3.11 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expire or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. Financial instruments carried on the balance sheet include trade debts and other receivables, loans, cash and bank balances, subordinated director's loan, long term finances, accrued markup, unclaimed dividend, short term borrowing and trade and other payables excluding Workers' Profit Participation Fund, Workers' Welfare Fund and special excise duty. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.12 Staff retirement benefits - Defined contribution plan

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution and will have no legal or constructive obligation to pay further amounts. Obligations for the defined contributions plans are recognized as an employee benefit expense in profit or loss when they are due.

The Company operates a recognized provident fund for all its eligible permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 6.25% of basic salary for labourers and 7% of basic salary for officers. Company's contribution are charged to profit and loss account.

Defined Benefit Plan

The Company also operates an unfunded gratuity scheme for its permanent employees. Provisions are made in the financial statements to cover the obligations using the projected unit credit method. Actuarial gains / losses are amortized over the expected future service of the employees.

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company’s activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria has been met for each of the Company’s activities as described below:

- Sale of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer;