

Akzo Nobel Pakistan Limited

Condensed Interim Financial Information

For the quarter ended March 31, 2020

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Company Information

Board of Directors

Mueen Afzal	Chairman (Independent)	Frederic Moreux	Non-Executive
Harris Mahmood	Acting Chief Executive	Sebastian Tan	Non-Executive
Oscar Wezenbeek	Non-Executive	Ayesha Hamid	Non-Executive (Independent)

Audit Sub Committee

Ayesha Hamid	Chairperson
Mueen Afzal	Member
Sebastian Tan	Member
Muhammad Ali Murtaza	Secretary

Human Resource & Remuneration Sub Committee

Mueen Afzal	Chairman
Harris Mahmood	Member
Oscar Wezenbeek	Member
Syeda Insia Batool Shah	Secretary

Share Transfer Committee

Harris Mahmood	Chief Financial Officer
Muhammad Ali Murtaza	Acting Company Secretary

Chief Financial Officer

Harris Mahmood

Acting Company Secretary

Muhammad Ali Murtaza

Executive Management Team

Harris Mahmood	Chief Financial Officer and Acting Chief Executive		
Farooq Ayub Khan	Operations Manager	Shahid Islam	National Sales Manager, Specialty Coatings
Syeda Insia Batool Shah	Country HR Manager	Usman Hafaz	Head of Brand and Customer Marketing, Decorative Paints
Waqas Mir	National Sales Manager, Decorative Paints		

Bankers

Citibank N.A.	Habib Metropolitan Bank Limited
Deutsche Bank Limited A.G.	Habib Bank Limited
Faysal Bank Limited	

Internal Auditors

Ernst & Young Ford Rhodes,
Chartered Accountants

External Auditors

A. F. Ferguson & Co.,
Chartered Accountants

Registered Office

346, Ferozpur Road,
Lahore-54600
Tel: (042) 111-551-111
Fax: (042) 35835011
www.gilsonobel.pk

Regional Office

11th Floor, Tower-A,
Technology Park, Street-8,
Sharah-e-Faisal, Karachi
Tel: (021) 32781441-6

Regional Office

Plot 3-A, Sector I-10/3,
Industrial Area
Islamabad
Tel: (051) 4447968

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, 2020

The Directors are pleased to present their review along with the condensed interim financial statements of the Company for the quarter ended March 31, 2020.

Financial Performance

An unprecedented challenge from the virus COVID-19 was faced across the world during this quarter, prompting shutdowns of various levels and intensity. The pandemic also impacted Pakistan as painting activity slowed down and most of the country was eventually locked down from 4th week of March. Your company shut down its operations due to instructions from the provincial governments considering the health and safety of its employees and stakeholders. This was communicated to shareholders via the Pakistan Stock Exchange (PSX).

The uncertainty, given Pakistan's fragile economic situation, led to a further depreciation of PKR by 8% against US dollar, while the Stock exchange came crashing down to 29,232 on 31st March 2020. On 24th March, the government reduced its policy rate by 225 bps to 11% from 13.25%.

Due to the economic slowdown in Q1, the spread of the virus in Pakistan and the eventual plant shutdown in March 2020, a significant drop in sales was reported for the quarter, and turnover reduced by 20% vs SPLY. The company tightened its controls over selling, distribution and administrative expenses to maintain profitability. Despite this, the operating results were lower by 21% as the revenue lost could not be compensated by cost savings. Accordingly, profit after tax was reported at PKR 134 million for the first quarter, as compared to PKR 178 million in SPLY: a decline of 25%.

			PKR million
	For the quarter ended March 31, 2020	For the quarter ended March 31, 2019	Increase (Decrease) %
Turnover	1,812	2,277	(20)
Net Sales Income	1,142	1,509	(24)
Operating Results	166	210	(21)
Profit Before Tax	186	249	(25)
Profit After Tax	134	178	(25)
Earnings Per Share - PKR	2.89	3.84	(25)

The company contributed PKR 222m (Q1 2019: PKR 236m) to the national exchequer through taxes, duties and other levies during the quarter ended March 31, 2020.

Business Performance

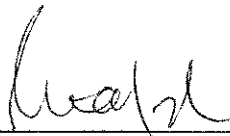
Company continued its focus on value over volume strategy whilst keeping an eye on competition, and price increases were taken for certain product categories to maintain unit margins. Despite the economic slowdown, the company continued to invest in strengthening its supply chain to improve numeric reach in the market and to make its operations and ways of working more efficient. Given the economic slowdown and subsequent shutdown, due to COVID-19, investment on advertisement & publicity remained low.

Future Outlook

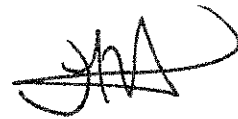
State of the economy and the market remain uncertain for the year due to the prevalence of COVID-19. The company plans to safeguard its cashflow by implementing stricter controls over operating costs while honoring its supplier & business partner commitments.

The Company filed an application on 31st January 2020 with the PSX to allow buy-back of shares by the majority shareholder and for subsequent de-listing of the Company from the Exchange. The PSX agreed to a price of PKR 270/share and in the EOGM held recently a special resolution was passed by more than 3/4th of the shareholders to approve the buy-back at the price so determined by PSX and to delist the Company once all regulatory requirements are fulfilled.

During these testing times, the Board is happy to report that all staff are safe. Once the lockdown ends, the Company will ensure that it takes all necessary precautions to keep its operations and people safe at work, while it endeavors to service requirements of its esteemed customers.



Mueen Afzal
Chairman

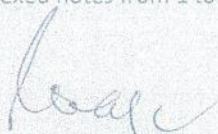



Harris Mahmood
Acting Chief Executive

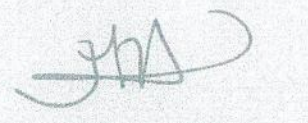
Akzo Nobel Pakistan Limited
Condensed Interim Statement of Financial Position (Un-audited)
As at March 31, 2020

	Note	Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,520,935	4,545,722
Right of use asset		22,155	28,201
Long term loans	5	65,294	59,874
Long term deposits and prepayments		4,177	4,223
Deferred tax asset - net		-	17,707
		<u>4,612,561</u>	<u>4,655,728</u>
Current assets			
Stores and spares		27,925	26,296
Stock-in-trade	6	968,288	683,590
Trade debts	7	1,005,110	830,019
Loans and advances		89,625	77,810
Trade deposits and short term prepayments		11,925	2,939
Other receivables	8	34,798	53,811
Income tax receivable		101,332	82,902
Interest accrued		7,025	5,007
Cash and bank balances	9	1,584,004	1,997,541
		<u>3,830,032</u>	<u>3,759,915</u>
		<u><u>8,442,593</u></u>	<u><u>8,415,644</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
100,000,000 (2019: 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 (2019: 46,443,320) ordinary shares of Rs. 10 each		464,433	464,433
Reserves			
- Capital reserves		156,202	156,202
- Revenue reserve		2,433,614	2,284,917
		<u>2,589,816</u>	<u>2,441,119</u>
Surplus on revaluation			
of property, plant and equipment		3,674,328	3,688,599
		<u>6,728,577</u>	<u>6,594,151</u>
Non-current liabilities			
Deferred liabilities		68,825	66,538
Deferred tax liability - net		2,915	-
Long term lease liabilities against right-of-use asset		12,835	12,490
		<u>84,575</u>	<u>79,028</u>
Current liabilities			
Trade and other payables	10	1,515,358	1,652,061
Contract liabilities		77,946	54,040
Current portion of lease liabilities against right-of-use asset		6,563	6,381
Unpaid dividend		3,084	3,084
Unclaimed dividend		26,490	26,899
		<u>1,629,441</u>	<u>1,742,465</u>
Contingencies and commitments	11		
		<u><u>8,442,593</u></u>	<u><u>8,415,644</u></u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Ayesha Hamid
Non-Executive
Independent Director



Harris Mahmood
Chief Financial Officer
and Acting Chief Executive

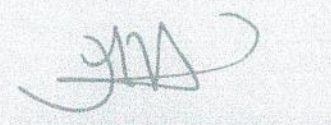
Akzo Nobel Pakistan Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the quarter ended March 31, 2020

	Note	Amounts in Rs '000	
		For the quarter ended March 31, 2020	For the quarter ended March 31, 2019
Turnover		1,811,815	2,277,121
Sales tax and discounts		(669,613)	(768,577)
Net sales		1,142,202	1,508,544
Cost of sales	12	(728,361)	(953,672)
Gross profit		413,841	554,872
Selling and distribution expenses		(153,905)	(258,478)
Administrative and general expenses		(67,835)	(86,248)
Net impairment losses on financial assets		(25,665)	-
Operating profit		166,436	210,146
Finance cost		(797)	(2,234)
Other charges	13	(36,321)	(29,954)
		(37,118)	(32,188)
Other income	14	56,968	70,863
Profit before taxation		186,286	248,821
Taxation	15	(51,861)	(70,478)
Profit for the period		134,425	178,343
Earnings per share - Basic and diluted - Rupees		2.89	3.84

