

# *Annual Report* *2017*



**BIAFO INDUSTRIES LIMITED**

Manufacturers of Tovex® Explosives & Blasting Accessories



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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

M. Afzal Khan  
Khawaja Amanullah Askari  
Maj. Gen. (Ret'd.) S. Z. M. Askree  
Ms. Shirin Safdar

Deputy Chairman  
Managing Director & Chief Executive Officer  
Director  
Director

#### Non Executive Directors

Dr. M. Humayun Khan  
M. Zafar Khan  
Adnan Aurangzeb  
Ms. Zishan Afzal Khan  
Ms. Shandana Humayun Khan

Chairman  
Director  
Director  
Director  
Director

#### Independent Directors

Khwaja Ahmad Hosain  
Muhammad Yaqoob  
Ehsan Mani  
Ms. Mehreen Hosain

Director  
Director  
Director  
Director

#### Company Secretary

Khawaja Shaiq Tanveer

#### Chief Financial Officer

Syed Sajid Hussain Shah

#### Audit Committee

Ehsan Mani	Chairman
Adnan Aurangzeb	Member
Muhammad Yaqoob	Member
Ms. Shandana Humayun Khan	Member
Khwaja Ahmad Hosain	Member
Dr. M. Humayun Khan	Member

#### HR & Remuneration Committee

Dr. M. Humayun Khan	Chairman
Ms. Mehreen Hosain	Member
Khwaja Ahmad Hosain	Member
Khawaja Amanullah Askari	Member
Muhammad Yaqoob	Member
Adnan Aurangzeb	Member

#### Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

#### Legal Advisors

Chima & Ibrahim

#### Bankers

Allied Bank of Pakistan	Bank Alfalah Limited
National Bank of Pakistan	United Bank Limited
Bank of Khyber	Faysal Bank Limited
Askari Bank Limited	MCB Bank Limited

#### Registered Office

##### Biafo Industries Limited

1st Floor, Biafo House, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad, Pakistan.  
Tel: +92 51 2353450-53, 2353455-57, Fax: +92 51 2353458  
Website: www.biafo.com, E-mail: management@biafo.com

#### Factory

##### Biafo Industries Limited

Plot No: 70, Phase III, Industrial Estate, Hattar, Distt. Haripur, Khyber Pakhtunkhwa. Pakistan.  
Tel: +92 995 617830 Fax: +92 995 617497  
Website: www.biafo.com, Email: plant@biafo.com

#### Shares Registrar

##### Riasat Ishtiaq Consulting (Pvt) Ltd.

Office No. 19-20, 2nd Floor, Hill View Plaza, Jinnah Avenue, Blue Area, Islamabad.  
Tel: +92 51 2344223-4 Fax: +92 51 2605658



## **NOTICE OF 29TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the 29th Annual General Meeting of Biafo Industries Limited will be held on October 25, 2017 at 11:00 a.m. at 1st Floor, Biafo House, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad, to transact the following business:

### **ORDINARY BUSINESS**

1. To confirm the minutes of the 28th Annual General Meeting held on 28th October 2016.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2017 together with Auditors' report and Directors' report thereon.
3. To approve the payment of final cash dividend of Rs 6.00 per share (60%) and also the interim cash dividends of Rs 2.50 per share (25%) declared on October 27, 2016, Rs. 1.50 per share (15%) declared on February 21, 2017 and Rs 4.50 per share (45%) declared on April 18, 2017 making a total of Rs 14.5 per share ( 145%) cash dividend and 10% bonus shares for the year ended June 30, 2017
4. To appoint Auditors for the year 2017-18 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants being eligible offer themselves for reappointment for the year 2017-18.
5. To transact such other business as may be placed before the meeting with the permission of the Chairman.

**By order of the Board**

**Khawaja Shaiq Tanveer**  
Company Secretary

Islamabad:  
26 September, 2017

### **NOTES:**

1. Share Transfer Books of the Company will remain closed from October 17, 2017 to October 25, 2017 both days inclusive.
2. A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her and proxy to attend, demand or join in demanding a poll, speak and vote instead of his/her and a proxy so appointed shall have such rights, as attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the registered office of the company not later than 48 hours before the meeting duly stamped, signed and witnessed. A proxy need not be a member of the Company.



3. CDC Shareholders or their proxies are required to bring with them their original National Identity cards or Passports along with the Participant's ID numbers and their Account Numbers at the time of attending the Annual General Meeting in order to authenticate their usual documents required for such purposes.

#### **For CNIC & Zakat**

4. Members are requested to submit a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission of CNIC (copy), all future dividend warrants may be withheld.
5. Members are requested to submit declaration as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

#### **E-DIVIDEND**

As per Section 242 of the Companies Act, 2017, in case of a Public listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their IBAN details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to our Share Registrar, M/s Riasat Ishtiaq Consulting (Pvt) Ltd. E-Dividend mandate form is enclosed.

Please note that after October 31, 2017 all cash dividends, declared by the Company, will only be remitted to designated bank accounts and not otherwise, so please ensure an early update of your particulars to avoid any inconvenience in future.

#### **FILER AND NON FILER STATUS**

- i) The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
  - a) For filers of income tax returns 15.0%
  - b) For non-filers of income tax returns 20.0%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL on or before the date of approval of cash dividend at the Annual General Meeting on October 25, 2017 otherwise tax on their cash dividend will be deducted @ 20% instead of @ 15%.

- ii) For any query / problem / information, the investors may contact the Company and / or the Share Registrar at the following phone Numbers, email addresses:



**Biafo Industries Limited**

1st Floor, Biafo House, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad, Pakistan.

Tel: +92 51 2353450-53, 2353455-57, Fax: +92 51 2353458

Website: [www.biafo.com](http://www.biafo.com), E-mail: [management@biafo.com](mailto:management@biafo.com)

**Riasat Ishtiaq Consulting (Pvt) Limited**

Office No. 19-20, 2nd Floor, Hill View Plaza, Jinnah Avenue, Blue Area, Islamabad, Pakistan

Tel: +92 51 2344223-4, Fax: +92 51 2605658

- iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate members having physical shares should send a copy of their NTN certificate to the company or its Share Registrar i.e. M/s Riasat Ishtiaq Consulting (Pvt) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.



## شیئر ہولڈرز کے 29 ویں سالانہ عمومی اجلاس کا اطلاع نامہ

بذریعہ ہذا مطلع کیا جاتا ہے کہ بائیفو انڈسٹری لمیٹڈ کا 29 واں سالانہ عمومی اجلاس مورخہ 25 اکتوبر، 2017 کو صبح 11 بجے فیسٹ فلور، بائیفو ہاؤس، پلاٹ نمبر 23، سٹریٹ نمبر 38-40، آئی اینڈ ٹی مرکز، جی ٹین فور، اسلام آباد میں حسب ذیل امور سرانجام دینے کے لیے منعقد ہوگا۔

### عمومی امور

- ۱۔ 28 نومبر 2016ء کو منعقدہ سالانہ عمومی اجلاس کی کارروائی کی توثیق کرنا۔
- ۲۔ 30 جون، 2017 کو ختم ہونے والے سال کے لئے کمپنی کے آڈٹ شدہ اکاؤنٹس مع ان پراڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ کی وصولی اور ان کو منظور کرنا۔
- ۳۔ 27 اکتوبر، 2016ء کو اعلان کردہ حتمی نقد منافع بحساب 6 روپے فی شیئر (60 فی صد) اور عبوری نقد منافع جات 2.50 روپے فی شیئر (25 فی صد، 21 فروری، 2017ء کو اعلان کردہ 1.50 روپے فی شیئر (15 فی صد) اور 18 اپریل، 2017ء کو اعلان 4.50 روپے فی شیئر (45 فی صد) کی ادائیگی کی منظوری کرنا، جو 30 جون، 2017ء کو ختم ہونے والے سال کے لئے بحساب 14.5 روپے فی شیئر (145 فی صد) نقد منافع اور 10 فی صد بونس شیئرز ہو جائے گا۔
- ۴۔ سال 2017-18 کے لئے آڈیٹرز کی تقرری اور ان کے معاوضے کا تعین کرنا۔ میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس سبکدوش ہو گئے ہیں اور سال 2017-18 میں خود کی دوبارہ تقرری کی پیشکش کے لئے اہل ہیں۔
- ۵۔ ایسے دیگر امور سرانجام دینا جو چیئرمین کی رضامندی کے ساتھ اجلاس کے روبرو رکھیں جائیں۔

