

TRI-PACK FILMS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Tri-Pack Films Limited as at December 31, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2017 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants
Karachi

Dated:

Name of the Engagement Partner: Farrukh Rehman

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TRI-PACK FILMS LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2017

	Note	2017	2016
		-----Rupees in '000-----	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	6,174,706	6,346,761
Intangibles	5	4,330	2,897
Long term deposits		4,299	3,358
		<u>6,183,335</u>	<u>6,353,016</u>
CURRENT ASSETS			
Stores and spares	6	399,846	408,767
Stock-in-trade	7	1,454,257	1,380,062
Trade debts - net	8	1,653,372	1,508,480
Advances and prepayments	9	98,112	98,761
Other receivables	10	112,346	119,261
Refunds due from government - sales tax		32,762	-
Income tax - net		1,055,560	1,099,992
Cash and bank balances	11	205,024	176,741
		<u>5,011,279</u>	<u>4,792,064</u>
TOTAL ASSETS		<u>11,194,614</u>	<u>11,145,080</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	12	388,000	388,000
Share premium		999,107	999,107
Revenue reserves		2,567,362	2,413,711
		<u>3,954,469</u>	<u>3,800,818</u>
LIABILITIES			
NON CURRENT LIABILITIES			
Long term finances	13	1,424,024	2,544,408
Deferred taxation	14	264,936	185,146
Accumulated compensated absences	15	34,160	32,875
		<u>1,723,120</u>	<u>2,762,429</u>
CURRENT LIABILITIES			
Trade and other payables	16	1,663,747	2,900,505
Accrued mark-up	17	60,019	49,019
Short term borrowings	18	2,569,012	511,925
Current portion of long term finances	13	1,224,247	1,120,384
		<u>5,517,025</u>	<u>4,581,833</u>
TOTAL LIABILITIES		<u>7,240,145</u>	<u>7,344,262</u>
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		<u>11,194,614</u>	<u>11,145,080</u>

The annexed notes 1 to 39 form an integral part of these financial statements.


Chief Executive


Chief Financial Officer


Director

TRI-PACK FILMS LIMITED


PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017 ------(Rupees in '000)-----	2016
Revenue	20	12,255,793	11,778,067
Cost of sales	21	(10,489,889)	(9,784,453)
Gross profit		1,765,904	1,993,614
Distribution costs	22	(306,060)	(295,959)
Administrative expenses	23	(283,606)	(313,508)
		(589,666)	(609,467)
Operating Profit		1,176,238	1,384,147
Other income	24	46,770	61,705
		1,223,008	1,445,852
Other expenses	25	(56,795)	(77,211)
Finance cost	26	(355,197)	(454,983)
		(411,992)	(532,194)
Profit before income tax		811,016	913,658
Income tax	27	(238,374)	(159,176)
Profit for the year		572,642	754,482
Other comprehensive loss for the year:			
Items that will not be reclassified subsequently to Profit or Loss			
Remeasurements of staff retirement benefits	16.8	(30,991)	(4,573)
Total comprehensive income for the year		541,651	749,909
Earnings per share - basic and diluted (Rupees)	28	14.76	20.15

The annexed notes 1 to 39 form an integral part of these financial statements.


Chief Executive


Chief Financial Officer


Director

TRI-PACK FILMS LIMITED


STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

	Issued, subscribed and paid-up share capital	RESERVES			Total Reserves	Total
		Capital	Revenue			
		Share premium	General reserve	Unappropriated profit		
------(Rupees in '000)-----						
Balance as at January 1, 2016	300,000	-	1,605,000	208,802	1,813,802	2,113,802
Issue of rights shares at premium	88,000	1,012,000	-	-	1,012,000	1,100,000
Issuance cost of rights issue	-	(12,893)	-	-	(12,893)	(12,893)
Final cash dividend for the year ended December 31, 2015 @ Rs 5.00 per share	-	-	-	(150,000)	(150,000)	(150,000)
Total comprehensive income for the year ended December 31, 2016						
Profit after taxation for the year ended December 31, 2016	-	-	-	754,482	754,482	754,482
Other comprehensive loss	-	-	-	(4,573)	(4,573)	(4,573)
	-	-	-	749,909	749,909	749,909
Balance as at December 31, 2016	388,000	999,107	1,605,000	808,711	3,412,818	3,800,818
Final cash dividend for the year ended December 31, 2016 @ Rs 10.00 per share	-	-	-	(388,000)	(388,000)	(388,000)
Total comprehensive income for the year ended December 31, 2017						
Profit after taxation for the year ended December 31, 2017	-	-	-	572,642	572,642	572,642
Other comprehensive loss	-	-	-	(30,991)	(30,991)	(30,991)
	-	-	-	541,651	541,651	541,651
Balance as at December 31, 2017	388,000	999,107	1,605,000	962,362	3,566,469	3,954,469

The annexed notes 1 to 39 form an integral part of these financial statements.


Chief Executive


Chief Financial Officer


Director

TRI-PACK FILMS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	333,674	2,209,093
Payment on account of accumulated compensated absences		(11,648)	(7,427)
Increase in long term deposits		(941)	(243)
Staff retirement benefits paid		(96,798)	(69,158)
Income taxes (paid) / refund		(114,152)	17,596
Net cash generated from operating activities		<u>110,135</u>	<u>2,149,861</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(448,553)	(207,770)
Purchase of intangibles		(4,337)	(495)
Profit received on bank balances		914	264
Sale proceeds on disposal of operating fixed assets		6,183	15,002
Net cash used in investing activities		<u>(445,793)</u>	<u>(192,999)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue - net of issuance cost		-	1,087,107
Dividend paid		(386,484)	(148,124)
Long term finances paid		(1,016,521)	(950,385)
Short term financing - net		1,742,000	(1,300,000)
Finance cost paid		(270,055)	(460,206)
Bank charges paid		(20,086)	(15,574)
Net cash used in financing activities		<u>48,854</u>	<u>(1,787,182)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(286,804)</u>	<u>169,680</u>
Cash and cash equivalents at beginning of the year		64,816	(104,864)
Cash and cash equivalents at end of the year	31	<u>(221,988)</u>	<u>64,816</u>

The annexed notes 1 to 39 form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

TRI-PACK FILMS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. THE COMPANY AND ITS OPERATIONS

Tri-Pack Films Limited (the Company) was incorporated in Pakistan on April 29, 1993 as a public limited company under the Companies Ordinance, 1984 (the Ordinance) and is listed on Pakistan Stock Exchange (PSX). It is principally engaged in the manufacturing and sale of Biaxially Oriented Polypropylene (BOPP) film and Cast Polypropylene (CPP) film. The registered office of the Company is situated at 4th floor, The Forum, Suite # 416 to 422, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention, as modified by re-measurement of certain financial assets and financial liabilities at fair value and recognition of certain staff retirement and other service benefits at present value.

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP) companies the financial year of which closes on or before December 31, 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the repealed Companies Ordinance, 1984 prevail.

2.3 Changes in accounting standards, interpretations and pronouncements

a) **Standards, interpretations and amendments to published approved accounting standards that are effective and relevant**

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2017, and are considered to be relevant to the Company's operations.

IAS 7, 'Cashflow statements' - This amendment requires disclosure to explain changes in liabilities for which cash flows have been or will be classified as financing activities in the statement of cash flows. The amendment is part of the IASB's Disclosure Initiative. In the first year of adoption, comparative information need not be provided.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning July 1, 2018 that may have an impact on the financial statements of the Company.

