

Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter ended March 31, 2018

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Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Jeremy Rowe	Non-Executive
Saad Mahmood Rashid	Chief Executive	Sebastian Tan	Non-Executive
David Teng	Non-Executive	Harris Mahmood	Executive
Ayesha Hamid	Non-Executive (Independent)		

Audit Sub Committee

Ayesha Hamid	Chairperson
Mueen Afzal	Member
Sebastian Tan	Member
Rehan Hamid	Secretary

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Jeremy Rowe	Member
Saad Mahmood Rashid	Member
Usman Ali Jamil	Secretary

Share Transfer Committee

Saad Mahmood Rashid	Chief Executive
Harris Mahmood	Chief Financial Officer
Sara Shah	Company Secretary

Chief Financial Officer

Harris Mahmood

Company Secretary

Sara Shah

Executive Management Team

Saad Mahmood Rashid	Chief Executive	Harris Mahmood	Chief Financial Officer
Farooq Ayub Khan	Operations Manager	Muhammad Rizwan	Supply Chain Manager
Usman Ali Jamil	HR Business Partner	Syed Ismail Hussain Naqvi	Business Manager, Performance Coatings
Usman Ali	National Sales Manager, Decorative Paints	Usman Hafaz	Head of Brand and Customer Marketing, Decorative Paints

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.pk

Regional Office

54-C, Main Khayaban-e-

Ittehad, Phase VI,

D.H.A Karachi

Tel: (042) 35857883

Fax: (042) 35854580

Regional Office

Office No. 203, 2nd Floor

ISE Tower, Blue Area,

Jinnah Avenue,

Islamabad

Tel: (051) 2895031-2

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, 2018

The Directors are pleased to present their review along with the condensed interim financial statements of the Company for the quarter ended March 31, 2018.

Financial Performance

Raw material prices continued their upward trajectory since start of the year primarily due to currency devaluation as Government has allowed the rupee to weaken twice in a space of four months . Price increases were announced on most of the product lines; however margins still remained under pressure.

Turnover and net sales value registered growth of 4% and 6% respectively above the same period last year. This was on the back of increase in the demand from Tractors segment, sales to infrastructure projects, new product launches and ongoing customer development. Operating profit at PKR 213m was lower than last year as impact of raw materials cost increase was not fully mitigated by pricing. Accordingly, profit after tax at PKR 163m and EPS at PKR 3.52 were slightly lower than the same period last year.

	PKR million		
	For the quarter ended March 31, 2018	For the quarter ended March 31, 2017	Increase (Decrease) %
Turnover	2,320	2,236	4
Net Sales Income	1,557	1,470	6
Operating Results	213	222	(4)
Profit Before Tax	232	239	(3)
Profit After Tax	163	169	(3)
Earnings Per Share - PKR	3.52	3.63	(3)

The company contributed PKR 283m (Q1 2017: PKR 262m) to the national exchequer through taxes, duties and other levies during the quarter ended March 31, 2018.

Business Performance

Continued rise in raw material costs, regulatory duty on key raw materials and around 10% currency devaluation since December 2017 has led to price increases by all major competitors in Q1, 2018.

Your Company remained focused on delivering value through serving customers' needs; expanding its market product offering and cost reduction initiatives. The company launched Dulux Promise range in the untapped mass market segment. This launch consolidated company's two-brand strategy model and helped in capitalizing the brand pull of Dulux.

Sales to the Tractor industry continued its upwards trajectory due to higher downstream demand, while sales to energy, infrastructure projects and Metal Coatings range also helped support topline growth.

Future Outlook

Run up to the general election is expected to create some political uncertainty which might affect consumer demand and spending on infrastructure projects. The Company has plans to continue with new product and customer development to mitigate the potential negative impact.

As announced in February, separation and sale of Specialty Chemicals business to a separate legal entity is currently in process and progressing as per plan.


Mueen Afzal
Chairman


Saad Mahmood Rashid
Chief Executive

ڈائریکٹر ز رپورٹ

31 مارچ 2018 کو ختم ہونے والی سہ ماہی کا جائزہ

ایگزو ڈیولپمنٹ کے بورڈ آف ڈائریکٹرز 31 مارچ 2018 کو ختم ہونے والی سہ ماہی کا جائزہ پیش کرنے پر مسرت محسوس کرتے ہیں۔

مالیاتی کارکردگی:

خام مال کی قیمتیں سال کے شروع میں ہی تیزی سے بڑھتی نظر آئیں جس کی بنیادی وجہ کرنسی کی قدر میں گراوٹ رہی، اس کی ایک بڑی وجہ یہ بھی رہی کہ حکومت نے چار مہینوں کی مدت میں دو مرتبہ روپے کی قدر میں کمی کی اجازت دی تاکہ جولائی میں ہونے والے انتخابات سے پہلے مالیاتی خسارے کو روکنے کی کوشش کی جاسکے۔ زیادہ سے زیادہ لائنوں پر قیمتوں میں اضافے کا اعلان کیا گیا جبکہ مارچن پھر بھی دباؤ میں رہا۔

پچھلے سال اسی مدت میں بالترتیب Turnover اور NetSales میں 4% اور 6% کی رجسٹرڈ ترقی دیکھی گئی جس کی بنیادی وجہ Tractor Segment کی طلب میں اضافہ، تعمیراتی منصوبوں کو فروخت، نئے منصوبوں کا آغاز اور مسلسل Customer Development رہی۔ آپریٹنگ منافع PKR 213 m رہا جو کہ گزشتہ سال سے کم تھا۔ جس کی بنیادی وجہ خام مال کی لاگت میں اضافہ بنا جس کی وجہ سے کمپنی مکمل طور پر قیمتوں کا تعین نہیں کر سکی۔ جس کے نتیجے میں منافع کی شرح ٹیکس کی کوتاہی کے بعد PKR 163 m اور EPS، PKR 352 رہی جو گزشتہ سال کی مدت میں قدرے کم تھی۔

کمپنی نے 31 مارچ 2018 کو ختم ہونے والی سہ ماہی کے دوران ٹیکس فراہمی اور دیگر لیوی کے ذریعے قومی خزانے میں PKR 283 m (Q1 2017: PKR 262 m) جمع کروائے۔


کاروباری کارکردگی:


خام مال کی قیمتوں میں تیزی سے اضافہ کلیدی خام مال پر ریگولیٹری ڈیولپمنٹ اور تقریباً 10% کرنسی کی مدت میں کمی کی وجہ سے تمام بڑے حربوں نے دسمبر 2017 میں قیمتوں میں اضافہ کیا۔ آپ کی کمپنی نے گاؤں کی طلب، زیادہ پراڈکٹ رینج اور کاروباری لاگت میں کمی لاکر اپنی قدر کو فروغ دینے پر توجہ مرکوز رکھی۔ کمپنی نے ماس سیکٹ میں Dulux Promise Range کو متعارف کروایا۔ کمپنی نے اپنے Two Brand Strategy ماڈل کو مضبوط کر کے ڈیٹیلڈ برانڈ کیلینے کی جگہ بنائی۔ ٹریکنڈ انڈسٹری کی طلب میں اضافہ دیکھا گیا، جبکہ توانائی، تعمیراتی منصوبوں اور ٹیل کوئنگ کی فروخت نے بھی ٹاپ لائن گروٹھ میں مثبت کردار ادا کیا۔

مستقبل کا نقطہ نظر:

رواں سال عام انتخابات میں سیاسی صورتحال غیر یقینی رہنے کا قوی امکان ہے، جس سے صارفین کی طلب اور ترقیاتی منصوبوں پر آنے والی لاگت متاثر ہو سکتی ہے۔ کمپنی ممکنہ منفی صورتحال سے بچنے کیلئے نئی مصنوعات اور Customer Development پر توجہ کا ارادہ رکھتی ہے۔

جیسا کہ فروری میں اعلان کیا جا چکا ہے کہ منصوبے کے مطابق، اس وقت Specialty Chemical بزنس کو الگ کر کے ایک علیحدہ قانونی حیثیت دی جا رہی ہے۔



مہرز خان
(چیف ایگزیکٹو)


معین افضل
(ڈیپٹی مینجنگ ڈائریکٹر)

Akzo Nobel Pakistan Limited
Condensed Interim Balance Sheet (Un-audited)
As at March 31, 2018

