**TRI-PACK FILMS LIMITED**
**BALANCE SHEET**
**AS AT DECEMBER 31, 2014**

| | Note | As at December 31, 2014 | As at December 31, 2013 Restated | As at January 1, 2013 Restated |
|---|---|---|---|---|
| | | Rupees in '000 | | |
| **ASSETS** | | | | |
| **NON CURRENT ASSETS** | | | | |
| **FIXED ASSETS** | | | | |
| Property, plant and equipment | 5 | 7,215,407 | 7,535,042 | 6,561,106 |
| Intangibles | 6 | 8,338 | 11,165 | 8,270 |
| | | 7,223,745 | 7,546,207 | 6,569,376 |
| Long term deposits | 7 | 4,398 | 2,999 | 2,303 |
| | | 7,228,143 | 7,549,206 | 6,571,679 |
| **CURRENT ASSETS** | | | | |
| Stores and spares | 8 | 384,683 | 343,874 | 302,490 |
| Stock in trade | 9 | 1,677,648 | 2,307,567 | 2,179,583 |
| Trade debts - net | 10 | 1,523,529 | 1,778,982 | 1,204,616 |
| Advances and prepayments | 11 | 98,440 | 275,592 | 170,108 |
| Other receivables | 12 | 220,785 | 123,150 | 316,889 |
| Income tax - net | | 1,245,700 | 622,937 | 143,825 |
| Cash and bank balances | 13 | 697,646 | 666,035 | 618,872 |
| | | 5,848,431 | 6,118,137 | 4,936,383 |
| **TOTAL ASSETS** | | 13,076,574 | 13,667,343 | 11,508,062 |
| **EQUITY AND LIABILITIES** | | | | |
| **SHARE CAPITAL AND RESERVES** | | | | |
| Authorised capital | 14 | 1,000,000 | 1,000,000 | 1,000,000 |
| Issued, subscribed and paid-up capital | 14 | 300,000 | 300,000 | 300,000 |
| Reserves | 15 | 1,334,453 | 1,513,217 | 1,823,684 |
| **TOTAL EQUITY** | | 1,634,453 | 1,813,217 | 2,123,684 |
| **NON CURRENT LIABILITIES** | | | | |
| Long term finances | 16 | 4,515,176 | 4,576,924 | 4,101,924 |
| **DEFERRED LIABILITIES** | | | | |
| Deferred taxation | 17 | 84,738 | 201,494 | 210,022 |
| Accumulated compensated absences | 18 | 27,364 | 33,612 | 29,736 |
| | | 112,102 | 235,106 | 239,758 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 19 | 1,969,647 | 3,034,652 | 2,188,730 |
| Accrued mark-up | 20 | 168,225 | 175,042 | 163,149 |
| Derivative financial instruments | 21 | - | 43,871 | - |
| Short term borrowings | 22 | 3,815,223 | 3,263,531 | 2,565,817 |
| Current portion of long term finances | 16 | 861,748 | 525,000 | 125,000 |
| | | 6,814,843 | 7,042,096 | 5,042,696 |
| **TOTAL LIABILITIES** | | 11,442,121 | 11,854,126 | 9,384,378 |
| **TOTAL EQUITY AND LIABILITIES** | | 13,076,574 | 13,667,343 | 11,508,062 |
| **CONTINGENCIES AND COMMITMENTS** | 23 | | | |

The annexed notes 1 to 43 form an integral part of these financial statements.

**Chief Financial Officer** **Chief Executive Officer**

**Chief Executive Officer** **Director**

**TRI-PACK FILMS LIMITED**
**PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Note | 2014 | 2013 Restated |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Net sales | 24 | 13,597,081 | 11,950,081 |
| Cost of sales | 25 | 12,375,215 | 10,774,985 |
| Gross profit | | 1,221,866 | 1,175,096 |
| Distribution cost | 26 | 400,593 | 334,843 |
| Administrative expenses | 27 | 334,422 | 231,322 |
| | | 735,015 | 566,165 |
| | | 486,851 | 608,931 |
| Other income | 28 | 105,446 | 47,956 |
| | | 592,297 | 656,887 |
| Finance cost | 29 | 923,038 | 614,150 |
| Other expenses | 30 | - | 6,836 |
| | | 923,038 | 620,986 |
| (Loss) / profit before taxation | | (330,741) | 35,901 |
| Taxation | 31 | (131,095) | 10,507 |
| (Loss) / profit after taxation | | (199,646) | 25,394 |
| Other comprehensive loss for the year | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Loss arising during the year on cash flow hedge | | (50,186) | (43,871) |
| Add: Income tax relating to hedging reserve | | 17,565 | 14,339 |
| | | (32,621) | (29,532) |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Remeasurements of staff retirement benefits | 32 | (8,650) | (9,589) |
| Income tax on items that will not be reclassified | | - | 3,260 |
| | | (8,650) | (6,329) |
| **Total comprehensive loss for the year** | | (240,917) | (10,467) |
| (Loss) / earnings per share - (Rupees) | 33 | (6.65) | 0.85 |

The annexed notes 1 to 43 form an integral part of these financial statements.

**Chief Financial Officer** **Chief Executive**

**Chief Executive** **Director**

**TRI-PACK FILMS LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Issued, subscribed and paid-up share capital | General reserve | Hedging reserve | Unappropriated profit / (Accumulated loss) | Total |
|---|---|---|---|---|---|
| | ----------(Rupees in '000)---------- | | | | |
| **Balance as at January 1, 2013** | | | | | |
| **- previously reported** | 300,000 | 1,371,000 | - | 530,890 | 2,201,890 |
| Effect of restatement as per note 4 | - | - | - | (78,206) | (78,206) |
| **Balance as at January 1, 2013 - restated** | 300,000 | 1,371,000 | - | 452,684 | 2,123,684 |
| ***Transactions with owners*** | | | | | |
| Dividend relating to the year ended December 31, 2012 (Rs 10 per share) | - | - | - | (300,000) | (300,000) |
| Transfer to general reserve | - | 234,000 | - | (234,000) | - |
| ***Comprehensive loss for the year*** | | | | | |
| Profit after taxation for the year ended December 31, 2013 - restated | - | - | - | 25,394 | 25,394 |
| Other comprehensive loss | - | - | (29,532) | (6,329) | (35,861) |
| **Total comprehensive loss for the year ended December 31, 2013 - restated** | - | - | (29,532) | 19,065 | (10,467) |
| **Balance as at December 31, 2013 - restated** | 300,000 | 1,605,000 | (29,532) | (62,251) | 1,813,217 |
| ***Comprehensive loss for the year*** | | | | | |
| Loss after taxation for the year ended December 31, 2014 | - | - | - | (199,646) | (199,646) |
| Other comprehensive loss | - | - | (32,621) | (8,650) | (41,271) |
| **Total comprehensive loss for the year ended December 31, 2014** | - | - | (32,621) | (208,296) | (240,917) |
| Transfer to raw material - net of tax | - | - | 62,153 | - | 62,153 |
| **Balance as at December 31, 2014** | 300,000 | 1,605,000 | - | (270,547) | 1,634,453 |

The annexed notes 1 to 43 form an integral part of these financial statements.

**Chief Financial Officer** **Chief Executive**

**Chief Executive** **Director**

**TRI-PACK FILMS LIMITED**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | ------------(Rupees in '000)------------ | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 35 | 1,201,993 | 1,627,523 |
| Payment on account of accumulated compensated absences | | (17,588) | (9,192) |
| Payment to Workers' profits participation fund | | (17,260) | - |
| Long term deposits | | (1,399) | (696) |
| Staff retirement benefits paid | | (50,353) | (42,684) |
| Income taxes paid | | (622,763) | (480,548) |
| Net cash inflow from operating activities | | 492,630 | 1,094,403 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | (363,445) | (1,570,759) |
| Purchase of intangible assets | | (3,017) | (10,182) |
| Profit received on bank balances | | 456 | 345 |
| Sale proceeds on disposal of operating fixed assets | | 8,150 | 4,830 |
| Net cash outflow from investing activities | | (357,856) | (1,575,766) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Long term finances paid | | (1,225,000) | (125,000) |
| Long term financing acquired | | 1,500,000 | 1,000,000 |
| Short term financing - net | | 1,115,735 | 475,000 |
| Finance cost paid | | (920,277) | (737,755) |
| Bank charges paid | | (9,578) | (6,751) |
| Dividends paid | | - | (299,682) |
| Net cash inflow from financing activities | | 460,880 | 305,812 |
| Net increase / (decrease) in cash and cash equivalents | | 595,654 | (175,551) |
| Cash and cash equivalents at the beginning of the year | | (722,496) | (546,945) |
| Cash and cash equivalents at the end of the year | 36 | (126,842) | (722,496) |

The annexed notes 1 to 43 form an integral part of these financial statements.

