

Akzo Nobel Pakistan Limited

Colors of inspiration

Report for the quarter ended March 31, 2017

AkzoNobel



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Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter ended March 31, 2017

Contents

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

Company Information

Board of Directors

Mueen Afzal	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
Rizwan Afzal	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 ended March 31, 2017

The Directors are pleased to present their review along with the un-audited financial statements of the Company for the quarter ended March 31, 2017.

Financial Performance

During first Quarter of 2017 your Company's turnover registered growth of 19% above the same period last year on the back of higher volumes. The main driver backing this growth was customer engagement, and sustained investment in media campaigns and promotional schemes. Increase in underlying demand for Automotive OEMs as well as construction in CPEC projects are also driving sales. Consequently, profit after tax at PKR 169m and EPS at PKR 3.63 were 21% higher than the same period last year.

	PKR million		
	For the quarter ended March 31, 2017	For the quarter ended March 31, 2016	Increase (Decrease) %
Turnover	2,236	1,874	19
Net Sales Income	1,470	1,248	18
Gross Profit	588	539	9
Operating Results	222	186	19
Profit Before Tax	239	210	14
Profit After Tax	169	139	21
Earnings Per Share - PKR	3.63	2.99	21

The company contributed PKR 262m (Q1 2016: PKR 274m) to the national exchequer through taxes, duties and other levies during the quarter ended March 31, 2017 respectively.

Business Performance

In highly competitive paint market, the company was able to effectively engage trade channel and end consumers. It also launched Dulux Weathershield Powerflexx, a premium exterior paint in March accompanied by a massive media campaign to increase brand equity.

Sales to the tractor industry continued to increase as a result of a favorable change in sales tax rate and government subsidies. Company was also able to sell paints and coatings to CPEC projects.

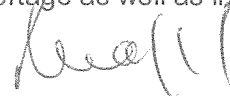
Future Outlook

The economic outlook of country in 2017 is positive on the back of heavy investments in road and energy projects under the CPEC as well as improved domestic investor sentiments.

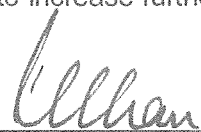
The Company intends to maintain its positive momentum from first quarter by continuing to offer market competitive trade schemes and discounts. It will also continue its media and digital campaign for Dulux Weathershield Powerflexx to enhance brand pull and increase brand equity.

Automotive OEM sector is also expected to continue the strong performance and volumes are expected to increase on account of better outlook in the tractors segment. The company continues to aggressively market new products and increase customer base in the AkzoNobel's portfolio of Specialty Chemicals, Metal and Protective Coatings.

Raw material prices have started to increase in Q1 2017 and are expected to increase further due to global supply shortage as well as increase in crude oil prices



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive

ڈائریکٹر زر پورٹ

31 مارچ 2017 کو ختم ہونے والے سہ ماہی کا جائزہ

ایگزوفوبل کے بورڈ آف ڈائریکٹرز 31 مارچ 2017 کو ختم ہونے والی سہ ماہی کا جائزہ پیش کرنے پر مسرت محسوس کرتے ہیں۔

مالیاتی کارکردگی:-

پہلی سہ ماہی کے دوران کمپنی کے ٹرن اوور میں گزشتہ سال کے مقابلے میں 19 فیصد اضافہ درج کیا گیا۔ اس ترقی کی اصل وجہ کسٹمر کو مشغول رکھنا، میڈیا کی مہمات اور پروموشنل اسکیم میں مسلسل سرمایہ کاری ہے۔ Automotive OEM میں بڑھتی ہوئی طلب کے ساتھ ساتھ CPEC منصوبوں میں اضافہ بھی زیادہ فروخت کا باعث بنا کمپنی کا منافع PKR 169 m اور EPS PKR 3.63 گزشتہ سال کے مقابلے میں %21 زیادہ رہا۔ کمپنی نے 31 مارچ 2017 کو ختم ہونے والی سہ ماہی کے دوران ٹیکسوں کے ذریعے قومی خزانے میں اہم کردار ادا کیا اور (Q1-2016 PKR 274m) PKR 262 m قومی خزانے میں جمع کروائے ہیں۔

