

Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter and nine months period ended September 30, 2017

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Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Jeremy Rowe	Non-Executive
Jehanzeb Khan	Chief Executive	Sebastian Tan	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
Sebastian Tan	Member

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Jeremy Rowe	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
Farooq Ayub Khan	Operations Manager	Muhammad Rizwan	Supply Chain Manager
Usman Ali Jamil	HR Business Partner	Saad Mahmood Rashid	Business Manager - Decorative Paints
		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, 2017

The Directors are pleased to present their review along with the condensed interim financial statements of the Company for the nine months ended September 30, 2017.

Financial Performance

Raw material prices continued their upward trajectory since start of the year primarily due to global prices and product shortage. Even with increase in price of selected lines margins still remained lower than last year.

Despite inflationary trend and presence of informal sector turnover for the nine months registered growth of 11% above the same period last year. This was on the back of increased channel engagement as well as due to the launch of innovative products. Increase in the demand for Automotive OEMs as well as the commencement of CPEC projects has also driven growth in the company's sales. Accordingly operating results at PKR 571m was in line with last year. Company continued focus on cost management to mitigate the impact of lower gross margin and Operating cost increased by 1% only. In the Finance Act 2017 Government extended the Super Tax for yet another year which increased effective tax rate to 34%. Profit after tax, at PKR 390m and EPS at PKR 8.39 were 3% higher than the same period last year.

	PKR million					
	Quarter ended Sep 30,		Increase (Decrease) %	Nine months ended Sep 30,		Increase (Decrease) %
	2017	2016		2017	2016	
Turnover	2,025	1,828	11	6,429	5,776	11
Net Sales Income	1,353	1,225	10	4,281	3,858	11
Gross Profit	517	539	(4)	1,687	1,675	1
Operating Results	138	174	(21)	571	572	0
Profit After Tax	94	118	(20)	390	378	3
Earnings Per Share - Rs	2.04	2.55	(20)	8.39	8.13	3

The company contributed PKR 192m (Q3 2016: PKR 229m) and PKR 835m (YTD 2016: PKR 841m) to the national exchequer through taxes, duties and other levies during the quarter and nine months ended September 30, 2017 respectively.

Business Performance


Unorganized sector has become more active by offering excessive discounts and lucrative incentives in the market. However the company delivered strong performance by effectively engaging trade channel and end consumers. The company launched Dulux EasyCare, a premium quality stain-repellent interior emulsion in September accompanied by a media campaign to increase brand equity. This followed launch of Dulux Weathershield Powerflexx at start of year.

Sales to the Tractor industry continued to increase as a result of a favorable change in the sales tax rate and government subsidies, while sales to energy and infrastructure projects also helped support topline growth.

Future Outlook

In the current fiscal year economy has shown mixed signs with decision on Panama papers impacting political climate and business environment. Stock exchange plugged 9% in Q3 2017.

The Company is optimistic and aggressive with regards to its growth prospects through continued introduction of innovative products, increase in customer base and improved service levels.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive

ڈائریکٹرز رپورٹ

30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی اور نو ماہ کا جائزہ

ایگزونوبل کے بورڈ آف ڈائریکٹرز 30 ستمبر 2017ء کو ختم ہونے والے سہ ماہی اور نو ماہ کا جائزہ پیش کرنے پر مسرت کا اظہار کرتے ہیں۔

مالیاتی کارکردگی:

خام مال کی قیمتوں میں سال کے شروع میں ہی بنیادی طور پر تیزی کا رجحان دیکھا گیا۔ اس تیزی کی وجہ عالمی قیمتوں میں اضافہ اور مصنوعات کی قلت ہے۔ منتخب کردہ لائینز کی قیمت میں اضافے کے باوجود مارجن گزشتہ سال کے مقابلے میں کم دیکھا گیا۔

خام مال کی قیمتوں میں غیر معمولی رجحان اور غیر رسمی شعبے کی موجودگی کے باوجود پچھلے سال اسی مدت کے مقابلے میں نو ماہ کے ٹرن اوور میں 11 فیصد اضافہ ہوا۔ اس کی وجہ چینل سے وابستگی اور نئی مصنوعات کا متعارف کرانا ہے۔ Automotive شعبے کی طلب میں اضافہ اور CPEC منصوبوں کے آغاز کی وجہ سے بھی کمپنی کی فروخت میں اضافہ ہوا ہے۔ اسی طرح آپریٹنگ نتائج PKR 571m گزشتہ سال کے برابر ہے۔