بحکم بورڈ

خواجہ شائق تنویر  
کمپنی سیکرٹری

اسلام آباد:

26 ستمبر، 2017

### نوٹ:

- ۱۔ کمپنی کے شیئر منتقلی کی کتب 17 اکتوبر 2017 سے 25 اکتوبر 2017ء بشمول ہر دو ایام بند رہیں گی۔
- ۲۔ کوئی بھی رکن جو اجلاس میں شرکت کرنے اور ووٹ دینے کا اہل ہو وہ کسی بھی دوسرے شخص کو اجلاس میں شرکت کرنے، مطالبہ کرنے یا کسی پول کے مطالبے کرنے میں شریک ہونے، تقریر کرنے اور اس کے راس کی بجائے ووٹ دینے کے لئے بطور اپنا اپنی نائب (Proxy) مقرر کرنے کا حقدار ہوگا اور اس طرح تقرر کردہ پر کسی نائب (Proxy) کو اجلاس میں شرکت کرنے، تقریر کرنے اور ووٹ دینے کے ضمن میں وہی حقوق حاصل ہوں گے جیسا کہ رکن کو حاصل ہیں۔ بغرض موثریت پر کسی فارم کمپنی کے رجسٹرڈ دفتر میں اجلاس سے کم از کم 48 گھنٹے قبل موصول ہو جانے چاہیں جو باضابطہ طور پر مہر شدہ، دستخط شدہ اور گواہی شدہ ہوں۔ نائب (Proxy) کے لیے کمپنی کا رکن ہونا ضروری نہیں۔
- ۳۔ سی ڈی سی شیئر ہولڈرز یا ان کے نائب (Proxy) کیلئے سالانہ اجلاس عام میں شرکت کے وقت اپنے ساتھ اصل شناختی کارڈ یا پاسپورٹ مع پارٹیسپنٹ (Participant) کی آئی ڈی نمبر اور ان کے اکاؤنٹ نمبر لازمی لائے تاکہ مذکورہ مقصد کے لئے درکار معمول کی دستاویزات کی توثیق ہو سکے۔

### کمپیوٹرائزڈ قومی شناختی کارڈ اور زکوٰۃ کے لیے

- ۴۔ اراکین سے التماس ہے کہ ہمارے ریکارڈ کو تازہ ترین (update) رکھنے کے لیے کمپیوٹرائزڈ قومی شناختی کارڈ کی ایک نقل جمع کروائیں۔ شناختی کارڈ (نقل) فراہم نہ کرنے کی صورت میں، تمام مستقبل کے منافع منقسمہ وارنٹس (صداقت نامہ) روکے جاسکتے ہیں۔
- ۵۔ اراکین سے درخواست کی جاتی ہے کہ زکوٰۃ کی چھوٹ کے لئے زکوٰۃ و عشر آؤٹ نیٹس 1980ء کے مطابق اپنے توثیقی بیان جمع کروائیں اور پتے کی تبدیلی، اگر کوئی ہو، میں محتاط رہیں۔





### منافع کی الیکٹرانک ذریعے سے ادائیگی

کمپنیز ایکٹ 2017 کی دفعہ 242 کے مطابق، پبلک لمیٹڈ کمپنی کی صورت میں، کوئی بھی نقد قابل ادائیگی منافع صرف الیکٹرانک طریق عمل کے ذریعے اہل شیئر ہولڈرز کی جانب سے نامزد کردہ بینک اکاؤنٹ میں جمع کروایا جائے گا۔ لہذا، اس نوٹس کے ذریعے، تمام شیئر ہولڈرز سے گزارش کی جاتی ہے کہ اپنے متعلقہ پارٹیسپنٹ (Participants) کے ذریعے مرکزی ڈپازٹری سسٹم میں اپنے IBAN تفصیلات اپ ڈیٹ کروائیں۔ عملی شیئرز (Physical shars) کی صورت میں، ہمارے شیئر رجسٹرڈ میسرز ریاست اشتیاق کنسلٹنگ (پرائیوٹ) لمیٹڈ کو بینک اکاؤنٹ کی تفصیلات فراہم کریں۔ منافع کی الیکٹرانک ذریعے سے ادائیگی کے لیے مینڈیٹ فارم منسلک ہے۔

براہ کرام نوٹ کریں کہ 31 اکتوبر، 2017 کے بعد، کمپنی کی جانب سے اعلان کردہ تمام نقد منافع جات، صرف مقرر کردہ بینک اکاؤنٹس میں جمع کروائے جائیں گے اور کسی دوسری صورت میں نہیں دیے جائیں، لہذا براہ کرم اپنی تفصیلات کی جلد تازہ ترین (Update) کرنے کو یقینی بنائیں تاکہ مستقبل میں کسی بھی قسم کی تکلیف سے بچا جاسکے۔

### فائلر اور نان فائلر کی حیثیت

(اول) حکومت پاکستان نے فنانس ایکٹ 2017ء کے ذریعے محصول آمدن آرڈیننس مجریہ 2001ء کی دفعہ 150 میں بعض ترامیم کی ہیں جس کی رو سے کمپنیوں کی جانب سے ادا کردہ منافع کی رقم پر وہ ہولڈنگ ٹیکس کی کٹوتی کی مختلف شرح مقرر کی گئی ہیں۔

ان ٹیکسوں کی شرح حسب ذیل ہیں:

(الف) محصول آمدنی گوشوارے جمع کرانے والے فائلروں کے لیے 15 فیصد

(ب) محصول آمدنی گوشوارے جمع نہ کرانے والے فائلروں کے لیے 20 فیصد

کمپنی کو نقد منافع کی رقم پر شرح 20 فیصد کی بجائے 15 فی صد کی رقم پر ٹیکس کی کٹوتی کرنے کا مجاز کرنے کے لیے، تمام شیئر ہولڈرز جن کا نام FBR کی ویب سائٹ فعال ٹیکس ادا کرنے والوں کی فہرست میں (ATL)، ہے، اس حقیقت کے باوجود کہ وہ فائلرز ہیں، ان کو یہ مشورہ دیا جاتا ہے کہ وہ اپنے نام 25 اکتوبر، 2017 کو ہونے والے سالانہ عمومی اجلاس کے نقد منافع کی منظوری کی تاریخ پر یا اس سے قبل اندراج کروائیں دوسری صورت میں ان کے نقد منافع پر 15 فیصد کی شرح کی بجائے 20 فی صد کی شرح سے ٹیکس کی کٹوتی کی جائے گی۔

(دوم) کسی بھی سوال مسئلے معلومات کے لئے سرمایہ کار کمپنی اور یا شیئرز رجسٹرار سے حسب ذیل فون نمبرز، ای میل ایڈریس پر رابطہ کر سکتے ہیں۔

### بائیو انڈسٹریز لمیٹڈ

فسٹ فلور، بائیو ہاؤس، پلاٹ نمبر 23، سٹریٹ نمبر 40-38، آئی اینڈ ٹی مرکز، جی ٹین فور، اسلام آباد، پاکستان