**Chief Financial Officer** **Chief Executive**

**Chief Executive** **Director**

## 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 all the stock exchanges in Pakistan. 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 (including derivative financial instruments) 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 the requirements of the Ordinance and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

2.3 **New standards, amendments to the approved accounting standards and new interpretations**

2.3.1 **New standards, amendments to the approved accounting standards and interpretations which became effective during the year ended December 31, 2014**

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that are effective for the year ended December 31, 2014 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.3.2 **New standards, amendments to approved accounting standards and new interpretation, that are not yet effective**

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2015, but are considered not to be relevant or have any significant effect on the Company's operations and are therefore, not disclosed in these financial statements.

2.4 Staff retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

2.4.1 Defined contribution plan

Provident fund

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 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, 2014. 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 - 11.25% (2013: 13%) per annum;
- Expected rate of increase in salary levels - 10.25% (2013: 12%) per annum; and
- Expected mortality rate SLIC (2001 - 2005) mortality table.

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.

Pension plan

The defined benefit pension fund plan 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.

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

The obligation in respect of the defined benefit plan is determined by the actuary at each year end. Any funding gap identified by the actuary is paid by the Company from time to time. The last actuarial valuation was carried out as at December 31, 2014.

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 - 11.25% (2013: 13%) per annum; and
- Expected rate of increase in salary levels - 10.25% (2013: 12%) 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.

Current

Provision for current tax is based on the taxable income for the year at the current rates of taxation or one percent of turnover or seventeen percent of accounting profit, whichever is higher. The charge for current tax is calculated using prevailing tax rates after taking into account tax credits, rebates and exemptions available. It also includes any adjustment to tax payable in respect of prior years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities 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.

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, electrical installations, tube wells, pumps and tools | 5 to 10 |
| - Furniture and fittings | 10 to 20 |
| - Office equipment | 20 to 33.33 |
| - Laboratory equipment and vehicles | 20 |

Effective January 1, 2014, the Company has made the following revision to the useful life of the items of property, plant and equipment:

| Category | Useful life effective | |
|---|---|---|
| | Upto December 31, 2013 | From January 1, 2014 |
| BOPP Line-4: | | |
| - Plant and machinery | 10 years | 20 years |
| - Electrical installations | 10 years | 20 years |

The changes in useful life have been applied prospectively in accordance with the requirements of IAS 8 ‘Accounting policies, Change in Accounting Estimates and Errors’. Had there been no change in estimated useful life of aforementioned assets, the depreciation expense for the year ended December 31, 2014 would have been higher by Rs 212.209 million.

Depreciation rates are reviewed annually. However, in case of assets which are utilized in connection with capital work in progress, the related depreciation is charged to capital work in progress.

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 asset is an identifiable non-monetary asset without physical substance.

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.

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.

Consistent with prior years, 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.

(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 Fair value measurement principles

The fair value of units of mutual funds is based on the net asset value of the fund which are declared on daily basis without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at their fair market value.

2.20.5 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.

2.20.6 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current asset or liability.

(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 taxes

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 benefit obligations

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 32

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 5) and intangible assets (note 6) with a corresponding affect on the depreciation charge, amortisation charge and impairment.

3.5 Stock in trade

Assumptions and estimates used in writing down items of stock in trade to their net realisable value (note 9). Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated cost of completion and the estimated costs necessary to be incurred for its sale.

3.6 Derivative hedging financial instruments designated as cash flow hedges

The Company reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations done by the management on the basis of forward rates obtained from the bank. These valuations represent estimated fluctuations in the relevant currencies / interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

3.7 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.

## 4. RESTATEMENT OF PRIOR YEARS' FINANCIAL STATEMENTS

During the year, the Company while reconciling various account balances identified that balances relating to sales tax recoverable, LC margin held by banks were understated and advances were overstated in the financial statements for the year ended December 31, 2012, liability for imported goods were understated in both the financial statements for the year ended December 31, 2012 and 2013 with a corresponding overstatement in the profit for the year ended December 31, 2013 and un-appropriated profit as at January 1, 2013.

Accordingly, the Company has restated its financial statements in accordance with International Accounting Standard – 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Effects of the restatement are as follows:

| | As at January 1, 2013 | | | As at December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | As previously reported | As restated | Restatement | As previously reported | As restated | Restatement |
| | --------------(Rupees in '000)-------------- | | | -----------------(Rupees in '000)----------------- | | |
| **Effect on balance sheet** | | | | | | |
| Stock in Trade | 2,344,940 | 2,179,583 | (165,357) | 2,485,187 | 2,307,567 | (177,620) |
| Advances and prepayments | 56,542 | 170,108 | 113,566 | 149,763 | 275,592 | 125,829 |
| Other receivables | 140,532 | 316,889 | 176,357 | 139,650 | 123,150 | (16,500) |
| Deferred taxation | 210,022 | 210,022 | - | 299,888 | 201,494 | (98,394) |
| Trade and other payables | 1,985,958 | 2,188,730 | 202,772 | 2,742,581 | 3,034,652 | 292,071 |
| Reserves | 1,901,890 | 1,823,684 | (78,206) | 1,775,185 | 1,513,217 | (261,968) |

| | For the year ended December 31, 2013 | | |
|---|---|---|---|
| | -----------------(Rupees in '000)----------------- | | |
| **Effect on profit and loss account** | As previously reported | As restated | Restatement |
| Cost of sales | 10,516,592 | 10,774,985 | 258,393 |
| Distribution cost | 294,343 | 334,843 | 40,500 |
| Other expenses | 23,573 | 6,836 | (16,737) |
| Taxation | 108,901 | 10,507 | (98,394) |
| Decrease in profit after taxation | | | 183,762 |
| **Effect on earnings per share** | | **Amount in rupees** | |
| Earnings per share - basic and diluted | 6.97 | 0.85 | (6.12) |

There was no material cash flow impact as a result of the restatement.

The Company is taking steps to strengthen its internal control processes to avoid the possibility of recurrence of such events in future.

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | -------(Rupees in '000)------- | |
| Operating fixed assets | 5.1 | 7,166,705 | 6,394,753 |
| Capital work in progress | 5.2 | 5,440 | 1,100,939 |
| Major spare parts and stand-by equipments | 5.3 | 43,262 | 39,350 |
| | | 7,215,407 | 7,535,042 |

## 5.1 Operating fixed assets

### 5.1.1 The following is a statement of operating fixed assets

| | Leasehold land | Buildings on leasehold land | Plant and machinery | Electrical installations | Tube wells and pumps | Furniture and fittings | Office equipment | Vehicles | Tools | Laboratory equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | | | | |
| **At January 1, 2013** | | | | | | | | | | | |
| Cost | 203,030 | 391,608 | 3,764,556 | 104,864 | 2,924 | 45,363 | 35,551 | 106,640 | 2,402 | 12,693 | 4,669,631 |
| Accumulated depreciation | 17,705 | 160,645 | 2,725,935 | 84,720 | 2,690 | 26,720 | 27,813 | 39,380 | 901 | 10,861 | 3,097,370 |
| Net book value | 185,325 | 230,963 | 1,038,621 | 20,144 | 234 | 18,643 | 7,738 | 67,260 | 1,501 | 1,832 | 1,572,261 |
| **Year ended December 31, 2013** | | | | | | | | | | | |
| Additions | - | 1,339 | 144,488 | - | 2,104 | 8,308 | 6,653 | 6,255 | 261 | - | 169,408 |
| Transfer from capital work in progress | - | 778,307 | 4,437,097 | 178,924 | - | - | - | - | - | - | 5,394,328 |
| Disposals | | | | | | | | | | | |
| Cost | - | - | - | - | - | - | - | 10,497 | - | - | 10,497 |
| Depreciation | - | - | - | - | - | - | - | (5,717) | - | - | (5,717) |
| | - | - | - | - | - | - | - | 4,780 | - | - | 4,780 |
| Depreciation charge | 4,409 | 57,987 | 631,286 | 20,080 | 205 | 4,655 | 5,067 | 11,081 | 200 | 1,494 | 736,464 |
| Net book value as at December 31, 2013 | 180,916 | 952,622 | 4,988,920 | 178,988 | 2,133 | 22,296 | 9,324 | 57,654 | 1,562 | 338 | 6,394,753 |
| **Year ended December 31, 2014** | | | | | | | | | | | |
| Additions | 9,171 | 3,470 | 139,978 | - | 1,600 | 5,428 | 15,935 | 634 | 410 | - | 176,626 |
| Transfer from capital work in progress | - | 114,946 | 1,121,607 | 28,430 | - | 13,423 | - | - | - | - | 1,278,406 |
| Disposals | | | | | | | | | | | |
| Cost | - | - | - | - | - | 770 | 20 | 15,001 | - | - | 15,791 |
| Depreciation | - | - | - | - | - | (721) | (13) | (8,031) | - | - | (8,765) |
| | - | - | - | - | - | 49 | 7 | 6,970 | - | - | 7,026 |
| Depreciation charge | 4,613 | 71,594 | 558,023 | 15,076 | 510 | 7,060 | 8,568 | 10,050 | 248 | 312 | 676,054 |
| Net book value as at December 31, 2014 | 185,474 | 999,444 | 5,692,482 | 192,342 | 3,223 | 34,038 | 16,684 | 41,268 | 1,724 | 26 | 7,166,705 |
| **At December 31, 2013** | | | | | | | | | | | |
| Cost | 203,030 | 1,171,254 | 8,346,141 | 283,788 | 5,028 | 53,671 | 42,204 | 102,398 | 2,663 | 12,693 | 10,222,870 |
| Accumulated depreciation | 22,114 | 218,632 | 3,357,221 | 104,800 | 2,895 | 31,375 | 32,880 | 44,744 | 1,101 | 12,355 | 3,828,117 |
| Net book value | 180,916 | 952,622 | 4,988,920 | 178,988 | 2,133 | 22,296 | 9,324 | 57,654 | 1,562 | 338 | 6,394,753 |
| **At December 31, 2014** | | | | | | | | | | | |
| Cost | 212,201 | 1,289,670 | 9,607,726 | 312,218 | 6,628 | 71,752 | 58,119 | 88,031 | 3,073 | 12,693 | 11,662,111 |
| Accumulated depreciation | 26,727 | 290,226 | 3,915,244 | 119,876 | 3,405 | 37,714 | 41,435 | 46,763 | 1,349 | 12,667 | 4,495,406 |
| Net book value | 185,474 | 999,444 | 5,692,482 | 192,342 | 3,223 | 34,038 | 16,684 | 41,268 | 1,724 | 26 | 7,166,705 |

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

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | -------(Rupees in '000)------- | |
| Cost of goods manufactured | 25.1 | 651,284 | 713,430 |
| Distribution cost | 26 | 3,170 | 3,106 |
| Administrative expenses | 27 | 21,600 | 17,756 |
| Capital work in progress | | - | 2,172 |
| | | 676,054 | 736,464 |

5.1.3 Operating fixed assets include assets having cost of Rs 1,456.215 million (2013: Rs 1,399.365 million) which were fully depreciated as at the year end.

5.1.4 Details of operating fixed assets disposed off during the year ended December 31, 2014.

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 / (loss) |
|---|---|---|---|---|---|---|
| | | -----------------------------------(Rupees in '000)----------------------------------- | | | | |
| Vehicles (Employees) | | | | | | |
| | Muhammad Rafiq | 705 | 331 | 374 | 417 | 43 |
| | Saad Nisar | 702 | 314 | 388 | 410 | 22 |
| | Muhammad Atiq Khan | 690 | 464 | 226 | 226 | - |
| | Muhammad Naveed Shahzad | 687 | 362 | 325 | 380 | 55 |
| | Rana Khubaib | 984 | 320 | 664 | 702 | 38 |
| | Ali Hussain | 827 | 231 | 596 | 677 | 81 |
| | Arif Malik | 1,528 | 770 | 758 | 758 | - |
| | Arif Malik | 508 | 342 | 166 | 166 | - |
| | Ubaid ur Rehman | 663 | 446 | 217 | 217 | - |
| | Sher Nazim | 673 | 453 | 220 | 275 | 55 |
| | Noman Zaheer | 662 | 445 | 217 | 217 | - |
| | Rashid Arshad | 688 | 355 | 333 | 333 | - |
| | Shahid Hussain | 2,029 | 1,191 | 838 | 838 | - |
| | Shahid Hussain | 1,630 | 752 | 878 | 878 | - |
| Vehicles (To outsiders by negotiation) | | | | | | |
| | Altamash Farooqi | 1,364 | 810 | 554 | 1,000 | 446 |
| | Muhammad Nadeem | 661 | 445 | 216 | 600 | 384 |
| | | 15,001 | 8,031 | 6,970 | 8,094 | 1,124 |

5.1.5 All disposals were made according to the policy of the Company.

5.2 Capital work in progress

| | 2014 | 2013 |
|---|---|---|
| | -------(Rupees in '000)------- | |
| Plant and machinery | 3,188 | 773,776 |
| Building and civil works | 2,252 | 23,985 |
| Advances to suppliers and contractors | - | 303,178 |
| | 5,440 | 1,100,939 |

5.3 Major spare parts and stand-by equipment

| | 2014 | 2013 |
|---|---|---|
| | -----------(Rupees in '000)----------- | |
| Balance at the beginning of the year | 39,350 | 94,092 |
| Additions during the year | 55,471 | 49,186 |
| Transfers made during the year | (51,559) | (103,928) |
| Balance at the end of the year | 43,262 | 39,350 |

## 6. INTANGIBLE ASSETS

**Computer software**

| | 2014 | 2013 |
|---|---|---|
| **At January 1** | | |
| Cost | 41,560 | 31,378 |
| Accumulated amortisation | (30,395) | (23,108) |
| Net book value | 11,165 | 8,270 |
| Additions during the year | 3,017 | 10,182 |
| **Year ended December 31** | | |
| Amortisation for the year | (5,844) | (7,287) |
| Net book value as at December 31 | 8,338 | 11,165 |
| **At December 31** | | |
| Cost | 44,577 | 41,560 |
| Accumulated amortisation | (36,239) | (30,395) |
| Net book value | 8,338 | 11,165 |

6.1 Amortisation charge for the year has been allocated to administrative expenses.

## 7. LONG TERM DEPOSITS

These represent long term security deposits given to various parties.

## 8. STORES AND SPARES

| | 2014 | 2013 |
|---|---|---|
| | -----------(Rupees in '000)----------- | |
| Stores | 72,357 | 67,584 |
| Spares | 296,798 | 251,439 |
| Stores and spares in transit | 15,528 | 24,851 |
| | 384,683 | 343,874 |

## 9. STOCK IN TRADE

| | 2014 | 2013 Restated |
|---|---|---|
| | -----------(Rupees in '000)----------- | |
| Raw materials | | |
| In hand | 908,470 | 991,867 |
| In transit | 274,802 | 718,202 |
| | 1,183,272 | 1,710,069 |
| Packing materials | 37,002 | 21,244 |
| Work in process | 366,517 | 466,456 |
| Finished goods | 90,857 | 109,798 |
| | 1,677,648 | 2,307,567 |

Stock in trade with a cost of Rs 1,503.834 million (2013: Rs Nil ) are being valued at net realizable value of Rs 1,268.834 million (2013: Rs Nil ).

## 10. TRADE DEBTS - NET

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Unsecured | | | |
| Considered good | | | |
| Due from related parties | 10.1 & 10.2 | 84,076 | 75,170 |
| Others | | 1,381,386 | 1,643,199 |
| | | 1,465,462 | 1,718,369 |
| Considered doubtful others | | 79,425 | 4,675 |
| Secured | | | |
| Considered good | | | |
| Due from related parties | 10.1 & 10.2 | 4,059 | 5,468 |
| Others | | 54,008 | 55,145 |
| | | 58,067 | 60,613 |
| | | 1,602,954 | 1,783,657 |
| Less: Provision for doubtful debts | 10.3 | (79,425) | (4,675) |
| | | 1,523,529 | 1,778,982 |

10.1 Trade debts include the following amounts due from related parties:

| | 2014 | 2013 |
|---|---|---|
| Packages Limited | 84,076 | 75,170 |
| Packages Lanka (Private) Limited | 4,059 | 5,468 |
| | 88,135 | 80,638 |

10.2 These are in the normal course of business and are interest free.

10.3 Provision for doubtful debts

| | Note | 2014 | 2013 |
|---|---|---|---|
| Balance at beginning of the year | | 4,675 | 5,026 |
| Provision / (reversal) for the year - net | 27 | 74,750 | (351) |
| Balance at end of the year | | 79,425 | 4,675 |

10.4 The maximum amount receivable from any related party during the year is Rs 240.516 million (2013: Rs 194.577 million).

