

Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter ended March 31, 2015

Contents

- Company Information
- Review of the Directors
- Condensed Interim Balance Sheet
- Condensed Interim Profit and Loss Account
- Condensed Interim Statement of Comprehensive Income
- Condensed Interim Statement of Changes in Equity
- Condensed Interim Cash Flow Statement
- Notes to the Condensed Interim Financial Information

Company Information

Board of Directors

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

Audit Sub Committee

Zia Ur Rehman	<i>Chairman</i>
Mueen Afzal	<i>Member</i>
Bart Kaster	<i>Member</i>
Michiel Franse	<i>Member</i>

Human Resource & Remuneration Sub Committee

Mueen Afzal	<i>Chairman</i>
Peter Tomlinson	<i>Member</i>
Jehanzeb Khan	<i>Member</i>

Share Transfer Committee

Jehanzeb Khan	<i>Chief Executive</i>
Harris Mahmood	<i>Chief Financial Officer</i>
Saira Soofi	<i>Company Secretary</i>

Chief Financial Officer

Harris Mahmood

Company Secretary

Saira Soofi

Executive Management Team

Jehanzeb Khan	<i>Chief Executive</i>	Harris Mahmood	<i>Chief Financial Officer</i>
Rizwan Afzal	<i>Operations Manager</i>	Bashar Rasheed	<i>Supply Chain Manager</i>
Shahid Sultan Butt	<i>Technical Manager (R&D)</i>	Saad Mehmood Rashid	<i>Business Manager - Decorative Business</i>
Usman Ali Jamil	<i>HR Business Partner</i>	Imran Qureshi	<i>Business Manager - Performance Coatings Business</i>

Bankers

Citibank N.A.

Deutsche Bank Limited A.G

United Bank Limited

Habib Metropolitan Bank Limited

Barclays Bank PLC

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 - 74000

Tel: (021) 34380101-5

Fax: (021) 34380106

Review of the Directors

For the quarter ended March 31, 2015

The Directors are pleased to present their review along with the un-audited financial statements of the Company for the quarter ended March, 31 2015.

Financial Performance

Turnover for the quarter was in line with last year; however, gross profit increased by 8% due to lower raw material prices as a result of a significant reduction in petroleum prices. The operating result at PKR 146m was 10% higher than last year with higher unit margins being supported by savings in manufacturing as well as general and administrative expenses. Other income was lower by 25% as Q1 2014 witnessed a significant foreign exchange gain on liabilities due to appreciation of PKR versus all major currencies. Accordingly, EPS for Q1 at PKR 2.44 was 6% higher than same period last year.

	PKR million		
	For the quarter ended March 31 2015	For the quarter ended March 31 2014	Increase (Decrease) %
Turnover	1,651	1650	-
Net Sales Income	1,149	1,187	(3)
Gross Profit	455	420	8
Operating Results	146	133	10
Profit Before Tax	168	165	2
Profit After Tax	113	107	6
Earnings Per Share - Rs	2.44	2.30	6

The company contributed PKR 212 million to the national exchequer through taxes, duties and other levies during Q1 2015 (Q1 2014: PKR 294m)

Business Performance

Lower oil prices resulted in lower raw material prices and subsequently higher profit margins which all manufacturers passed on to the market in the form of lucrative foreign schemes and heavy discounts to secure shelf space. The Company also offered highly lucrative foreign schemes and promotional schemes to keep the trade channel engaged.

The Automotive OEM sector is growing on the back of Taxi Scheme launched by the government as well the introduction of the new model Corolla launched by Indus Motors. The tractors segment benefited because the company was able to win a new customer along with reduction in the GST on tractors.

Future Outlook

The company plans to launch its premium exterior paint media campaign in Q2 to improve brand equity and to increase brand pull. Other initiatives to engage influencers and channel partners are also planned to improve attractiveness of our products and support offtake at retail counters.

Automotive OEM sector is expected to continue the strong performance witnessed in Q1. The company continues to aggressively market new products in the AkzoNobel's portfolio of Specialty Chemicals, Metal Coatings and Protective Coatings.