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Ayesha Hamid
Non-Executive
Independent Director

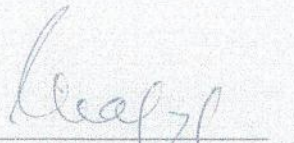

Harris Mahmood
Chief Financial Officer
and Acting Chief Executive

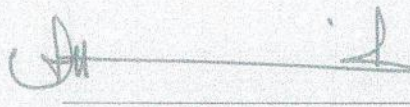
Akzo Nobel Pakistan Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the quarter ended March 31, 2020

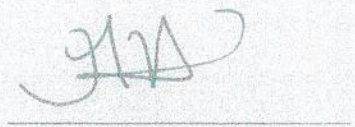
Amounts in Rs '000

	For the quarter ended March 31, 2020	For the quarter ended March 31, 2019
Profit for the period	134,425	178,343
Other comprehensive income for the period	-	-
Total comprehensive income for the period	134,425	178,343

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Ayesha Hamid
Non-Executive
Independent Director

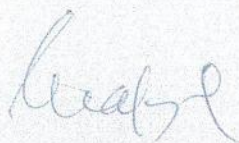

Harris Mahmood
Chief Financial Officer
and Acting Chief Executive

Akzo Nobel Pakistan Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the quarter ended March 31, 2020

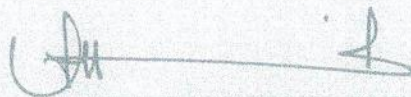
Amounts in Rs '000

	Capital reserves		Revenue reserve	Revaluation Surplus	Total	
	Share premium	Capital receipts	Unappropriated profit	Property, Plant and Equipment		
Balance as on December 31, 2018 (audited)	464,433	156,006	196	1,974,430	1,264,962	3,860,027
Total comprehensive income for the quarter ended March 31, 2019						
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
Net effect of change in accounting standard (IFRS 15)	-	-	-	(41,935)	-	(41,935)
Profit for the period	-	-	-	370,553	-	370,553
Other comprehensive income for the period	-	-	-	(3,550)	2,462,931	2,459,381
Total comprehensive income for the nine months period ended December 31, 2019	-	-	-	367,004	2,462,931	2,829,935
Incremental depreciation charge during the period - net of deferred tax	-	-	-	28,944	(28,944)	-
Transactions with owners of the Company recognised directly in equity						
Final dividend for the year ended December 31, 2018 @ Rs. 5 per share	-	-	-	(232,218)	-	(232,218)
Balance as on December 31, 2019 (audited)	464,433	156,006	196	2,284,917	3,688,599	6,594,151
Profit for the period	-	-	-	134,425	-	134,425
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	134,425	-	134,425
Incremental depreciation charge during the period - net of deferred tax	-	-	-	14,271	(14,271)	-
Balance as on March 31, 2019 (un-audited)	464,433	156,006	196	2,433,613	3,674,328	6,728,577

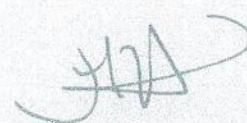
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Mueen Afzal
Chairman



Ayesha Hamid
Non-Executive
Independent Director

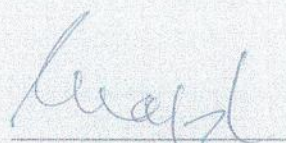


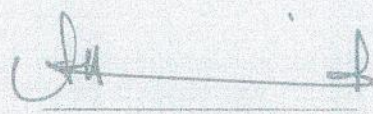
Harris Mahmood
Chief Financial Officer
and Acting Chief Executive

Akzo Nobel Pakistan Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the quarter ended March 31, 2020

