

Akzo Nobel Pakistan Limited

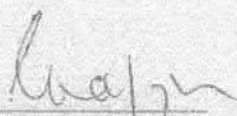
Condensed Interim Financial Information

For the quarter ended March 31, 2019

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Financial Position (Un-audited)
As at March 31, 2019

	Note	Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,947,190	1,961,553
Intangible assets	5	37,580	37,668
Long term loans	6	67,567	66,747
Long term deposits and prepayments		5,532	5,713
Deferred tax asset - net		117,180	147,322
		<u>2,175,049</u>	<u>2,219,003</u>
Current assets			
Stores and spares		25,317	22,661
Stock-in-trade	7	846,139	668,883
Trade debts	8	1,077,878	741,838
Loans and advances		90,300	95,398
Trade deposits and short term prepayments		21,757	16,601
Other receivables	9	16,270	21,481
Income tax receivable		32,314	23,061
Interest accrued		5,761	7,141
Cash and bank balances	10	1,407,361	1,895,127
		<u>3,523,097</u>	<u>3,492,191</u>
		<u>5,698,146</u>	<u>5,711,194</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
100,000,000 (2018: 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 (2018: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves			
- Capital reserves		156,202	156,202
- Revenue reserve		2,163,123	1,974,430
		<u>2,319,325</u>	<u>2,130,632</u>
Surplus on revaluation			
of property, plant and equipment		1,254,612	1,264,962
		<u>4,038,370</u>	<u>3,860,027</u>
Non-current liabilities			
Deferred liabilities		61,168	61,568
Current liabilities			
Trade and other payables	11	1,569,569	1,760,001
Unpaid dividend		2,986	2,986
Unclaimed dividend		26,052	26,612
		<u>1,598,608</u>	<u>1,789,599</u>
Contingencies and commitments	12		
		<u>5,698,146</u>	<u>5,711,194</u>

The annexed notes from 1 to 23 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman

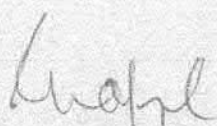

Saad Mahmood Rashid
Chief Executive


Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the quarter ended March 31, 2019

		Amounts in Rs '000	
	Note	For the quarter ended March 31, 2019	For the quarter ended March 31, 2018
Turnover		2,277,121	2,320,483
Sales tax and discounts		(768,577)	(763,532)
Net sales		1,508,544	1,556,951
Cost of sales	13	(953,672)	(971,847)
Gross profit		554,872	585,104
Selling and distribution expenses		(258,478)	(284,655)
Administrative and general expenses		(86,248)	(87,267)
Operating profit		210,146	213,182
Finance cost		(2,234)	(1,155)
Other charges	14	(29,954)	(22,258)
		(32,188)	(23,413)
Other income		70,863	41,858
Profit before taxation		248,821	231,627
Taxation	16	(70,478)	(68,222)
Profit for the period		178,343	163,405
Earnings per share - Basic and diluted - Rupees		3.84	3.52

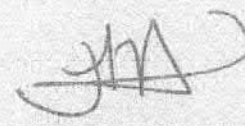
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Mueen Afzal
Chairman



Saad Mahmood Rashid
Chief Executive



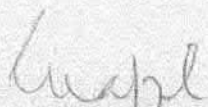
Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the quarter ended March 31, 2019

Amounts in Rs '000

	For the quarter ended March 31, 2019	For the quarter ended March 31, 2018
Profit for the period	178,343	163,405
Other comprehensive income for the period	-	-
Total comprehensive income for the period	178,343	163,405

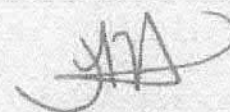
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Mueen Afzal
Chairman



Saad Mahmood Rashid
Chief Executive



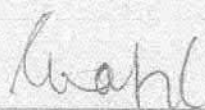
Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the quarter ended March 31, 2019