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

2.4 Staff retirement benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution plans.

2.4.1 Defined contribution plan

The Company operates a recognised provident fund for all its permanent employees who have completed prescribed qualifying period of service. Equal monthly contributions are made, both by the Company and the employees, to the provident fund at the rate of ten percent of basic salary.

2.4.2 Defined benefit plan

Gratuity plan

There is an approved funded defined benefit gratuity plan for all permanent employees. Monthly contributions are made to this fund on the basis of actuarial recommendations at the rate of 8.33% per annum of basic salaries. The latest actuarial valuation for the gratuity scheme was carried out as at December 31, 2017. The actual return on plan assets represent the difference between the fair value of plan assets at the beginning and end of the year and adjusted for contributions and benefits paid.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of this scheme:

- Discount rate used for year end obligation - 9.50% (2016: 9.50%) per annum;
- Expected rate of increase in salary levels - 8.50% (2016: 8.50%) per annum; and
- Expected mortality rate SLIC (2001 - 2005) mortality table with 1 year setback.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the profit and loss account.

Termination benefits

Termination benefits are payable when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Pension plan

The defined benefit pension fund plan is managed by Packages Limited (associated undertaking) and it currently operates two different plans for its employees:

- Defined contribution plan for all active employees; and
- Defined benefit plan for pensioners who have retired before December 31, 2012.

Projected unit credit method, using the following significant assumptions, is used for valuation of this scheme:

- Discount rate used for year end obligation - 8.25% (2016: 8%) per annum;
- Expected rate of increase in pension level - 0% for first year and at 1% thenceforth (2016: 0% for first year and at 1% thenceforth) per annum; and
- Expected mortality rate SLIC (2001 - 2005) mortality table with 1 year setback.

In respect of the defined contribution plan, the Company contributes 20% of members' monthly basic salary to the scheme; whereas, an employee may or may not opt to contribute 6% of his monthly basic salary to the scheme.

The liability recognized in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions for the defined benefit plan are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in profit and loss account.

2.4.3 Employee compensated absences

The Company also provides for compensated absences for all eligible employees in accordance with the rules of the Company. The provision is recognised on the basis of actuarial valuation. The valuation is based on the following significant assumptions:

- Discount rate used for year end obligation - 9.50% (2016: 9.50%) per annum; and
- Expected rate of increase in salary levels - 8.50% (2016: 8.50%) per annum.

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned. The unrecognised actuarial gains or losses at each valuation date are recognised immediately.

2.5 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

2.5.1 Current

The charge for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any.

2.5.2 Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged to or credited in the profit and loss account.

Deferred income tax asset is determined using tax rates and prevailing law for taxation on income that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Investment tax credits are viewed as increase of the related asset's tax base. Accordingly, in such situation the deductible temporary difference that arises qualifies for the initial recognition exception as per IAS 12, 'Income taxes'. Therefore, no deferred tax asset is recognised instead the recognition of the total investment tax occurs as a reduction of current tax.

2.6 Trade and other payables

Liabilities for trade and other payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

2.7 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.8 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the shareholders / directors, as appropriate.

2.9 Property, plant and equipment

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land and capital work in progress which are stated at cost. Cost of leasehold land is amortised using the straight line method over the period of lease term.

Operating fixed assets having cost exceeding the minimum threshold as determined by the management are capitalised. All other assets are charged to income in the year when acquired. Depreciation is charged to profit and loss account on straight line method at the following rates:

Nature of property, plant and equipment	Annual rate of depreciation (%)
- Leasehold land	1.03 to 2.22
- Buildings on leasehold land	5 to 33.33
- Plant and machinery and electrical installations	5 to 50
- Furniture and fittings	10 to 20
- Office and other equipment	5 to 50
- Vehicles	20

Depreciation on additions and deletions during the year is charged from the month when asset is put into use or up to the month immediately before the month in which the asset is disposed off, respectively.

No depreciation is charged if the asset's residual value exceeds its carrying amount.

Residual values and the useful lives are reviewed at each balance sheet date and adjusted if expectations differ significantly from previous estimates.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in profit and loss account currently.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised in accordance with IAS 16, 'Property, plant and equipment' and depreciated in a manner that represents the consumption pattern and useful lives. Minor repairs and renewals are charged to profit and loss account.

Profit or loss on disposal of operating fixed assets are included in profit and loss account in the year in which it is realised.

2.10 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation including applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

2.11 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the Company and the cost of the asset can be measured reliably. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining intangible assets are recognised as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight line method at the rate of 33.33%.

Useful lives of intangible assets are reviewed, at each balance sheet date and adjusted if the impact of amortisation is significant.

The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the intangible asset's carrying amount exceeds its recoverable amount in profit and loss account. Reversal of impairment losses are also recognised in profit and loss account, however, is restricted to the original cost of the intangible asset.

2.12 Stores and spares

Stores and spares are valued at weighted average cost less allowance for obsolete and slow moving items.

Stores and spares in transit are stated at cost comprising invoice value and other related charges incurred up to the balance sheet date.

2.13 Stock in trade

Stock in trade is valued at the lower of cost and estimated net realisable value. Cost is determined as follows:

Stages of stock in trade	Basis of valuation
Raw materials, work in process and finished goods	Weighted average cost
Raw materials in transit	Invoice value and other related charges as at balance sheet date

Cost of work in process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Net realisable value is determined on the basis of the estimated selling price of the product in the ordinary course of business less estimated cost of completion and costs necessary to be incurred for its sale.

2.14 Trade debts

Trade debts are recognised initially at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at amortised cost less an estimate made for impairment based on a review of all outstanding amounts at the year end. A provision for impairment of trade debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off when identified.

2.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents also include bank overdrafts / short term borrowings that are repayable on demand or within a period of 3 months from the reporting date. Further, contractual borrowings are not part of cash and cash equivalents and are part of financing activities.

2.16 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 and 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:

- i) Sales revenue is recognised at the time the Company has transferred the significant risks and rewards of ownership of the goods; and
- ii) Returns on bank deposits are accrued on a time proportion basis by reference to the principal outstanding amount and the applicable rate of return.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

2.18 Foreign currency transactions and translation

Foreign currency transactions are recognised or accounted for into Pakistan Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are converted into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gain / loss on foreign currency translations are included in income / equity along with any related hedge effects.

2.19 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

2.20 Financial instruments

2.20.1 The Company classifies its financial assets in the following categories:

(a) Investments at 'fair value through profit or loss'

- Held for trading

These include financial instruments acquired principally for the purpose of generating profit from short term fluctuations in prices or dealers' margins or are securities included in portfolio in which a pattern of short term profit taking exists. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current assets.

- Financial assets designated at 'fair value through profit or loss' upon initial recognition

These include investments that are designated as investments at 'fair value through profit or loss' upon initial recognition.

Gains / (losses) arising on sale of investments are included in the profit and loss account currently on the date when the transaction takes place.

Unrealised gains / (losses) arising on revaluation of securities classified as financial assets at 'fair value through profit or loss' are included in the profit and loss account in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Company's loans and receivables comprise 'long term deposits', 'trade debts', 'advances and prepayments', 'other receivables' and 'cash and bank balances' in the balance sheet.

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(c) Held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention to hold them up to maturity.

(d) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the investment matures or management intends to dispose of the financial assets within 12 months of the balance sheet date.