	Amounts in Rs '000	
	For the quarter ended March 31, 2020	For the quarter ended March 31, 2019
Cash flows from operating activities		
Profit before taxation	186,286	248,821
Adjustments for:		
Depreciation and amortization	39,705	36,906
Depreciation on right of use asset	6,046	-
(Gain) on disposal of property, plant and equipment	(1,586)	(153)
Provision for employee benefits obligation	9,828	8,845
Reversal of provision no longer required	-	18,905
(Reversal of provision) / provision for doubtful debts	25,665	(8,388)
Provision for slow moving and obsolete stocks	3,078	1,169
Finance cost	527	-
Interest income	(50,510)	(32,648)
	219,039	273,458
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
Stores and spares	(1,629)	(2,656)
Stock-in-trade	(287,776)	(178,425)
Trade debts	(200,756)	(327,653)
Loans and advances	(11,815)	5,098
Trade deposits and short term prepayments	(8,986)	(5,156)
Other receivables	19,013	5,211
	(491,949)	(503,581)
(Decrease) in current liabilities		
Trade and other payables	(111,055)	(194,185)
Net cash used in operations	(383,965)	(424,308)
Long term loans	(5,420)	(820)
Long term deposits and prepayments	46	181
Employee benefits paid	(5,474)	(8,384)
Tax paid	(48,220)	(49,590)
Interest paid	(527)	-
Net cash used in operating activities	(443,559)	(482,921)
Cash flows from investing activities		
Payments for capital expenditure	(19,120)	(38,467)
Proceeds from disposal of property, plant and equipment	1,586	153
Interest received	48,492	34,028
Net cash used in / generated from investing activities	30,958	(4,286)
Cash flows from financing activities		
Dividend Paid	(409)	(559)
Payment of Lease liability against right of use asset	(527)	-
Net cash used in financing activities	(936)	(559)
Net cash utilised during the period	(413,537)	(487,766)
Cash and cash equivalents at the beginning of the period	1,997,541	1,895,127
Cash and cash equivalents at the end of the period	1,584,004	1,407,361

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Mueen Afzal
Chairman


Ayesha Hamid
Non-Executive
Independent Director


Harris Mahmood
Chief Financial Officer
and Acting Chief Executive

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2020

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.

In 2019, the Company initiated voluntary delisting from Pakistan Stock Exchange which is currently under process

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, 2019, 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, 2019.

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, 2019.

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, 2019.

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, 2020 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, 2020

		Amounts in Rs '000	
		(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
4. Property, plant and equipment			
Operating property, plant and equipment	4.1	4,434,800	4,428,158
Capital work-in-progress	4.2	86,135	117,565
		<u>4,520,936</u>	<u>4,545,723</u>
4.1 Operating property, plant and equipment			
Opening net book value		4,428,158	1,895,907
Impact of initial adoption - IFRS 15		-	(48,198)
Additions during the period	4.1.1	47,923	157,198
Revaluation during the period		-	2,553,940
Disposals during the period at book value		(1,575)	(276)
Depreciation charged during the period		(39,706)	(130,414)
Closing net book value		<u>4,434,800</u>	<u>4,428,158</u>
4.1.1 Following is the detail of additions during the period			
Buildings on freehold land		4,166	9,319
Plant and machinery		42,704	143,432
Office Equipment		924	3,196
Furniture and fixtures		129	1,251
		<u>47,923</u>	<u>157,198</u>
		(Un-audited)	(Audited)
		March 31, 2019	December 31, 2019
4.2 Capital work-in-progress (Fixed Assets)			
Plant and machinery		82,661	100,101
Equipments		3,475	7,899
Civil works and buildings		-	9,565
		<u>86,135</u>	<u>117,565</u>
		(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
5. Long term loans - Considered good			
Due from executives and employees		87,829	80,453
Receivable within one year		(22,535)	(20,579)
		<u>65,294</u>	<u>59,874</u>

Akzo Nobel Pakistan Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the quarter ended March 31, 2020

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. 22.05 million (December 31, 2019: Rs. 26.49 million).

6. Stock-in-trade

Out of the total carrying value of inventory, Rs. 4.85 million (December 31, 2019: Rs. 0.83 million) is measured at net realizable value. As at March 31, 2019 stock has been written down by Rs. 0.93 million (December 31, 2019: Rs. 0.10 million) to arrive at its net realizable value.

	Amounts in Rs '000	
	(Un-audited)	(Audited)
	March 31, 2020	December 31, 2019
7. Trade debts		
Considered good:		
- Secured	68,691	51,936
- Unsecured	1,142,765	1,117,370
	1,211,456	1,169,306
Considered doubtful	190,093	172,068
	1,401,549	1,341,374
Provision for:		
- Doubtful debts	(190,093)	(172,068)
- Discounts	(206,346)	(339,287)
	(396,439)	(511,355)
	1,005,110	830,019

8. Other receivables

This includes balance amounting to Rs. 18.42 million (December 31, 2019: Rs. 47.65 million) receivable from associated undertakings.

	Note	(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
9. Cash and bank balances			
Cash in hand		4,901	8,093
Cash at bank - current accounts		75,764	276,166
Cash at bank - savings accounts		3,339	3,282
Short term deposits	9.2	1,500,000	1,710,000
		1,584,004	1,997,541

9.1 Cash and bank balances include cheques in hand amounting Rs. Nil million (December 31, 2019: Rs. 212.37 million) and US Dollars amounting USD 332 (December 31, 2019: USD 332).