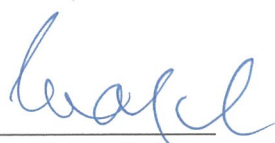

Mueen Afzal
Chairman / Director


Jehanzeb Khan
Chief Executive

Akzo Nobel Pakistan Limited
Condensed Interim Balance Sheet (Unaudited)
As at March 31, 2015

		Amounts in Rs '000	
		(Unaudited)	(Audited)
		March 31, 2015	December 31, 2014
ASSETS	Note		
Non-current assets			
Property, plant and equipment	4	1,252,980	1,277,471
Intangibles		5,399	6,397
Long term loans	5	66,615	64,591
Long term deposits and prepayments		5,629	5,754
Deferred tax asset - net		191,675	184,101
		<u>1,522,298</u>	<u>1,538,314</u>
Current assets			
Stores and spares		19,119	19,368
Stock-in-trade	6	421,511	359,589
Trade debts		665,110	509,976
Loans and advances		34,370	33,098
Trade deposits and short-term prepayments		39,109	17,347
Interest accrued		2,221	3,116
Other receivables	7	12,179	12,637
Cash and bank balances	8	1,279,092	1,479,922
		<u>2,472,711</u>	<u>2,435,053</u>
		<u><u>3,995,009</u></u>	<u><u>3,973,367</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
100,000,000 (2014: 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 (2014: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves		1,363,784	1,249,630
		<u>1,828,217</u>	<u>1,714,063</u>
Surplus on revaluation of fixed assets		879,438	880,198
Non-current liabilities			
Deferred liabilities - Staff retirement benefits		44,881	44,227
Current liabilities			
Trade and other payables	9	1,177,788	1,278,991
Provision for taxation		64,685	55,888
		<u>1,242,473</u>	<u>1,334,879</u>
Contingencies and commitments	10		
		<u><u>3,995,009</u></u>	<u><u>3,973,367</u></u>

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



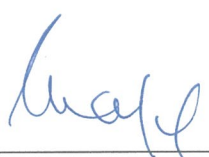
Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Profit and Loss Account (Unaudited)
For the quarter ended March 31, 2015

Amounts in Rs '000

	Note	For the quarter ended March 31, 2015	For the quarter ended March 31, 2014
Turnover		1,651,469	1,649,637
Sales tax, excise duty and discounts		(502,176)	(462,523)
Net Sales		1,149,293	1,187,114
Cost of sales	11	(694,491)	(766,969)
Gross profit		454,802	420,145
Selling and distribution expenses		(217,217)	(189,900)
Administrative and general expenses		(91,271)	(97,414)
Operating result		146,314	132,831
Finance cost		(2,914)	(8,201)
Other charges		(14,663)	(12,676)
		(17,577)	(20,877)
Other income		39,506	52,582
Profit before taxation		168,243	164,536
Taxation	12	(54,849)	(57,512)
Profit after taxation		113,394	107,024
Earnings per share - Basic and diluted - Rupees		2.44	2.30

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive

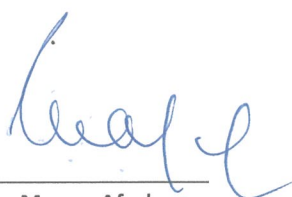


Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Comprehensive Income (Unaudited)
For the quarter ended March 31, 2015

	Amounts in Rs '000	
	For the quarter ended March 31, 2015	For the quarter ended March 31, 2014
Profit for the period	113,394	107,024
Other comprehensive income	-	-
Total comprehensive income for the period	113,394	107,024

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



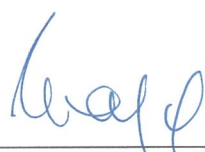
Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Changes in Equity (Unaudited)
For the quarter ended March 31, 2015

Amounts in Rs '000

	Capital reserves		Revenue reserve	Total	
	Share capital	Share premium	Capital receipts		Unappropriated profit
Balance at January 01, 2014	464,433	156,006	196	1,374,519	1,995,154
Profit for the period	-	-	-	107,024	107,024
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the quarter ended March 31, 2014	-	-	-	107,024	107,024
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	737	737
Balance at March 31, 2014	464,433	156,006	196	1,482,280	2,102,915
Profit for the period	-	-	-	351,832	351,832
Other comprehensive income for the period	-	-	-	23,376	23,376
Total comprehensive income for the nine months period ended December 31, 2014	-	-	-	375,208	375,208
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	2,257	2,257
Transactions with owners of the Company recognised 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
Profit for the period	-	-	-	113,394	113,394
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the quarter ended March 31, 2015	-	-	-	113,394	113,394
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	760	760
Balance at March 31, 2015	464,433	156,006	196	1,207,582	1,828,217