2.20.2 Recognition

Regular way purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

2.20.3 Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a 'financial asset or financial liability other than those at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on 'financial assets and financial liabilities at fair value through profit or loss' are charged to the profit and loss account immediately.

Subsequent to initial recognition, instruments classified as financial assets at 'fair value through profit or loss' and 'available for sale' are measured at fair value. Gains / (losses) arising from changes in the fair value of the financial assets at 'fair value through profit or loss' are recognised in the profit and loss account. Changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to the profit and loss account.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss' are measured at amortised cost using the effective yield method.

2.20.4 Impairment

Impairment loss on investment other than 'available for sale' is recognised in the profit and loss account whenever the carrying amount of investment exceeds its recoverable amount. If in a subsequent period, the amount of an impairment loss recognised decreases the impairment is reversed through the profit and loss account.

In case of investment classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account is removed from other comprehensive income and recognised in the profit and loss account. However, any decrease in impairment loss on securities classified as 'available for sale' is reversed through the profit and loss account and is recognised in other comprehensive income.

2.20.5 Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39, 'Financial instruments: Recognition and measurement'.

The Company uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

2.21 Derivatives financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates derivatives as either fair value hedge or cash flow hedge.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in off-setting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are reclassified to profit and loss account in the periods when the hedged item affects profit and loss account (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

2.22 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There were no significant judgements involved in the application of Company's accounting policies. The management has made the following estimates which are significant to the financial statements:

3.2 Current and deferred income

In making the estimates for income taxes payable by the Company, management considers current income tax laws and the decisions of appellate authorities on certain cases issued in the past. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.3 Provision for retirement and other service

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations. The present values of these obligations and the underlying assumptions are disclosed in notes 2.4 and 16.8.

3.4 Property, plant and equipment and intangible assets

Estimates with respect to residual values and useful lives and pattern flow of economic benefit are based on the recommendation of technical teams of the Company. Further, the Company reviews the internal and external indicators for possible impairment of assets on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment (note 4) and intangible assets (note 5) with a corresponding effect on the depreciation charge, amortisation charge and impairment.

3.5 Provisions

Provisions are based on management's best estimate. Any change in the estimates in future years might affect the carrying amounts of the provision with a corresponding affect on the profit and loss account of the Company.

	Note	2017 ------(Rupees in '000)-----	2016
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	5,924,129	6,239,151
Capital work in progress	4.2	230,483	79,692
Major spare parts and stand-by equipments	4.3	20,094	27,918
		<u>6,174,706</u>	<u>6,346,761</u>

MAD

4.1 Operating fixed assets

4.1.1 The following is a statement of operating fixed assets

	Leasehold land	Buildings on leasehold land	Plant and machinery	Electrical installations	Furniture and fittings	Office and Other equipments	Vehicles	Total
	← Rupees '000 →							
Year ended December 31, 2017								
Opening net book value	182,544	871,741	4,952,884	170,794	33,714	7,522	19,952	6,239,151
Additions	2,426	23,737	255,622	-	14,605	9,101	95	305,586
Disposals - note 4.1.4	-	-	-	-	-	(48)	(5,652)	(5,700)
Amortisation / depreciation charge	(4,789)	(64,009)	(517,180)	(12,598)	(8,459)	(5,486)	(2,387)	(614,908)
Closing net book value	180,181	831,469	4,691,326	158,196	39,860	11,089	12,008	5,924,129
At December 31, 2017								
Cost	221,187	1,318,669	10,092,865	315,453	89,083	83,015	34,552	12,154,824
Accumulated depreciation	(41,006)	(487,200)	(5,401,539)	(157,257)	(49,223)	(71,926)	(22,544)	(6,230,695)
Net book value	180,181	831,469	4,691,326	158,196	39,860	11,089	12,008	5,924,129
Year ended December 31, 2016								
Opening net book value	187,316	931,593	5,321,312	172,306	32,626	11,306	34,367	6,690,826
Additions	-	3,293	124,474	-	9,349	3,354	98	140,568
Disposals	-	-	-	-	(1,096)	(155)	(8,933)	(10,184)
Written off	-	-	(333)	-	(648)	(27)	(380)	(1,388)
Inter-class transfers	-	17	(13,288)	11,102	859	1,261	49	-
Amortisation / depreciation charge	(4,772)	(63,162)	(479,281)	(12,614)	(7,376)	(8,217)	(5,249)	(580,671)
Closing net book value	182,544	871,741	4,952,884	170,794	33,714	7,522	19,952	6,239,151
At December 31, 2016								
Cost	218,762	1,294,932	9,837,278	315,453	74,651	74,000	50,682	11,865,758
Accumulated depreciation	(36,218)	(423,191)	(4,884,394)	(144,659)	(40,937)	(66,478)	(30,730)	(5,626,607)
Net book value	182,544	871,741	4,952,884	170,794	33,714	7,522	19,952	6,239,151

4.1.2 Depreciation charge for the year has been allocated as follows:

	Note	2017	2016
		----- (Rupees in '000) -----	
Cost of goods manufactured	21.1	605,928	567,423
Distribution costs	22	997	1,911
Administrative expenses	23	7,983	11,337
		614,908	580,671

4.1.3 Operating fixed assets include assets having cost of Rs 2.90 billion (2016: Rs 2.89 billion) which were fully depreciated as at the year end.

4.1.4 The following operating fixed assets with a net book value exceeding Rs 50,000 were disposed off during the year:

Particulars	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain
------(Rupees in '000)-----						
Furniture and fittings (Employees):						
	Imran Quddus	70	14	56	56	-
Office Equipments:						
	IGI Insurance Limited	86	36	50	53	3
Vehicles (Employees):						
	Monir Khan	477	321	156	156	-
	Asadullah Butt	488	328	160	330	170
	Imran Quddus	1,411	948	463	463	-
	Imran Quddus	614	413	201	201	-
	Monir Khan	1,433	963	470	470	-
	Owais Khan	743	500	243	243	-
	Devidas	813	546	267	267	-
	Raja Ashfaq	802	540	262	262	-
	Zaheer Ali	802	540	262	262	-
	Sadia Zahid	805	541	264	264	-
	Kamil Zia	974	655	319	319	-
	Muhammad Ali	964	648	316	316	-
	Saleem Mughal	754	507	247	247	-
	Asadullah Butt	1,920	1,291	629	629	-
	Khalid Mehmood	1,001	628	373	464	91
	Hasan Qureshi	1,024	528	496	550	54
	Maaz Yasir	600	296	304	304	-
	Waseem Idrees	600	343	257	297	40
		<u>16,381</u>	<u>10,586</u>	<u>5,795</u>	<u>6,153</u>	<u>358</u>

4.1.5 Disposals of furniture and fittings and vehicles are made according to the policy of the Company, and disposal of office equipment represents insurance claim.

	2017	2016
------(Rupees in '000)-----		
4.2 Capital work in progress		
Plant and machinery	17,701	65,373
Building and civil works	11,483	568
Advances to suppliers and contractors	201,299	13,751
	<u>230,483</u>	<u>79,692</u>

	2017	2016
	----- (Rupees in '000) -----	
4.3 Major spare parts and stand-by equipments		
Balance at the beginning of the year	27,918	40,408
Additions during the year	1,226	1,450
Transfers made during the year	(9,050)	(13,940)
Balance at the end of the year	<u>20,094</u>	<u>27,918</u>
5. INTANGIBLES		
Computer software		
At January 1		
Cost	48,734	48,239
Accumulated amortisation	(45,837)	(41,260)
Net book value	<u>2,897</u>	<u>6,979</u>
Additions during the year	4,337	495
Amortisation for the year	(2,904)	(4,577)
Net book value as at December 31	<u>4,330</u>	<u>2,897</u>
At December 31		
Cost	53,071	48,734
Accumulated amortisation	(48,741)	(45,837)
Net book value	<u>4,330</u>	<u>2,897</u>
5.1 Amortisation charge for the year has been allocated to administrative expenses.		
	2017	2016
	----- (Rupees in '000) -----	
6. STORES AND SPARES		
Stores	47,648	52,431
Spares	347,852	338,955
Stores and spares in transit	4,346	17,381
	<u>399,846</u>	<u>408,767</u>
7. STOCK-IN-TRADE		
Raw materials		
In hand	599,461	638,156
In transit	267,042	253,920
	<u>866,503</u>	<u>892,076</u>
Packing materials	24,343	19,965
Work in process	314,965	226,807
Finished goods	248,446	241,214
	<u>1,454,257</u>	<u>1,380,062</u>

	Note	2017	2016
		------(Rupees in '000)-----	
8. TRADE DEBTS - NET			
Unsecured			
Considered good			
Due from related parties	8.1	102,907	62,652
Others		1,511,600	1,372,500
		<u>1,614,507</u>	<u>1,435,152</u>
Considered doubtful - others	8.5	92,066	96,666
Secured			
Considered good			
Due from related parties	8.1	-	-
Others		38,865	73,328
		<u>38,865</u>	<u>73,328</u>
		<u>1,745,438</u>	<u>1,605,146</u>
Less: Provision for doubtful debts	8.3	(92,066)	(96,666)
		<u>1,653,372</u>	<u>1,508,480</u>

8.1 Represents amounts due from following related parties in the normal course of business and are interest free:

	2017	2016
	------(Rupees in '000)-----	
Packages Limited	102,907	62,652
	<u>102,907</u>	<u>62,652</u>

8.2 The maximum amount receivable from any related party during the year was Rs 121.83 million (2016: Rs 189.68 million).

	Note	2017	2016
		------(Rupees in '000)-----	
8.3 Provision for doubtful debts			
Balance at beginning of the year		96,666	96,666
Provision for the year	23	20,064	10,000
Reversal during the year	23	(24,664)	(10,000)
Balance at end of the year		<u>92,066</u>	<u>96,666</u>

Atto

- 8.4 As at December 31, 2017, trade debts of Rs 537.7 million (2016: Rs 599.83 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade debts is as follows:

	2017	2016
	------(Rupees in '000)-----	
Upto 1 - 2 months	491,362	554,269
Upto 3 - 4 months	25,042	23,934
Upto 5 - 6 months	7,498	6,045
More than 6 months	13,799	15,586
	<u>537,701</u>	<u>599,834</u>

- 8.5 As at December 31, 2017, trade receivables of Rs 92.07 million (2016: Rs 96.67 million) were impaired and provided for. These receivables are over-due by more than 365 days.

Note	2017	2016
	------(Rupees in '000)-----	

9. ADVANCES AND PREPAYMENTS

Considered good

Due from employees	9.1	6,256	6,590
Advances to suppliers	9.2	23,754	28,977
Advances to clearing agents		60,975	54,895
Prepayments		7,127	8,299
		<u>98,112</u>	<u>98,761</u>

- 9.1 These advances primarily include advance against travelling and house rent given to executives as per terms of employment. The maximum amounts due at the end of any month during the year from the Chief Executive and other executives were Rs 0.50 million (2016: Rs 1.85 million) and Rs 2.93 million (2016: Rs 0.78 million) respectively.

- 9.2 This includes advances amounting to Rs 1.28 million (2016: Rs 2.55 million) given to related parties.

Note	2017	2016
	------(Rupees in '000)-----	

10. OTHER RECEIVABLES

Rebate recoverable against exports		23,352	23,862
Rebate receivable against purchases		37,037	33,364
Car advances to employees	10.1	46,201	43,312
Others		5,756	18,723
		<u>112,346</u>	<u>119,261</u>

- 10.1 This represents advance to employees against purchase of vehicles for a period of five years. During this tenure, the salvage value of the vehicle is recovered from an employee in equal monthly installments. In case an employee leaves earlier, the outstanding amount is recovered.

- 13.1 Following are the changes in the long term borrowings (i.e. for which cash flows have been classified as financing activities in the statement of cashflows):

	2017	2016
	------(Rupees in '000)-----	
Balance as at January 1	2,544,408	3,664,792
Disbursements during the year	-	-
Repayment	(1,016,520)	(1,120,384)
Related to current portion of long term finances	(103,864)	-
Balance as at December 31	<u>1,424,024</u>	<u>2,544,408</u>

13.2	Facility	Loan Type	Repayment terms - Principal	Mark-up		Effective Rate (%)		Facility Amount (Rs. In 000)	Date of drawdown	Last Repayment date
				Payable basis	Rate (per annum)	2017	2016			
	Finance 1	Term-loan	10 Semi-annual (Grace period : 2 years)	Semi-annually	6 month Kibor + 0.75%	6.89%	7.07%	1,000,000	June 1, 2012	June 2019
	Finance 2	Term-loan	10 Semi-annual (Grace period : 2 years)	Quarterly	3 month Kibor + 0.75%	6.87%	7.01%	1,000,000	April 1, 2014	April 2021
	Finance 3	Term-loan	10 Semi-annual (Grace period : 2 years)	Quarterly	3 month Kibor + 0.45%	6.61%	8.58%	2,000,000	June 29, 2012	October 2019
	Finance 4	Term-loan	8 Semi-annual (Grace period : 1 year)	Quarterly	3 month Kibor + 0.45%	6.66%	6.99%	500,000	February 14, 2014	March 2019
	Finance 5	Term-loan	20 Quarterly (Grace period : 2 years)	Quarterly	3 month Kibor + 0.50% & 0.80%	6.69%	7.47%	1,000,000	November 8, 2013	June 2021

- 13.3 The above facilities have been obtained from Commercial banks and are secured against first pari passu hypothecation / mortgage charges on the Company's present and future fixed assets including but not limited to land, building, plant and machinery, equipment, furniture and fixtures etc.

		2017	2016
		------(Rupees in '000)-----	
14.	DEFERRED TAXATION		
	Credit / (Debit) balances arising from:		
	Accelerated tax depreciation allowance	754,247	754,706
	Amortisation allowance	(5,674)	(6,234)
	Tax loss	(21,300)	(252,202)
	Provision for accumulated compensated absences	(9,823)	(8,705)
	Provision for doubtful debts	(28,384)	(29,000)
	Minimum Tax	(380,327)	(229,616)
	Alternative Corporate Tax	(43,803)	(43,803)
		<u>264,936</u>	<u>185,146</u>
14.1	The deferred tax asset on tax loss, minimum tax and alternative corporate tax will be recoverable based on the estimated future taxable income and approved business plans and budgets.		
		Note	
		2017	2016
		------(Rupees in '000)-----	
15.	ACCUMULATED COMPENSATED ABSENCES		
	Opening balance	32,875	30,433
	Expense recognised	12,933	9,869
	Payments made during the year	(11,648)	(7,427)
	Closing balance	<u>34,160</u>	<u>32,875</u>
16.	TRADE AND OTHER PAYABLES		
	Creditors - Bills payable	16.1 45,285	63,346
	Accrued liabilities	16.3 & 16.4 1,039,125	973,162
	Liability for imported goods	16.5 & 16.6 308,785	1,524,608
	Advances from customers	46,731	70,307
	Retention money	853	853
	Unclaimed dividend	13,772	12,256
	Sales Tax Payable	-	37,808
	Workers' profits participation fund	16.7 30,511	39,590
	Staff Retirement Benefits		
	- Payable to gratuity fund	16.8 112,879	139,634
	- Payable to pension fund	16.8 17,375	3,268
	- Payable to provident fund	-	2,710
	Workers' welfare fund	48,431	32,963
		<u>1,663,747</u>	<u>2,900,505</u>

