudited)
For the quarter and nine months period ended 30 September 2013

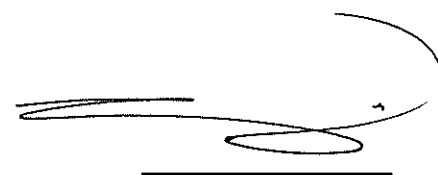
Amounts in Rs '000

	For the quarter ended 30 September 2013	For the nine months period ended 30 September 2013	For the quarter ended 30 September 2012 (Restated)	For the nine months period ended 30 September 2012 (Restated)
Profit for the period	190,626	457,320	81,917	201,352
Other comprehensive loss				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial losses on defined benefit plans	-	-	(11,609)	(34,826)
Income tax effect	-	-	4,063	12,190
	-	-	(7,546)	(22,636)
Total comprehensive income for the period	190,626	457,320	74,371	178,716

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman / Director


Jehanzeb Khan
Chief Executive

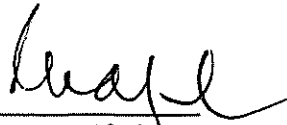

Zia U Syed
Chief Financial Officer


Akzo Nobel Pakistan Limited
Condensed Interim Statement of Changes in Equity (Unaudited)
For the quarter and nine months period ended 30 September 2013

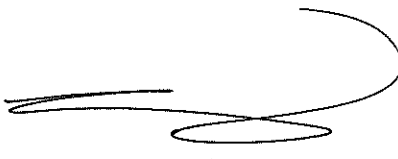
Amounts in Rs '000

	Share capital	Allocated share capital pursuant to the Scheme	Capital reserves		Revenue reserve	Total
			Share premium	Capital receipts	Unappropriated profit	
Balance at 01 January 2012						
- As previously reported	1	464,432	156,006	196	4,206,787	4,827,422
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in Note 3.2	-	-	-	-	(69,933)	(69,933)
Balance at 01 January 2012 - Restated	1	464,432	156,006	196	4,136,854	4,757,489
Profit for the period	-	-	-	-	201,352	201,352
Other comprehensive loss for the period	-	-	-	-	(22,636)	(22,636)
Total comprehensive income for the nine months period ended 30 September 2012	-	-	-	-	178,716	178,716
Incremental depreciation charge during the period - net of deferred tax	-	-	-	-	2,212	2,212
Balance at 30 September 2012 - Restated	1	464,432	156,006	196	4,317,782	4,938,417
Profit for the period	-	-	-	-	174,771	174,771
Other comprehensive loss for the period	-	-	-	-	(7,546)	(7,546)
Total comprehensive income for the three months period ended 31 December 2012	-	-	-	-	167,225	167,225
Incremental depreciation charge during the period - net of deferred tax	-	-	-	-	736	736
Transactions with owners of the Company recognised directly in equity						
Issuance of ordinary shares	464,432	(464,432)	-	-	-	-
Balance at 31 December 2012 - Restated	464,433	-	156,006	196	4,485,743	5,106,378
Profit for the period	-	-	-	-	457,320	457,320
Other comprehensive loss for the period	-	-	-	-	-	-
Total comprehensive income for the nine months period ended 30 September 2013	-	-	-	-	457,320	457,320
Incremental depreciation charge during the period - net of deferred tax	-	-	-	-	2,212	2,212
Transactions with owners of the Company recognised directly in equity						
Final dividend for the year ended 31 December 2012 @ Rs. 78.60 per share	-	-	-	-	(3,650,445)	(3,650,445)
Balance at 30 September 2013	464,433	-	156,006	196	1,294,830	1,915,465

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Mueen Afzal
 Chairman / Director


Jehanzeb Khan
 Chief Executive

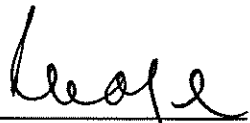

Zia U Syed
 Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Cash Flow Statement (Unaudited)
For the quarter and nine months period ended 30 September 2013