کمپنی نے کم مجموعی مالیت کے اثرات کو کم کرنے کیلئے آپریٹنگ لاگت کو صرف 1 فیصد سے بڑھایا ہے۔ فنانس ایکٹ 2017 میں حکومت نے سپر ٹیکس کو ایک اور سال بڑھایا جس سے منوٹر ٹیکس کی شرح 34 فیصد ہو گئی ہے۔ ٹیکس کے بعد منافع PKR 390m اور EPS PKR 8.39 پر رہا جو گزشتہ سال اسی مدت کے مقابلے میں 3 فیصد زیادہ تھا۔

کمپنی نے حکومتی خزانہ میں مختلف ٹیکس اور لیوی کی صورت میں تیسری سہ ماہی کے دوران PKR 192 m جمع کرا دیئے۔

کاروباری کارکردگی:

مارکیٹ میں غیر منظم شدہ شعبے زیادہ فعال ہو چکے ہیں۔ تاہم کمپنی نے تجارتی چینل اور صارفین کو منوٹر طور پر منسلک کر کے منظوم کارکردگی کا مظاہرہ کیا۔ کمپنی نے ستمبر میں برانڈ ایکٹیوٹی کو بڑھانے کیلئے ایک میڈیا مہم کے ساتھ ایک پریکٹس معیار کے برانڈ Dulux Easy Care کا آغاز کیا۔ ٹریڈر انڈسٹری کی فروخت میں سیلز ٹیکس کی شرح اور سرکاری سبسڈیوں میں مناسب تبدیلی کے نتیجے میں اضافہ ہوا جبکہ توانائی کے منصوبوں کی فروخت میں بھی اضافہ دیکھا گیا۔

مستقبل کے نقطہ نظر:

موجودہ سال کی معیشت میں پانامہ کیس پر فیصلے کے ساتھ سیاسی اور کاروباری ماحول پر اثر ہوا ہے۔ سٹاک مارکیٹ میں تیسری سہ ماہی میں 9 فیصد تک مندی دیکھی گئی۔ کمپنی اپنی ترقی کے حصول کیلئے جارحانہ انداز میں پرامید ہے اور اس کو پانے کیلئے جدید مصنوعات کا آغاز، صارفین کی تعداد اور بہتر خدمت کا جذبہ جاری رکھے گی۔



معین انوار

چیرمین



جہان زیب خان

چیف ایگزیکٹو

Akzo Nobel Pakistan Limited
Condensed Interim Balance Sheet (Un-audited)
As at September 30, 2017

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30,	December 31,
Note		2017	2016
ASSETS			
Non-current assets			
	Property, plant and equipment	1,937,143	1,840,208
	Intangible assets	13	674
	Long term loans	86,588	87,040
	Long term deposits and prepayments	6,460	4,658
	Deferred tax asset - net	139,144	135,690
		<u>2,169,348</u>	<u>2,068,270</u>
Current assets			
	Stores and spares	21,846	18,603
	Stock-in-trade	738,489	468,549
	Trade debts	829,571	493,199
	Loans and advances	58,675	62,529
	Trade deposits and short-term prepayments	44,311	20,775
	Other receivables	18,167	20,944
	Income tax receivable	16,653	1,729
	Interest accrued	2,714	4,754
	Cash and bank balances	1,347,816	1,927,584
		<u>3,078,242</u>	<u>3,018,666</u>
		<u>5,247,590</u>	<u>5,086,936</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
	Authorised capital		
	100,000,000 (2016: 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 (2016: 46,443,320) ordinary shares of Rs. 10 each	464,433	464,433
	Reserves		
	- Capital reserves	156,202	156,202
	- Revenue reserve	1,709,445	1,590,787
		<u>1,865,647</u>	<u>1,746,989</u>
		<u>2,330,080</u>	<u>2,211,422</u>
	Surplus on revaluation		
	of property, plant and equipment	1,316,899	1,347,799
	Non-current liabilities		
	Deferred liabilities	60,094	57,210
	Current liabilities		
	Trade and other payables	1,540,517	1,470,505
		<u>1,540,517</u>	<u>1,470,505</u>
	Contingencies and commitments		
		<u>5,247,590</u>	<u>5,086,936</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

Alkzo Nobel Pakistan Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the quarter and nine months period ended September 30, 2017