10.5 As at December 31, 2014, trade debts of Rs 306.062 million (2013: Rs 270.354 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:

| | 2014 | 2013 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Upto 1 - 2 months | 106,012 | 66,761 |
| Upto 3 - 4 months | 138,629 | 133,894 |
| Upto 5 - 6 months | 11,148 | 47,420 |
| More than 6 months | 50,273 | 22,279 |
| | 306,062 | 270,354 |

10.5.1 Ageing analysis of the amounts due from related parties is as follows:

| | Upto 1 month | 1 to 6 months | More than 6 months | As at December 31, 2014 | As at December 31, 2013 |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| Packages Limited | 74,214 | 9,862 | - | 84,076 | 75,170 |
| Packages Lanka (Private) Limited | 4,059 | - | - | 4,059 | 5,468 |
| | 78,273 | 9,862 | - | 88,135 | 80,638 |

10.6 As at December 31, 2014, trade receivables of Rs 79.425 million (2013: Rs 4.675 million) were impaired and provided for. The ageing of these receivables is as follows:

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Upto 91 - 180 days | | 20,372 | - |
| More than 180 days | | 59,053 | 4,675 |
| | | 79,425 | 4,675 |

## 11. ADVANCES AND PREPAYMENTS

| | Note | 2014 | 2013 Restated |
|---|---|---|---|
| | | (Rupees in '000) | |
| Advances, considered good | | | |
| Due from other employees | 11.1 | 1,511 | 6,354 |
| | | 1,511 | 6,354 |
| Advances to suppliers - considered good | | 39,879 | 138,248 |
| Advances to clearing agents | 11.2 | 48,056 | 125,829 |
| Prepayments | | 8,994 | 5,161 |
| | | 98,440 | 275,592 |

11.1 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 0.855 million (2013: Rs 0.470 million) and Rs 3.091 million (2013: Rs 2.829 million) respectively.

11.2 For better presentation certain balances amounting to Rs 125.829 million which were previously included in 'Raw material in transit' as disclosed in the financial statements for the year ended December 31, 2013 have now been reclassified to 'Advances to clearing agents'.

## 12. OTHER RECEIVABLES

| | Note | 2014 | 2013 Restated |
|---|---|---|---|
| | | (Rupees in '000) | |
| Sales tax recoverable | | 112,219 | 77,747 |
| Rebate on exports recoverable | | 53,709 | 29,485 |
| Security deposit | | 3,757 | 774 |
| Receivable from pension fund | 32 | 3,700 | - |
| Receivable from Workers' profits participation fund | 12.1 | 16,071 | - |
| Others | | 31,329 | 15,144 |
| | | 220,785 | 123,150 |

| | 2014 | 2013 Restated |
|---|---|---|
| | ----------(Rupees in '000)---------- | |

12.1 Workers' profits participation fund

| | 2014 | 2013 Restated |
|---|---|---|
| (Liability) / asset at the beginning of the year | (1,189) | 3,938 |
| Allocation for the year | - | (5,127) |
| | (1,189) | (1,189) |
| Payments during the year | 17,260 | - |
| Asset / (liability) at the end of the year | 16,071 | (1,189) |

## 13. CASH AND BANK BALANCES

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Cash with banks in | | | |
| Current accounts | | | |
| Local currency | | 686,523 | 134,549 |
| Foreign currency | 13.1 | 10,743 | 1,583 |
| Cheques in hand | | - | 529,162 |
| Cash in hand | 13.1 | 380 | 741 |
| | | 697,646 | 666,035 |

13.1 These include an aggregate amount of Rs 10.756 million (2013: Rs 1.942 million) held in foreign currency.

## 14. SHARE CAPITAL

| | 2014 | 2013 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |

14.1 Authorised share capital

| | 2014 | 2013 |
|---|---|---|
| 100,000,000 ordinary shares of Rs 10 each (2013: 100,000,000) | 1,000,000 | 1,000,000 |

14.2 Issued, subscribed and paid-up share capital

| | 2014 | 2013 |
|---|---|---|
| 30,000,000 ordinary shares of Rs 10 each (2013: 30,000,000) fully paid in cash | 300,000 | 300,000 |

14.3 Packages Limited, Mitsubishi Corporation - Japan and IGI Insurance Limited held 10,000,000 (2013: 10,000,000), 7,499,000 (2013: 7,499,000) and 1,700,349 (2013: 1,700,349) ordinary shares of the Company respectively, as at December 31, 2014.

## 15. RESERVES

| | 2014 | 2013 Restated |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| General reserve | 1,605,000 | 1,605,000 |
| Hedging reserve | - | (29,532) |
| Accumulated loss | (270,547) | (62,251) |
| | 1,334,453 | 1,513,217 |

## 16. LONG TERM FINANCES

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Secured | | | |
| Finance - 1 | 16.1 | - | 125,000 |
| Finance - 2 | 16.2 | 900,000 | 1,000,000 |
| Finance - 3 | 16.2 | 1,000,000 | 1,000,000 |
| Finance - 4 | 16.2 | 1,976,924 | 1,976,924 |
| Finance - 5 | 16.2 | - | 1,000,000 |
| Finance - 6 | 16.3 | 1,000,000 | - |
| Finance - 7 | 16.3 | 500,000 | - |
| | | 5,376,924 | 5,101,924 |
| Less: Current portion of long term finances | | (861,748) | (525,000) |
| | | 4,515,176 | 4,576,924 |

16.1 The Company had obtained a long term finance facility of Rs 500 million (December 31, 2013 : Rs 500 million) from a commercial bank under mark-up arrangements. Mark-up was payable on a semi-annual basis at the rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 0.50% (December 31, 2013: 0.50%) per annum. The effective rate of mark-up during the year was 10.32% (December 31, 2013: 11.55%) per annum. The principal amount was repayable in 8 equal installments commencing after six months with a grace period of two years from the date of first draw down. This facility was secured by first pari passu hypothecation / mortgage charges on all the Company’s present and future fixed assets including but not limited to land, building, plant and machinery, equipment, furniture and fixtures, etc.

16.2 The Company has obtained long term finance facilities aggregating Rs 4,000 million (December 31, 2013: Rs 5,000 million) from various commercial banks under mark-up arrangements including Rs 2,200 million (December 31, 2013: Rs 2,300 million) under long term financing facility (LTFF) scheme provided by State Bank of Pakistan. Mark-up is payable on a semi-annual basis at the rate of six months KIBOR plus 0.75% to 0.8% per annum (December 31, 2013: 0.75% to 0.8%). The effective weighted average rate of mark-up during the six months was 10.05% to 10.83% (December 31, 2013: 9.07% to 10.32%) per annum. The principal amount is repayable in 10 equal installments commencing after six months with a grace period of two years from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company’s present and future fixed assets including but not limited to land, building, plant and machinery, equipment, furniture and fixtures, etc.

16.3 The Company has obtained long term finance facilities of Rs 1,000 and Rs 500 million from two commercial banks under mark-up arrangements during the current period. Mark-up is payable on a semi-annual basis at the rate of six months KIBOR plus 0.75% per annum. The effective weighted average rate of mark-up during the year ended is 10.93%. The principal amount is repayable in 10 and 8 equal installments respectively commencing after six months with a grace period of two and one year respectively from the date of first draw down. This facility is secured by first pari passu hypothecation / mortgage charges on all the Company's present and future fixed assets including land and buildings, plant and machinery, equipment, furniture and fixtures etc.

## 17. DEFERRED TAXATION

| | 2014 | 2013 Restated |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| (Debit) / credit balances arising from: | | |
| Accelerated tax depreciation allowance | 859,213 | 699,445 |
| Amortisation allowance | (7,008) | (3,318) |
| Borrowing cost | - | 7,842 |
| Tax loss | (730,783) | (475,622) |
| Provision for accumulated compensated absences | (8,885) | (10,986) |
| Unrealised gain on hedging instrument | - | (14,339) |
| Provision for doubtful debts | (27,799) | (1,528) |
| | 84,738 | 201,494 |

17.1 The movement in temporary differences is as following:

| | Balance as at January 1, 2014 Restated | Recognised in profit or loss | Recognised in OCI | Balance as at December 31, 2014 |
|---|---|---|---|---|
| | --------------------------------(Rupees in '000)-------------------------------- | | | |
| Accelerated tax depreciation allowance | 699,445 | 159,768 | - | 859,213 |
| Amortisation allowance | (3,318) | (3,690) | - | (7,008) |
| Borrowing cost | 7,842 | (7,842) | - | - |
| Tax loss | (475,622) | (255,161) | - | (730,783) |
| Provision for accumulated compensated absences | (10,986) | 2,101 | - | (8,885) |
| Unrealised gain on hedging instrument | (14,339) | - | 14,339 | - |
| Provision for doubtful debts | (1,528) | (26,271) | - | (27,799) |
| | 201,494 | (131,095) | 14,339 | 84,738 |

## 18. ACCUMULATED COMPENSATED ABSENCES

| | 2014 | 2013 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Opening balance | 33,612 | 29,736 |
| Expense recognised | 11,340 | 13,068 |
| Payments made during the year | (17,588) | (9,192) |
| Closing balance | 27,364 | 33,612 |

18.1 Effective April 1, 2014, the Company has revised the policy in respect of leave encashment and has reduced the number of days of leaves that can be accumulated in order to provide a better work life balance. Accumulated leaves can only be encashable at the time of retirement, death or resignation of the employee. Amount in respect of the unavailed leaves over and above the entitlement was paid during the period to the employees of the Company.