کاروباری کارکردگی:-

کمپنی نے تجارتی چینل اور آخر صارفین کو نہایت موثر طریقے سے مشغول رکھا۔ کمپنی نے مارچ کے مہینے میں ایک پرییم برینڈ Weather Shield Powerflex متعارف کرایا اور اس کی برانڈ ایکوٹی میں اضافہ کرنے کیلئے بڑے پیمانے پر میڈیا کمپین چلائی۔ ٹریڈ انڈسٹری کی سیلز چیکس تبدیلی کے نتیجے میں سے کمپنی نے فائدہ اٹھایا۔ کمپنی CPEC منصوبوں کو پینٹ فروخت کرنے میں بھی کامیاب رہی۔

مستقبل کے نقطہ نظر:-

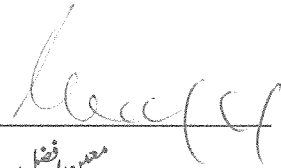
2017 میں کمپنی کی اقتصادی زاویہ مثبت ہے جس کی وجہ CPEC کے تحت کنسٹرکشن اور بجلی کے منصوبوں میں بھاری سرمایہ کاری اور ملکی سرمایہ کاروں کے مثبت جذبات رہے۔ کمپنی پہلی سہ ماہی کی مثبت رفتار کو برقرار رکھنے کیلئے مارکیٹ میں مسابقتی تجارتی منصوبوں اور Discount کو بھی برقرار رکھے گی۔

کمپنی برانڈ ایکوٹی میں اضافہ کرنے کیلئے Weather Shield Powerflex کیلئے میڈیا اور ڈیجیٹل مہم جاری رکھے گی۔ Automotive OEM کے شعبے کو مضبوط کارکردگی جاری رکھنے کی توقع کی جاتی ہے۔ کمپنی جارحانہ طور پر نئی مصنوعات متعارف کرانے کا عزم رکھتی ہے۔

خام مال کی قیمتوں میں اضافہ ہونا شروع ہو گیا ہے جو مزید بڑھنے کی توقع ہے۔ قیمتوں میں اضافے کی وجہ عالمی منڈی میں کمی اور خام تیل کی قیمتوں میں اضافہ ہے۔



جہان زیب خان
چیف ایگزیکٹو

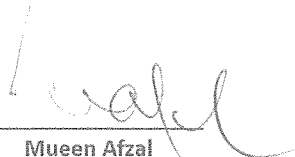



معین افضل
چیرمین

Akzo Nobel Pakistan Limited
Condensed Interim Balance Sheet (Un-audited)
As at March 31, 2017

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2017	December 31, 2016
ASSETS	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,824,424	1,840,208
Intangible assets		407	674
Long term loans	5	86,823	87,040
Long term deposits and prepayments		4,767	4,658
Deferred tax asset - net		114,409	135,690
		2,030,830	2,068,270
CURRENT ASSETS			
Stores and spares		21,560	18,603
Stock-in-trade	6	625,411	468,549
Trade debts	7	707,505	493,199
Loans and advances		39,630	62,529
Trade deposits and short term prepayments		29,223	20,775
Other receivables	8	12,520	20,944
Income tax receivable		21,838	1,729
Interest accrued		3,781	4,754
Cash and bank balances	9	1,799,944	1,927,584
		3,261,412	3,018,666
		5,292,242	5,086,936
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
100,000,000 (2016: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
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		1,769,837	1,590,787
Surplus on revaluation of property, plant and equipment		1,337,490	1,347,799
		3,727,962	3,559,221
NON-CURRENT LIABILITIES			
Deferred liabilities		58,136	57,210
CURRENT LIABILITIES			
Trade and other payables	10	1,506,144	1,470,505
CONTINGENCIES AND COMMITMENTS			
	11		
		5,292,242	5,086,936

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 Profit and Loss Account (Un-audited)
For the quarter ended March 31, 2017