		Amounts in Rs '000			
		Quarter ended		Nine months ended	
Note		September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	Turnover	2,025,254	1,828,582	6,429,398	5,776,150
	Sales tax, excise duty and discounts	(671,796)	(603,141)	(2,148,628)	(1,918,370)
	Net Sales	1,353,458	1,225,441	4,280,770	3,857,780
	Cost of sales	(836,361)	(686,834)	(2,593,590)	(2,182,385)
	Gross profit	517,097	538,607	1,687,180	1,675,395
	Selling and distribution expenses	(300,402)	(287,358)	(873,644)	(866,406)
	Administrative and general expenses	(78,762)	(76,806)	(242,556)	(237,093)
	Operating profit	137,933	174,443	570,980	571,896
	Finance cost	(2,795)	(281)	(2,287)	(3,861)
	Other charges	(11,960)	(14,875)	(46,522)	(46,691)
		(14,755)	(15,156)	(48,809)	(50,552)
	Other income	15,015	22,642	68,843	86,833
	Profit before taxation	138,193	181,929	591,014	608,177
	Taxation	(43,700)	(63,386)	(201,373)	(230,627)
	Profit for the period	94,493	118,543	389,641	377,550
	Earnings per share				
	- Basic and diluted - Rupees	2.04	2.55	8.39	8.13

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 quarter and nine months period ended September 30, 2017

	Amounts in Rs '000			
	Quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Profit for the period	94,493	118,543	389,641	377,550
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	94,493	118,543	389,641	377,550

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, 2017

Amounts in Rs '000

	Capital reserves		Revenue reserve	Total	
	Share capital	Share premium	Capital receipts		Unappropriated profit
Balance as on December 31, 2015 (audited)	464,433	156,006	196	1,383,041	2,003,676
Total comprehensive income for the nine months period ended September 30, 2016					
Profit for the period	-	-	-	377,550	377,550
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	377,550	377,550
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	(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	-	-	-	(301,884)	(301,884)
Balance as on September 30, 2016 (un-audited)	464,433	156,006	196	1,458,464	2,079,099
Profit for the period	-	-	-	113,187	113,187
Other comprehensive income for the period	-	-	-	2,135	2,135
Total comprehensive income for the three months period ended December 31, 2016	-	-	-	115,322	115,322
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	17,001	17,001
Balance as on December 31, 2016 (audited)	464,433	156,006	196	1,590,787	2,211,422
Profit for the period	-	-	-	389,641	389,641
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	389,641	389,641
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	30,901	30,901
Transactions with owners of the Company recognised directly in equity					
Final dividend for the year ended December 31, 2016 @ Rs. 6.50 per share	-	-	-	(301,884)	(301,884)
Balance as on September 30, 2017 (un-audited)	464,433	156,006	196	1,709,445	2,330,080

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, 2017

	Amounts in Rs '000	
	Nine months ended	
	September 30, 2017	September 30, 2016
Cash flows from operating activities		
Profit before taxation	591,014	608,177
Adjustments for:		
Depreciation and amortization	102,275	67,550
Gain on disposal of property, plant and equipment	(377)	(161)
Provision for employee benefits obligation	26,424	24,595
Reversal of provision for doubtful debts	(9,940)	(14,365)
Provision for slow moving and obsolete stocks	10,254	8,956
Interest income	(51,494)	(56,115)
	<u>668,156</u>	<u>638,637</u>
Movement in working capital:		
Decrease / (increase) in current assets		
Stores and spares	(3,243)	(2,240)
Stock-in-trade	(280,194)	(181,886)
Trade debts	(326,432)	(65,679)
Loans and advances	3,854	(24,458)
Trade deposits and short-term prepayments	(23,536)	(7,515)
Other receivables	2,777	(3,747)
	<u>(626,774)</u>	<u>(285,525)</u>
Increase in current liabilities		
Trade and other payables	74,782	73,156
Net cash generated from operations	<u>116,164</u>	<u>426,268</u>
Long term loans	452	(6,111)
Long term deposits and prepayments	(1,802)	612
Employee benefits paid	(18,782)	(19,200)
Tax paid	(219,750)	(238,176)
Net cash (used in) / generated from operating activities	<u>(123,718)</u>	<u>163,393</u>
Cash flows from investing activities		
Payments for capital expenditure	(208,310)	(22,141)
Proceeds from disposal of property, plant and equipment	447	239
Interest received	53,534	55,584
Net cash (used in) / generated from investing activities	<u>(154,329)</u>	<u>33,682</u>
Cash flows from financing activities		
Dividend paid	(301,721)	(301,720)
Net cash used in financing activities	<u>(301,721)</u>	<u>(301,720)</u>
Net cash utilised during the period	<u>(579,768)</u>	<u>(104,645)</u>
Cash and cash equivalents at the beginning of the period	<u>1,927,584</u>	<u>1,770,771</u>
Cash and cash equivalents at the end of the period	<u><u>1,347,816</u></u>	<u><u>1,666,126</u></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

Notes to the Condensed Interim Financial Information (Un-audited)

For the quarter and nine months period ended September 30, 2017

1. Legal status and nature of business

Akzo Nobel Pakistan Limited ("the Company") is a public limited company listed on the Pakistan Stock Exchange. The registered office of the Company and the factory is situated at 346, Ferozepur Road, Lahore. The Company is primarily involved in the manufacturing and sale of paints and coatings, and trading of specialty chemicals.