- 16.1 Creditors include Rs 5.65 million (2016: Rs 3.37 million) payable to associated undertakings.
- 16.2 The maximum amount due to any related party during the year was Rs 80.04 million (2016: Rs 81.2 million).
- 16.3 This includes Rs 627.48 million (2016: Rs 452.96 million) in respect of Gas Infrastructure Development Cess (GIDC) which has not been paid as stay order has been obtained by the Company in the Honourable High Courts of Sindh and Peshawar against demand and collection under GIDC Act, 2015.
- 16.4 During the year a new act was promulgated by the Sindh Assembly under the name "The Sindh Development and Maintenance of Infrastructure Cess Act, 2017" which supersedes the previous levy under the Sindh Finance Act, 1994. Provision in this respect amounts to Rs 87.04 million (2016: Rs 45.26 million) which has not been paid as stay order obtained by the Company in the Honourable High Court of Sindh.
- 16.5 This includes Rs 4.08 million (2016: Rs 59.74 million) payable to associated undertakings.
- 16.6 The amount includes Rs Nil (2016: Rs 597.61 million) in relation to letter of credits under supplier financing arrangement.

	2017	2016
	------(Rupees in '000)-----	
16.7 Workers' profits participation fund		
Payable at the beginning of the year	(39,590)	(8,675)
Allocation for the year	(40,656)	(55,950)
	<u>(80,246)</u>	<u>(64,625)</u>
Payments during the year	49,735	25,035
Payable at the end of the year	<u>(30,511)</u>	<u>(39,590)</u>

16.8 Staff retirement benefits

As stated in note 2.4.2 the company operates approved funded defined benefit gratuity plan for all permanent employees, defined contribution plan for all active employees and defined benefit plan for pensioners who have retired before December 31, 2012 subject to minimum service of prescribed period as per the respective trust deeds. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at December 31, 2017.

Plan assets held in trust are governed by local regulations which mainly include Trust Act, 1882; the repealed Companies Ordinance, 1984; Income Tax Rules, 2002 and the Rules under the respective trust deeds. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the respective Board of Trustees. The Company appoints the trustees among its employees.

The latest actuarial valuations of the Plans as at December 31, 2017 were carried out using the Projected Unit Credit Method. Details of the Funds as per the actuarial valuations are as follows:

	Note	2017	2016	2017	2016
		Pension Fund		Gratuity Fund	
		------(Rupees in '000)-----			
16.8.1	The amounts recognised in the balance sheet are as follows:				
	Present value of defined benefit obligation	16.8.3 62,178	62,808	119,888	100,672
	Fair value of plan assets	16.8.4 (44,803)	(59,540)	(7,402)	(69,715)
	Payables to Voluntary Separation Scheme Optees	-	-	393	108,677
	Net liability as at December 31	<u>17,375</u>	<u>3,268</u>	<u>112,879</u>	<u>139,634</u>
16.8.2	Net (asset) / liability as at January 1	3,268	4,444	139,634	50,174
	Charge to profit and loss account	261	400	13,057	97,963
	Loss / (Gain) charged to other comprehensive income	13,846	(1,576)	17,145	6,149
	Contribution by the Company	-	-	(56,957)	(14,652)
	Net liability as at December 31	<u>17,375</u>	<u>3,268</u>	<u>112,879</u>	<u>139,634</u>
16.8.3	The movement in the present value of defined benefit obligation is as follows:				
	Present value of defined benefit obligation as at January 1	62,808	58,586	100,672	116,134
	Current service cost	-	-	12,032	13,078
	Cost for Voluntary Separation Scheme	-	-	(2,931)	84,996
	Interest cost on defined benefit obligation	4,770	4,995	9,057	9,511
	Employee's Contribution during the year	-	-	1,049	-
	Past service cost for employee rejoined during the year	-	-	1,651	-
	Benefits due but not paid (payables)	-	-	(393)	(108,677)
	Benefits paid	(6,354)	(6,171)	(10,281)	(18,360)
	Gains and losses arising on plan settlements	-	-	-	(3,211)
	Experience loss	954	5,398	9,032	7,201
	Present value of defined benefit obligation as at December 31	<u>62,178</u>	<u>62,808</u>	<u>119,888</u>	<u>100,672</u>
16.8.4	The movement in fair value of plan assets is as follows:				
	Fair value as at January 1	59,540	54,142	69,715	65,960
	Contributions made by employer	-	-	56,957	14,652
	Contributions made by employee	-	-	1,049	-
	Income on plan assets	4,509	4,595	6,752	6,411
	Return on plan assets excluding interest income	(12,892)	6,974	(8,113)	1,052
	Benefits paid	(6,354)	(6,171)	(118,958)	(18,360)
	Fair value of as at December 31	<u>44,803</u>	<u>59,540</u>	<u>7,402</u>	<u>69,715</u>
16.8.5	The amounts recognized in the profit and loss account are as follows:				
	Current service cost	-	-	12,032	13,078
	Cost for Voluntary Separation Scheme	-	-	(2,931)	84,996
	Gains and losses arising on plan settlements	-	-	1,651	(3,211)
	Interest cost on defined benefit obligation	4,770	4,995	9,057	9,511
	Interest income on plan assets	(4,509)	(4,595)	(6,752)	(6,411)
		<u>261</u>	<u>400</u>	<u>13,057</u>	<u>97,963</u>
16.8.6	The amounts recognized in the other comprehensive income are as follows:				
	Experience loss	954	5,398	9,032	7,201
	Return on plan assets excluding interest income	12,892	(6,974)	8,113	(1,052)
		<u>13,846</u>	<u>(1,576)</u>	<u>17,145</u>	<u>6,149</u>
16.8.7	Plan assets are comprised as follows:				
	Debt	19,422	21,327	-	5,975
	Equity	23,858	36,760	6,720	25,118
	Cash	1,268	1,405	682	38,622
	Other	255	48	-	-
		<u>44,803</u>	<u>59,540</u>	<u>7,402</u>	<u>69,715</u>

- 16.8.8 The Company ensures asset / liability matching by investing in government securities, bank deposits, mutual funds and does not use derivatives to manage its risk.
- 16.8.9 The expected return on respective plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy.
- 16.8.10 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Pension	Gratuity
		------(Rupees in '000)-----	
Discount rate	+ 100 bps	(4,179)	(12,651)
Discount rate	- 100 bps	4,766	14,817
Salary increase	+ 100 bps	4,782	15,012
Salary increase	- 100 bps	(4,243)	(13,041)

- Average expected remaining working life time of gratuity management employees is 11 years.
- Average expected remaining life time of pension management employees is 7 years.

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied.