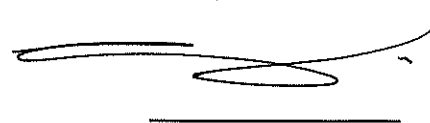
Amounts in Rs '000

	For the nine months period ended 30 September 2013	For the nine months period ended 30 September 2012 (Restated)
Cash flows from operating activities		
Profit before taxation	795,176	334,002
Adjustments for:		
Depreciation and amortisation	125,257	122,206
Loss / (gain) on disposal of fixed assets	8,435	(824)
(Reversal of) / Provision for deferred liabilities - staff retirement benefits	(6,930)	13,115
Provision for doubtful debts	7,403	10,770
Reversal of provision against stock-in-trade	(5,003)	(19,118)
Interest income	(154,705)	(152,499)
	<u>769,633</u>	<u>307,652</u>
Movement in:		
Working capital	(251,971)	3,847,589
Long term loans	(4,493)	(20,213)
Long term deposits and prepayments	(2,789)	(445)
Net cash generated from operations	<u>510,380</u>	<u>4,134,583</u>
Payments against deferred liabilities - staff retirement benefits	(737)	-
Tax paid	(263,506)	(164,545)
Net cash generated from operating activities	<u>246,137</u>	<u>3,970,038</u>
Cash flows from investing activities		
Payments for capital expenditure	(79,047)	(179,302)
Proceeds from disposal of fixed assets	2,180	840
Interest received	220,774	152,499
Net cash generated from / (used in) investing activities	<u>143,907</u>	<u>(25,963)</u>
Cash flows from financing activities		
Dividend paid	(3,648,592)	-
Net cash used in financing activities	<u>(3,648,592)</u>	<u>-</u>
Net cash (utilised) / generated during the period	<u>(3,258,548)</u>	<u>3,944,075</u>
Cash and cash equivalents at the beginning of the period	4,560,719	223,175
Cash and cash equivalents at the end of the period	<u>1,302,171</u>	<u>4,167,250</u>
Movement in working capital		
Decrease / (increase) in current assets		
Stores and spares	442	5,381
Stock-in-trade	(11,801)	91,372
Trade debts	(312,218)	(115,834)
Loans and advances	(26,819)	21,925
Trade deposits and short-term prepayments	(13,822)	11,150
Other receivables	8,039	3,618,401
	<u>(356,179)</u>	<u>3,632,395</u>
Increase in current liabilities		
Trade and other payables	104,208	215,194
	<u>(251,971)</u>	<u>3,847,589</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.


Mueen Afzal
 Chairman / Director


Jehanzeb Khan
 Chief Executive


Zia U Syed
 Chief Financial Officer

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter and nine months period ended 30 September 2013

1. Reporting entity

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

2. Basis of preparation

2.1 Statement of compliance

This 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 or directives issued by Securities and Exchange Commission of Pakistan (SECP) 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 Karachi, Lahore and Islamabad Stock Exchanges. 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 31 December 2012.

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 31 December 2012, 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 period ended 30 September 2012.

2.2 Judgments and estimates

In preparing this condensed interim financial information, management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2012.

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

Except as described below, 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 31 December 2012.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 01 January 2013:

- Presentation of items of "Other Comprehensive Income" (Amendments to IAS 1) (See 3.1)
- IAS 19 "Employee Benefits" (See 3.2)
- Annual Improvements to IFRS 2009 – 2011 Cycle (See 3.3)

The nature and the effect of the changes are further explained below:

3.1 Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Company now presents items of other comprehensive income in its condensed interim statement of other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be.

The adoption of the amendment to IAS 1 has no impact on the recognized assets, liabilities and comprehensive income of the Company.

3.2 Defined benefit plans

As a result of IAS 19 (2011), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit and recognition of actuarial gain/loss.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter and nine months period ended 30 September 2013

Under IAS 19, the Company determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets; and
- Interest on the effect on the asset ceiling.

Previously, the Company determined interest income on plan assets based on their long term rate of expected return.

All the changes in present value of defined benefit obligation are now recognized in the condensed interim statement of comprehensive income and the past service costs are recognized in condensed interim profit and loss account, immediately in the period they occur.

The change in accounting policy has been applied retrospectively. The effect of the change is as follows:

	Amounts in Rs '000			
	31 December 2012		31 December 2011	
	Previously reported	Restated	Previously reported	Restated
<u>Condensed Interim Balance Sheet</u>				
Deferred tax assets - net	163,334	211,485	183,658	221,314
Revenue reserve - unappropriated profit	4,575,166	4,485,743	4,206,787	4,136,854
Deferred liabilities	41,409	46,549	25,061	28,985
Trade and other payables	1,181,176	1,313,610	823,714	927,379
			30 September 2012	
			Previously reported	Defined benefit plans
				Restated
<u>Condensed Interim Profit and Loss Account</u>				
Cost of sales		(2,455,152)	2,467	(2,452,685)
Selling and distribution expenses		(637,807)	6,169	(631,638)
Administrative and general expenses		(396,804)	3,701	(393,103)
<u>Condensed Interim Statement of Comprehensive Income</u>				
Actuarial losses on defined benefit plan		-	(34,826)	(34,826)
Effect on taxation		-	12,190	12,190

3.3 Segment information

The amendment to IAS 34 clarifies that the Company needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Company's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. Since the financial statements of the Company are prepared on the basis of single reportable segment, the said amendment is not expected to have any impact.

	Note	(Unaudited)	(Audited)
		30 September 2013	31 December 2012
4. Fixed assets			
Property, plant and equipment	4.1	1,359,588	1,381,425
Capital work-in-progress	4.2	21,241	45,144
Intangibles	4.3	30,873	43,020
		1,411,702	1,469,589

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter and nine months period ended 30 September 2013

Amounts in Rs '000

- 4.1 This includes the cost of operating property, plant and equipment that have been added / disposed off during the nine months period ended 30 September 2013, detail of which is as follows:

	Additions		Disposals	
	For the nine months period ended 30 September 2013	For the nine months period ended 30 September 2012	For the nine months period ended 30 September 2013	For the nine months period ended 30 September 2012
Buildings on freehold land	29,939	15,501	8,652	-
Plant and machinery	50,787	103,617	10,809	2,596
Rolling stock and vehicles	732	-	-	-
Furniture and equipment	13,208	71,839	9,866	112
	94,666	190,957	29,327	2,708

- 4.2 The following is a detail of capital work-in-progress:

	Note	(Unaudited)	(Audited)
		30 September 2013	31 December 2012
Civil works and buildings		2,166	25,617
Plant and machinery		19,062	18,980
Equipment		13	547
		21,241	45,144

- 4.3 This includes additions of intangible assets amounting to Rs. 7.223 million during the nine months period ended 30 September 2013 (30 September 2012: Rs. 1.335 million).

5. Long term loans - Considered good

Due from executive directors, executives and employees	5.1	85,638	79,310
Less: current portion shown under current assets	5.1	22,428	20,593
		63,210	58,717

- 5.1 Loans to employees are provided for purchase of motorcycle, motor car and construction of house. Vehicle loans are secured against registration documents of vehicles and house building loans are secured against provident fund, gratuity, pension or any other dues payable to the employee.

- 5.2 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.

- 5.3 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 Rs. 3.572 million and Rs. 59.086 million (31 December 2012: Rs. 6.251 million and Rs. 43.749 million) respectively.

6. Stock-in-trade

Out of the total carrying value of inventory Rs. 4.372 million (31 December 2012: Rs. 6.031 million) is measured at net realizable value. As at 30 September 2013 stock has been written down by Rs. 1.249 million (31 December 2012: Rs. 1.743 million) to arrive at its net realizable value.

7. Other receivables

This includes balance amounting to Rs. 14.751 million (31 December 2012: Rs. 14.742 million) receivable from associated undertakings.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter and nine months period ended 30 September 2013

		Amounts in Rs '000	
		(Unaudited)	(Audited)
		30 September 2013	31 December 2012
8. Cash and bank balances	Note		
Cash in hand		18,108	9,653
Cash at bank - current accounts		217,286	280,097
Short term deposits	8.1	1,066,777	4,270,969
		<u>1,302,171</u>	<u>4,560,719</u>
8.1	These represent Term Deposit Receipts placed with a commercial bank, having maturity periods ranging from 4 days to 3 months. These carry mark-up at the rates ranging from 7.2 % to 7.6 % per annum.		
9. Short term finances	The facility for running finance and issuance of letters of credit is available from a commercial bank and amounted to Rs. 475 million at a mark-up rate of 1 month KIBOR plus 1% per annum. The facility 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.		
10. Trade and other payables	This includes balance amounting to Rs. 132.912 million (31 December 2012: Rs. 72.262 million) payable to associated undertakings.		
11. Contingencies and commitments			
11.1	Claims against the Company not acknowledged as debts are as follows:		
		-	453
		91,087	91,087
		165,998	34,435
		<u>257,085</u>	<u>125,975</u>
11.2	Commitments in respect of capital expenditure	<u>36,989</u>	<u>28,787</u>
11.3	A notice was issued by the Environmental Protection Authority (EPA) against the Company. Pursuant to this an order was passed by the EPA for violation of certain provisions of the 'Environmental Protection Act, 1997'. The Company filed an appeal against the order in the EPA tribunal. A number of hearings were held by the tribunal and the final outcome is that the Company has been cleared of all the allegations raised by the environment department. Detailed judgment from the EPA tribunal is still awaited.		
11.4	Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles are as follows:		
	Year		
	2013	4,679	12,634
	2014	18,717	11,501
	2015	17,627	9,940
	2016	13,420	5,281
	2017	4,334	-
		<u>58,777</u>	<u>39,356</u>
	Payable not later than one year	18,717	12,634
	Payable later than one year but not later than five years	40,060	26,722
		<u>58,777</u>	<u>39,356</u>
11.5	Outstanding foreign exchange contracts as at 30 September 2013 entered into by the Company amounted Rs. 90.285 million (31 December 2012: Nil).		

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter and nine months period ended 30 September 2013

Amounts in Rs '000

	Unaudited			
	For the quarter ended 30 September 2013	For the nine months period ended 30 September 2013	For the quarter ended 30 September 2012 (Restated)	For the nine months period ended 30 September 2012 (Restated)
12. Cost of sales				
Opening stock of raw and packing materials	263,907	289,964	422,830	438,071
Purchases	715,434	2,100,593	581,582	2,019,735
	979,341	2,390,557	1,004,412	2,457,806
Closing stock of raw and packing materials	(309,885)	(309,885)	(358,295)	(358,295)
Raw and packing materials consumed	669,456	2,080,672	646,117	2,099,511
Manufacturing costs	141,116	372,139	110,418	303,233
	810,572	2,452,811	756,535	2,402,744
Opening stock of work-in-process	17,646	23,353	29,669	35,692
	828,218	2,476,164	786,204	2,438,436
Closing stock of work-in-process	(22,235)	(22,235)	(27,287)	(27,287)
Cost of goods manufactured	805,983	2,453,929	758,917	2,411,149
Opening stock of finished goods	191,066	220,309	274,675	283,402
Finished goods purchased	33,599	122,404	23,097	57,463
	1,030,648	2,796,642	1,056,689	2,752,014
Closing stock of finished goods	(218,310)	(218,310)	(299,329)	(299,329)
	812,338	2,578,332	757,360	2,452,685
13. Taxation				
Current	83,168	251,743	28,949	107,167
Deferred	20,267	86,113	13,603	25,483
	103,435	337,856	42,552	132,650

14. Transactions with related parties

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

Holding Company

Dividend paid	-	2,490,732	-	-
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Associates

Purchase of goods, materials and services	31,758	159,927	15,172	61,159
Indenting commission income	848	3,412	-	-
Sale of good and services	154	1,113	-	-
Reimbursement of expenses	4,739	7,298	-	-
Contribution to staff retirement benefit plan:	18,669	64,195	33,995	33,995
	56,168	2,726,677	49,167	95,154

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

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter and nine months period ended 30 September 2013

Transactions with key management personnel

During the nine months period ended 30 September 2013, key management personnel received an amount of Rs. 67.567 million (30 September 2012: Rs. 71.613 million) on account of remuneration out of which Rs. 11.433 million (30 September 2012: Rs. 9.448 million) relates to post employment benefits.

15. Operating segments

- 15.1** These financial statements have been prepared on the basis of single reportable segment.
- 15.2** Revenue from sale of paints represents 99.34% (30 September 2012: 99.52%) of the total revenue of the Company.
- 15.3** 98.49% (30 September 2012: 98.56 %) sales of the Company relate to customers in Pakistan.
- 15.4** All non-current assets of the Company as at 30 September 2013 are located in Pakistan.

16. 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 31 December 2012.


17. Date of authorization

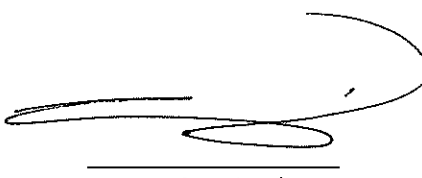
The condensed interim financial information was authorized for issue in the Board of Directors meeting held on 27 October 2013.

18. General

- 18.1** Figures have been rounded off to the nearest thousand rupees except as stated otherwise.
- 18.2** Corresponding figures have been rearranged / reclassified wherever necessary. However, no major rearrangement / reclassification has been made during the nine months period ended 30 September 2013.


Mueen Afzal
Chairman / Director


Jehanzeb Khan
Chief Executive


Zia U Syed
Chief Financial Officer