ٹیلی فون 92512353458-53، 92512353458-57 فیکس نمبر: +92512353458

ویب سائٹ: www.biafo.com، ای میل: management@biafo.com

### ریاست اشتیاق کنسلٹنگ (پرائیوٹ) لمیٹڈ

آفس نمبر 19-20، دوسری منزل، ہل ویو پلازہ، جناح ایونیو، ملیو ایریا، اسلام آباد، پاکستان

فون نمبر: 92512344223-4، فیکس نمبر: +92512605658

(سوم) سی ڈی سی اکاؤنٹس رکھنے والے کارپوریٹ شیئر ہولڈرز کو اپنا قومی ٹیکس نمبر (این ٹی این) اپنے متعلقہ پارٹیسپنٹ (Participant) کے پاس درج کروانہ ہوگا، جبکہ کارپوریٹ اراکین جو فزیکل شیئرز رکھتے ہوں وہ اپنے این ٹی این شناختی کارڈ کی نقل کمپنی یا اس کے شیئر رجسٹرار یعنی میسرز ریاست اشتیاق کنسلٹنگ (پرائیوٹ) لمیٹڈ کے پاس جمع کروائیں گے۔ شیئر ہولڈرز جب اپنے این ٹی این یا این ٹی این شناختی کارڈ، جیسی بھی معاملے کی نوعیت ہو، ارسال کر رہے ہوں وہ کمپنی کا نام اور اپنا متعلقہ فولیو (Folio) نمبر کا لازماً حوالہ دے۔



## CHAIRMANS' REVIEW

I am pleased to present the 29th Annual Report of the Company for the year ended June 30th 2017. I would like to extend my appreciation to the management and all the staff for registering Sales of Rs. 1,199.63 M during the period under review while the profit after tax was Rs. 320.58 M resulting in EPS of Rs. 14.57. The Directors' Report will provide a detailed review of the past year of operations and achievements.

Your company is continuing to invest in resources for improvement in production efficiency, human resources and safe practices to enhance the confidence of its customers, workforce and stakeholders.

Over the years, the Company has followed a consistent policy of paying high dividends. Keeping this in view the Board has approved Rs. 6.00 per share for the last quarter making a total dividend of Rs. 14.50 per share(145%) for the financial year ending 30th June, 2017.

The Board received comprehensive agendas and supporting papers in a timely manner for its meetings and was fully involved in the strategic planning process and in developing the vision of the Company.

The Company has taken necessary measures to comply with the provisions of the Code of Corporate Governance as incorporated in listing regulations of the Pakistan Stock Exchange.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

All Directors, including Independent Directors, fully participated in and made contributions to the decision-making process of the Board.

The Board has in place comprehensive policies for all relevant areas of the Company's operations and these policies are reviewed and updated from time to time.

The Audit Committee and Human Resources & Remuneration Committee of the Board met regularly to strengthen the functions of the Board and overall governance. The system of internal control is sound in design and has been effectively implemented and monitored.

Looking ahead, the company will continue to strengthen its position in the market to tap the opportunities likely to emerge from the China Pakistan Economic Corridor (CPEC) and related projects.

In the end, on behalf of the Board I wish to acknowledge the contribution of all our employees in the success of the Company. I wish to thank our shareholders, customers, suppliers, bankers and other business partners for their confidence and support.

Dr. M. Humayun Khan  
Chairman

26 September 2017



## چیرمین کا جائزہ

میں 30 جون کو ختم ہونے والے سال کے لئے کمپنی کی 29 ویں سالانہ رپورٹ پیش کرنا چاہتا ہوں۔ میں زیر جائزہ مدت کے دوران 1,199.63 ملین روپے کی درج کردہ فروخت کے لیے انتظامیہ اور جملہ ملازمین کی کاوشوں کی ستائش کرنا چاہوں گا جبکہ ٹیکس کی ادائیگی کے بعد منافع 320.58 ملین روپے تھا جس کے نتیجے میں EPS، 14.57 روپے کا رہا۔ ڈائریکٹرز کی رپورٹ گزشتہ سال کے آپریشنز اور کامیابیوں کا تفصیلی جائزہ فراہم کرے گی۔

آپ کی کمپنی پیداواری استعداد کے فروغ، انسانی وسائل اور اپنے صارفین، افرادی قوت اور اسٹیک ہولڈرز کے اعتماد میں اضافے کے لیے وسائل میں مسلسل سرمایہ کاری کر رہی ہے۔

گزشتہ کئی سالوں سے، کمپنی نے زیادہ منافع کی ادائیگی کی مسلسل پالیسی کی پیروی کی ہے۔ اس امر کو مد نظر رکھتے ہوئے بورڈ نے آخری سہ ماہی کیلئے 6.00 روپے فی شیئر منظور کیا ہے جو 30 جون، 2017ء کو ختم ہونے والے مالی سال کیلئے کل نقد منافع 14.50 روپے فی شیئر (145 فی صد) اور دس فیصد بونس شیئر بنتا ہے۔

بورڈ نے اپنے اجلاسوں کے لئے بروقت انداز میں جامع لائحہ عمل اور تائیدی کاغذات وصول کیے ہیں اور یہ کلیدی منصوبہ بندی عمل میں اور کمپنی کے نقطہ نظر کو فروغ دینے میں مکمل طور پر شریک تھی، کمپنی نے کارپوریٹ گورننس کی دفعات کے مطابق پیروی کرنے کے لئے ضروری اقدامات کئے ہیں جو پاکستان سٹاک ایکسچینج کی فہرستی ضوابط میں شامل ہیں۔

کارپوریٹ گورننس کے بہترین طریقوں کی اجزائے ترکیبی سے انحراف نہیں کیا گیا۔

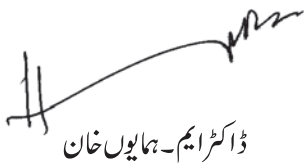
تمام ڈائریکٹروں بشمول آزاد ڈائریکٹروں نے بورڈ کے فیصلہ سازی کے عمل میں مکمل طور پر شرکت کی اور اس میں اپنا کردار ادا کیا۔

بورڈ کے پاس کمپنی آپریشنز کے تمام متعلقہ شعبہ جات کے لئے جامع پالسیاں ہیں اور ان پالیسیوں کا وقتاً فوقتاً جائزہ لیا جاتا ہے اور بہتر بنایا جاتا ہے۔

آڈٹ کمیٹی اور انسانی وسائل کمیٹی و معاوضہ جاتی کمیٹی کا باقاعدگی سے اجلاس ہوتا ہے تاکہ بورڈ اور مجموعی انتظام کے افعال کو مضبوط کیا جاسکے۔ اندرونی کنٹرول کا نظام وضع کرنے میں ٹھوس اور مؤثر طریقے سے لاگو کی گئی اور ان کی نگرانی کی گئی۔

مستقبل میں، کمپنی مارکیٹ میں اپنے مقام کو بدستور مستحکم رکھے گی تاکہ چین پاکستان اقتصادی راہداری (CPEC) اور متعلقہ منصوبوں سے پیدا ہونے والے مواقعوں کے امکانات سے فائدہ اٹھایا جاسکے۔

آخر میں، بورڈ کے حوالے سے کمپنی کی کامیابی میں تمام اپنے ملازمین کے تعاون کے لیے اظہار تشکر کرنا چاہوں گا۔ میں اپنے شیئر ہولڈرز، صارفین، سپلائرز، بینکاروں اور دیگر کاروباری شراکت داروں کا ان کے اعتماد اور حمایت کے لیے شکریہ ادا کرنا چاہتا ہوں۔

  
ڈاکٹر ایم۔ ہمایوں خان

چیرمین

26 ستمبر 2017



## **DIRECTORS' REPORT**

Your Directors are pleased to present the 29th Annual Report of the company for the year ended June 30th 2017.

### **SALES AND FINANCIAL RESULTS:**

Net local Sales value decreased by 27.24% to Rs. 939.68 m, while the value of export sales increased 66.23% to Rs. 259.95 m, resulting in overall Net sales value decrease 17.15% to Rs. 1,199.63 m in the period under review. Net sales value for the 6 month period to June, 2017 increased by 33% to Rs. 685.53m compared to the earlier 6 month to December, 2016.

The significant feature of the sales was decrease in value of sales to the Oil and Gas Exploration sector by 58%. This was because of significantly reduced seismic exploration programs, which was also effected by lower oil price in the world market. The company however saw resumption in supplies to Saindak Copper & Gold project and Duddar Lead and Zinc project (EPZ) and sales to construction and mining sector. One new major project came onstream in the last months of this financial year, which will continue to add to the revenue stream of the company for the coming years. Some of the Hydel and road tunnel projects blasting requirements have been completed.

Gross profit margin decreased only by 0.25% to 46.54% despite lower sales of higher value products as a proportion of net sales.

Operating profit of the company declined by 22.15% to Rs. 434.97 m. Net profit after taxation declined by 19.54% to Rs. 320.58 m resulting in EPS of Rs. 14.57 (2016 : EPS Rs.18.11)

Finance costs increased by Rs. 3.91m to 24.95 m due to borrowings, for cash flow timing differences.

Your company continues its efforts to seek new competitive sources, to reduce raw material costs.

### **PRODUCTION:**

Plant production team continued to perform satisfactorily in meeting the challenges of demand for various products on timely basis to our customers.

Your company is continuing to invest in resources for improvement in Production efficiency, Human Resource and safe practices to enhance the confidence of its users, workforce and stakeholders.

The company has renewed OHSAS (Occupational Health and Safety Advisory Services) 18001: 2007 and ISO 9001: 2008 quality Certifications.

### **FUTURE PROSPECTS:**

Hydel project of Dasu, Sukki Kinari, Khyal Khwar, Kohala Hydro Power and Tarbella 5th. Expansion projects are due to commence work in the coming financial period, while progress on Bhasha, Munda, Mahl, Bunji Dam etc. is awaiting technical/financial finalization.

The cement sector has plans to enhance its capacity through additional units at existing sites, which may add approximately 5-7 million tons additional capacity in the next few years.



## **DIRECTORS' REPORT**

### **DIVIDEND:**

Board has proposed final cash dividend of Rs. 6.00 per share 60% and also the 1st Interim cash dividend of Rs. 2.50 per share (25%) and bonus shares at the rate of 10% i.e. 1 bonus share for 10 shares held declared on October 27, 2016 and 2nd Interim cash dividend of Rs. 1.50 per share (15%) declared on February 21, 2017 and 3rd interim cash dividend Rs. 4.50 per share (45%) declared on April 18, 2017 for the year ended June, 2017 making a total cash dividend of declaration of Rs. 14.5 (145%) and bonus shares at the rate of 10% i.e. 1 bonus share for 10 shares held for financial year ended 30th June, 2017.

### **CODE OF CORPORATE GOVERNANCE:**

We are pleased to report that the Company has taken necessary measures to comply with the provision of the code of Corporate Governance as incorporated in listing regulations of the Stock Exchanges.

The Board regularly reviews the company's strategic direction. Business plans and targets are set by the Chief Executive & are reviewed by the Board. The Board is committed to maintain a high standard of good corporate governance. The company is in the process of implementing the provisions set out by Securities & Exchange Commission of Pakistan (SECP) and the accordingly amended listing rules by Stock Exchanges.

As required by the Code of Corporate Governance, your Directors are pleased to report that:

- Financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow & changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable & prudent judgment.
- International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2017 except for those stated in the financial statements.

**DIRECTORS' REPORT**

- Five directors of the Company are exempted from Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. Further four of the directors of the Company have obtained certification under Directors training program as required under clause (xi) of the CCG. None of the Directors had attended any training program during the year.
- The values of investment of various funds, based on their respective accounts as at 30 June 2017 are as under:

DESCRIPTION	AMOUNT
Provident Fund	Rs. 63,310,148/-
Gratuity Fund	Rs. 35,368,529/-

A total of 06 meetings of the Board of Directors were held during the year (July 2016 to June 2017). The attendance by each Director is given as follows:

NAME ATTENDED	DESIGNATION	NO. OF MEETINGS
Dr. M. Humayun Khan	Chairman	6
Khawaja Amanullah Askari	MD & CEO	5
M. Afzal Khan	Director	6
M. Salim Khan	Director	3
Abdul Maajid Qureshi	Director	3
Khwaja Ahmad Hosain	Director	5
(Alternate Director: Ms Shandana Humayun Khan)		1
Maj. Gen. (Ret'd.) S. Z. M. Askree	Director	6
M. Zafar Khan	Director	6
Adnan Aurangzeb	Director	6
Ms. Shirin Safdar	Director	3
Muhammad Yaqoob	Director	6
Ms. Zishan Afzal Khan	Director	2
(Alternate Director: Ms Mehreen Hosain)		2
(Alternate Director: Ms Shahbano Abbas)		1
Ms Mehreen Hosain	Director	1
Ms Shandana Humayun Khan	Director	2
Ehsan Mani	Director	2

Leave of absence is granted in all cases to the Directors.

**DIRECTORS' REPORT**

A total of 04 meetings of Audit Committee were held during the year (July 2016 to June 2017). The attendance by each member is given as follows:

<b>NAME ATTENDED</b>	<b>DESIGNATION</b>	<b>NO. OF MEETINGS</b>
Ehsan Mani	Chairman	2
Muhammad Yaqoob	Chairman/Member	4
Abdul Maajid Qureshi	Member	2
M. Salim Khan	Member	2
Adnan Aurangzeb	Member	4
Dr. M. Humayun Khan	Member	4
Khwaja Ahmad Hosain	Member	4
Ms Shandana Humayun Khan	Member	1

Leave of absence is granted in all cases to the Members.

A total of 03 meetings of the Human Resource & Remuneration Committee were held during the year (July 2016 to June 2017). The attendance by each member is given as follows:

<b>NAME ATTENDED</b>	<b>DESIGNATION</b>	<b>NO. OF MEETINGS</b>
Dr. M. Humayun Khan	Chairman	3
Khawaja Amanullah Askari	Member	3
M. Salim Khan	Member	1
Adnan Aurangzeb	Member	3
Khwaja Ahmad Hosain	Member	3
Muhammad Yaqoob	Member	3
Ms Mehreen Hosain	Member	0

Leave of absence is granted in all cases to the Members.

**KEY OPERATING AND FINANCIAL DATA:**

Key operating and financial data of last six years is enclosed.

**AUDITORS:**

The present auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.

**ACKNOWLEDGEMENT:**

Your Board would like to take this opportunity to express its special appreciation to all the employees of the company without whose continued commitment and hard work the challenges of new



## **DIRECTORS' REPORT**

opportunities could not be achieved. We also acknowledge the support and cooperation of our major stakeholders, customers, suppliers and our Bankers specially Allied Bank Ltd, Faysal Bank Ltd, MCB Bank Ltd, United Bank Ltd, Bank of Khyber, National Bank of Pakistan.

### **PATTERN OF SHARE HOLDING:**

Pattern of shareholding is enclosed.

**By order of the Board**

**Khawaja Amanullah Askari**  
Managing Director  
&  
Chief Executive Officer

Islamabad  
26 September, 2017





## ڈائریکٹرز کی رپورٹ

آپ کے ڈائریکٹرز صاحبان 30 جون 2017ء کو ختم ہونے والے سال کے لئے کمپنی کی 29 سالانہ رپورٹ پیش کر رہے ہیں۔

### فروخت اور مالیاتی نتائج:

خالص ملکی فروخت کی قدر میں 27.24% جو کہ مبلغ 939.68 ملین روپے ہے کی کمی واقع ہوئی جبکہ برآمدگی فروخت میں 66.23% جو کہ مبلغ 259.95 ملین روپے ہے کا اضافہ ہوا، نتیجتاً مجموعی خالص فروخت کی قدر میں 17.15% جو کہ مبلغ 1.199.63 ملین روپے ہے زیر جائزہ مدت کے دوران کمی دیکھنے میں آئی۔ جون، 2017ء کی شش ماہی مدت کے دوران خالص فروخت کی قدر میں گزشتہ دسمبر 2016ء کی شش ماہی مدت کی نسبت 33% جو کہ مبلغ 685.53 ملین روپے ہے کا اضافہ ہوا۔

فروخت کے نمایاں وصف میں تیل و گیس کی تلاش کے شعبے میں ہونے والی فروخت کی قدر میں 58% کمی تھی۔ یہ نمایاں طور پر زلزالی تلاش (Seismic Exploration) کے پروگراموں میں کمی کے سبب سے تھی۔ جس پر بین الاقوامی منڈی میں تیل کی کم قیمتوں کی وجہ سے اثر تھا۔ تاہم کمپنی کا سینڈک کا پروگولڈ پروجیکٹ اور Duddar میں سیسے اور زنک کے منصوبے (EPZ) میں اور تعمیراتی وکان کنی کے شعبے کو فراہمی میں آغاز نو دیکھا جاسکتا ہے۔ ایک بڑا منصوبہ اس مالیاتی سال کے آخری مہینوں میں چالو ہونے والا ہے جو کہ آنے والے سالوں میں کمپنی کے ریونیو کے دھارے میں مسلسل اضافے کا سبب بنے گا۔ کچھ آبی و شاہداتی گزرگاہوں کے منصوبہ جات کی بلاسٹنگ کی ضروریات کو مکمل کر دیا گیا ہے۔

جیسا کہ خالص فروخت کی نسبت اعلیٰ مالیت کی مصنوعات کی کم فروخت کے باوجود مجموعی نفع کے مارجن میں صرف 0.25% سے 46.54% تک کمی ہوئی۔ کمپنی کے نفع عمل کاری میں 22.15% جو کہ مبلغ 434.97 ملین روپے ہے کی کمی ہوئی۔ خالص نفع میں ٹیکس لگنے کے بعد 19.54% جو کہ مبلغ 320.58 ملین روپے ہے کی کمی ہوئی نتیجتاً EPS 14.57 روپے رہا۔ (2016: EPS 18.11 روپے تھا)

مالیاتی لاگت میں مبلغ 3.91 ملین روپے سے 24.95 ملین روپے تک کا، نقدی کے بہاؤ کے عصری تفاوتات کے لئے قرض لینے کی وجہ سے اضافہ ہوا۔ آپ کی کمپنی جہد مسلسل میں ہے تاکہ نئے مسابقتی ذرائع کو حاصل کر سکے، تاکہ خام مال کی لاگت میں کمی لائی جاسکے۔

### پیداوار:

پلانٹ کی پیداواری ٹیم اطمینان بخش طور پر اپنے صارفین کے لئے وقتی بنیادوں پر مختلف مصنوعات کی طلب کے چیلنجز کو پورا کرنے کے لئے مسلسل کام کر رہی ہے۔

آپ کی کمپنی پیداواری استعداد کے فروغ کے لئے وسائل میں مسلسل سرمایہ کاری کر رہی ہے، جس میں انسانی وسائل اور محفوظ طریقہ کار تاکہ استعمال کنندگان، افرادی قوت اور اسٹیک ہولڈرز کے اعتماد کو فروغ دیا جاسکے۔ کمپنی نے OHSAS (پیشہ ورانہ صحت اور تحفظ کی مشاورتی سروسز 2007: 18001 اور ISO 9001: 2008 کے تصدیق معیار کی تجدید نو کی ہے۔

**توقعات مستقبل:**

داسو، سکی کناری، خیال خار کے ہائیڈل منصوبے، کوہالہ پن بجلی اور تربیلا-V کی توسیع کے منصوبے کے کام کا آغاز آنے والے مالیاتی مدت کے دوران ہونا ہے، جبکہ بھاشا، منڈا، محل، بوچی ڈیم وغیرہ بھی تکنیکی مالیاتی تکمیل کے انتظار میں ہیں۔

سینٹ کے شعبے کا یہ منصوبہ ہے کہ موجودہ جگہوں پر مزید پائپس کے ذریعے اپنی صلاحیت کو بڑھائیں جس سے آنے والے چند سالوں میں تقریباً 5-7 ملین ٹن کی اضافی گنجائش کا اضافہ ہو سکتا ہے۔

**منافع منقسمہ:**

بورڈ نے مبلغ 6.00 روپے فی شیئر (60%) کی منظوری دی ہے اول۔ عبوری نقد منافع منقسمہ مبلغ 2.50 روپے فی شیئر (25%) اور دس فیصد بونس شیئر جس کا 27 اکتوبر 2016 کو اعلان کیا گیا دوم عبوری نقد منافع منقسمہ مبلغ 1.50 روپے فی شیئر (15%) جس کا 21 فروری 2017 کو اعلان کیا گیا سوم۔ عبوری نقد منافع منقسمہ مبلغ 4.50 روپے فی شیئر (45.1%) جس کا 18 اپریل 2017 کو اعلان کیا گیا، جون 2017 کو ختم ہونے والے سال کے لئے کل منافع منقسمہ 14.5 روپے (145%) اور دس فیصد بونس شیئر بناتا ہے جس کا 30 جون 2017 کو ختم ہونے والے مالیاتی سال کے لئے اعلان کیا گیا۔

**ضابطہ برائے کارپوریٹ گورننس:**

یہ رپورٹ کرنا ہمارے لیے باعث افتخار ہے کہ کمپنی نے اسٹاک ایکسچینج ضابطہ برائے کارپوریٹ گورننس کے درج فہرست ریگولیشنز کے احکامات کی تعمیل کے لئے ضروری اقدامات اٹھائے ہیں۔

بورڈ باقاعدگی سے کمپنی کی اسٹریٹجک ڈائریکشن پر نظر ثانی کرتا ہے۔ چیف ایگزیکٹو کی جانب سے کاروباری منصوبے اور ٹارگٹ ترتیب دیئے جاتے ہیں اور بورڈ باقاعدگی سے اس پر نظر ثانی کرتا ہے۔ بورڈ کارپوریٹ گورننس کے اعلیٰ معیارات قائم کرنے کے لئے کاربند ہے۔ کمپنی سیوریٹی اور ایکسچینج کمیشن پاکستان (SECP) کی جانب سے بیان کردہ احکامات پر اور بحسب اسٹاک ایکسچینج کی جانب سے ترمیم کردہ درج فہرست قواعد پر بھی عملدرآمد کی کارروائی کر رہی ہے۔ جیسا کہ ضابطہ برائے کارپوریٹ گورننس میں مطلوب ہے، آپ کے ڈائریکٹر صاحبان یہ رپورٹ کرنے میں فخر محسوس کرتے ہیں کہ:

☆ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے منصفانہ طور پر اپنے امور، اس کے آپریشنز کے نتائج، نقدی کا بہاؤ اور نصفت میں تبدیلیوں کو پیش کرنا۔