## 19. TRADE AND OTHER PAYABLES

| | Note | 2014 | 2013 Restated |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Creditors | 19.1 | 106,635 | 92,482 |
| Accrued liabilities | | 256,738 | 228,070 |
| Liability for imported goods | 19.3 | 1,427,610 | 2,554,371 |
| Advances from customers | | 76,964 | 24,815 |
| Retention money | | 853 | 16,000 |
| Unclaimed dividend | | 10,389 | 10,389 |
| Payable to gratuity fund | 32 | 40,203 | 27,875 |
| Payable to pension fund | 32 | - | 1,368 |
| Workers' profits participation fund | 12.1 | - | 1,189 |
| Workers' welfare fund | | 1,709 | 1,709 |
| Other payables | | 48,546 | 76,384 |
| | | 1,969,647 | 3,034,652 |

19.1 Creditors include Rs 27.438 million (2013: Rs 5.968 million) payable to associated undertakings.

19.2 The maximum amount due to any related party during the year is Rs 292.643 million (2013: Rs 24.825 million).

19.3 For better presentation, certain balances amounting to Rs 48.489 million and Rs 69.187 million which were previously included in 'Liability for imported goods' as disclosed in the financial statements for the year ended December 31, 2013 have now been reclassified to 'Creditors' and 'Other payables' respectively.

## 20. ACCRUED MARK-UP

| | 2014 | 2013 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| On long term finances | 84,165 | 136,258 |
| On short term finances | 84,060 | 38,784 |
| | 168,225 | 175,042 |

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

21.1 These represent forward currency contracts designated as cash flow hedges for the foreign currency risk of the firm commitment to purchase raw material. There was no ineffectiveness to be recorded from forward foreign exchange contracts.

21.2 The notional principal amounts of the outstanding forward foreign exchange contracts as at December 31, 2014 aggregate Euro Nil (2013: Euro 0.242 million) and USD Nil (2013: USD 16.476 million).

## 22. SHORT TERM BORROWINGS

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Secured | | | |
| Short term money market loans | 22.1 | 1,975,000 | 1,875,000 |
| Short term running finance | 22.2 | 824,488 | 1,388,531 |
| Export re-financing loan | 22.3 | 280,000 | - |
| | | 3,079,488 | 3,263,531 |
| Short term loan | 22.4 | 735,735 | - |
| | | 3,815,223 | 3,263,531 |

22.1 Short term money market loans have been arranged from commercial banks as a sub-limit of the running finance facility. 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 9.92% to 10.61% (2013: 9.06% to 10.57%) per annum.

22.2 Short term running finances have been obtained under mark-up arrangement with banks payable on various maturity dates up to June 30, 2015. 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 10.06% to 11.49% (2013: 9.46% to 11.62%) per annum.

22.3 Export re-financing facility has been obtained under mark-up arrangement with a bank as a sub-limit of the running finance facility payable on various maturity dates up to May 25, 2015. 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 is 7% (2013: Nil) per annum.

22.4 This represents short-term loan of Rs 735.735 million from a commercial bank under murabaha financing arrangement obtained during the current period. The aforementioned short-term loan is repayable on January 5, 2015.

22.5 Total facilities available under mark-up arrangements aggregated Rs 8,450 million (2013: 8,100 million) out of which the amount unavailed at the year end was Rs 4,635 million (2013: Rs 4,836 million).

## 23. CONTINGENCIES AND COMMITMENTS

| | 2014 | 2013 |
|---|---|---|
| | -----------(Rupees in '000)----------- | |
| **Contingencies** | | |
| Guarantees issued by banks on behalf of the Company | 244,786 | 226,184 |
| **Commitments** | | |
| Letters of credit for purchase of raw materials and spares | 587,486 | 989,094 |
| Letters of credit for purchase of plant and machinery | - | 30,405 |
| Contracts for civil works | - | 46,345 |

23.1 The facilities for opening of letter of credits and for guarantees as at December 31, 2014 amount to Rs 12,150 million (2013: Rs 10,550 million) and Rs 395 million (2013: Rs 360 million) respectively, of which the amount remaining unutilised was of Rs 10,135 million (2013: Rs 6,976 million) and Rs 150.214 million (2013: Rs 133.816 million) respectively.

23.2 During the year 2014, Deputy Commissioner Inland Revenue (DCIR) passed an order under section 221 of the Ordinance for levy of WWF in relation to the tax year 2013 as per amended provisions of law vide his order D.C. No. 21/19 dated April 17, 2014. An application for rectification was filed vide letter DT 3748 dated April 18, 2014 against the said order with the DCIR. The Commissioner Inland Revenue (Appeals) (CIR(A)) through appellate order no. 58 dated October 29, 2014 upheld the action of DCIR of levying WWF as per amended provisions of WWFO and direction was given to DCIR to allow proper credit of taxes paid / deducted after verification. An appeal against the said order was filed with ATIR on February 12, 2015. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

23.3 During the year 2011, the Deputy Commissioner Inland Revenue (DCIR) deleted the disallowances made in the amended order in respect of the tax year 2005 issued by the Deputy Commissioner Inland Revenue (DCIR). While framing the appeal effect order DCIR had given appeal effect to the deletions made by the CIR (A). However, sales amounting to Rs 60.282 million during the trial production capitalised as the part of property, plant and equipment have been subjected to tax. The Company filed an appeal with CIR (A) which was heard during the year, however, no appellate order has yet been received. Further, application for rectification under Section 221 of the Income Tax Ordinance, 2001 (the ITO, 2001) was filed during the year. The CIR(A) declared the appeal as time barred via order number 13/2013 dated October 24, 2013 rejecting condonation of time for filing the appeal. Applications for rectification were filed via letter number DT 2601 and DT 1284 dated February 8, 2012 and November 13, 2013 respectively. Consequently order D.C. No. 25/19 dated May 26, 2014 framed under section 221/124 of the Ordinance was received. Through the said order, the issue of gain on sale of fixed asset was rectified. Other issues relating to disallowance of trial production expense, incorrect amount of trial production sales and treatment of other income were not rectified. An application for rectification on disallowance on sales as well as cost of trial production sales was filed vide letter DT 186 dated August 21, 2014 which is pending disposal. An appeal was filed against the rectified order vide letter DT 4464 on June 23, 2014 with CIR(A) which was heard on December 29, 2014. No appellate order has yet been received. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

23.4 During the year 2014, the Additional Commissioner Inland Revenue (ACIR) in accordance with section 122 of the Ordinance has amended the taxable income of the company for the tax year 2008 through Order D.C No. 17/02 dated March 20, 2014. Issues in respect of disallowances of provision of retirement benefits, taxability of tenderable gain surrendered by M/s Packages Limited and incorrect calculation of Workers' Welfare Fund has been raised. Further minimum tax carried forward pertaining to tax years 2005, 2006 and 2007 has also been disallowed resulting in total tax liability of Rs 56.348 million. Application of rectification has been filed vide letter DT 3658 dated April 28, 2014. Appeal has been filed with CIR(A) vide letter DT 3714 dated April 21,2014 which is pending to be heard. Order D.C. No. 02/5 dated August 5, 2014 framed under section 221 of the Ordinance was received on August 6, 2014. Through the said order, the issue of ‘Provision for retirement benefits’ was rectified which reduced the aforesaid demand to Rs. 53.998 million. Other issues including levy of WWF and refund adjustment from tax year 2007 were not rectified. An appeal was filed against the rectified order on the issue of disallowance of provision for retirement benefits and duplicate disallowance of provision for compensated absences vide letter DT 640 dated September 3, 2014 with CIR(A) which was heard on December 29, 2014. No appellate order has yet been received. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

