

Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter ended 31 March 2014

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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>		

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 - 74000
Tel: (021) 34380101-5
Fax: (021) 34380106

Review of the Directors

For the quarter ended March, 31 2014

The Directors are pleased to present their review along with the un-audited financial statements of the Company for the quarter ended March, 31 2014.

Financial Performance

Net sales income for the quarter was lower by 7% than the same quarter last year as the market remained subdued due to unusual weather conditions which impacted end user demand. However, the operating result at PKR 133m was 26% higher than last year due to various initiatives to improve margins and because of strict controls over costs which were restricted to lower than last year. Profit on bank deposits reduced considerably as the Company had paid significant dividend to the shareholders from surplus cash arising out of the demerger settlement. Accordingly EPS for Q1 at PKR 2.30 was 7% lower than same period last year.

	PKR million		
	For the quarter ended 31 March 2014	For the quarter ended 31 March 2013	Increase (Decrease) %
Turnover	1,650	1,733	(5)
Net Sales Income	1,187	1,282	(7)
Gross Profit	420	422	(0)
Operating Results	133	106	26
Profit Before Tax	165	182	(10)
Profit After Tax	107	114	(6)
Earnings Per Share - Rs	2.30	2.46	(7)

The company contributed PKR 294 million to the national exchequer through taxes, duties and other levies during Q1 2014.

Business Performance

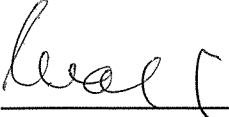
Adverse weather conditions and a severe liquidity crunch due to low consumer demand negatively impacted the decorative market volumes. Towards the end of the quarter, with the arrival of warmer weather and the traditional painting season, the market showed some signs of recovery. As market volumes were adversely affected, competition aggressively offered high discounts and lucrative schemes to engage the trade, including increased "in-can" incentives to lure painters. The Company took several initiatives, but business volumes were adversely affected and were lower than Q1 2013.

The Company was able to secure new maintenance orders in the Protective Coatings range and also performed more strongly in the Vehicle Refinishes market. The Company continued to focus on business development for new technologies from the Specialty Chemicals portfolio.

Future Outlook

As the painting season continues, the business expects sales momentum in the market to pick up. A number of initiatives for engaging the channel as well as contractors and painters are being launched this year to drive volumes. These programs are expected to address the opportunities for ANPL Decorative business vis a vis competition. The business aims to increase shelf space which will result in volume growth from existing and new channel partners through such engagement initiatives.

The tractor segment is expected to witness some improvement with onset of the harvesting season in Q2. On the other hand, motorcycle segment is expected to remain challenging with competitors continuing with aggressive pricing policies to take on new business. The Protective Coatings segment is expected to perform well in the upcoming months on the back of new project wins, while efforts for new product and customer development in Specialty Chemicals portfolio are expected to yield positive results in the coming months.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive

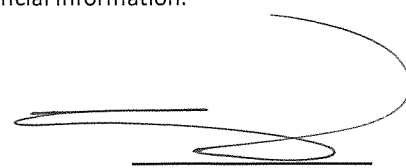
Akzo Nobel Pakistan Limited
Condensed Interim Balance Sheet (Unaudited)
As at 31 March 2014

		Amounts in Rs '000	
		(Unaudited)	(Audited)
		31 March 2014	31 December 2013
ASSETS	Note		
Non-current assets			
Property, plant and equipment	4	1,337,653	1,356,729
Intangibles		18,239	24,198
Long term loans	5	67,635	63,411
Long term deposits and prepayments		5,701	5,855
Deferred tax asset - net		122,656	123,725
		1,551,884	1,573,918
Current assets			
Stores and spares		24,018	24,282
Stock-in-trade	6	558,371	593,710
Trade debts		644,246	546,949
Loans and advances		55,667	52,154
Trade deposits and short-term prepayments		30,173	8,176
Interest accrued		9,023	9,482
Tax refund due from government		6,487	-
Other receivables	7	23,958	35,453
Cash and bank balances	8	1,282,817	1,404,506
		2,634,760	2,674,712
Total assets		4,186,644	4,248,630
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
100,000,000 (2012: 100,000,000)			
ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital			
46,443,320 (2012: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves		1,638,482	1,530,721
Total equity		2,102,915	1,995,154
Surplus on revaluation of fixed assets		882,455	883,192
Non-current liabilities			
Deferred liabilities - Staff retirement benefits		35,793	34,817
Current liabilities			
Trade and other payables	9	1,165,481	1,329,665
Provision for taxation		-	5,802
		1,165,481	1,335,467
Contingencies and commitments	10		
Total equity and liabilities		4,186,644	4,248,630

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

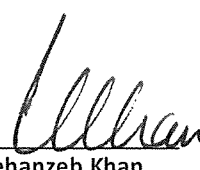

Zia U Syed
 Chief Financial Officer

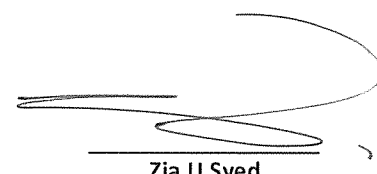
Akzo Nobel Pakistan Limited
Condensed Interim Profit and Loss Account (Unaudited)
For the quarter ended 31 March 2014

		Amounts in Rs '000	
	Note	For the quarter ended 31 March 2014	For the quarter ended 31 March 2013
Turnover		1,649,637	1,733,455
Sales tax, excise duty and discounts		(462,523)	(451,107)
Net Sales		1,187,114	1,282,348
Cost of sales	11	(766,969)	(860,290)
Gross profit		420,145	422,058
Selling and distribution expenses		(189,900)	(226,328)
Administrative and general expenses		(97,414)	(90,005)
Operating result		132,831	105,725
Finance cost		(8,201)	(5,271)
Other charges		(12,676)	(14,903)
		(20,877)	(20,174)
Other income		52,582	96,556
Profit before taxation		164,536	182,107
Taxation	12	(57,512)	(68,052)
Profit after taxation		107,024	114,055
Earnings per share - Basic and diluted - Rupees		2.30	2.46

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 ended 31 March 2014

	Amounts in Rs '000	
	For the quarter ended 31 March 2014	For the quarter ended 31 March 2013
Profit for the period	107,024	114,055
Other comprehensive income	-	-
Total comprehensive income for the period	107,024	114,055

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 ended 31 March 2014

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 2013	464,433	-	156,006	196	4,485,743	5,106,378
Profit for the period	-	-	-	-	114,055	114,055
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the quarter ended 31 March 2013	-	-	-	-	114,055	114,055
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	-	738	738
Balance at 31 March 2013	464,433	-	156,006	196	4,600,536	5,221,171
Profit for the period	-	-	-	-	491,671	491,671
Other comprehensive loss for the period	-	-	-	-	(69,453)	(69,453)
Total comprehensive income for the nine months period ended 31 December 2013	-	-	-	-	422,218	422,218
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	-	2,210	2,210
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 31 December 2013	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 31 March 2014	-	-	-	-	107,024	107,024
Incremental depreciation charge during the period - net of deferred taxation	-	-	-	-	737	737
Balance at 31 March 2014	464,433	-	156,006	196	1,482,280	2,102,915

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

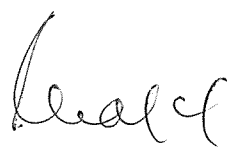


Zia U Syed
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Cash Flow Statement (Unaudited)
For the quarter ended 31 March 2014

	Amounts in Rs '000	
	For the quarter ended 31 March 2014	For the quarter ended 31 March 2013
Cash flows from operating activities		
Profit before taxation	164,536	182,107
Adjustments for:		
Depreciation and amortisation	41,157	42,529
Loss on disposal of property, plant and equipment	658	590
Provision for employee benefits	976	860
Provision for doubtful debts	13,565	1,146
Reversal of provision for obsolete stock	(1,197)	(4,082)
Interest income	(25,902)	(80,787)
	<u>193,793</u>	<u>142,363</u>
Movement in working capital:		
<i>Decrease / (increase) in current assets</i>		
Stores and spares	264	356
Stock-in-trade	36,536	24,549
Trade debts	(110,862)	(167,679)
Loans and advances	(3,513)	(7,990)
Trade deposits and short-term prepayments	(21,997)	(11,739)
Other receivables	11,495	8,796
	<u>(88,077)</u>	<u>(153,707)</u>
<i>(Decrease) / increase in current liabilities</i>		
Trade and other payables	(164,003)	99,729
Long term loans	(4,224)	(1,839)
Long term deposits and prepayments	154	(3,003)
	<u>(62,357)</u>	<u>83,543</u>
Net cash (used in) / generated from operations	<u>(68,732)</u>	<u>(93,657)</u>
Tax paid	<u>(131,089)</u>	<u>(10,114)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for capital expenditure	(17,421)	(19,064)
Proceeds from disposal of fixed assets	460	80
Interest received	26,361	80,787
	<u>9,400</u>	<u>61,803</u>
Net cash generated from investing activities		
	<u>(121,689)</u>	<u>51,689</u>
Net cash (utilised) / generated during the period		
	<u>1,404,506</u>	<u>4,560,719</u>
Cash and cash equivalents at the beginning of the period		
Cash and cash equivalents at the end of the period	<u><u>1,282,817</u></u>	<u><u>4,612,408</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
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended 31 March 2014

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, 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 31 December 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 31 December 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 un-audited condensed interim financial information for the period ended 31 March 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 31 December 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 31 December 2013.