9.2 These represent term deposit receipts placed with commercial banks under Shariah non-compliant arrangements. These carry mark-up at rate ranging between 10.45% to 12.55% (December 31, 2019: 12.55% to 12.63%) per annum.

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, 2019: Rs. 391 million). The facility carries mark-up at the rate of 1 month KIBOR plus 1% per annum (December 31, 2019: 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.

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10. Trade and other payables

This includes balance amounting to Rs. 552.24 million (December 31, 2019: Rs. 498.59 million) payable to related parties. Out of this, Rs. 115.29 million (December 31, 2019: Rs. 113.23 million) relates to staff retirement funds.

Amounts in Rs '000

(Un-audited)	(Audited)
March 31, 2020	December 31, 2019

11. Contingencies and commitments

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

Sales Tax authorities	40,612	40,612
	40,612	40,612

11.2 Commitments in respect of capital expenditure amounting to Rs. 25.96 million (December 31, 2019: Rs. 28.71 million)

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

	(Un-audited)	(Audited)
	March 31, 2020	December 31, 2019
Year		
2020	24,512	26,000
2021	26,235	21,749
2022	20,380	17,277
2023	7,477	5,305
2024	2,687	459
2025	155	-
	81,446	70,789
Payable not later than one year	24,512	26,000
Payable later than one year but not later than five years	56,934	44,789
	81,446	70,789

Quarter ended

March 31, 2020	March 31, 2019
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12. Cost of sales

Raw and packing materials consumed	769,572	877,696
Manufacturing costs	135,010	141,191
	904,582	1,018,887
Opening work-in-process	11,336	9,312
Closing work-in-process	(18,260)	(17,106)
Cost of goods manufactured	897,657	1,011,093
Opening finished goods	261,994	250,360
Finished goods purchased	11,810	4,395
Closing finished goods	(443,100)	(312,176)
	728,361	953,672

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13. This includes exchange loss amounting to Rs. 22.9 million (March 31, 2019: loss amounting to Rs. 14.4 million). It includes exchange loss from actual currency amounting to Rs. 22.9 million (March 31, 2019: Loss amounting to Rs. 14.4 million) and exchange gain from forward contracts amounting to Rs. Nil (March 31, 2019: gain amounting to Rs. Nil million).

	Amounts in Rs '000	
	Quarter ended	
	March 31, 2020	March 31, 2019
14. Other income		
Income from financial assets		
Profit on short-term and call deposits	50,510	32,648
Amortization gain on staff loans	2,967	-
Income from non-financial assets		
Scrap sales	1,576	2,375
Income from sale of fixed assets	1,586	153
Others		
Reversal of provision for doubtful debts	-	8,388
Reversal of provision for raw materials	-	5,337
Reversal of provision no longer required and written back	-	18,905
Miscellaneous income	329	3,058
	56,968	70,863
15. Taxation		
Current	31,239	40,336
Deferred	20,622	30,142
	51,861	70,478

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 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:

	Quarter ended	
	March 31, 2020	March 31, 2019
Associates		
Purchase of goods, materials and services	55,748	68,296
Sale of goods and services	12	101
Reimbursement of expenses	3,462	2,603
Contribution to staff retirement benefit plans	15,346	15,152

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

Akzo Nobel Pakistan Limited
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For the quarter ended March 31, 2020

Transactions with key management personnel

Salaries and benefits of key management personnel for the period ended March 31, 2019 amounted to Rs. 24.06 million (March 31, 2019: Rs. 26.98 million) out of which Rs. 2.28 million (March 31, 2019: Rs. 2.70 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 All non-current assets of the Company as at March 31, 2020 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, 2019.

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, 2020	March 31, 2019
Cost of sales	1,008	679
Selling and distribution expenses	1,730	1,519
Administrative and general expenses	1,682	2,253

21. Date of authorization

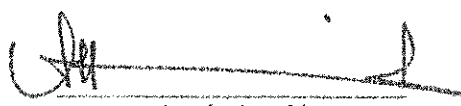
The condensed interim financial information was authorized for issue in the Board of Directors meeting held on April 22, 2020.

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 period ended March 31, 2020.


Mueen Afzal
Chairman


Ayesha Hamid
Non-Executive
Independent Director


Harris Mahmood
Chief Financial Officer
and Acting Chief Executive