23.5 During the year 2014, the Additional Commissioner Inland Revenue (ACIR) in accordance with section 122 of the Ordinance has amended the taxable income of the company for the tax year 2011 through Order D.C No. 21/02 dated April 08, 2014. Issues in respect of disallowances of provision of retirement benefits, export rebate and donations paid has been raised resulting in disallowances amounting of Rs 31.538 million. Application of rectification has been filed vide letter DT 3617 dated April 15, 2014. Appeal has been filed with CIR(A) vide letter DT 3910 dated May 08,2014 which is pending to be heard. Order D.C. No. 03/5 dated August 5, 2014 framed under section 221 of the Ordinance was received on August 6, 2014. Through the said order, the issue of ‘Provision for retirement benefits’ and ‘Export Rebate’ were rectified reducing the aforesaid demand to Rs. 17.965 million. An appeal was filed against the rectified order on the issue of disallowance of entire amount of provision for retirement benefits and duplicate disallowance of provision for compensated absences vide our letter DT 641 dated September 3, 2014 with CIR(A) which was heard on December 29, 2014. No appellate order has yet been received. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

23.6 During the year 2014, the Additional Commissioner Inland Revenue (ACIR) in accordance with section 122 of the Ordinance has assessed the taxable income of the company for the tax year 2010 through Order D.C No. 20/02 dated April 03, 2014. Issues in respect of disallowances in respect of provision of retirement benefits, export rebate has been raised resulting in tax liability of Rs 8.66 million. Application for rectification was filed vide our letter DT 3618 dated April 15, 2014. Appeal was filed with CIR(A) vide our letter DT 3881 dated May 06, 2014 against the same. Subsequently, order No. D.C. 03/5 dated August 5, 2014 framed under section 221 of the Ordinance was received on August 6, 2014. Through the said order, the issue of 'Provision for retirement benefits' and 'Export Rebate' were rectified reducing the liability to Rs. 3.143 million. An appeal was filed against the rectified order on the issue of disallowance of entire amount of provision for retirement benefits and duplicate disallowance of provision for compensated absences vide letter DT 641 dated September 3, 2014 with CIR(A) which was heard on December 29, 2014. No appellate order has yet been received. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

23.7 In respect of tax year 2009, appeal as well as rectification application was filed against the order under Section 122 (1) of the ITO, 2001. However, rectified order has been issued by DCIR under Section 221 of the ITO, 2001. According to the rectified order, disallowances aggregating Rs 22.132 million have been maintained by DCIR with a resulting tax impact of Rs 7.746 million. The Company filed an appeal with CIR (Appeals) which was heard on July 26, 2012 whereas the appellate order is still awaited. The appeal has been heard again on June 3, 2014 and December 29, 2014. No appellate order has as yet been received. The management of the Company, based on the advice of its tax consultant, is confident that the ultimate decision in respect of the aforementioned matter shall be made in its favour.

## 24. NET SALES

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | -----------(Rupees in '000)----------- | |
| Local sales | | 14,763,714 | 13,138,838 |
| Export sales | | 978,156 | 712,848 |
| | | 15,741,870 | 13,851,686 |
| Less: Sales tax | | (2,144,789) | (1,901,605) |
| | | 13,597,081 | 11,950,081 |

## 25. COST OF SALES

| | Note | 2014 | 2013 Restated |
|---|---|---|---|
| | | -----------(Rupees in '000)----------- | |
| Opening stock of finished goods | | 109,798 | 21,918 |
| Cost of goods manufactured | 25.1 | 12,356,274 | 10,862,865 |
| Less: Closing stock of finished goods | | (90,857) | (109,798) |
| | | 12,375,215 | 10,774,985 |

| | | Note | 2014 | 2013 Restated |
|---|---|---|---|---|
| | | | -----------(Rupees in '000)----------- | |
| 25.1 | Cost of goods manufactured | | | |
| | Opening stock of work in process | | 466,456 | 102,040 |
| | Raw materials consumed | 25.2 | 9,864,505 | 8,929,118 |
| | Toll manufacturing charges | | - | 36,328 |
| | Salaries, wages and other benefits | | 443,993 | 372,133 |
| | Fuel, power and water | | 645,066 | 642,455 |
| | Packing materials consumed | 25.3 | 321,280 | 261,341 |
| | Repairs and maintenance | 25.4 | 175,564 | 140,321 |
| | Insurance | | 67,509 | 54,385 |
| | Vehicle running and maintenance | | 29,680 | 27,825 |
| | Travelling | | 7,715 | 3,675 |
| | Staff retirement benefits | 25.5 | 35,678 | 34,065 |
| | Depreciation | 5.1.2 | 651,284 | 713,430 |
| | Lease rentals | | 1,184 | 359 |
| | Others | | 12,877 | 11,846 |
| | | | 12,722,791 | 11,329,321 |
| | Less: Closing stock of work in process | | (366,517) | (466,456) |
| | | | 12,356,274 | 10,862,865 |

25.2 Raw materials consumed

| | 2014 | 2013 Restated |
|---|---|---|
| | -----------(Rupees in '000)----------- | |
| Opening stock | 1,710,069 | 2,203,032 |
| Purchases | 9,337,708 | 8,436,155 |
| Less: Closing stock | (1,183,272) | (1,710,069) |
| | 9,864,505 | 8,929,118 |

25.3 Packing materials consumed

| | | |
|---|---|---|
| Opening stock | 21,244 | 17,950 |
| Purchases | 337,038 | 264,635 |
| Less: Closing stock | (37,002) | (21,244) |
| | 321,280 | 261,341 |

25.4 This includes stores and spares consumed amounting to Rs 64.834 million (2013: Rs 57.019 million).

25.5 This includes Rs 8.142 million (2013: Rs 6.732 million) in respect of contribution to provident fund, Rs 7.957 million (2013: Rs 8.172 million) in respect of gratuity fund, Rs 13.226 million (2013: Rs 10.813 million) in respect of pension fund and Rs 6.353 million (2013: Rs 8.348 million) in respect of compensated absences.

## 26. DISTRIBUTION COST

| | Note | 2014 | 2013 Restated |
|---|---|---|---|
| | | -----------(Rupees in '000)----------- | |
| Salaries, wages and other benefits | | 65,005 | 49,692 |
| Outward freight | | 297,078 | 254,444 |
| Travelling | | 8,973 | 8,255 |
| Rent, rates and taxes | | 5,411 | 4,139 |
| Repairs and maintenance | | 2,200 | 282 |
| Vehicle running and maintenance | | 4,111 | 2,465 |
| Insurance | | 2,013 | 1,400 |
| Staff retirement benefits | 26.1 | 8,703 | 6,921 |
| Depreciation | 5.1.2 | 3,170 | 3,106 |
| Lease rentals | | 699 | 181 |
| Other expenses | | 3,230 | 3,958 |
| | | 400,593 | 334,843 |

26.1 This includes Rs 1.817 million (2013: Rs 1.326 million) in respect of contribution to provident fund, Rs 1.422 million (2013: Rs 1.682 million) in respect of gratuity fund, Rs 3.571 million (2013: Rs 2.128 million) in respect of pension fund and Rs 1.893 million (2013: Rs 1.785 million) in respect of compensated absences.

## 27. ADMINISTRATIVE EXPENSES

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | -----------(Rupees in '000)----------- | |
| Salaries, wages and other benefits | | 127,596 | 109,164 |
| Rent, rates and taxes | | 7,412 | 6,643 |
| Printing, stationery and periodicals | | 7,068 | 6,969 |
| Postage and telephone | | 11,065 | 9,242 |
| Repairs and maintenance | | 12,479 | 5,000 |
| Vehicle running and maintenance | | 5,334 | 3,580 |
| Travelling | | 7,629 | 4,721 |
| Insurance | | 4,559 | 4,833 |
| Staff training and development | | 4,385 | 3,551 |
| Provision for doubtful debts | 10.3 | 74,750 | (351) |
| Staff retirement benefits | 27.1 | 15,922 | 13,478 |
| Auditors' remuneration | 27.2 | 3,880 | 3,405 |
| Legal and professional expenses | | 11,573 | 15,576 |
| Depreciation | 5.1.2 | 21,600 | 17,756 |
| Amortisation expense | 6.1 | 5,844 | 7,287 |
| Electricity, gas and water | | 3,758 | 2,990 |
| Advertisement | | 722 | 166 |
| Donations | 27.3 & 27.4 | 630 | 11,232 |
| Lease rentals | | 2,687 | 346 |
| Other expenses | | 5,529 | 5,734 |
| | | 334,422 | 231,322 |

27.1 Staff retirement benefits include Rs 2.675 million (2013: Rs 2.313 million) in respect of contribution to provident fund, Rs 3.084 million (2013: Rs 2.621 million) in respect of gratuity fund, Rs 7.069 million (2013: Rs 5.609 million) in respect of pension fund and Rs 3.094 million (2013: Rs 2.935 million) in respect of compensated absences.

27.2 Auditors' remuneration

| | 2014 | 2013 |
|---|---|---|
| | (Rupees in '000) | |
| Audit fee | 1,210 | 1,100 |
| Review of half yearly accounts, review of statement of compliance on best corporate practices, audit of employees' retirement funds and other special reviews | 1,056 | 980 |
| Tax services | 1,218 | 1,000 |
| Out of pocket expenses | 396 | 325 |
| | 3,880 | 3,405 |

27.3 Donations include Rs Nil (2013: Rs 10 million), Rs Nil (2013: Rs 0.250 million), Rs Nil (2013: Rs 0.200 million) and Rs Nil (2013: Rs 0.125 million) paid to National Management Foundation (NMF), Ali Institute of Education (AIE), Babar Ali Foundation (BAF) and Pakistan Institute of Corporate Governance (PICG) respectively as disclosed in note 39. Syed Babar Ali Esq., and Syed Hyder Ali Esq., the directors of the Company are trustees of NMF. Syed Babar Ali Esq., has the common directorship in the Company, AIE and BAF and Mr. Shahid Hussain has common directorship in the Company and PICG. However during the year, Mr. Shahid Hussain retired from the service of the Company.

27.4 During the current year, donations were not made to any donee in which the Company or a director or his spouse had any interest.

## 28. OTHER INCOME

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Income from financial assets | | | |
| Profit on bank balances | | 456 | 345 |
| Income from assets other than financial assets | | | |
| Profit on disposal of operating fixed assets | | 1,124 | 50 |
| Sale of scrap materials | | 31,916 | 27,514 |
| | | 33,040 | 27,564 |
| Others | | | |
| Commission earned on insurance premium from a related party | | 6,851 | 5,966 |
| Exchange gain | | 65,099 | 14,081 |
| | | 71,950 | 20,047 |
| | | 105,446 | 47,956 |

## 29. FINANCE COST

| | 2014 | 2013 |
|---|---|---|
| Mark-up on long term finances | 545,987 | 327,728 |
| Mark-up on short term finances | 367,473 | 279,671 |
| Bank and other charges | 9,578 | 6,751 |
| | 923,038 | 614,150 |

## 30. OTHER EXPENSES

| | 2014 | 2013 Restated |
|---|---|---|
| | (Rupees in '000) | |
| Workers' profits participation fund | - | 5,127 |
| Workers' welfare fund | - | 1,709 |
| | - | 6,836 |

## 31. TAXATION

| | Note | 2014 | 2013 Restated |
|---|---|---|---|
| Current | | | |
| For the year | 31.2 | - | - |
| For prior year | | - | 1,436 |
| | | - | 1,436 |
| Deferred | | (131,095) | 9,071 |
| | | (131,095) | 10,507 |

31.1 Tax reconciliation

| | 2014 | 2013 Restated |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| (Loss) / profit before taxation | (330,741) | 35,901 |
| Tax @ 33% (2013: 34%) | (109,145) | 12,206 |
| Effect of | | |
| - Minimum tax | 126,508 | 115,012 |
| - Final tax regime | (7,063) | 9,080 |
| - Tax rebate | (136,975) | (120,740) |
| - Income not subject to tax | (12,492) | - |
| - Inadmissible expenses | 1,732 | - |
| - Change in rate | 6,340 | (6,487) |
| | (131,095) | 9,071 |
| - Prior year (reversal) / charge | - | 1,436 |
| | (131,095) | 10,507 |
| Effective tax rate | 39.64% | 29.27% |

31.2 The investment tax credit amounting to Rs 136.975 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.

## 32. STAFF RETIREMENT BENEFITS

| | Note | 2014 Pension Fund | 2013 Pension Fund | 2014 Gratuity Fund | 2013 Gratuity Fund |
|---|---|---|---|---|---|
| | | ----------------------(Rupees in '000)---------------------- | | | |
| **32.1** The amounts recognised in the balance sheet are as follows: | | | | | |
| Present value of defined benefit obligation | 32.2.1 | 56,903 | 50,495 | 94,850 | 81,474 |
| Fair value of plan assets | 32.2.2 | (60,603) | (49,127) | (54,647) | (53,599) |
| Net (asset) / liability as at December 31 | | (3,700) | 1,368 | 40,203 | 27,875 |
| **32.2** Net liability as at January 1 | | 1,368 | 2,012 | 27,875 | 18,930 |
| Charge to profit and loss account | | 171 | 221 | 12,463 | 12,253 |
| (Gain) / loss charged to other comprehensive income | | (5,239) | (865) | 13,889 | 10,454 |
| Contribution by the Company | | - | - | (14,024) | (13,762) |
| Net (asset) / liability as at December 31 | | (3,700) | 1,368 | 40,203 | 27,875 |
| **32.2.1** The movement in the present value of defined benefit obligation is as follows: | | | | | |
| Present value of defined benefit obligation as at January 1 | | 50,495 | 51,083 | 81,474 | 62,110 |
| Current service cost | | - | - | 9,751 | 10,171 |
| Interest cost on defined benefit obligation | | 5,956 | 5,306 | 9,380 | 6,832 |
| Benefits paid | | (5,697) | (5,691) | (18,637) | (11,118) |
| Experience loss / (gain) | | 6,149 | (203) | 12,882 | 13,479 |
| Present value of defined benefit obligation as at December 31 | | 56,903 | 50,495 | 94,850 | 81,474 |

32.2.2 The movement in fair value of plan assets is as follows:

| | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| | Pension Fund | | Gratuity Fund | |
| | ----------(Rupees in '000)---------- | | | |
| Fair value as at January 1 | 49,127 | 49,071 | 53,599 | 43,180 |
| Contributions made by employer | - | - | 14,024 | 13,762 |
| Interest income on plan assets | 5,785 | 5,085 | 6,668 | 4,750 |
| Return on plan assets excluding interest income | 11,388 | 662 | (1,007) | 3,025 |
| Benefits paid | (5,697) | (5,691) | (18,637) | (11,118) |
| Fair value of as at December 31 | 60,603 | 49,127 | 54,647 | 53,599 |

32.2.3 The amounts recognized in the profit and loss account are as follows:

| | | | | |
|---|---|---|---|---|
| Current service cost | - | - | 9,751 | 10,171 |
| Interest cost on defined benefit obligation | 5,956 | 5,306 | 9,380 | 6,832 |
| Interest income on plan assets | (5,785) | (5,085) | (6,668) | (4,750) |
| | 171 | 221 | 12,463 | 12,253 |

32.2.4 Plan assets are comprised as follows:

| | | | | |
|---|---|---|---|---|
| Debt | 21,646 | 13,706 | 34,408 | 36,575 |
| Equity | 34,090 | 16,556 | 12,681 | 13,480 |
| Cash | 4,867 | 18,865 | 7,558 | 3,544 |
| | 60,603 | 49,127 | 54,647 | 53,599 |

32.2.5 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | 2014 | |
|---|---|---|
| | Pension | Gratuity |
| | ----(Rupees in '000)---- | |
| Year end sensitivity analysis on defined benefit obligation: | | |
| Discount rate + 100 bps | 53,038 | 89,478 |
| Discount rate - 100 bps | 61,331 | 109,801 |
| Salary increase + 100 bps | 62,000 | 109,958 |
| Salary increase - 100 bps | 52,424 | 89,180 |

- Average expected remaining working life time of gratuity management employees is 10 years.
- Average expected remaining working 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.

## 33. (LOSS) / EARNINGS PER SHARE

| | 2014 | 2013 Restated |
|---|---|---|
| | ---------(Rupees in '000)--------- | |
| (Loss) / profit after taxation | (199,646) | 25,394 |
| | Number of shares | |
| | --------------(In '000)-------------- | |
| Weighted average number of ordinary shares outstanding during the year | 30,000 | 30,000 |
| | 2014 | 2013 Restated |
| | --------------(Rupees)-------------- | |
| (Loss) / earnings per share | (6.65) | 0.85 |

33.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2014 and 2013.