17. ACCRUED MARK-UP	2017	2016
	------(Rupees in '000)-----	
On long term finances	36,149	46,740
On short term finances	23,870	2,279
	<u>60,019</u>	<u>49,019</u>

	Note	2017	2016
------(Rupees in '000)-----			
18. SHORT TERM BORROWINGS			
Secured			
Short term running finance	18.2	427,012	111,925
Short term money market loans	18.3	2,142,000	400,000
		<u>2,569,012</u>	<u>511,925</u>

18.1 Following are the changes in the short term money market loans (i.e. for which cash flows have been classified as financing activities in the statement of cashflows:

	2017	2016
------(Rupees in '000)-----		
Balance as at January 1	400,000	1,700,000
Disbursements during the year	4,926,200	-
Repayment	(3,184,200)	(1,300,000)
Balance as at December 31	<u>2,142,000</u>	<u>400,000</u>

18.2 Short term running finances have been obtained under mark-up arrangements from commercial banks payable on various maturity dates up to August 21, 2018. These facilities are secured by joint hypothecation by way of first floating charge over current assets including but not limited to stores and spares, stock in trade and trade debts. Rate of mark-up applicable to these facilities ranges between 6.09% to 6.81% (2016: 6.09% to 6.94%) per annum.

18.3 Short term money market loans have been arranged as a sub-limit of the running finance facility. Rate of mark-up applicable to these facilities ranges between 6.08% to 6.57% (2016: 6.06% to 6.69%) per annum. The facilities are available for the maximum period of one year from the date of agreement with the latest facility expiring on August 21, 2018.

18.4 Total short-term facilities available under mark-up arrangements aggregated Rs 8.65 billion (2016: Rs 8.65 billion) out of which the amount unavailed at the year end was Rs 6.08 billion (2016: Rs 8.14 billion).

	2017	2016
------(Rupees in '000)-----		
19. CONTINGENCIES AND COMMITMENTS		
Contingencies		
Guarantees issued by banks on behalf of the Company	<u>354,605</u>	<u>329,605</u>
Commitments		
- for purchase of raw materials and spares	<u>757,189</u>	<u>471,000</u>
- capital expenditure	<u>118,310</u>	<u>183,481</u>

- 19.1 Aggregate commitments in respect of ijarah arrangements of motor vehicles amounted to Rs. 25.5 million (2016: Rs. 20.38 million) payable as follows:

	2017	2016
	------(Rupees in '000)-----	
Not later than 1 year	9,339	7,122
Later than 1 year but not later than 5 years	<u>16,164</u>	<u>13,257</u>
	<u><u>25,503</u></u>	<u><u>20,379</u></u>

- 19.2 The facilities for opening of letter of credits and for guarantees as at December 31, 2017 amount to Rs 11.5 billion (2016: Rs 11.5 billion) and Rs 570 million (2016: Rs 395 million) respectively, of which the amount remaining unutilised was of Rs 10.48 billion (2016: Rs 9.69 billion) and Rs 215.4 million (2016: Rs 65.4 million) respectively. Letter of guarantee is sub-limit of running finance as disclosed in note - 18.4.
- 19.3 In respect of tax year 2008 and 2011, the Commissioner Inland Revenue (Appeals) through appellate order dated April 30, 2015 and May 19, 2015 has disposed off the appeals of the company maintaining the disallowances on account of the taxation of tenderable gains amounting to Rs. 5.66 million and provisions for post retirement benefit funds amounting to Rs. 6.73 million (tax year 2008) and Rs. 21.27 million (tax year 2011). Further adjustment of minimum tax liability carried forward amounting to Rs. 42.93 million was disallowed. The Company has filed an appeal before the ATIR in respect of the matters maintained. The management of the Company, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.
- 19.4 In respect of tax year 2009, the Commissioner Inland Revenue (Appeals) through appellate order dated May 19, 2015 has disposed off the appeal in favour of the company except on maintaining the action of taxation officer on disallowance of finance cost capitalized as part of the cost of Plant and Machinery amounting to Rs. 8.47 million and interest on advance to executives and employees as loan amounting to Rs. 0.27 million. Company has filed an appeal before ATIR in respect of the issue maintained by the Commissioner (Appeals) and the management of the Company, based on the advise of its consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

At

	Note	2017	2016
------(Rupees in '000)-----			
20. REVENUE			
Sale of goods less returns:			
- Local		14,467,079	13,913,601
Less: Discounts		(345,552)	(300,126)
Sales tax		(2,105,459)	(2,044,791)
		<u>12,016,068</u>	<u>11,568,684</u>
- Export		239,725	209,383
		<u>12,255,793</u>	<u>11,778,067</u>
21. COST OF SALES			
Opening stock of finished goods		241,214	164,016
Cost of goods manufactured	21.1	10,497,121	9,861,651
Less: Closing stock of finished goods		(248,446)	(241,214)
		<u>10,489,889</u>	<u>9,784,453</u>
21.1 Cost of goods manufactured			
Opening stock of work in process		226,807	232,886
Raw materials consumed	21.2	7,794,844	7,017,222
Packing materials consumed	21.3	336,349	320,257
Repairs and maintenance	21.4	307,342	250,291
Salaries, wages and other benefits	21.5	643,686	742,926
Fuel, power and water		762,355	791,590
Insurance		48,056	48,246
Vehicle running and maintenance	21.6	40,214	40,031
Travelling		13,039	15,916
Technical Fee		11,474	20,373
Depreciation	4.1.2	605,928	567,423
Staff training and development		9,096	12,627
Legal and professional services		6,031	20,606
Other expenses		6,865	8,064
		<u>10,812,086</u>	<u>10,088,458</u>
Less: Closing stock of work in process		(314,965)	(226,807)
		<u>10,497,121</u>	<u>9,861,651</u>

		2017	2016	
		------(Rupees in '000)-----		
21.2	Raw materials consumed			
	Opening stock	892,076	867,499	
	Purchases	7,769,271	7,041,799	
	Less: Closing stock	(866,503)	(892,076)	
		<u>7,794,844</u>	<u>7,017,222</u>	
21.3	Packing materials consumed			
	Opening stock	19,965	29,472	
	Purchases	340,727	310,750	
	Less: Closing stock	(24,343)	(19,965)	
		<u>336,349</u>	<u>320,257</u>	
21.4	This includes stores and spares consumed amounting to Rs 124.55 million (2016: Rs 107.95 million).			
21.5	This includes Rs 9.58 million (2016: Rs 9.99 million) in respect of contribution to provident fund, Rs 4.84 million (2016: Rs 5.97 million) in respect of gratuity fund, Rs 15.75 million (2016: Rs 16.47 million) in respect of pension fund, Rs 8.73 million (2016: Rs 6.42 million) in respect of compensated absences and Rs Nil (Rs 84.99 million) in respect of VSS and Rs Nil (2016: Rs 8.26 million) in respect of VSS payout to contractual employees.			
21.6	This includes Rs 2.22 million (2016: Rs 2.21 million) in respect of rentals under ijarah arrangements.			
	Note	2017	2016	
		------(Rupees in '000)-----		
22.	DISTRIBUTION COSTS			
	Salaries, wages and other benefits	22.1	63,595	68,261
	Outward freight		194,114	179,679
	Travelling		7,018	8,647
	Rent, rates and taxes		23,406	14,978
	Repairs and maintenance		1,358	1,530
	Vehicle running and maintenance	22.2	3,190	3,935
	Insurance		1,533	1,488
	Depreciation	4.1.2	997	1,911
	Staff training and development		3,939	623
	Legal and professional services		266	-
	Other expenses		6,644	14,907
			<u>306,060</u>	<u>295,959</u>
22.1	This includes Rs 1.4 million (2016: Rs 1.58 million) in respect of contribution to provident fund, Rs 1.24 million (2016: Rs 2.06 million) in respect of gratuity fund, Rs 2.8 million (2016: Rs 3.21 million) in respect of pension fund and Rs 1.2 million (2016: Rs 1.09 million) in respect of compensated absences.			