		Amounts in Rs '000	
	Note	For the quarter ended March 31, 2017	For the quarter ended March 31, 2016
Turnover		2,236,022	1,874,253
Sales tax, excise duty and discounts		(766,102)	(626,370)
Net Sales		1,469,920	1,247,883
Cost of sales	12	(882,325)	(708,584)
Gross profit		587,595	539,299
Selling and distribution expenses		(285,531)	(274,761)
Administrative and general expenses		(80,561)	(78,816)
Operating profit		221,503	185,722
Finance cost		(328)	(2,672)
Other charges		(17,762)	(17,684)
		(18,090)	(20,356)
Other income	13	35,662	44,463
Profit before taxation		239,075	209,829
Taxation	15	(70,334)	(70,842)
Profit for the period		168,741	138,987
Earnings per share			
- Basic and diluted - Rupees		3.63	2.99

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 ended March 31, 2017

	Amounts in Rs '000	
	For the quarter ended March 31, 2017	For the quarter ended March 31, 2016
Profit for the period	168,741	138,987
Other comprehensive income	-	-
Total comprehensive income for the period	168,741	138,987

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 quarter ended March 31, 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 quarter ended March 31, 2016					
Profit for the period	-	-	-	138,987	138,987
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	138,987	138,987
Incremental depreciation charge during the period - net of deferred tax	-	-	-	472	472
Balance as on March 31, 2016 (un-audited)	464,433	156,006	196	1,522,500	2,143,135
Profit for the period	-	-	-	351,750	351,750
Other comprehensive income for the period	-	-	-	2,135	2,135
Total comprehensive income for the nine months period ended December 31, 2016	-	-	-	353,885	353,885
Incremental depreciation charge during the period - net of deferred tax	-	-	-	16,286	16,286
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 December 31, 2016 (audited)	464,433	156,006	196	1,590,787	2,211,422
Profit for the period	-	-	-	168,741	168,741
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the quarter ended March 31, 2017	-	-	-	168,741	168,741
Incremental depreciation charge during the period - net of deferred tax	-	-	-	10,309	10,309
Balance as on March 31, 2017 (un-audited)	464,433	156,006	196	1,769,837	2,390,472

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 quarter ended March 31, 2017

Amounts in Rs '000

	For the quarter ended March 31, 2017	For the quarter ended March 31, 2016
Cash flows from operating activities		
Profit before taxation	239,075	209,829
Adjustments for:		
Depreciation and amortization	34,699	24,326
(Gain) on disposal of property, plant and equipment	(447)	-
Provision for employee benefits obligation	11,492	11,739
Reversal of provision for doubtful debts	(2,005)	(17,744)
(Reversal of) / provision for slow moving and obsolete stock	(3,959)	1,293
Interest income	(21,053)	(20,586)
Profit before working capital changes	257,802	208,857
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
Stores and spares	(2,957)	378
Stock-in-trade	(152,903)	(136,782)
Trade debts	(212,301)	(75,482)
Loans and advances	22,899	(24,847)
Trade deposits and short term prepayments	(8,448)	(8,392)
Other receivables	8,424	(3,176)
	(345,286)	(248,301)
Increase in current liabilities		
Trade and other payables	37,690	192,674
Net cash (used in) / generated from operations	(49,794)	153,230
Long term loans	217	(3,565)
Long term deposits and prepayments	(109)	204
Employee benefits paid	(8,105)	(6,952)
Taxes paid	(69,162)	(69,619)
Net cash (used in) / generated from operating activities	(126,953)	73,298
Cash flows from investing activities		
Payments for capital expenditure	(23,160)	(9,489)
Proceeds from disposal of property, plant and equipment	447	-
Interest received	22,026	19,595
Net cash (used in) / generated from investing activities	(687)	10,106
Net (decrease) / increase in cash and cash equivalents	(127,640)	83,404
Cash and cash equivalents at the beginning of the period	1,927,584	1,770,771
Cash and cash equivalents at the end of the period	1,799,944	1,854,175

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 ended March 31, 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, Ferozpur Road, Lahore. The Company is primarily involved in the manufacturing and sale of paints and trading of specialty chemicals.