## 34. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | Note | 2014 | | 2013 | |
|---|---|---|---|---|---|
| | | Chief Executive | Executives | Chief Executive | Executives |
| | | -----------------------------(Rupees in '000)----------------------------- | | | |
| Managerial remuneration | | 9,814 | 59,968 | 7,560 | 38,447 |
| Bonus | | 6,039 | 15,152 | 2,168 | 9,600 |
| Staff retirement benefits | 34.1 | 1,961 | 22,351 | 1,510 | 13,853 |
| Housing | | 5,294 | 40,642 | 4,370 | 27,179 |
| Utilities | | 981 | 5,960 | 755 | 3,816 |
| Leave passage | | 1,552 | 11,025 | 629 | 2,915 |
| Medical expenses | | 177 | 2,319 | 118 | 1,878 |
| Others | | 1,828 | 22,441 | 127 | 27,911 |
| | | 27,646 | 179,858 | 17,237 | 125,599 |
| Number of persons | | 2 | 47 | 1 | 36 |

34.1 Staff retirement benefits includes amount contributed towards various retirement benefit plans.

34.2 The Chief Executive and other executives are also provided with free use of Company's maintained cars, residential telephone reimbursement and other benefits.

34.3 Remuneration to non-executive director

Aggregate amount charged in these financial statements for meetings fee to One (2013: One) non-executive director was Rs 0.343 million (2013: Rs 0.325 million).

## 35. CASH GENERATED FROM OPERATIONS

| | Note | 2014 | 2013 Restated |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| (Loss) / profit before taxation | | (330,741) | 35,901 |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation | | 676,054 | 734,292 |
| Amortisation expense | | 5,844 | 7,287 |
| Finance cost | | 923,038 | 614,150 |
| Exchange gain - unrealised | | (22,072) | - |
| Profit on bank balances | | (456) | (345) |
| Provision / (reversal) for doubtful debts | | 74,750 | (351) |
| Provision for accumulated compensated absences | | 11,340 | 13,068 |
| Provision for staff retirement benefits | | 48,963 | 41,396 |
| Gain on disposal of operating fixed assets | | (1,124) | (50) |
| Working capital changes | 35.1 | (183,603) | 182,175 |
| | | 1,532,734 | 1,591,622 |
| | | 1,201,993 | 1,627,523 |

35.1 Working capital changes

| | 2014 | 2013 Restated |
|---|---|---|
| Decrease / (increase) in current assets: | | |
| Stores and spares | (40,809) | (41,384) |
| Stock in trade | 629,919 | (140,247) |
| Trade debts | 180,703 | (574,015) |
| Advances and prepayments | 177,152 | (93,221) |
| Other receivables | (93,935) | 193,739 |
| | 853,030 | (655,128) |
| (Decrease) / increase in current liabilities: | | |
| Trade and other payables | (1,036,633) | 837,303 |
| | (183,603) | 182,175 |

## 36. CASH AND CASH EQUIVALENTS

| | 2014 | 2013 |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| Short term running finance | (824,488) | (1,388,531) |
| Cash and bank balances | 697,646 | 666,035 |
| | (126,842) | (722,496) |

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2014 | 2013 Restated |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| **Financial assets** | | |
| **a) Loans and receivables** | | |
| Long term deposits | 4,398 | 2,999 |
| Trade debts - net | 1,523,529 | 1,778,982 |
| Advances and prepayments | 49,567 | 132,183 |
| Other receivables | 31,329 | 15,144 |
| Cash and bank balances | 697,646 | 666,035 |
| | 2,306,469 | 2,595,343 |
| **Financial Liabilities** | | |
| **a) Derivatives used for hedging** | | |
| Derivative financial instruments | - | 43,871 |
| **b) Financial liabilities at amortised cost** | | |
| Long term finances | 5,376,924 | 5,101,924 |
| Trade and other payables | 1,840,382 | 2,967,307 |
| Accrued mark-up | 168,225 | 175,042 |
| Short term borrowings | 3,815,223 | 3,263,531 |
| | 11,200,754 | 11,507,804 |

## 38. 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:

38.1 Market risk

38.1.1 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 16), short term borrowings (note 22) and cash at bank in current accounts (note 13).

At December 31, 2014, 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:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | At higher interest rate | At lower interest rate | At higher interest rate | At lower interest rate |
| | ------------------------------(Rupees in '000)------------------------------ | | | |
| Finance cost | 45,961 | (45,961) | 26,135 | (26,135) |
| Taxation | (15,167) | 15,167 | (8,886) | 8,886 |
| Net impact on profit after taxation | (30,794) | 30,794 | (17,249) | 17,249 |

38.1.2 Currency 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 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 13), trade debts (note 10) in respect of export sales and account payables (note 19) 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.

As per the Company's risk management policy, the Company hedges its exposure on firm commitment to purchase property, plant and equipment and stocks.

At December 31, 2014, 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 55.888 million (2013: Rs 37.026 million), mainly as a result of foreign exchange losses / gains on translation of financial assets and liabilities denominated in USD.

38.1.3 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.

38.2 Concentration of credit risk

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 2,306.089 million (2013: Rs 2,485.273 million). The management of the Company believes that it is not exposed to major concentration of credit risk.

Total bank balance of Rs 697.266 million (2013: Rs 135.728 million) has been placed with banks which have a short term credit rating of at least A-1.

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.

38.3 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 | Between 5 to 10 years |
|---|---|---|---|---|---|
| | --------------------- | ---------- | (Rupees in '000) | ---------- | --------------------- |
| Long term finances | 6,947,250 | 1,386,357 | 1,472,000 | 3,669,384 | 419,509 |
| Accrued mark-up | 168,225 | 168,225 | - | - | - |
| Short term borrowings | 3,815,223 | 3,815,223 | - | - | - |
| Trade and other payables | 1,840,382 | 1,840,382 | - | - | - |
| | 12,771,080 | 7,210,187 | 1,472,000 | 3,669,384 | 419,509 |

38.4 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 divided by long term portion of debt plus total equity.

The debt equity ratios as at December 31, 2014 and 2013 were as follows:

| | Note | 2013 | 2013 Restated |
|---|---|---|---|
| | | --------(Rupees in '000)-------- | |
| Long term portion of debt | 16 | 4,515,176 | 4,576,924 |
| Total equity | | 1,634,453 | 1,813,217 |
| Total | | 6,149,629 | 6,390,141 |
| Debt equity ratio | | 73:27 | 72:28 |

The increase in the debt equity ratio is mainly due to the loss after tax during the current year.

38.5 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.

## 39. 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

Significant transactions with related parties other than remuneration to key management personnel under the term of their employment is disclosed in note 34, are as follows:

| **Nature of transaction** | **Nature of relationship** | **2014** | **2013** |
|---|---|---|---|
| | | **-------(Rupees in '000)-------** | |
| Purchase of goods and services | Associated undertaking | 1,498,204 | 1,960,221 |
| Sale of goods and services | Associated undertaking | 1,244,895 | 916,405 |
| Contributions to staff retirement benefit funds | Contribution | 50,353 | 42,683 |
| Dividend | Associated undertaking | - | 188,524 |
| Other income | Associated undertaking | 6,851 | 5,966 |
| Donations | Associated undertaking | - | 10,575 |

The amounts payable to and receivable from related parties have been disclosed in the relevant notes to these financial statements.

## 40. PLANT CAPACITY AND ACTUAL PRODUCTION

| | 2014 | 2013 |
|---|---|---|
| | ---------(Metric tons)--------- | |
| Operational capacity | 82,300 | 65,800 |
| Production | 49,402 | 44,590 |

## 41. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2014 and 2013 respectively are as follows:

| | 2014 | 2013 |
|---|---|---|
| Average number of employees during the year | 449 | 435 |
| Number of employees as at December 31 | 436 | 478 |

## 42. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on un-audited financial statements of the Provident Fund (the Fund) as at December 31, 2014:

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | -------------(Rupees in '000)------------- | |
| Size of the Fund - total assets | | 129,588 | 106,130 |
| Cost of investment made | | 91,819 | 91,895 |
| Percentage of investment made | | 71% | 87% |
| Fair value of investments | 42.1 | 127,945 | 106,130 |

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | (Rupees in '000) | Percentage | (Rupees in '000) | Percentage |
| Shares | 1,107 | 1% | 1,482 | 1% |
| Bank balances | 9,309 | 7% | 3,106 | 3% |
| Debt securities | 32,655 | 26% | 29,625 | 28% |
| Mutual funds units | 84,874 | 66% | 71,917 | 68% |
| | 127,945 | 100% | 106,130 | 100% |

42.2 The investment out of the Fund have been made in accordance with the provisions of Section 227 of the Ordinance and the rules formulated for this purpose except for in case of investments made by the Fund in mutual funds during the current year which is more than the authorised 50% of total investments as per the rules of the Fund.

## 43. DATE OF AUTHORISATION

43.1 These financial statements were authorised for issue on March 20, 2015 by the Board of Directors of the Company.

| | |
|---|---|
| **Chief Financial Officer** | **Chief Executive** |
| **Chief Executive** | **Director** |