22.2 This includes Rs 1.12 million (2016: Rs 1.7 million) in respect of rentals under ijarah arrangements.

	Note	2017	2016
------(Rupees in '000)-----			
23. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	23.1	194,904	197,915
Rent, rates and taxes		7,375	7,740
Printing, stationery and periodicals		5,789	4,235
Postage and telephone		5,294	4,947
Repairs and maintenance		11,201	14,357
Vehicle running and maintenance	23.2	13,630	13,529
Travelling and Entertainment		3,028	22,214
Insurance		3,469	3,405
Staff training and development		3,688	1,471
Provision for doubtful debts - net	8.3	(4,600)	-
Auditors' remuneration	23.3	6,030	8,011
Legal and professional expenses		17,268	14,124
Depreciation	4.1.2	7,983	11,337
Amortization	5.1	2,904	4,577
Electricity, gas and water		4,454	2,931
Advertisement		939	940
Other expenses		250	1,775
		<u>283,606</u>	<u>313,508</u>

23.1 Staff retirement benefits include Rs 5.02 million (2016: Rs 4.38 million) in respect of contribution to provident fund, Rs 4.01 million (2016: Rs 4.51 million) in respect of gratuity fund, Rs 8.52 million (2016: Rs 9.36 million) in respect of pension fund and Rs 3.01 million (2016: Rs 2.37 million) in respect of compensated absences.

23.2 This includes Rs 3.53 million (2016: Rs 4.5 million) in respect of rentals under ijarah arrangements.

		2017	2016
------(Rupees in '000)-----			
23.3 Auditors' remuneration			
Audit fee		1,664	1,540
Review of half yearly accounts, review of statement of compliance on best corporate practices, audit of employees' retirement funds and other special reviews		1,292	1,968
Tax services		2,750	4,033
Out of pocket expenses		324	470
		<u>6,030</u>	<u>8,011</u>

	Note	2017	2016
		------(Rupees in '000)-----	
24. OTHER INCOME			
Income from financial assets			
Profit on bank balances		914	264
Income from assets other than financial assets			
Profit on disposal of operating fixed assets		483	4,818
Sale of scrap materials		40,808	53,013
		41,291	57,831
Others			
Commission earned on insurance premium from a related party		4,565	3,610
		46,770	61,705
25. OTHER EXPENSES			
Workers' profits participation fund		40,656	55,950
Workers' welfare fund		15,468	21,261
Donations		671	-
		56,795	77,211
26. FINANCE COST			
Mark-up on long term finances		216,469	322,518
Mark-up on short term finances		64,586	106,867
Bank and other charges		20,086	15,574
Exchange loss		54,056	10,024
		355,197	454,983
27. INCOME TAX			
Current	27.2	132,347	32,755
Deferred		79,789	126,421
Prior	27.3	26,238	-
		238,374	159,176
27.1 Tax reconciliation			
Profit before income tax		811,016	913,658
Tax @ 30% (2016: 31%)		243,305	283,234
Effect of			
- Final tax regime		(2,231)	(2,654)
- Tax credit	27.2	(21,217)	(129,720)
- Income not subject to tax		(2,556)	(2,401)
- Effect of super tax		26,238	-
- Inadmissible expenses		1,437	1,480
- Others		(6,602)	9,237
		238,374	159,176
Effective tax rate		29.39%	17.42%

- 27.2 The investment tax credit amounting to Rs 21.217 million (2016: Rs 129.72 million) available to the Company by virtue of investment in plant and machinery in accordance with section 65B of the Income Tax Ordinance, 2001 has been netted off against the current tax charge for the year.
- 27.3 This represents prior year charge for super tax imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001.

	2017	2016
	------(Rupees in '000)-----	
28. EARNINGS PER SHARE - basic and diluted		
Profit after taxation attributable to ordinary shareholders	<u>572,642</u>	<u>754,482</u>
	2017	2016
	Number of shares	
	------(In '000)-----	
Weighted average number of ordinary shares outstanding during the year - note 28.1	<u>38,800</u>	<u>37,446</u>
	2017	2016
	------(Rupees)-----	
Basic and diluted earnings per share	<u>14.76</u>	<u>20.15</u>

- 28.1 There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2017 and 2016.

29. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Note	2017		2016	
		Chief Executive	Executives	Chief Executive	Executives
------(Rupees in '000)-----					
Managerial remuneration		13,264	95,524	11,847	81,251
Bonus		11,235	37,177	7,038	46,675
Staff retirement benefits	29.1	5,084	33,595	3,935	47,610
Housing		6,632	63,956	5,756	54,580
Utilities		1,326	9,507	1,173	8,008
Leave fare assistance		1,105	6,846	928	6,036
Medical expenses		141	4,429	146	4,124
Other allowances and benefits		4,300	51,769	7,679	44,468
		<u>43,087</u>	<u>302,803</u>	<u>38,502</u>	<u>292,752</u>
Number of persons		<u>1</u>	<u>87</u>	<u>1</u>	<u>73</u>

- 29.1 Staff retirement benefits includes amount contributed towards various retirement benefit plans.
- 29.2 The Chief Executive and other executives are also provided with free use of Company's maintained cars or equivalent monetization, residential telephone reimbursement and other benefits.
- 29.3 Remuneration to non-executive director
- Aggregate amount charged in these financial statements for meetings fee to One (2016: One) non-executive director was Rs 0.25 million (2016: Rs 0.28 million).

	Note	2017	2016
		------(Rupees in '000)-----	
30. CASH GENERATED FROM OPERATIONS			
Profit before taxation		811,016	913,658
Adjustments for non-cash charges and other items:			
Depreciation		614,908	580,671
Amortization expense		2,904	4,577
Operating fixed assets written off		-	1,388
Finance cost		301,141	444,959
Exchange loss / (gain) - unrealised		4,807	(4,422)
Profit on bank balances		(914)	(264)
Provision for accumulated compensated absences		12,933	9,869
Provision for staff retirement benefits		53,159	178,776
Gain on disposal of operating fixed assets		(483)	(4,818)
Working capital changes	30.1	(1,465,797)	84,699
		<u>(477,342)</u>	<u>1,295,435</u>
		<u>333,674</u>	<u>2,209,093</u>
30.1 Working capital changes			
(Increase) / Decrease in current assets:			
Stores and spares		8,921	(59,873)
Stock-in-trade		(74,195)	(86,189)
Trade debts		(144,892)	(280,590)
Advances and prepayments		649	(38,737)
Refunds due from government - sales tax		(32,762)	-
Other receivables		6,915	(4,721)
		<u>(235,364)</u>	<u>(470,110)</u>
(Decrease) / Increase in trade and other payables		<u>(1,230,433)</u>	<u>554,809</u>
		<u>(1,465,797)</u>	<u>84,699</u>
31. CASH AND CASH EQUIVALENTS			
Short term running finance	18.2	(427,012)	(111,925)
Cash and bank balances	11	205,024	176,741
		<u>(221,988)</u>	<u>64,816</u>

	2017	2016
	------(Rupees in '000)-----	
32. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets		
a) Loans and receivables		
Long term deposits	4,299	3,358
Trade debts - net	1,653,372	1,508,480
Advances and prepayments	6,256	6,590
Other receivables	88,994	95,399
Cash and bank balances	205,024	176,741
	<u>1,957,945</u>	<u>1,790,568</u>
Financial Liabilities		
a) Financial liabilities at amortised cost		
Long term finances	2,648,271	3,664,792
Trade and other payables	1,394,048	2,561,969
Accrued mark-up	60,019	49,019
Short term borrowings	2,569,012	511,925
	<u>6,671,350</u>	<u>6,787,705</u>

33. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risks managed and measured by the Company are explained below:

33.1 Market risk

33.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from borrowings which include long term finances (note 13), short term borrowings (note 18) and cash at bank in current accounts (note 11).