Amounts in Rs '000

	Capital reserves		Revenue reserve	Revaluation Surplus	Total	
	Share capital	Share premium	Capital receipts	Unappropriated profit		Property, Plant and Equipment
Balance as on December 31, 2017 (audited)	464,433	156,006	196	1,862,301	1,306,613	3,789,549
Total comprehensive income for the quarter ended March 31, 2018						
Profit for the period	-	-	-	163,405	-	163,405
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	163,405	-	163,405
Incremental depreciation charge during the period - net of deferred tax	-	-	-	10,285	(10,285)	-
Balance as on March 31, 2018 (un-audited)	464,433	156,006	196	2,035,991	1,296,328	3,952,954
Profit for the period	-	-	-	223,774	-	223,774
Other comprehensive income for the period	-	-	-	8,403	-	8,403
Total comprehensive income for the nine months period ended December 31, 2018	-	-	-	232,177	-	232,177
Incremental depreciation charge during the period - net of deferred tax	-	-	-	31,366	(31,366)	-
Transactions with owners of the Company recognised directly in equity						
Final dividend for the year ended December 31, 2017 @ Rs. 7 per share	-	-	-	(325,104)	-	(325,104)
Balance as on December 31, 2018 (audited)	464,433	156,006	196	1,974,430	1,264,962	3,860,027
Profit for the period	-	-	-	178,343	-	178,343
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	178,343	-	178,343
Incremental depreciation charge during the period - net of deferred tax	-	-	-	10,350	(10,350)	-
Balance as on March 31, 2019 (un-audited)	464,433	156,006	196	2,163,123	1,254,612	4,038,370


The annexed notes from 1 to 23 form an integral part of this condensed interim financial information.



Mueen Afzal
Chairman



Saad Mahmood Rashid
Chief Executive



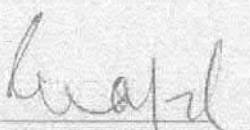
Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the quarter ended March 31, 2019

Amounts in Rs '000

	For the quarter ended March 31, 2019	For the quarter ended March 31, 2018
Cash flows from operating activities		
Profit before taxation	248,821	231,627
Adjustments for:		
Depreciation and amortization	36,906	37,072
(Gain) / Loss on disposal of property, plant and equipment	(153)	710
Provision for employee benefits obligation	8,845	8,642
Reversal of provision no longer required	18,905	13,553
(Reversal of provision) / provision for doubtful debts	(8,388)	4,952
Provision / (Reversal of provision) for slow moving and obsolete stocks	1,169	(180)
Interest income	(32,648)	(19,756)
	273,457	276,620
Effect on cash flow due to working capital changes:		
Decrease / (Increase) in current assets		
Stores and spares	(2,656)	1,471
Stock-in-trade	(178,425)	(264,116)
Trade debts	(327,653)	(288,748)
Loans and advances	5,098	(5,535)
Trade deposits and short term prepayments	(5,156)	(10,921)
Other receivables	5,211	12,479
	(503,581)	(555,370)
(Decrease) / Increase in current liabilities		
Trade and other payables	(194,185)	21,035
Net cash used in operations	(424,308)	(257,715)
Long term loans	(820)	1,361
Long term deposits and prepayments	181	199
Employee benefits paid	(8,384)	(6,911)
Tax paid	(49,590)	(62,323)
Net cash used in operating activities	(482,921)	(325,389)
Cash flows from investing activities		
Payments for capital expenditure	(38,467)	(33,568)
Proceeds from disposal of property, plant and equipment	153	-
Interest received	34,028	21,177
Net cash used in investing activities	(4,286)	(12,391)
Cash flows from financing activities		
Dividend Paid	(559)	(3,198)
Net cash utilised during the period	(487,766)	(340,978)
Cash and cash equivalents at the beginning of the period	1,895,127	2,070,177
Cash and cash equivalents at the end of the period	1,407,361	1,729,199

The annexed notes from 1 to 23 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Saad Mahmood Rashid
Chief Executive


Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2019

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, Ferozpur Road, Lahore. The Company is primarily involved in the manufacturing and sale of paints and coatings. The Company is a subsidiary of ICI Omicron B.V. which is a wholly owned subsidiary of Akzo Nobel N.V.

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements have been prepared 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 Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act 2017 have been followed.

This condensed interim financial information is being submitted to the shareholders as required by section 237 of the Companies Act 2017 and the Listing Regulations of Pakistan Stock Exchange. 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, 2018.

The comparative statement of financial position presented in this condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended December 31, 2018, 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 quarter ended March 31, 2018.

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, 2018.

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, 2018.

3.1 Standards, interpretations and amendments to published approved accounting standards

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2019 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.

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2019

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

		Effective date (Accounting periods beginning on or after)	
		June 30, 2019	
		Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2019	December 31, 2018
	Note		
- IFRS 9 - Financial Instruments			
4. Property, plant and equipment			
Operating property, plant and equipment	4.1	1,904,652	1,895,907
Capital work-in-progress	4.2	42,538	65,646
		<u>1,947,190</u>	<u>1,961,553</u>
4.1 Operating property, plant and equipment			
Opening net book value		1,895,907	1,919,453
Additions during the period	4.1.1	45,651	126,407
Disposals during the period at book value		-	(1,624)
Depreciation charged during the period		(36,906)	(148,329)
Closing net book value		<u>1,904,652</u>	<u>1,895,907</u>
4.1.1 Following is the detail of additions during the period			
Buildings on freehold land		8,303	11,856
Plant and machinery		36,138	96,004
Office Equipment		1,210	11,907
Furniture and fixtures		-	5,168
Vehicles		-	1,472
		<u>45,651</u>	<u>126,407</u>
		(Un-audited)	(Audited)
		March 31, 2019	December 31, 2018
4.2 Capital work-in-progress (Fixed Assets)			
Plant and machinery		36,415	55,069
Equipments		6,123	6,816
Civil works and buildings		-	3,761
		<u>42,538</u>	<u>65,646</u>
		(Un-audited)	(Audited)
		March 31, 2019	December 31, 2018
5. Capital work-in-progress (Intangibles)			
Software		37,580	37,668
		<u>37,580</u>	<u>37,668</u>

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2019

Amounts in Rs '000

	(Un-audited)	(Audited)
	March 31, 2019	December 31, 2018
6. Long term loans - Considered good		
Due from executives and employees	92,577	92,142
Receivable within one year	(25,010)	(25,395)
	67,567	66,747

6.1 The maximum aggregate amount of long term loans due from the Executives at the end of any month during the period was Rs. 17.05 million (December 31, 2018: Rs. 30.25 million).

7. Stock-in-trade

Out of the total carrying value of inventory, Rs. 0.55 million (December 31, 2018: Rs. 7.46 million) is measured at net realizable value. As at March 31, 2019 stock has been written down by Rs. 0.03 million (December 31, 2018: Rs. 0.19 million) to arrive at its net realizable value.

	(Un-audited)	(Audited)
	March 31, 2019	December 31, 2018
8. Trade debts		
Considered good:		
- Secured	38,405	51,272
- Unsecured	1,343,648	1,166,338
	1,382,053	1,217,610
Considered doubtful	195,825	203,712
	1,577,878	1,421,322
Provision for:		
- Doubtful debts	(195,825)	(203,712)
- Discounts	(304,175)	(475,772)
	(500,000)	(679,484)
	1,077,878	741,838

9. Other receivables

This includes balance amounting to Rs. 3.41 million (December 31, 2018: Rs. 10.92 million) receivable from associated undertakings.

	Note	(Un-audited)	(Audited)
		March 31, 2019	December 31, 2018
10. Cash and bank balances			
Cash in hand		15,856	17,112
Cash at bank - current accounts		276,234	290,751
Cash at bank - savings accounts		271	264
Short term deposits	10.2	1,115,000	1,587,000
		1,407,361	1,895,127

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2019

- 10.1** Cash and bank balances include cheques in hand amounting Rs. 165.95 million (December 31, 2018: Rs. 239.32 million) and US Dollars amounting USD 8,332 (December 31, 2018: USD 8,332).
- 10.2** These represent term deposit receipts placed with commercial banks under Shariah non-compliant arrangements. These carry mark-up at rate ranging between 9.50% to 9.75% (December 31, 2018: 8.85% to 9.32%) per annum.
- 10.3** 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, 2018: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2018: 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. 210 million, demand promissory note and counter guarantee / indemnity duly signed and stamped by the Company.

11. Trade and other payables

This includes balance amounting to Rs. 338.93 million (December 31, 2018: Rs. 470.43 million) payable to related parties. Out of this, Rs. 120.38 million (December 31, 2018: Rs. 118.68 million) relates to staff retirement funds.