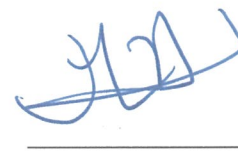
The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



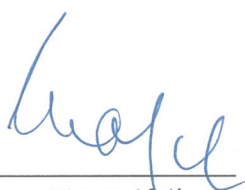
Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Cash Flow Statement (Unaudited)
For the quarter ended March 31, 2015

Amounts in Rs '000

	For the quarter ended March 31, 2015	For the quarter ended March 31, 2014
Cash flows from operating activities		
Profit before taxation	168,243	164,536
Adjustments for:		
Depreciation and amortisation	32,105	41,157
Loss on disposal of property, plant and equipment	2,635	658
Provision for employee benefits obligation	12,109	13,505
Provision for doubtful debts	11,515	13,565
Reversal of provision for obsolete stock	(1,193)	(1,197)
Interest income	(21,321)	(25,902)
	204,093	206,322
Movement in working capital:		
<i>Decrease / (increase) in current assets</i>		
Stores and spares	249	264
Stock-in-trade	(60,729)	36,536
Trade debts	(166,649)	(110,862)
Loans and advances	(1,272)	(3,513)
Trade deposits and short-term prepayments	(21,762)	(21,997)
Other receivables	458	11,495
	(249,705)	(88,077)
<i>Decrease in current liabilities</i>		
Trade and other payables	(104,006)	(169,442)
Net cash used in operations	(149,618)	(51,197)
Long term loans	(2,024)	(4,224)
Long term deposits and prepayments	125	154
Employee benefits paid	(7,937)	(7,090)
Tax paid	(53,628)	(68,732)
Net cash used in operating activities	(213,082)	(131,089)
Cash flows from investing activities		
Payments for capital expenditure	(10,170)	(17,421)
Proceeds from disposal of fixed assets	206	460
Interest received	22,216	26,361
Net cash generated from investing activities	12,252	9,400
Net cash utilised during the period	(200,830)	(121,689)
Cash and cash equivalents at the beginning of the period	1,479,922	1,404,506
Cash and cash equivalents at the end of the period	1,279,092	1,282,817

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended March 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 and was subsequently 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, Ferozpur 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 December 31, 2014.

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, 2014, 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 unaudited condensed interim financial information for the three months ended March 31, 2014.

2.2 Judgments and estimates

In preparing this condensed interim financial information, management makes 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 were the same as those that applied to the financial statements as at and for the year ended December 31, 2014.

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, 2014.

		Amounts in Rs '000	
		(Unaudited)	(Audited)
		March 31, 2015	December 31, 2014
	Note		
4. Property, plant and equipment			
Property, plant and equipment	4.1	1,222,706	1,247,850
Capital work-in-progress	4.2	30,273	29,621
		1,252,980	1,277,471

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended March 31, 2015

- 4.1 This includes the cost of operating property, plant and equipment that have been added / disposed off during the quarter ended March 31, 2015, detail of which is as follows:

	Amounts in Rs '000			
	Additions		Disposals	
	For the quarter ended March 31, 2015	For the quarter ended March 31, 2014	For the quarter ended March 31, 2015	For the quarter ended March 31, 2014
Buildings on freehold land	2,611	-	-	-
Plant and machinery	5,791	8,511	54,092	10,800
Vehicles	-	461	-	-
Furniture and equipment	400	3,865	442	1,005
	8,802	12,837	54,534	11,805

	Note	(Unaudited)	(Audited)
		March 31, 2015	December 31, 2014
4.2 The following is a detail of capital work-in-progress:			
Civil works and buildings		4,183	5,324
Plant and machinery		26,073	23,688
Equipments		17	609
		30,273	29,621

5. Long term loans - Considered good

	Note	(Unaudited)	(Audited)
		March 31, 2015	December 31, 2014
Due from executives and employees	5.1	88,492	95,938
Recoverable within one year	5.1	(21,877)	(31,347)
		66,615	64,591

- 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 motorcycles, 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 director and other executives at the end of any month during the period was nil and Rs. 63.88 million (December 31, 2014: Rs. 0.89 million and Rs. 74.21 million) respectively.