☆ کمپنی کے کتب کھاتہ کو صحیح طور پر برقرار رکھنا۔

☆ مالیاتی گوشواروں کی تیاری اور اکاؤنٹنگ تخمینہ جات کی بنیاد معقول اور دانشمندانہ فیصلوں پر رکھنے کے لئے

موزوں اکاؤنٹنگ پالیسیوں کو مربوط طور پر لاگو کرنا۔

☆ بین الاقوامی مالیاتی رپورٹنگ کے معیارات جیسا کہ پاکستان میں لاگو ہیں مالیاتی گوشواروں کی تیاری میں ان کی پیروی کرنا اور اس سے کسی بھی طرح کے انحراف کا موزوں طور پر انکشاف کرنا۔

☆ انٹرئل کنٹرول کا نظام ساخت میں مستحکم ہے اور موثر طور پر اس کا اطلاق اور نگرانی کی جاتی ہے۔

☆ کمپنی کا چالو ادارے کے طور پر چلائے جانے کی صلاحیت کے بارے میں کوئی شک نہیں ہے۔

☆ کارپوریٹ گورننس کے بہترین طریقوں سے کوئی بھی اہم انحراف نہیں ہوا، جیسا کہ فہرستی ضوابط میں تفصیل سے بیان کیا گیا ہے۔



- ☆ ٹیکس، ڈیوٹیز، لیویز اور چارجز کے اکاؤنٹس پر کوئی قانونی ادائیگیاں نہیں ہیں جو 30 جون، 2017ء کو بطور بقایا جات ہوں ماسوائے ان کے جو مالی گوشواروں میں بیان کی گئی ہوں۔
- ☆ کمپنی کے پانچ ڈائریکٹرز اپنے تعلیمی قابلیت اور وسیع تجربے کی بنیاد پر ڈائریکٹرز ٹریننگ پروگرام سے مستثنیٰ ہیں مزید چار ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام کے تحت سرٹیفکیشن حاصل کی ہے جیسا کہ سی سی جی کی شق (II) کے تحت مطلوب ہے۔ سال کے دوران کسی بھی ڈائریکٹر نے کسی بھی ٹریننگ پروگرام میں شرکت نہیں کی ہے۔
- ☆ 30 جون 2017ء اپنے متعلقہ اکاؤنٹس کی بنیاد پر مختلف فنڈز کی سرمایہ کاری کی مالیت درج ذیل ہے:

قسم	رقم
پروائیڈنٹ فنڈ	63,310,148/- روپے
گریجویٹ فنڈ	35,368,529/- روپے

بورڈ آف ڈائریکٹرز کے سال (جولائی 2016 تا جون 2017) کے دوران کل چھ اجلاس منعقد ہوئے ہر ڈائریکٹر کی جانب سے حاضری کی تفصیل مندرجہ ذیل میں دی گئی ہے۔

نام حاضر کنندہ	عہدہ	اجلاس کی تعداد
ڈاکٹر ایم ہمایوں خان	چیرمین	6
خواجہ امان اللہ عسکری	ایم ڈی اور سی ای او	5
ایم افضل خان	ڈائریکٹر	6
ایم سلیم خان	ڈائریکٹر	3
عبدالماجد قریشی	ڈائریکٹر	3
خواجہ احمد حسین	ڈائریکٹر	5
متبادل ڈائریکٹر: محترمہ شانندانہ ہمایوں خان		1
میجر جنرل (ریٹائرڈ) ایس۔ زید۔ ایم۔ عسکری	ڈائریکٹر	6
ایم ظفر خان	ڈائریکٹر	6
عدنان اورنگ زیب	ڈائریکٹر	6
محترمہ شیرین صفدر	ڈائریکٹر	3
محمد یعقوب	ڈائریکٹر	6



2	ڈائریکٹر	محترمہ ذیشان افضل خان
2		(متبادل ڈائریکٹر: محترمہ مہرین حسین)
1		(متبادل ڈائریکٹر: محترمہ شاہ بانو عباس)
1	ڈائریکٹر	محترمہ مہرین حسین
2	ڈائریکٹر	محترمہ شانندانہ ہمایوں خان
2	ڈائریکٹر	احسان مانی

جملہ معاملات میں ڈائریکٹرز کو چھٹی کی اجازت دی گئی۔

سال (جولائی 2016ء تا جون 2017ء) کے دوران آڈٹ کمیٹی کے کل 4 اجلاس منعقد ہوئے۔ ہر رکن کی طرف سے حاضری درج ذیل میں دی گئی ہے۔

نام حاضر کنندہ	عہدہ	اجلاس کی تعداد
احسان مانی	چیئر مین	2
محمد یعقوب	چیئر مین رکن	4
عبدالماجد قریشی	رکن	2
ایم سلیم خان	رکن	2
عدنان اورنگزیب	رکن	4
ڈاکٹر۔ ایم ہمایوں خان	رکن	4
خواجہ احمد محسن	رکن	4
محترمہ شانندانہ ہمایوں خان	رکن	4

جملہ معاملات میں اراکین کو چھٹی کی اجازت دی گئی۔

سال (جولائی 2016ء تا جون 2017ء) کے دوران انسانی وسائل و معاوضہ جاتی کمیٹی کے کل 3 اجلاس منعقد ہوئے۔ ہر رکن کی طرف سے حاضری درج ذیل میں دی گئی ہے۔

نام حاضر کنندہ	عہدہ	اجلاسوں کی تعداد
ڈاکٹر۔ ایم ہمایوں خان	چیئر مین	3
خواجہ امان اللہ عسکری	رکن	3
ایم۔ سلیم خان	رکن	1
عدنان اورنگزیب	رکن	3



3	رکن	خواجہ احمد حسین
3	رکن	محمد یعقوب
0	رکن	محترمہ مہرین حسین

اراکین کو جملہ معاملات میں چھٹی کی اجازت دی گئی۔

### کلیدی آپریٹنگ و مالیاتی اعداد و شمار:

گزشتہ چھ سال کا کلیدی بنیادی آپریٹنگ و مالیاتی اعداد و شمار منسلک ہیں۔

### آڈیٹرز:

موجودہ آڈیٹرز میسرز کے پی ایم جی تاخیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سکبدش ہو گئے اور اپنے آپ کو از سر نو تقرری کی پیشکش کے لئے اہل ہیں۔

### اعتراف:

آپ کا بورڈ اس موقع پر کمپنی کے تمام ملازمین کی خصوصی کاوشوں کی ستائش کا اظہار کرنا چاہے گا ان کے مسلسل عزم اور سخت محنت کے بغیر نئے مواقعوں کے چیلنجز کو حاصل نہیں کیا جاسکتا تھا۔

ہم اپنے اہم سٹیک ہولڈرز، صارفین، سپلائرز اور اپنے بنکرز بالخصوص الائیڈ بینک لمیٹڈ، فیصل بینک لمیٹڈ، ایم سی بی بینک لمیٹڈ، یونائیٹڈ بینک لمیٹڈ، بینک آف خیبر، نیشنل بینک آف پاکستان کے تعاون و اشتراک کا بھی اعتراف کرتے ہیں۔