		Amounts in Rs '000	
		(Unaudited)	(Audited)
		31 March 2014	31 December 2013
	Note		
4. Property, plant and equipment			
Property, plant and equipment	4.1	1,321,383	1,346,921
Capital work-in-progress	4.2	16,270	9,808
		1,337,653	1,356,729

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended 31 March 2014

- 4.1 This includes the cost of operating property, plant and equipment that have been added / disposed off during the quarter ended 31 March 2014, detail of which is as follows:

	Amounts in Rs '000			
	Additions		Disposals	
	For the quarter ended 31 March 2014	For the quarter ended 31 March 2013	For the quarter ended 31 March 2014	For the quarter ended 31 March 2013
Plant and machinery	8,511	16,979	10,800	808
Vehicles	461	732	-	-
Furniture and equipment	3,865	6,268	1,005	236
	12,837	23,979	11,805	1,044

	Note	(Unaudited)	(Audited)
		31 March 2014	31 December 2013
4.2 The following is a detail of capital work-in-progress:			
Civil works and buildings		7,075	1,534
Plant and machinery		9,195	7,123
Equipments		-	1,151
		16,270	9,808

5. Long term loans - Considered good

Due from executives and employees	5.1	90,036	88,175
Recoverable within one year	5.1	(22,401)	(24,764)
		67,635	63,411

- 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 director and other executives at the end of any month during the period was Rs. 0.89 million and Rs. 64.87 million (31 December 2013: Rs. 3.57 million and Rs. 59.09 million) respectively.

6. Stock-in-trade

Out of the total carrying value of inventory Rs. 1.57 million (31 December 2013: Rs. 1.08 million) is measured at net realizable value. As at 31 March 2014 stock has been written down by Rs. 1.00 million (31 December 2013: Rs. 0.59 million) to arrive at its net realizable value.

7. Other receivables

This includes balance amounting to Rs. 15.80 million (31 December 2013: Rs. 18.20 million) receivable from associated undertakings.

8. Cash and bank balances

Cash in hand		11,531	17,412
Cash at bank - current accounts		242,436	324,583
Short term deposits	8.1	1,028,850	1,062,511
		1,282,817	1,404,506

- 8.1 These represent Term Deposit Receipts placed with commercial banks, having maturity periods ranging from 8 days to 3 months (31 December 2013: 2 weeks to 3 months). These carry mark-up at the rates ranging from 8.6 % to 9.15 % (31 December 2013: 7.75% to 8.25%) per annum.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended 31 March 2014

8.2 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.

9. Trade and other payables

This includes balance amounting to Rs. 124.11 million (31 December 2013: Rs. 127.15 million) payable to associated undertakings.

	Amounts in Rs '000	
	(Unaudited) 31 March 2014	(Audited) 31 December 2013
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	11,538	11,973
	102,625	103,060
10.2 Commitments in respect of capital expenditure	18,123	12,260
10.3 Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles are as follows:		
Year		
2014	15,249	18,727
2015	19,487	17,647
2016	17,818	13,476
2017	9,275	4,933
2018	1,085	-
	62,914	54,783
Payable not later than one year	20,204	18,727
Payable later than one year but not later than five years	42,710	36,056
	62,914	54,783

	Unaudited	
	For the quarter ended 31 March 2014	For the quarter ended 31 March 2013
11. Cost of sales		
Raw and packing materials consumed	562,589	686,173
Manufacturing costs	122,419	127,652
	685,008	813,825
Opening stock of work-in-process	18,498	23,353
Closing stock of work-in-process	(23,922)	(21,060)
Cost of goods manufactured	679,584	816,118
Opening stock of finished goods	260,776	220,309
Finished goods purchased	37,120	35,968
Closing stock of finished goods	(210,511)	(212,105)
	766,969	860,290

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended 31 March 2014

Amounts in Rs '000

	Unaudited	
	For the quarter ended 31 March 2014	For the quarter ended 31 March 2013
12. Taxation		
Current	56,444	56,383
Deferred	1,068	11,669
	57,512	68,052

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	71,816	53,698
Indenting commission income	894	955
Sale of good and services	409	655
Reimbursement of expenses	5,138	-
Royalty paid	16,180	-
Contribution to staff retirement benefit plans	14,341	20,083
	108,778	75,391

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 31 March 2014, key management personnel received an amount of Rs. 49.46 million (31 March 2013: Rs. 33.12 million) on account of remuneration out of which Rs. 3.82 million (31 March 2013: Rs. 3.41 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 99.18% (31 March 2013: 99.55%) of the total revenue of the Company.

14.3 99.69% (31 March 2013: 98.92%) sales of the Company relate to customers in Pakistan.

14.4 All non-current assets of the Company as at 31 March 2014 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 31 December 2013.

16. Non-adjusting events

16.1 Annual dividend 2013

The Board of Directors of the Company in its meeting held on 25 February 2014 has proposed cash dividend of Rs. 2.50 per share. This appropriations will be approved in the forthcoming Annual General Meeting of the Company. The financial statements of the Company for the quarter ended 31 March 2014 do not include the effect of these appropriations which will be accounted for in the financial statements for the quarter and six months period ending 30 June 2014.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the quarter ended 31 March 2014

16.2. Interim dividend

The Board of Directors of the Company in its meeting held on 14 April 2014 has decided to declare a special dividend of Rs. 12.00 per ordinary share. On the basis of the Company's last quarter performance an interim dividend of Rs. 2.00 per ordinary share is also declared. This will imply a total dividend to the shareholders of Rs.14 per ordinary share i.e. 140% for the quarter ended March 31, 2014.

17. Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on 14 April 2014.

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 quarter ended 31 March 2014.



Mueen Afzal
Chairman / Director



Jehanzeb Khan
Chief Executive



Zia U Syed
Chief Financial Officer