6. Stock-in-trade

Out of the total carrying value of inventory Rs. 0.69 million (December 31, 2014: Rs. 0.71 million) is measured at net realizable value. As at March 31, 2015 stock has been written down by Rs. 0.49 million (December 31, 2014: Rs. 0.45 million) to arrive at its net realizable value.

7. Other receivables

This includes balance amounting to Rs. 12.93 million (December 31, 2014: Rs. 6.80 million) receivable from associated undertakings.

8. Cash and bank balances

Cash in hand		6,435	8,927
Cash at bank - current accounts		253,187	333,077
Short term deposits	8.1	1,019,470	1,137,918
		1,279,092	1,479,922

- 8.1 These represent Term Deposit Receipts placed with commercial banks, having maturity periods ranging from 7 to 33 days (December 31, 2014: 2 to 33 days). The mark-up on these deposits ranges between 6.86% to 7.34% (December 31, 2014: 7% to 8.47%) per annum.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended March 31, 2015

- 8.2 The facility for running finance and issuance of letters of credit is available from Deutsche Bank amounting to Rs. 391 million (December 31, 2014: 391 million). The facility carries mark-up rate of 1 month KIBOR plus 1% per annum (December 31, 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, 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, 2014: 300 million) carrying commission / mark-up rate of 0.075% (December 31, 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.

9. Trade and other payables

This includes balance amounting to Rs. 207.5 million (December 31, 2014: Rs. 202.2 million) payable to associated undertakings.

Amounts in Rs '000

(Unaudited)	(Audited)
March 31, 2015	December 31, 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	10,887	10,887
	<u>101,974</u>	<u>101,974</u>

10.2 Commitments in respect of capital expenditure

	<u>12,230</u>	<u>8,304</u>
--	---------------	--------------

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

Year		
2015	13,496	19,434
2016	17,973	18,724
2017	14,173	13,242
2018	7,575	6,563
2019	3,321	2,539
2020	201	-
	<u>56,739</u>	<u>60,502</u>
Payable not later than one year	17,995	19,434
Payable later than one year but not later than five years	38,744	41,068
	<u>56,739</u>	<u>60,502</u>

Unaudited

11. Cost of sales

	For the quarter ended March 31, 2015	For the quarter ended March 31, 2014
Raw and packing materials consumed	583,657	562,589
Manufacturing costs	122,699	122,419
	<u>706,356</u>	<u>685,008</u>
Opening stock of work-in-process	10,069	18,498
Closing stock of work-in-process	(12,262)	(23,922)
Cost of goods manufactured	<u>704,163</u>	<u>679,584</u>
Opening stock of finished goods	165,826	260,776
Finished goods purchased	26,392	37,120
Closing stock of finished goods	(201,890)	(210,511)
	<u>694,491</u>	<u>766,969</u>

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended March 31, 2015

Amounts in Rs '000

	Unaudited	
	For the quarter ended March 31, 2015	For the quarter ended March 31, 2014
12. Taxation		
Current	62,423	56,444
Deferred	(7,574)	1,068
	<u>54,849</u>	<u>57,512</u>

13. 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:

Associates

Purchase of goods, materials and services	59,425	71,816
Indenting commission income	1,876	894
Sale of good and services	477	409
Reimbursement of expenses	3,333	5,138
Royalty paid	-	16,180
Contribution to staff retirement benefit plans	7,032	14,341
	<u>72,143</u>	<u>108,778</u>

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

During the quarter ended March 31, 2015, key management personnel received an amount of Rs. 35.49 million (March 31, 2014: Rs. 49.46 million) on account of remuneration out of which Rs. 3.97 million (March 31, 2014: Rs. 3.82 million) relates to post employment benefits.

14. Operating segments

- 14.1 These financial statements have been prepared on the basis of single reportable segment.
- 14.2 Revenue from sale of paints represents 98.29% (March 31, 2014: 99.18%) of the total revenue of the Company.
- 14.3 100% (March 31, 2014: 99.69%) sales of the Company relate to customers in Pakistan.
- 14.4 All non-current assets of the Company as at March 31, 2015 are located in Pakistan.

15. 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, 2014.

16. Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on April 29, 2015.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended March 31, 2015

17. General

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

17.2 Corresponding figures have been rearranged / reclassified wherever necessary. However, no major rearrangement / reclassification has been made during the quarter ended March 31, 2015.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer