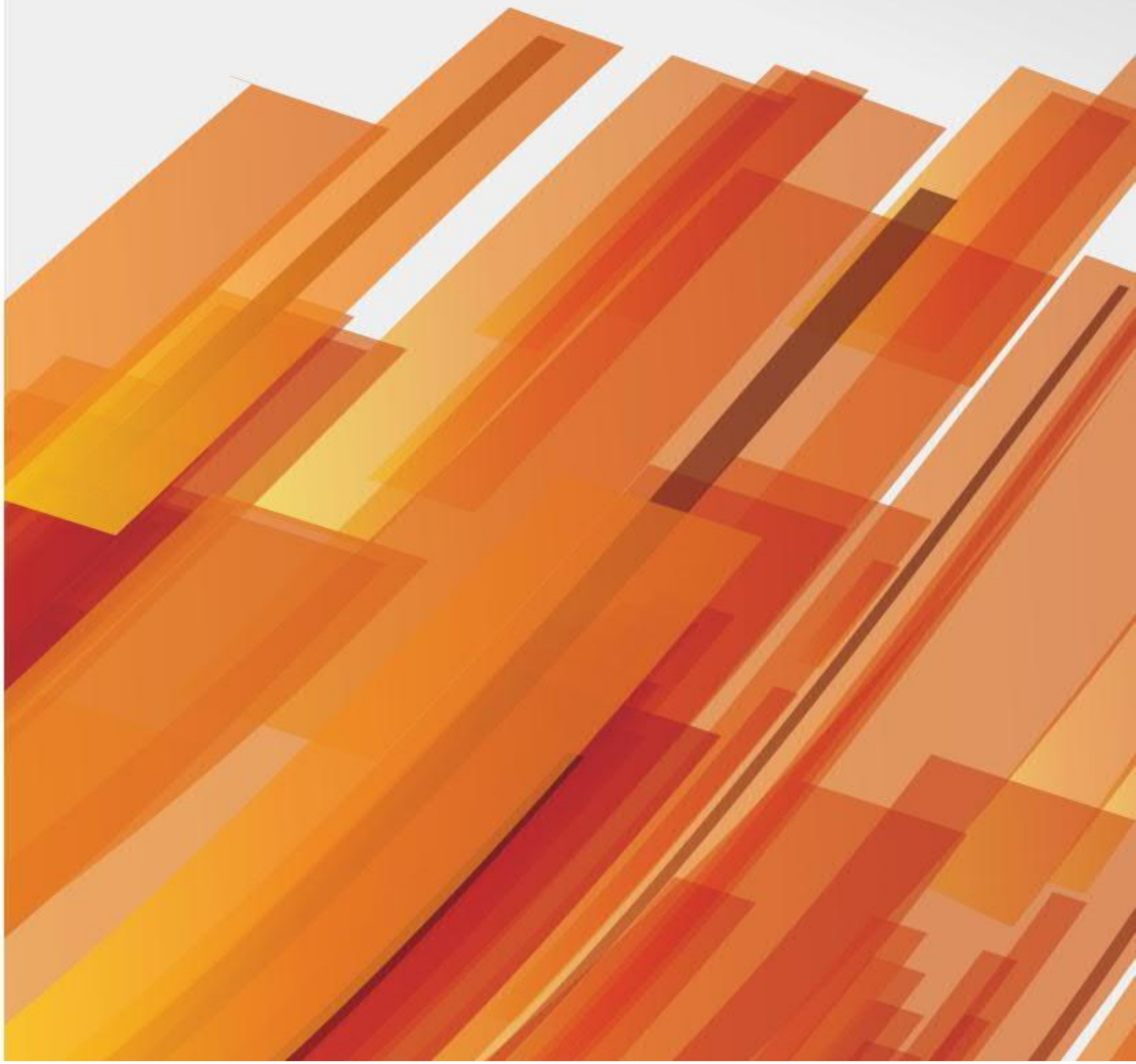


Akzo Nobel Pakistan Limited

# Colors of performance

Report for the quarter and nine months ended September 30, 2014

**AkzoNobel**



# **Akzo Nobel Pakistan Limited**

Condensed Interim Financial Information

For the quarter and nine months ended September 30, 2014

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- Condensed Interim Cash Flow Statement
- Notes to the Condensed Interim Financial Information

# Company Information

## Board of Directors

Mueen Afzal	<i>Chairman (Non-Executive)</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>	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>	Zia U Syed	<i>Chief Financial Officer</i>
Rizwan Afzal	<i>Operations Manager</i>	Imran Qureshi	<i>Business Manager - Decorative Business</i>
Shahid Sultan Butt	<i>Technical Manager (R&amp;D)</i>	Bashar Rasheed	<i>Supply Chain Manager</i>
Muddassir Khalid	<i>HR Business Partner</i>		

## Bankers

Citibank N.A.  
Deutsche Bank Limited A.G  
Barclays Bank PLC

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](http://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 & nine months ended September, 30 2014

The Directors are pleased to present their review along with the un-audited financial statements of the Company for the quarter & nine months ended September, 30 2014.

## Financial Performance

Turnover for the first nine months was lower by 4% compared to the same period last year due to intense competition in the Decorative paint market. Political uncertainty in the country also impacted sales during the third quarter. However, strict control over manufacturing and operational cost (6% lower than last year) enabled the business to post operating results at PKR 468m. Profit before tax reduced by 29% due to lower profit on bank deposits (a significant dividend to the shareholders reduced cash) as well as last year's results including a higher one-off gain due to reversal of provisions no longer required. Accordingly EPS for nine months at PKR 7.99 was lower than PKR 9.85 during same period last year.

	PKR million					
	Quarter ended Sep 30,		Increase (Decrease) %	Nine months ended Sep 30,		Increase (Decrease) %
	2014	2013		2014	2013	
Turnover	1,769	1,760	1	5,288	5,496	(4)
Net Sales Income	1,266	1,302	(3)	3,761	4,078	(8)
Gross Profit	473	521	(9)	1,362	1,499	(9)
Operating Results	153	195	(22)	468	521	(10)
Profit Before Tax	215	294	(27)	568	795	(29)
Profit After Tax	141	191	(26)	371	457	(19)
Earnings Per Share - Rs	3.04	4.10	(26)	7.99	9.85	(19)

The company contributed PKR 246 million (Q3 2013: PKR 263million) and PKR 827 million (YTD Q3 2013: PKR 767 million) to the national exchequer through taxes, duties and other levies during the quarter and nine months ended September 30, 2014 respectively.

## Business Performance

In the Decorative market, results were adversely affected in Q3 due to competitive activity, floods and public protests by two political parties. The Company initiated its first wave of media campaign to strengthen brand awareness and equity of Dulux brand by installing billboards. Also a number of promotional schemes were introduced to support volumes during the quarter.

The Company took advantage of opportunities in the OEM and Protective Coatings market and also performed strongly in the Vehicle Refinishes market achieving a healthy volume growth and favorable product mix.

The Company continues to focus on new business development and adding new customers in the Specialty Chemicals portfolio.

## Future Outlook

The Decorative market is likely to be challenging in the coming months. As the painting season continues, the Company will expand the reach of its media campaign by including TV, cable, radio and the cinema to strengthen awareness of ICI Dulux in particular.

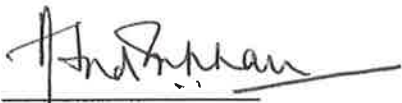
Automotive OEMs were expecting the launch of government's Taxi Scheme in Q4 which has been postponed to 2015, and has resulted in the delay of production at our key OEM customer.

Effort for new product and customer development in Specialty Chemicals portfolio are likely to yield positive results in the short to medium term.



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**Jehanzeb Khan**  
*Chief Executive*



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**Asad I A Khan**  
*Director*

**Akzo Nobel Pakistan Limited**  
**Condensed Interim Balance Sheet (Unaudited)**  
**As at September 30, 2014**

	Note	Amounts in Rs '000	
		(Unaudited)	(Audited)
		September 30, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	4	1,302,536	1,380,927
Long term loans	5	72,009	63,411
Long term deposits and prepayments		6,715	5,855
Deferred tax asset - net		152,850	123,725
		<u>1,534,110</u>	<u>1,573,918</u>
<b>Current assets</b>			
Stores and spares		23,778	24,282
Stock-in-trade	6	418,986	593,710
Trade debts	7	696,410	546,949
Loans and advances		40,094	52,154
Trade deposits and short term prepayments		24,956	8,176
Interest accrued		2,445	9,482
Other receivables	8	7,648	35,453
Cash and bank balances	9	950,110	1,404,506
		<u>2,164,427</u>	<u>2,674,712</u>
		<u>3,698,537</u>	<u>4,248,630</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital			
100,000,000 (2013: 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 (2013: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves		1,137,607	1,530,721
		<u>1,602,040</u>	<u>1,995,154</u>
Surplus on revaluation of fixed assets		880,958	883,192
<b>Non-current liabilities</b>			
Deferred liabilities - Staff retirement benefits		38,603	34,817
<b>Current liabilities</b>			
Trade and other payables	10	1,157,102	1,329,665
Provision for taxation		19,834	5,802
		<u>1,176,936</u>	<u>1,335,467</u>
Contingencies and commitments	11		
		<u>3,698,537</u>	<u>4,248,630</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

  
**Jehanzeb Khan**  
 Chief Executive

  
**Asad I A Khan**  
 Director

  
**Zia U Syed**  
 Chief Financial Officer

**Akzo Nobel Pakistan Limited**  
**Condensed Interim Profit and Loss Account (Unaudited)**  
**For the nine months ended September 30, 2014**

Amounts in Rs '000

	Note	Three months ended		Nine months ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Turnover		1,769,493	1,760,289	5,287,780	5,495,541
Sales tax, excise duty and discounts		(503,687)	(457,822)	(1,526,778)	(1,417,882)
<b>Net Sales</b>		<b>1,265,806</b>	<b>1,302,467</b>	<b>3,761,002</b>	<b>4,077,659</b>
Cost of sales	13	(793,143)	(781,628)	(2,399,079)	(2,578,332)
<b>Gross profit</b>		<b>472,663</b>	<b>520,839</b>	<b>1,361,923</b>	<b>1,499,327</b>
Selling and distribution expenses		(208,664)	(230,219)	(589,582)	(702,484)
Administrative and general expenses		(111,387)	(95,637)	(304,060)	(275,624)
<b>Operating result</b>		<b>152,612</b>	<b>194,983</b>	<b>468,281</b>	<b>521,219</b>
Finance cost		(2,073)	(27,003)	(7,740)	(36,221)
Other charges		(16,898)	(21,401)	(44,368)	(67,610)
		(18,971)	(48,404)	(52,108)	(103,831)
Other income		81,735	147,482	151,831	377,788
<b>Profit before taxation</b>		<b>215,376</b>	<b>294,061</b>	<b>568,004</b>	<b>795,176</b>
Taxation	14	(73,960)	(103,435)	(197,035)	(337,856)
<b>Profit after taxation</b>		<b>141,416</b>	<b>190,626</b>	<b>370,969</b>	<b>457,320</b>
<b>Earnings per share</b>					
- Basic and diluted - Rupees		<b>3.04</b>	<b>4.10</b>	<b>7.99</b>	<b>9.85</b>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

  
 Jehanzeb Khan  
 Chief Executive

  
 Asad I A Khan  
 Director

  
 Zia U Syed  
 Chief Financial Officer



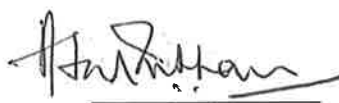
**Akzo Nobel Pakistan Limited**  
**Condensed Interim Statement of Comprehensive Income (Unaudited)**  
**For the nine months ended September 30, 2014**

	Amounts in Rs '000			
	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Profit after taxation	141,416	190,626	370,969	457,320
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>141,416</b>	<b>190,626</b>	<b>370,969</b>	<b>457,320</b>


The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.



**Jehanzeb Khan**  
*Chief Executive*



**Asad I A Khan**  
*Director*



**Zia U Syed**  
*Chief Financial Officer*

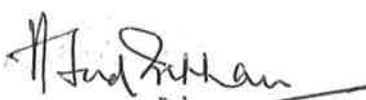
**Akzo Nobel Pakistan Limited**  
**Condensed Interim Statement of Changes in Equity (Unaudited)**  
**For the nine months ended September 30, 2014**


Amounts in Rs '000

	Capital reserves		Revenue reserve	Total	
	Share capital	Share premium	Capital receipts		Unappropriated profit
<b>Balance at January 01, 2013</b>	<b>464,433</b>	<b>156,006</b>	<b>196</b>	<b>4,485,743</b>	<b>5,106,378</b>
Profit for the period	-	-	-	457,320	457,320
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	457,320	457,320
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	2,212	2,212
<b>Transactions with owners of the Company recognised directly in equity</b>					
Final dividend for the year ended December 31, 2012 @ Rs. 78.60 per share	-	-	-	(3,650,445)	(3,650,445)
<b>Balance at September 30, 2013</b>	<b>464,433</b>	<b>156,006</b>	<b>196</b>	<b>1,294,830</b>	<b>1,915,465</b>
Profit for the period	-	-	-	148,406	148,406
Other comprehensive loss for the period	-	-	-	(69,453)	(69,453)
Total comprehensive income for the three months ended December 31, 2013	-	-	-	78,953	78,953
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	736	736
<b>Balance at December 31, 2013</b>	<b>464,433</b>	<b>156,006</b>	<b>196</b>	<b>1,374,519</b>	<b>1,995,154</b>
Profit for the period	-	-	-	370,969	370,969
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	370,969	370,969
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	2,234	2,234
<b>Transactions with owners of the Company recognised directly in equity</b>					
Final dividend for the year ended December 31, 2013 @ Rs. 2.50 per share	-	-	-	(116,111)	(116,111)
Interim dividend for the year ending December 31, 2014 @ Rs. 14.00 per share	-	-	-	(650,206)	(650,206)
<b>Balance at September 30, 2014</b>	<b>464,433</b>	<b>156,006</b>	<b>196</b>	<b>981,405</b>	<b>1,602,040</b>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

  
**Jehanzeb Khan**  
 Chief Executive

  
**Asad I A Khan**  
 Director

  
**Zia U Syed**  
 Chief Financial Officer

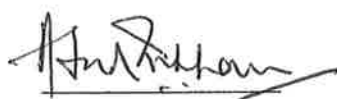
**Akzo Nobel Pakistan Limited**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
**For the nine months ended September 30, 2014**

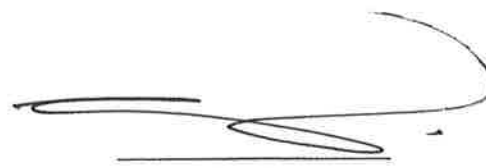
Amounts in Rs '000

	Nine months ended	
	September 30, 2014	September 30, 2013
<b>Cash flows from operating activities</b>		
Profit before taxation	568,004	795,176
Adjustments for:		
Depreciation and amortisation	122,708	125,257
Loss on disposal of fixed assets	1,380	8,435
Provision for / (reversal of) provision for employee benefits	4,332	(6,930)
Provision for doubtful debts	47,959	7,403
Reversal of provision against stock-in-trade	(1,542)	(5,003)
Interest income	(55,243)	(154,705)
	<b>687,598</b>	<b>769,633</b>
<b>Movement in working capital:</b>		
<b>Decrease / (increase) in current assets</b>		
Stores and spares	504	442
Stock-in-trade	176,266	(11,801)
Trade debts	(197,420)	(312,218)
Loans and advances	12,060	(26,819)
Trade deposits and short term prepayments	(16,780)	(13,822)
Other receivables	27,805	8,039
	<b>2,435</b>	<b>(356,179)</b>
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	(174,152)	104,208
Long term loans	(8,598)	(4,493)
Long term deposits and prepayments	(860)	(2,789)
Net cash generated from operations	<b>506,423</b>	<b>510,380</b>
Employee benefits paid	(546)	(737)
Tax paid	(212,128)	(263,506)
Net cash generated from operating activities	<b>293,749</b>	<b>246,137</b>
<b>Cash flows from investing activities</b>		
Payments for capital expenditure	(46,812)	(79,047)
Proceeds from disposal of fixed assets	548	2,180
Interest received	62,280	220,774
Net cash generated from investing activities	<b>16,016</b>	<b>143,907</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(764,161)	(3,648,592)
Net cash used in financing activities	<b>(764,161)</b>	<b>(3,648,592)</b>
Net cash utilised during the period	<b>(454,396)</b>	<b>(3,258,548)</b>
Cash and cash equivalents at the beginning of the period	<b>1,404,506</b>	<b>4,560,719</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>950,110</b>	<b>1,302,171</b>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

  
**Jehanzeb Khan**  
 Chief Executive

  
**Asad I A Khan**  
 Director

  
**Zia U Syed**  
 Chief Financial Officer

**Akzo Nobel Pakistan Limited**  
**Notes to the Condensed Interim Financial Information (Unaudited)**  
**For the nine months ended September 30, 2014**

**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, 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 December 31, 2013.

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, 2013, 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 nine months ended September 30, 2013.

**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, 2013.

**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, 2013.

		Amounts in Rs '000	
		(Unaudited)	(Audited)
		September 30, 2014	December 31, 2013
	Note		
<b>4. Fixed assets</b>			
Property, plant and equipment - at net book value	4.1	1,276,294	1,346,921
Capital work-in-progress - at cost	4.2	21,125	9,808
Intangibles - at net book value	4.3	5,117	24,198
		<u>1,302,536</u>	<u>1,380,927</u>

**4.1** This includes the cost of operating property, plant and equipment that have been added / disposed off during the nine months ended September 30, 2014, detail of which is as follows:

**Akzo Nobel Pakistan Limited**  
**Notes to the Condensed Interim Financial Information (Unaudited)**  
**For the nine months ended September 30, 2014**

Amounts in Rs '000

	September 30, 2014		September 30, 2013	
	Additions	Deletions	Additions	Deletions
Buildings on freehold land	4,180	-	29,939	8,652
Plant and machinery	20,481	16,018	50,787	10,809
Vehicles	461	-	732	-
Furniture and equipment	8,681	22,246	13,208	9,866
	<b>33,803</b>	<b>38,264</b>	<b>94,666</b>	<b>29,327</b>

(Unaudited)	(Audited)
September 30, 2014	December 31, 2013

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

Civil works and buildings	3,976	1,534
Plant and machinery	17,088	7,123
Equipments	61	1,151
	<b>21,125</b>	<b>9,808</b>

**4.3** This includes addition of intangible assets (computer softwares and licenses) amounting to Rs. 1.125 million during the nine months ended September 30, 2014 (September 30, 2013: Rs. 7.223 million).

**5. Long term loans - considered good**

Due from executives and employees	93,001	88,175
Recoverable within one year	(20,992)	(24,764)
	<b>72,009</b>	<b>63,411</b>

**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 Rs. 0.89 million and Rs. 74.21 million (December 31, 2013: Rs. 3.57 million and Rs. 59.09 million) respectively.

**6. Stock-in-trade**

Out of the total carrying value of inventory Rs. 0.44 million (December 31, 2013: Rs. 1.08 million) is measured at net realizable value. As at September 30, 2014 stock has been written down by Rs. 0.18 million (December 31, 2013: Rs. 0.59 million) to arrive at its net realizable value.

**7. Trade debts**

**Considered good**

- secured	57,376	17,124
- unsecured	958,137	786,601
	<b>1,015,513</b>	<b>803,725</b>

**Considered doubtful**

	<b>241,310</b>	<b>242,276</b>
	<b>1,256,823</b>	<b>1,046,001</b>

**Provision for:**

- doubtful debts	(241,310)	(242,276)
- discounts	(319,103)	(256,776)
	<b>(560,413)</b>	<b>(499,052)</b>
	<b>696,410</b>	<b>546,949</b>

**Akzo Nobel Pakistan Limited**  
**Notes to the Condensed Interim Financial Information (Unaudited)**  
**For the nine months ended September 30, 2014**

**8. Other receivables**

This includes balance amounting to Rs. 4.63 million (December 31, 2013: Rs. 18.20 million) receivable from associated undertakings.

		Amounts in Rs '000	
		(Unaudited)	(Audited)
		September 30, 2014	December 31, 2013
	Note		
<b>9. Cash and bank balances</b>			
Cash in hand		8,038	17,412
Cash at bank - current accounts		275,157	324,583
Short term deposits	9.1	666,915	1,062,511
		<u>950,110</u>	<u>1,404,506</u>

9.1 These represent Term Deposit Receipts placed with commercial banks, having maturity periods ranging from 14 to 32 days (December 31, 2013: 2 weeks to 3 months). These carry mark-up at the rates ranging from 8.54% to 8.90% (December 31, 2013: 7.75% to 8.25%) per annum.

**10. Trade and other payables**

This includes balance amounting to Rs. 76.53 million (December 31, 2013: Rs. 127.15 million) payable to associated undertakings.

**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	10,888	11,973
	<u>101,975</u>	<u>103,060</u>

**11.2 Commitments in respect of capital expenditure**

	<u>16,321</u>	<u>12,260</u>
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**11.3 Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles are as follows:**

<b>Year</b>		
2014	5,310	18,727
2015	20,516	17,647
2016	19,644	13,476
2017	13,278	4,933
2018	6,493	-
2019	2,179	-
	<u>67,420</u>	<u>54,783</u>
Payable not later than one year	20,748	18,727
Payable later than one year but not later than five years	46,672	36,056
	<u>67,420</u>	<u>54,783</u>

**12. 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.

The facility for issuance of letters of credit and discounting of local documentary bills payable is available from a commercial bank amounting to Rs. 300 million carrying commission / mark-up of 0.075% and relevant KIBOR per annum, respectively. The facility is secured by lien on goods purchased / related documents either local or imported, to the order of the bank, without recourse to the Company.

**Akzo Nobel Pakistan Limited**  
**Notes to the Condensed Interim Financial Information (Unaudited)**  
**For the nine months ended September 30, 2014**

Amounts in Rs '000

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>13. Cost of sales</b>				
Raw and packing materials consumed	540,751	669,456	1,799,841	2,080,672
Manufacturing costs	124,492	110,406	375,462	372,139
	<b>665,243</b>	<b>779,862</b>	<b>2,175,303</b>	<b>2,452,811</b>
Opening stock of work-in-process	16,886	17,646	18,498	23,353
Closing stock of work-in-process	(16,413)	(22,235)	(16,413)	(22,235)
Cost of goods manufactured	<b>665,716</b>	<b>775,273</b>	<b>2,177,388</b>	<b>2,453,929</b>
Opening stock of finished goods	241,985	191,066	260,776	220,309
Finished goods purchased	52,187	33,599	127,660	122,404
Closing stock of finished goods	(166,745)	(218,310)	(166,745)	(218,310)
	<b>793,143</b>	<b>781,628</b>	<b>2,399,079</b>	<b>2,578,332</b>
<b>14. Taxation</b>				
Current	80,192	83,168	226,160	251,743
Deferred	(6,232)	20,267	(29,125)	86,113
	<b>73,960</b>	<b>103,435</b>	<b>197,035</b>	<b>337,856</b>

**15. 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	-	-	522,864	2,490,732
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**Associates**

Purchase of goods, materials and services	24,083	31,758	169,344	159,927
Indenting commission income	2,550	848	5,091	3,412
Sale of good and services	526	154	1,588	1,113
Reimbursement of expenses	932	4,739	8,414	7,298
Royalty paid	21,302	-	37,482	-
Contribution to staff retirement benefit plans	23,022	18,669	61,394	64,195
	<b>72,415</b>	<b>56,168</b>	<b>283,313</b>	<b>235,945</b>

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 ended September 30, 2014 amounted to Rs. 99.07 million (September 30, 2013: Rs. 67.57 million) out of which Rs. 12.55 million (September 30, 2013: Rs. 11.43 million) relates to post employment benefits.

**16. Operating segments**

**16.1** These financial statements have been prepared on the basis of single reportable segment.

**16.2** Revenue from sale of paints represents 98.86% (September 30, 2013: 99.34%) of the total revenue of the Company.

**16.3** 99.36% (September 30, 2013: 98.49%) sales of the Company relate to customers in Pakistan.

**16.4** All non-current assets of the Company as at September 30, 2014 are located in Pakistan.

**Akzo Nobel Pakistan Limited**  
**Notes to the Condensed Interim Financial Information (Unaudited)**  
**For the nine months ended September 30, 2014**

**17. 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, 2013.

**18. Date of authorization**

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on October 29, 2014.

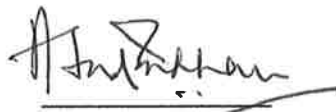
**19. General**

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

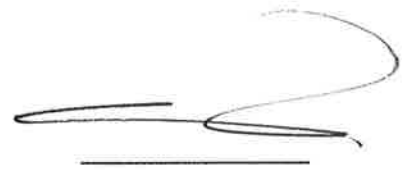
**19.2** Corresponding figures have been rearranged / reclassified wherever necessary. However, no major rearrangement / reclassification has been made during the nine months ended September 30, 2014.



**Jehanzeb Khan**  
*Chief Executive*



**Asad I A Khan**  
*Director*



**Zia U Syed**  
*Chief Financial Officer*