At December 31, 2017, if interest rates on borrowings had been 50 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been as follows:

	2017		2016	
	At higher interest rate	At lower interest rate	At higher interest rate	At lower interest rate
	------(Rupees in '000)-----			
Finance cost	(25,566)	25,566	(21,190)	21,190
Taxation	7,670	(7,670)	6,569	(6,569)
Net impact on profit after taxation	<u>(17,896)</u>	<u>17,896</u>	<u>(14,621)</u>	<u>14,621</u>

33.1.2 Currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in USD and Euros, cash and cash equivalents, deposits with banks (note 11), trade debts (note 8) in respect of export sales and trade payables (note 16) in respect of import of raw materials, stores and spares and plant and machinery. Since the Company's pricing mechanism is mainly linked to cost of raw materials, therefore, the affects, if any, of any adverse movement in exchange rates in USD can be passed on to the customers to some extent through increase in prices of its finished goods.

At December 31, 2017, if the Company's functional currency had weakened / strengthened by 5% against the USD with all other variables held constant, profit after taxation for the year would have been higher / lower by Rs 6.68 million (2016: Rs 61.17 million), mainly as a result of foreign exchange losses / gains on translation of financial assets and liabilities denominated in foreign currencies.

33.1.3 Price risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company has no investments as at December 31, 2017 (2016: Nil).

33.2 Concentration of credit

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to customers and other counterparties which include long term deposits, trade debts, advance to employees, rebate on export sales and other receivables. Out of the total financial assets, those that are subject to credit risk amounted to Rs 1.96 billion (2016: Rs 1.85 billion). The management of the Company believes that it is not exposed to major concentration of credit risk because of credit limit etc.

Total bank balance of Rs 204.64 million (2016: Rs 176.29 million) has been placed with banks which have a short term credit rating of at least A-1.

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A significant component of the receivable balances of the Company relates to amounts due from the local customers. Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by those counter parties on their obligations to the Company. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The Company does not hold any collateral against these assets other than receivable from foreign customers which are secured by way of letter of credits.

33.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The management believes that it will be able to fulfill its financial obligations.

Financial liabilities in accordance with their contractual maturities are presented below:

	Contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years
------(Rupees in '000)-----				
Long term finances	2,648,271	1,224,247	854,024	570,000
Accrued mark-up	60,019	60,019	-	-
Short term borrowings	2,569,012	2,569,012	-	-
Trade and other payables	1,394,048	1,394,048	-	-
	<u>6,671,350</u>	<u>5,247,326</u>	<u>854,024</u>	<u>570,000</u>

33.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay long term financing from / to financial institutions.

Consistent with others in the industry, the Company monitors capital on the basis of the debt equity ratio. This ratio is calculated as under:

Debt equity ratio = Long term portion of debt plus current maturity divided by long term portion of debt (including current maturity) plus total equity.

The debt equity ratios as at December 31, 2017 and 2016 were as follows:

	Note	2017 ------(Rupees in '000)-----	2016
Long term finances (including current maturity)	13	2,648,271	3,664,792
Total equity		<u>3,954,469</u>	3,800,818
Total		<u>6,602,740</u>	<u>7,465,610</u>
Debt equity ratio		40:60	49:51

The decrease in the debt equity ratio is mainly due to the repayment of long-term borrowing and profit after tax during the current year.

33.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between the carrying value and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, staff retirement benefits, directors, key management personnel and close members of the family of directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties.

Transactions with related parties are as follows:

Nature of transaction	Nature of relationship	2017	2016
		------(Rupees in '000)-----	
Purchase of goods and services	Associated undertaking	380,472	343,922
Sale of goods	Associated undertaking	1,161,688	1,049,066
Dividend paid	Associated undertaking and Directorship	257,854	97,800
Right shares subscription money received	Associated undertaking and Directorship	-	717,237
Issue of rights shares	Associated undertaking and Directorship	-	57,379
Contributions to staff retirement benefit funds	Retirement benefit funds	101,261	59,248
Commission earned	Associated undertaking	4,565	3,610
Sale of assets	Directorship	-	1,865
Salaries and other employee benefits	Key management personnel	112,385	120,315

The amounts payable to and receivable from related parties have been disclosed in the relevant notes to these financial statements. These are settled in the ordinary course of business.

35. PLANT CAPACITY AND ACTUAL PRODUCTION	2017	2016
	------(Metric tons)-----	
Operational capacity	<u>83,800</u>	<u>83,800</u>
Production	<u>51,371</u>	<u>50,181</u>

35.1 Production of films during the year is based on market demand.

36. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2017 and 2016 respectively are as follows:

	2017	2016
Average number of employees during the year	<u>340</u>	<u>391</u>
Number of employees as at December 31	<u>335</u>	<u>367</u>

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37. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Provident Fund (the Fund) as at December 31, 2017:

	Note	2017 ------(Rupees in '000)-----	2016
Size of the Fund - total assets		<u>128,773</u>	<u>154,069</u>
Cost of investment made		<u>106,979</u>	<u>121,666</u>
Percentage of investment made		<u>98%</u>	<u>97%</u>
Fair value of investments	37.1	<u>126,081</u>	<u>148,722</u>

37.1 The break up of fair value of investment is as follows:

	2017		2016	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Shares	873	1%	886	1%
Bank balances	10,235	8%	43,019	29%
Debt securities	67,098	53%	32,327	21%
Mutual funds units	47,875	38%	72,490	49%
	<u>126,081</u>	<u>100%</u>	<u>148,722</u>	<u>100%</u>

37.2 The investment out of the Fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

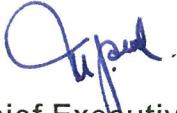
38. SUBSEQUENT EVENTS

The Board of Directors in its meeting held on _____ proposed a final cash dividend for the year ended December 31, 2017 of Rs. _____ per share amounting to Rs. _____ million. (2016: Rs. 388 million) subject to the approval of the Company in the forthcoming annual general meeting. Finance Act, 2017 introduced Income Tax at the rate of 7.5% on accounting profit before tax if at least 40% of after-tax profits are not distributed as dividend (cash and bonus shares) within six months of the end of the tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

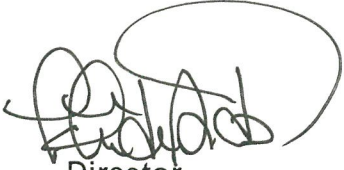
39. DATE OF AUTHORISATION

These financial statements were authorised for issue on _____ by the Board of Directors of the Company.

Atto


Chief Executive


Chief Finance Officer


Director