2. Basis of preparation

2.1 Statement of compliance

This condensed 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 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 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, 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 quarter ended March 31, 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 ended March 31, 2017

3.1 Standards, interpretations and amendments to published approved accounting standards

3.1.1 Amendments to published standards effective in current year

	Effective Date (accounting periods beginning on or after)
Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative	January 1, 2017
Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax assets for unrealized losses	January 1, 2017

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

Standards or Interpretation	Effective Date (accounting periods beginning on or after)
Annual improvements 2014-2016	January 1, 2018
IFRS 9 - 'Financial instruments'	January 1, 2018
IFRS 15 - 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15 - 'Revenue from contracts with customers' on gross versus net revenue presentation	January 1, 2018
IFRIC 22 - 'Foreign currency transactions and advance consideration'	January 1, 2018
IFRS 16 - 'Leases'	January 1, 2019

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2017	December 31, 2016
	Note		
4. Property, plant and equipment			
Operating property, plant and equipment	4.1	1,689,894	1,712,717
Capital work-in-progress	4.2	134,530	127,491
		1,824,424	1,840,208
4.1 Operating property, plant and equipment			
Opening net book value		1,712,717	1,209,489
Additions during the period	4.1.1	11,607	27,580
Revaluation during the period		-	587,921
Disposals / write-offs during the period at book value		-	(989)
Depreciation charged during the period		(34,430)	(111,284)
Closing net book value		1,689,894	1,712,717
4.1.1 Following is the details of additions during the period			
Buildings on freehold land		142	698
Plant and machinery		10,455	16,648
Vehicles		-	1,058
Office Equipment		880	2,876
Furniture and fixtures		130	6,300
		11,607	27,580

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2017

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	March 31, 2017	December 31, 2016
4.2 Capital work-in-progress		
Civil works and buildings	908	3,017
Plant and machinery	41,216	33,021
Equipments	1,118	165
Purchase of land	91,288	91,288
	134,530	127,491
5. Long term loans - Considered good		
Due from executives and employees	109,238	110,430
Recoverable within one year	(22,415)	(23,390)
	86,823	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. 81.45 million (December 31, 2016: 78.24 million).

6. Stock-in-trade

Out of the total carrying value of inventory Rs. 1.01 million (December 31, 2016: Rs. 0.73 million) is measured at net realizable value. As at March 31, 2017 stock has been written down by Rs. 0.07 million (December 31, 2016: Rs.0.33 million) to arrive at its net realizable value.

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	March 31, 2017	December 31, 2016
7. Trade debts		
Considered good:		
- Secured	68,959	12,744
- Unsecured	1,073,496	1,006,915
	1,142,455	1,019,659
Considered doubtful	247,518	249,523
	1,389,973	1,269,182
Less: provision for:		
- Doubtful debts	(247,518)	(249,523)
- Discounts payable on sales	(434,950)	(526,460)
	(682,468)	(775,983)
	707,505	493,199

8. Other receivables

This includes balance amounting to Rs. 11.53 million (December 31, 2016: Rs. 19.39 million) receivable from associated undertakings.

	Note	Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2017	December 31, 2016
9. Cash and bank balances			
Cash in hand		13,540	14,092
Cash at bank - current accounts		186,103	95,942
Short term deposits	9.2	1,600,300	1,817,550
		1,799,943	1,927,584

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2017

- 9.1 Cash and bank balances include cheques in hand amounting Rs. 171.42 million (2016: Rs. 148.24 million) and US Dollars amounting \$US 3,730 (2016: \$US 3,730).
- 9.2 These represent Term Deposit Receipts placed with commercial banks under Shariah non-compliant arrangements. These carry mark-up at rate, ranging between 5.10% to 5.30% (December 31, 2016: 5.00% to 5.20%) per annum and will mature on various dates latest by April 30, 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.

10. Trade and other payables

This includes balance amounting to Rs. 168.86 million (December 31, 2016: Rs. 266.30 million) payable to related parties.