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2018	December 31, 2017
ASSETS	Note		
Non-current assets			
Property, plant and equipment	4	1,967,109	1,983,914
Intangible assets		5	9
Long term loans	5	84,192	85,553
Long term deposits and prepayments		6,041	6,240
Deferred tax asset - net		106,681	132,164
		<u>2,164,028</u>	<u>2,207,880</u>
Current assets			
Stores and spares		24,097	25,568
Stock-in-trade	6	851,340	587,044
Trade debts	7	1,023,389	739,593
Loans and advances		68,138	62,603
Trade deposits and short term prepayments		24,954	14,033
Other receivables	8	32,007	44,486
Income tax receivable		35,757	16,172
Interest accrued		3,075	4,496
Cash and bank balances	9	1,709,553	2,047,333
		<u>3,772,310</u>	<u>3,541,328</u>
		<u>5,936,338</u>	<u>5,749,208</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
100,000,000 (2017: 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 (2017: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves			
- Capital reserves		156,202	156,202
- Revenue reserve		2,035,991	1,862,301
		<u>2,192,193</u>	<u>2,018,503</u>
Surplus on revaluation of property, plant and equipment		1,296,328	1,306,613
		<u>3,952,954</u>	<u>3,789,549</u>
Non-current liabilities			
Deferred liabilities		59,252	58,062
Current liabilities			
Trade and other payables	10	1,924,132	1,901,597
		1,924,132	1,901,597
Contingencies and commitments	11		
		<u>5,936,338</u>	<u>5,749,208</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, 2018

		Amounts in Rs '000	
	Note	For the quarter ended March 31, 2018	For the quarter ended March 31, 2017
Turnover		2,320,483	2,236,022
Sales tax, excise duty and discounts		(763,532)	(766,102)
Net sales		1,556,951	1,469,920
Cost of sales	12	(971,847)	(882,325)
Gross profit		585,104	587,595
Selling and distribution expenses		(284,655)	(285,531)
Administrative and general expenses		(87,267)	(80,561)
Operating profit		213,182	221,503
Finance cost		(1,155)	(328)
Other charges	13	(22,258)	(17,762)
		(23,413)	(18,090)
Other income		41,858	35,662
Profit before taxation		231,627	239,075
Taxation	15	(68,222)	(70,334)
Profit for the period		163,405	168,741
Earnings per share - Basic and diluted - Rupees		3.52	3.63

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



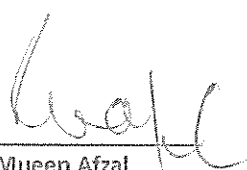
 Harris Mahmood
 Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the quarter ended March 31, 2018

Amounts in Rs '000

	For the quarter ended March 31, 2018	For the quarter ended March 31, 2017
Profit for the period	163,405	168,741
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>163,405</u>	<u>168,741</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 Statement of Changes in Equity (Un-audited)
For the quarter ended March 31, 2018

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, 2016 (audited)	464,433	156,006	196	1,590,787	1,347,799	3,559,221
Total comprehensive income for the quarter ended March 31, 2017						
Profit for the period	-	-	-	168,741	-	168,741
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	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	1,337,490	3,727,962
Profit for the period	-	-	-	404,265	-	404,265
Other comprehensive loss for the period	-	-	-	(40,794)	-	(40,794)
Total comprehensive income for the nine months period ended December 31, 2017	-	-	-	363,471	-	363,471
Incremental depreciation charge during the period - net of deferred tax	-	-	-	30,877	(30,877)	-
Transactions with owners of the Company recognised directly in equity						
Final dividend for the year ended December 31, 2016 @ Rs. 6.50 per share	-	-	-	(301,884)	-	(301,884)
Balance as on December 31, 2017 (audited)	464,433	156,006	196	1,862,301	1,306,613	3,789,549
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

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


Mueen Afzal
Chairman

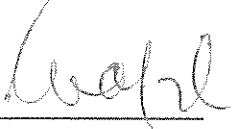

Saad Mahmood Rashid
Chief Executive



Harris Mahmood
Chief Financial Officer

Akzo Nobel Pakistan Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the quarter ended March 31, 2018

	Amounts in Rs '000	
	For the quarter ended March 31, 2018	For the quarter ended March 31, 2017
Cash flows from operating activities		
Profit before taxation	231,627	239,075
Adjustments for:		
Depreciation and amortization	37,072	34,699
Loss / (Gain) on disposal of property, plant and equipment	710	(447)
Provision for employee benefits obligation	8,642	8,808
Provision / (Reversal of provision) for doubtful debts	4,952	(2,005)
Reversal of provision for slow moving and obsolete stocks	(180)	(3,959)
Interest income	(19,756)	(21,053)
	263,067	255,118
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
Stores and spares	1,471	(2,957)
Stock-in-trade	(264,116)	(152,903)
Trade debts	(288,748)	(212,301)
Loans and advances	(5,535)	22,899
Trade deposits and short term prepayments	(10,921)	(8,448)
Other receivables	12,479	8,424
	(555,370)	(345,286)
Increase in current liabilities		
Trade and other payables	34,588	37,783
Net cash used in operations	(257,715)	(52,385)
Long term loans	1,361	217
Long term deposits and prepayments	199	(109)
Employee benefits paid	(6,911)	(5,514)
Tax paid	(62,323)	(69,162)
Net cash used in operating activities	(325,389)	(126,953)
Cash flows from investing activities		
Payments for capital expenditure	(33,568)	(23,160)
Proceeds from disposal of property, plant and equipment	-	447
Interest received	21,177	22,026
Net cash used in investing activities	(12,391)	(687)
Net cash utilised during the period	(337,780)	(127,640)
Cash and cash equivalents at the beginning of the period	2,047,333	1,927,584
Cash and cash equivalents at the end of the period	1,709,553	1,799,944

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, 2018

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, and trading of specialty chemicals.

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, 2017.

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, 2017, 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, 2017.

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, 2017.

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, 2017.

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, 2018 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, 2018

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

- IFRIC 23 - 'Uncertainty over income tax'	January 1, 2019
- IFRS 16 - 'Leases'	January 1, 2019

	Note	Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2018	December 31, 2017
4. Property, plant and equipment			
Operating property, plant and equipment	4.1	1,910,086	1,919,453
Capital work-in-progress	4.2	57,023	64,461
		<u>1,967,109</u>	<u>1,983,914</u>
4.1 Operating property, plant and equipment			
Opening net book value		1,919,453	1,712,717
Additions during the period	4.1.1	28,411	346,286
Disposals / write offs during the period at book value		(710)	(165)
Depreciation charged during the period		(37,068)	(139,385)
Closing net book value		<u>1,910,086</u>	<u>1,919,453</u>
4.1.1 Following is the detail of additions during the period			
Freehold Land		-	214,561
Buildings on freehold land		3,459	10,053
Plant and machinery		19,903	102,368
Office Equipment		1,423	4,009
Furniture and fixtures		3,626	15,295
		<u>28,411</u>	<u>346,286</u>
		(Un-audited)	(Audited)
		March 31, 2018	December 31, 2017
4.2 Capital work-in-progress			
Plant and machinery		54,882	60,123
Equipments		2,141	4,338
		<u>57,023</u>	<u>64,461</u>
		(Un-audited)	(Audited)
		March 31, 2018	December 31, 2017
5. Long term loans - Considered good			
Due from executives and employees		109,422	111,347
Receivable within one year		(25,230)	(25,794)
		<u>84,192</u>	<u>85,553</u>

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. 24.18 million (December 31, 2017: Rs. 24.11 million).

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2018

6. Stock-in-trade

Out of the total carrying value of inventory, Rs. 0.96 million (December 31, 2017: Rs. Nil) is measured at net realizable value. As at March 31, 2018 stock has been written down by Rs. 0.38 million (December 31, 2017: Rs. Nil) to arrive at its net realizable value.

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	March 31, 2018	December 31, 2017
7. Trade debts		
Considered good:		
- Secured	50,017	50,261
- Unsecured	1,334,120	1,165,195
	1,384,137	1,215,456
Considered doubtful	216,612	211,659
	1,600,749	1,427,115
Provision for:		
- Doubtful debts	(216,612)	(211,659)
- Discounts payable on sales	(360,748)	(475,863)
	(577,360)	(687,522)
	1,023,389	739,593

8. Other receivables

This includes balance amounting to Rs. 17.63 million (December 31, 2017: Rs. 32.55 million) receivable from associated undertakings.

	Note	(Un-audited)	(Audited)
		March 31, 2018	December 31, 2017
9. Cash and bank balances			
Cash in hand		14,097	17,501
Cash at bank - current accounts		224,656	265,532
Short term deposits	9.2	1,470,800	1,764,300
		1,709,553	2,047,333

9.1 Cash and bank balances include cheques in hand amounting Rs. 199.10 million (December 31, 2017: Rs. 209.23 million) and US Dollars amounting USD 6,239 (December 31, 2017: USD 6,239).

9.2 These represent term deposit receipts placed with commercial banks under Shariah non-compliant arrangements. These carry mark-up at rate ranging between 5.45% to 5.48% (December 31, 2017: 5.25% to 5.31%) per annum and will mature on various dates latest by April 30, 2018.

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, 2017: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2017: 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.

10. Trade and other payables

This includes balance amounting to Rs. 392.09 million (December 31, 2017: Rs. 355.74 million) payable to related parties.

Akzo Nobel Pakistan Limited
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	Amounts in Rs '000	
	(Un-audited)	(Audited)
	March 31, 2018	December 31, 2017
11. Contingencies and commitments		
11.1 Claims against the Company not acknowledged as debts are as follows:		
Sales Tax authorities	40,612	40,612
Others	10,000	10,000
	50,612	50,612

11.2 Commitments in respect of capital expenditure amounting to Rs. 39.02 million (December 31, 2017: Rs. 11.68 million)

11.3 Commitments in respect of forward foreign exchange contracts amounting to Rs. 37.35 million (December 31, 2017: Rs. 11.23 million)

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

Year	Amounts in Rs '000	
	(Un-audited)	(Audited)
	March 31, 2018	December 31, 2017
2018	10,580	12,964
2019	13,422	12,240
2020	12,088	10,906
2021	7,308	6,126
2022	594	298
	43,992	42,534
Payable not later than one year	14,042	12,964
Payable later than one year but not later than five years	29,950	29,570
	43,992	42,534

	Quarter ended	
	March 31, 2018	March 31, 2017
	12. Cost of sales	
Raw and packing materials consumed	368,905	723,861
Manufacturing costs	149,058	151,688
	1,017,963	875,549
Opening work-in-process	12,217	11,873
Closing work-in-process	(17,373)	(11,680)
Cost of goods manufactured	1,012,807	875,742
Opening finished goods	233,331	241,509
Finished goods purchased	77,144	48,588
Closing finished goods	(351,435)	(283,514)
	971,847	882,325

13. This includes exchange loss amounting to Rs. 7.31 million (March 31, 2017: gain amounting to Rs. 2.53 million). It includes exchange loss from actual currency amounting to Rs. 7.95 million (March 31, 2017: gain amounting to Rs. 2.40 million) and exchange gain from forward contracts amounting to Rs. 0.64 million (March 31, 2017: gain amounting to Rs. 0.13 million).

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17. Operating segments

- 17.1 These financial statements have been prepared on the basis of a single reportable segment.
- 17.2 Revenue from sale of paints and coatings represents 97.66% (March 31, 2017: 97.71%) of the total revenue of the Company.
- 17.3 100% (March 31, 2017: 100%) sales of the Company relate to customers in Pakistan.
- 17.4 All non-current assets of the Company as at March 31, 2018 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, 2017.

20. Ijarah rentals

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

Description	Amounts in Rs '000	
	Quarter ended March 31, 2018	March 31, 2017
Cost of sales	533	593
Selling and distribution expenses	942	1,322
Administrative and general expenses	1,020	1,828

21. Sale of Specialty Chemicals Business

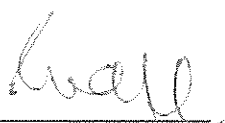
The Board of Directors of the Company in its meeting held on February 28, 2018 have considered and approved the sale, transfer and conveyance of the Specialty Chemicals Business of the Company as a going concern to Akzo Nobel Chemicals (SMC-Private) Limited, a wholly owned subsidiary of Akzo Nobel Chemicals Holding B.V. of Amsterdam, the Netherlands (an affiliate of Akzo Nobel N.V.). The sale and transfer will become effective on a mutually agreed completion date which is scheduled to be no later than December 31, 2018 at a price of PKR 33.5 million.

22. Date of authorization

The condensed interim financial information was authorized for issue in the Board of Directors meeting held on April 25, 2018.

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, 2018.


 Mueen Afzal
 Chairman


 Saad Mahmood Roshid
 Chief Executive


 Harris Mahmood
 Chief Financial Officer