Amounts in Rs '000

	(Un-audited)	(Audited)
	March 31, 2019	December 31, 2018

12. Contingencies and commitments

- 12.1** Claims against the Company not acknowledged as debts are as follows:

Sales Tax authorities	40,612	40,612
Others	-	10,000
	<u>40,612</u>	<u>50,612</u>

- 12.2** Commitments in respect of capital expenditure amounting to Rs. 51.20 million (December 31, 2018: Rs. 13.62 million)

- 12.3** Commitments in respect of forward foreign exchange contracts amounting to Rs. Nil (December 31, 2018: Rs. Nil)

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

	(Un-audited)	(Audited)
	March 31, 2019	December 31, 2018
Year		
2019	14,490	18,836
2020	18,841	18,336
2021	15,143	13,968
2022	7,936	6,102
2023	2,481	647
	<u>58,891</u>	<u>57,889</u>
Payable not later than one year	19,320	18,836
Payable later than one year but not later than five years	40,030	39,053
	<u>58,891</u>	<u>57,889</u>

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2019

Amounts in Rs '000

	Quarter ended	
	March 31, 2019	March 31, 2018
13. Cost of sales		
Raw and packing materials consumed	877,696	868,905
Manufacturing costs	141,191	149,058
	1,018,887	1,017,963
Opening work-in-process	9,312	12,217
Closing work-in-process	(17,106)	(17,373)
Cost of goods manufactured	1,011,093	1,012,807
Opening finished goods	250,360	233,331
Finished goods purchased	4,395	77,144
Closing finished goods	(312,176)	(351,435)
	953,672	971,847

14. This includes exchange loss amounting to Rs. 14.4 million (March 31, 2018: loss amounting to Rs. 7.31 million). It includes exchange loss from actual currency amounting to Rs. 14.4 million (March 31, 2018: Loss amounting to Rs. 7.95 million) and exchange gain from forward contracts amounting to Rs. Nil (March 31, 2018: gain amounting to Rs. 0.64 million).

	Quarter ended	
	March 31, 2019	March 31, 2018
15. Other income		
Income from financial assets		
Profit on short-term and call deposits	32,648	19,756
Amortization gain on staff loans	-	65
Income from non-financial assets		
Scrap sales	2,375	1,779
Income from sale of fixed assets	153	-
Others		
Provisions no longer required and written back	32,629	19,843
Miscellaneous income	3,058	415
	70,863	41,858

	Quarter ended	
	March 31, 2019	March 31, 2018
16. Taxation		
Current	40,336	42,739
Deferred	30,142	25,483
	70,478	68,222

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2019

17. 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	
	March 31, 2019	March 31, 2018
Associates		
Purchase of goods, materials and services	68,296	120,589
Indenting commission income	-	384
Sale of goods and services	101	353
Reimbursement of expenses	2,603	1,101
Contribution to staff retirement benefit plans	15,152	16,708

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

Transactions with key management personnel

Salaries and benefits of key management personnel for the period ended March 31, 2019 amounted to Rs. 26.98 million (March 31, 2018: Rs. 31.16 million) out of which Rs. 2.7 million (March 31, 2018: Rs. 2.28 million) relates to post employment benefits.

18. Operating segments

- 18.1** These financial statements have been prepared on the basis of a single reportable segment.
- 18.2** Revenue from sale of paints and coatings represents 100.00% (March 31, 2018: 97.66%) of the total revenue of the Company.
- 18.3** All non-current assets of the Company as at March 31, 2019 are located in Pakistan.

19. 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.

20. 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, 2018.

21. 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:

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2019

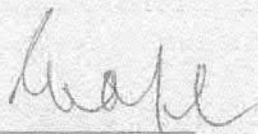
Description	Amounts in Rs '000	
	Quarter ended	
	March 31, 2019	March 31, 2018
Cost of sales	679	533
Selling and distribution expenses	1,519	942
Administrative and general expenses	2,253	1,020

22. Date of authorization

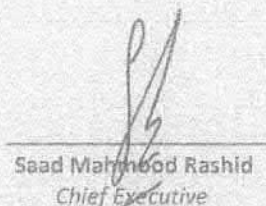
The condensed interim financial information was authorized for issue in the Board of Directors meeting held on April 24, 2019.

23. General

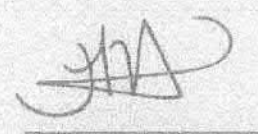
- 23.1** Figures have been rounded off to the nearest thousand rupees except as stated otherwise.
- 23.2** Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation. However, no major rearrangement / reclassification has been made during the period ended March 31, 2019.



Mueen Afzal
Chairman



Saad Mahmood Rashid
Chief Executive



Harris Mahmood
Chief Financial Officer