2. Basis of preparation

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. CLD/CCD/PR(11)/2017 dated October 4, 2017 the companies whose financial year closes on or before December 31, 2017, shall prepare financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly this condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 and is being submitted to the shareholders in accordance with Section 245 of Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued by Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

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, 2016, 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, 2016.

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, 2016.

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, 2016.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter and nine months period ended September 30, 2017

3.1 Standards, interpretations and amendments to published approved accounting standards

There are certain standards, amendments to the approved accounting standards and new interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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

IFRS 15, 'Revenue from Contracts with Customers'	January 1, 2018
IFRS 9, 'Financial Instruments'	January 1, 2018
Amendment to IFRS 9, 'Financial instruments', on general hedge accounting	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
IFRIC 23, 'Uncertainty over income tax'	January 1, 2019

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30,	December 31,
		2017	2016
	Note		
4. Property, plant and equipment			
Operating property, plant and equipment	4.1	1,874,806	1,712,717
Capital work-in-progress	4.2	62,337	127,491
		<u>1,937,143</u>	<u>1,840,208</u>
4.1 Operating property, plant and equipment			
Opening net book value		1,712,717	1,209,489
Additions during the period	4.1.1	263,772	27,580
Revaluation during the period		-	587,921
Disposals / Adjustments during the period at book value		(70)	(989)
Depreciation charged during the period		(101,613)	(111,284)
Closing net book value		<u>1,874,806</u>	<u>1,712,717</u>
4.1.1 Following is the details of additions during the period			
Freehold Land		214,561	-
Buildings on freehold land		6,654	698
Plant and machinery		28,034	16,648
Office Equipment		3,707	2,876
Vehicles		-	1,058
Furniture and equipment		10,816	6,300
		<u>263,772</u>	<u>27,580</u>
		(Un-audited)	(Audited)
		September 30,	December 31,
		2017	2016
4.2 Capital work-in-progress			
Civil works and buildings		992	3,017
Plant and machinery		57,690	33,021
Equipments		3,655	165
Advance paid for purchase of land		-	91,288
		<u>62,337</u>	<u>127,491</u>

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter and nine months period ended September 30, 2017

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2017	December 31, 2016
5. Long term loans - Considered good		
Due from executives and employees	110,372	110,430
Receivable within one year	(23,784)	(23,390)
	86,588	87,040

5.1 The maximum aggregate amount of long term loans due from the Executives at the end of any month during the period was Rs. 86.54 million (December 31, 2016: Rs. 78.24 million).

6. Stock-in-trade

Out of the total carrying value of inventory Rs. 0.11 million (December 31, 2016: Rs. 0.73 million) is measured at net realizable value. As at September 30, 2017 stock has been written down by Rs. 0.01 million (December 31, 2016: Rs. 0.33 million) to arrive at its net realizable value.

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2017	December 31, 2016
7. Trade debts		
Considered good:		
- Secured	57,970	12,744
- Unsecured	1,251,193	1,006,915
	1,309,163	1,019,659
Considered doubtful	239,583	249,523
	1,548,746	1,269,182
Less: provision for:		
- Doubtful debts	(239,583)	(249,523)
- Discounts payable on sales	(479,592)	(526,460)
	(719,175)	(775,983)
	829,571	493,199

8. Other receivables

This includes balance amounting to Rs. 15.76 million (December 31, 2016: Rs. 19.39 million) receivable from associated undertakings.

	Note	Amounts in Rs '000	
		(Un-audited)	(Audited)
		September 30, 2017	December 31, 2016
9. Cash and bank balances			
Cash in hand		8,119	14,092
Cash at bank - current accounts		216,697	95,942
Short term deposits	9.2	1,123,000	1,817,550
		1,347,816	1,927,584

9.1 Cash and bank balances include cheques in hand amounting Rs. 194.70 million (December 31, 2016: Rs. 148.24 million) and US Dollars amounting USD 3,730 (December 31, 2016: USD 3,730).

9.2 These represent Term Deposit Receipts placed with commercial banks under Shariah non-compliant arrangements. These carry mark-up at rate 5.25% (December 31, 2016: 5.00% to 5.20%) per annum and will mature on various dates latest by October 18, 2017.

9.3 The facility for running finance and issuance of letters of credit is available from Deutsche Bank A.G. amounting to Rs. 391 million (December 31, 2016: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2016: 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.

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10. Trade and other payables

This includes balance amounting to Rs. 298.96 million (December 31, 2016: Rs. 266.30 million) payable to related parties.

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	September 30, 2017	December 31, 2016

11. Contingencies and commitments

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

	(Un-audited)	(Audited)
	September 30, 2017	December 31, 2016
Sales Tax authorities	40,612	40,612
Others	10,000	10,000
	50,612	50,612

11.2 Commitments in respect of capital expenditure amounting to Rs. 46.27 million (December 31, 2016: Rs. 140.44 million)

11.3 Commitments in respect of forward foreign exchange contracts amounting to Rs. 15.81 million (December 31, 2016: Rs. 32.56 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, 2017	December 31, 2016
Year		
2017	4,185	14,581
2018	13,394	8,663
2019	11,311	6,575
2020	9,253	4,109
2021	4,646	1,775
	42,789	35,703
Payable not later than one year	14,615	14,581
Payable later than one year but not later than five years	28,174	21,122
	42,789	35,703

	Quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
12. Cost of sales				
Raw and packing materials consumed	591,457	558,363	2,042,778	1,784,020
Manufacturing costs	144,082	110,230	445,107	378,389
	735,539	668,593	2,487,885	2,162,409
Opening work-in-process	14,127	27,171	11,873	11,863
Closing work-in-process	(25,673)	(12,987)	(25,673)	(12,987)
Cost of goods manufactured	723,993	682,777	2,474,085	2,161,285
Opening finished goods	375,860	230,135	241,509	162,754
Finished goods purchased	78,744	56,233	220,232	140,657
Closing finished goods	(342,236)	(282,311)	(342,236)	(282,311)
	836,361	686,834	2,593,590	2,182,385

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13. This includes exchange loss amounting to Rs. 2.64 million (September 30, 2016: loss amounting to Rs. 1.92 million). It includes exchange loss from actual currency amounting to Rs. 2.89 million (September 30, 2016: loss amounting to Rs. 2.22 million) and exchange gain from forward contracts amounting to Rs. 0.25 million (September 30, 2016: gain amounting to Rs. 0.30 million).

	Amounts in Rs '000			
	Quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
14. Other income				
Income from financial assets				
Profit on short-term and call deposits	13,891	17,441	51,494	56,115
Exchange gain - net	-	22	-	-
Income from non-financial assets				
Scrap sales	1,124	1,576	4,515	8,093
Income from sale of fixed assets	-	73	377	161
Others				
Provisions no longer required and written back	-	541	9,940	14,365
Miscellaneous income	-	2,989	2,517	8,099
	15,015	22,642	68,843	86,833

	Amounts in Rs '000			
	Quarter ended		Nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
15. Taxation				
Current	59,182	80,619	179,618	200,567
Prior Year	-	-	25,209	29,383
Deferred	(15,482)	(17,233)	(3,454)	677
	43,700	63,386	201,373	230,627

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 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, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Holding Company				
Dividend paid - net of tax	-	-	205,977	205,977
Associates				
Purchase of goods, materials and services	51,236	46,413	225,878	133,133
Indenting commission income	2,441	6,936	6,726	20,178
Sale of goods and services	164	36	280	343
Reimbursement of expenses	3,606	5,038	8,151	10,280
Royalty	-	-	-	1,594
Contribution to staff retirement benefit plans	21,891	21,022	50,514	61,929

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

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Transactions with key management personnel

Salaries and benefits of key management personnel for the period ended September 30, 2017 amounted to Rs. 96.95 million (September 30, 2016: Rs. 88.73 million) out of which Rs. 11.92 million (September 30, 2016: Rs. 11.29 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 and coatings represents 97.31% (September 30, 2016: 98.08%) of the total revenue of the Company.
- 17.3 99.89% (September 30, 2016: 99.78%) sales of the Company relate to customers in Pakistan.
- 17.4 All non-current assets of the Company as at September 30, 2017 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, 2016.

20. Ijarah rentals

Company is engaged in a Shariah compliant arrangement with Orix Modaraba in respect of vehicles under operating lease / Ijarah contracts. Rentals in respect of aforementioned contracts are included in condensed interim financial information as under:

Description	Amounts in Rs '000	
	September 30, 2017	September 30, 2016
Cost of sales	1,899	1,309
Selling and distribution expenses	3,888	3,363
Administrative and general expenses	6,195	5,135

21. Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on October 25, 2017.

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. However, no major rearrangement / reclassification has been made during the period ended September 30, 2017.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive



Harris Mahmood
Chief Financial Officer