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

11. Contingencies and commitments

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

	(Un-audited)	(Audited)
	March 31, 2017	December 31, 2016
Sales Tax authorities	40,612	40,612
Others	10,000	10,000
	<u>50,612</u>	<u>50,612</u>

11.2 Commitments in respect of capital expenditure amounting to Rs. 138.60 million (December 31, 2016: Rs. 140.44 million)

11.3 Commitments in respect of forward foreign exchange contracts amounting to Rs. 31.74 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)
	March 31, 2017	December 31, 2016
Year		
2017	12,002	14,581
2018	10,944	8,663
2019	8,860	6,575
2020	6,394	4,109
2021	2,346	1,775
	<u>40,546</u>	<u>35,703</u>
Payable not later than one year	15,575	14,581
Payable later than one year but not later than five years	24,972	21,122
	<u>40,546</u>	<u>35,703</u>

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2017

	Amounts in Rs '000	
	Quarter ended	
	March 31, 2017	March 31, 2016
12. Cost of sales		
Raw and packing materials consumed	723,861	621,253
Manufacturing costs	151,688	130,064
	<u>875,549</u>	<u>751,317</u>
Opening work-in-process	11,873	11,863
Closing work-in-process	(11,680)	(27,594)
Cost of goods manufactured	<u>875,742</u>	<u>735,586</u>
Opening finished goods	241,509	162,754
Finished goods purchased	48,588	44,657
Closing finished goods	(283,514)	(234,413)
	<u>882,325</u>	<u>708,584</u>

13. This includes exchange gain amounting to Rs. 2.53 million (2016: loss amounting to Rs. 2.24 million). It includes exchange gain from actual currency amounting to Rs. 2.40 million (2016: loss amounting to Rs. 2.44 million) and exchange gain from forward contracts amounting to Rs. 0.13 million (2016: gain amounting to Rs. 0.20 million).

	Amounts in Rs '000	
	Quarter ended	
	March 31, 2017	March 31, 2016
14. Other income		
Income from financial assets		
Profit on short-term and call deposits	21,053	20,586
Exchange gain - net	2,527	-
Income from non-financial assets		
Scrap sales	2,086	3,316
Income from sale of fixed assets	447	-
Interest Income on staff loans	868	-
Others		
Provisions no longer required and written back	6,164	18,016
Miscellaneous income	2,517	2,545
	<u>35,662</u>	<u>44,463</u>

	Quarter ended	
	March 31, 2017	March 31, 2016
	15. Taxation	
Current	49,053	65,183
Deferred	21,281	5,659
	<u>70,334</u>	<u>70,842</u>

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

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2017

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, 2017	March 31, 2016
Associates		
Purchase of goods, materials and services	103,984	69,069
Indenting commission income	1,456	6,022
Sale of goods and services	36	65
Reimbursement of expenses	2,289	2,798
Royalty	-	1,594
Contribution to staff retirement benefit plans	11,089	16,384

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 quarter ended March 31, 2017 amounted to Rs. 45.71 million (March 31, 2016: Rs. 42.18 million) out of which Rs. 3.83 million (March 31, 2016: Rs. 3.68 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 represents 97.71% (March 31, 2016: 98.57%) of the total revenue of the Company.
- 17.3 100% (March 31, 2016: 100%) sales of the Company relate to customers in Pakistan.
- 17.4 All non-current assets of the Company as at March 31, 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 Standard Chartered Modaraba in respect of vehicles under operating lease / Ijarah contracts. Rentals in respect of aforementioned contracts are included in condensed interim

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2017

financial information as under:

Description	Amounts in Rs '000	
	Quarter ended	
	March 31, 2017	March 31, 2016
Cost of sales	593	568
Selling and distribution expenses	1,322	1,361
Administrative and general expenses	1,828	2,135

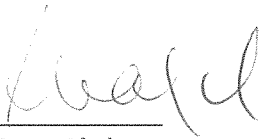
21. Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on April 26, 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 quarter ended March 31, 2017.



Mueen Afzal
Chairman



Jehanzeb Khan
Chief Executive




Harris Mahmood
Chief Financial Officer

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AkzoNobel creates everyday essentials to make people's lives more livable and inspiring. As a leading global paints and coatings company and a major producer of specialty chemicals, we supply essential ingredients, essential protection and essential color to industries and consumers worldwide. Backed by a pioneering heritage, our innovative products and sustainable technologies are designed to meet the growing demands of our fast-changing planet, while making life easier. Headquartered in Amsterdam, the Netherlands, we have approximately 46,000 people in around 80 countries, while our portfolio includes well-known brands such as Dulux, Sikkens, International, Interpon and Eka. Consistently ranked as a leader in sustainability, we are dedicated to energizing cities and communities while creating a protected global world where life is improved by what we do.

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