### شیئر ہولڈنگ کا طریقہ کار:

شیئر ہولڈنگ کا طریقہ کار منسلک ہے

بورڈ کی جانب سے

خواجہ امان اللہ عسکری

مینجنگ ڈائریکٹر و چیف ایگزیکٹو آفیسر

اسلام آباد

26 ستمبر، 2017



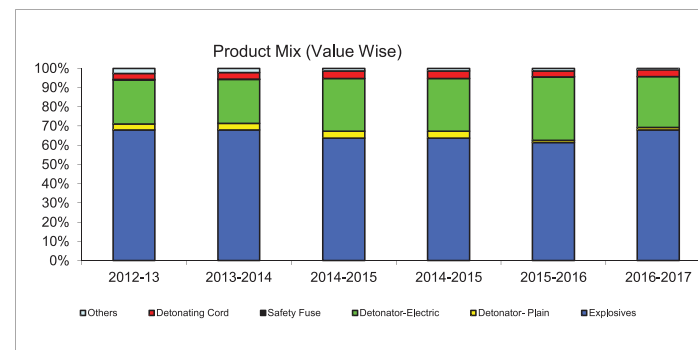
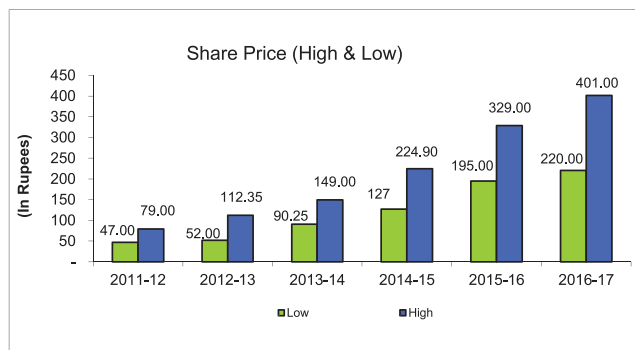
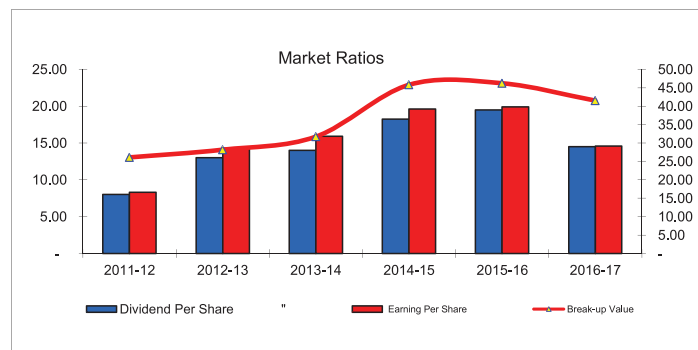
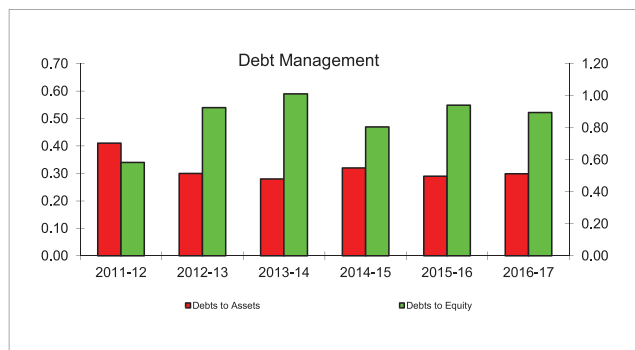
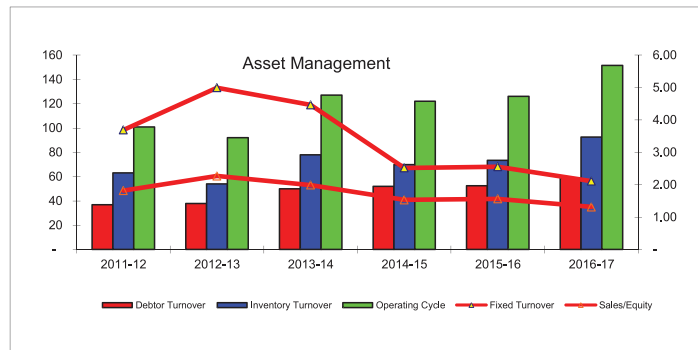
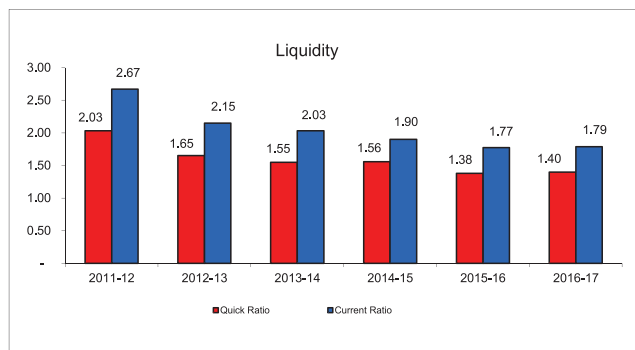
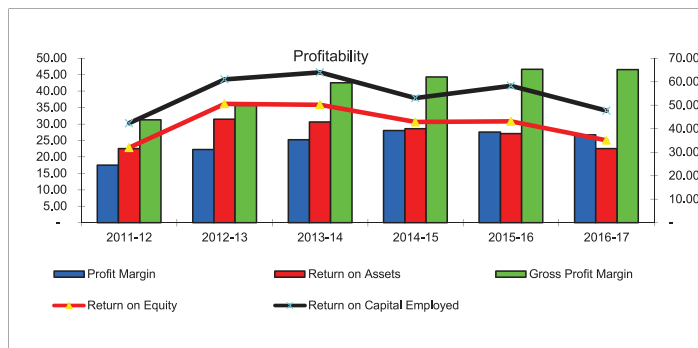
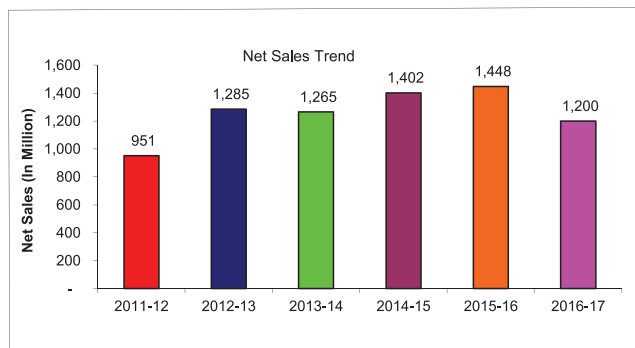
## STAKE HOLDERS INFORMATION

		(In Thousands, "000")					
		2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
<b>BALANCE SHEET</b>							
Paid up Capital	Rs. In '000	220,000	200,000	200,000	200,000	200,000	200,000
Shareholder Equity*	Rs. In '000	913,516	924,547	916,112	634,347	566,043	522,035
Fixed Assets	Rs. In '000	568,771	566,745	556,371	283,730	257,352	257,857
Fixed Assets Addition	Rs. In '000	24,739	31,420	75,750	44,347	16,561	8,734
<b>Profit &amp; Loss Account</b>							
Net Sales	Rs. In '000	1,199,632	1,447,883	1,401,982	1,264,579	1,284,691	951,071
Gross Profit / (Loss)	Rs. In '000	558,292	675,500	621,458	537,456	457,449	297,448
Operating Profit / (Loss)	Rs. In '000	434,972	558,706	546,540	464,560	397,251	254,256
EBDIT	Rs. In '000	451,398	559,936	545,923	463,079	398,405	257,705
Profit / (Loss) after taxation	Rs. In '000	320,579	398,435	392,542	318,641	286,261	166,610
<b>PROFITABILITY RATIOS</b>							
Gross Profit/(Loss) Margin	%	46.54	46.65	44.33	42.50	35.61	31.28
Net Profit Margin	%	26.72	27.52	28.00	25.20	22.28	17.52
Return on Assets*	%	22.50	27.11	28.58	30.61	31.43	22.55
Return on Shareholder Equity*	%	35.09	43.10	42.85	50.23	50.57	31.92
<b>LIQUIDITY RATIOS</b>							
Current Ratio	:	1.79	1.77	1.90	2.03	2.15	2.67
Quick Ratio	:	1.40	1.38	1.56	1.55	1.65	2.03
Cash Generation to Sales	:	101.67	101.09	97.59	98.25	95.42	97.93
<b>ASSETS MANAGEMENT RATIOS</b>							
Number of Days Stock	Days	93	74	70	78	54	63
Number of Days Trade Debts	Days	59	53	52	50	38	37
Operating Cycle	Days	152	126	122	127	92	101
Fixed Assets Turnover*	Times	2.11	2.55	2.52	4.46	4.99	3.69
Sales /Shareholder Equity*	Times	1.31	1.57	1.53	1.99	2.27	1.82
<b>DEBTS MANAGEMENT RATIOS</b>							
Total Assets to Total Debts*	Times	2.99	2.89	3.20	2.78	3.01	4.12
Debts to Shareholder Equity *	%	52%	55%	47%	59%	53%	34%
<b>MARKET RATIOS</b>							
Share Price at year end	Per Share	250.30	260.00	198.53	132.00	108.85	53.29
Share Price-High	Per Share	401.00	329.00	224.90	149.00	112.35	79.00
Share Price-Low	Per Share	220.00	195.00	127.50	90.25	52.00	47.00
Earning Per Share**	Rs. 10/Share	14.57	19.92	19.63	15.93	14.31	8.33
Price Earning Ratio	Times	17.18	13.05	10.11	8.29	7.60	6.40
Dividend Declared	Per Share (Rs)	14.50	19.50	18.25	14.00	13.00	8.00
Bonus Shares	%	10.00	-	-	-	-	-
Dividend Payout	%	99.51	97.89	92.97	87.87	90.83	96.03
Dividend Yield	%	5.79	7.50	9.19	10.61	11.94	15.01
Break-up Value	Rs. 10/Share	41.52	46.23	45.81	31.72	28.30	26.10

\*Shareholder Equity is inclusive of Surplus on Revaluation of Fixed Assets (2017: 271.087 M)(2016:272.512 M)

\*\* Restated EPS (2016 - 18.11)

## STAKE HOLDERS INFORMATION





## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS FOR THE YEAR ENDED JUNE 30, 2017

Name of Company      Biafo Industries Limited.

Year Ended              30th June, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19.24 clause (b) of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Khwaja Ahmad Hosain
	Muhammad Yaqoob
	Ehsan Mani
	Ms. Mehreen Hosain
Executive Directors	M. Afzal Khan
	Khawaja Amanullah Askari
	Maj. Gen. (Ret'd.) S. Z. M. Askree
	Ms. Shirin Safdar
Non-Executive Directors	Dr. M. Humayun Khan
	M. Zafar Khan
	Adnan Aurangzeb
	Ms. Zishan Afzal Khan
	Ms. Shandana Humayun Khan

The independent directors meet the criteria of independence under the clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (Excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a Development Finance Institution (DFI), or a Non-Banking Finance Institution (NBFI) or, being a broker of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board of Directors during the year ended June 30, 2017.





5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executives and non executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Five directors of the Company are exempted from directors Training Program on the basis of their level of education and length of experience as provided in the CCG. Further four of the directors of the Company have obtained certification under directors training program as required under clause (xi) of the CCG during prior years.
10. The Board of Directors have approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of six members, who are all non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.



17. The Board has formed a Human Resource and Remuneration Committee. It comprises of six members, of whom five are non-executive directors and the Chairman of the committee is a non-executive Director.
18. The Board has outsourced the internal audit function to Riasat Ishtiaq & Co who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

Islamabad  
26 September, 2017

**Dr. M. Humayun Khan**  
Chairman



## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Biafo Industries Limited (“the Company”) for the year ended 30 June 2017 to comply with the requirements of Listing Regulation No. 5.19.24 of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not, to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Atif Zamurrad Malik**

Dated: 26 September, 2017  
Islamabad

## AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed balance sheet of Biafo Industries Limited ("the Company") as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Dated: 26 September, 2017  
Islamabad

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Engagement Partner: Atif Zamurrad Malik**

**BALANCE SHEET**  
**AS AT 30 JUNE 2017**

	Note	2017 Rupees	2016 Rupees
Property, plant and equipment	6	536,943,456	534,102,175
Investment property	7	31,827,222	32,643,304
Long term deposits		1,793,600	1,778,600
		<b>570,564,278</b>	<b>568,524,079</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	4,734,712	6,530,512
Stock in trade	9	142,752,225	171,452,185
Trade debts	10	208,638,227	231,358,044
Advances	11	12,989,221	12,583,939
Trade deposits and short term prepayments	12	4,714,825	4,480,277
Advance tax		20,563,768	5,136,306
Other receivables	13	1,983,418	292,938
Short term investments	14	429,431,919	439,428,293
Cash and bank balances	15	28,432,880	29,908,284
		<b>854,241,195</b>	<b>901,170,778</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	169,478,527	216,926,760
Markup accrued		5,135,461	5,207,812
Short term borrowings	17	302,542,529	285,691,438
		<b>477,156,517</b>	<b>507,826,010</b>
<b>NET CURRENT ASSETS</b>		<b>377,084,678</b>	<b>393,344,768</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred employee benefit	18	3,731,466	2,957,812
Deferred tax liability - net	19	30,401,013	34,364,406
		<b>34,132,479</b>	<b>37,322,218</b>
<b>NET ASSETS</b>		<b>913,516,477</b>	<b>924,546,629</b>
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	20	220,000,000	200,000,000
Unappropriated profit		422,429,334	452,034,872
		<b>642,429,334</b>	<b>652,034,872</b>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax</b>	21	271,087,143	272,511,757
		<b>913,516,477</b>	<b>924,546,629</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes 1 to 41 form an integral part of these financial statements.

  
**Chairman**
  
**Managing Director &  
Chief Executive Officer**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 Rupees	2016 Rupees
<b>NET SALES / TURNOVER</b>	23	<b>1,199,632,223</b>	1,447,883,189
Cost of sales	24	<b>(641,340,658)</b>	(772,383,456)
<b>GROSS PROFIT</b>		<b>558,291,565</b>	675,499,733
Other income	25	<b>31,298,127</b>	27,104,160
Distribution cost	26	<b>(24,223,730)</b>	(22,478,815)
Administrative expenses	27	<b>(105,439,631)</b>	(100,375,068)
Finance costs	28	<b>(24,954,088)</b>	(21,043,926)
<b>OPERATING PROFIT</b>		<b>434,972,243</b>	558,706,084
Workers' profit participation fund		<b>(21,748,612)</b>	(27,935,304)
Workers' welfare fund		<b>(5,999,285)</b>	(10,222,142)
<b>PROFIT BEFORE TAXATION</b>		<b>407,224,346</b>	520,548,638
<b>TAXATION</b>			
Current	29	<b>(90,217,891)</b>	(113,932,424)
Deferred	29	<b>3,572,169</b>	(8,181,168)
		<b>(86,645,722)</b>	(122,113,592)
<b>PROFIT FOR THE YEAR</b>		<b>320,578,624</b>	398,435,046
			Restated
<b>EARNINGS PER SHARE</b>			
- Basic and diluted	30	<b>14.57</b>	18.11

The annexed notes 1 to 41 form an integral part of these financial statements.

**Chairman****Managing Director &  
Chief Executive Officer**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Profit for the year</b>	<b>320,578,624</b>	398,435,046
<b>Other comprehensive income</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>320,578,624</b>	398,435,046

The annexed notes 1 to 41 form an integral part of these financial statements.

**Chairman**

**Managing Director &  
Chief Executive Officer**



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 Rupees	2016 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		407,224,346	520,548,638
Adjustments for:			
Depreciation		20,829,512	19,678,109
Finance costs		24,954,088	19,709,683
Provision for Workers' profit participation fund		21,748,612	27,935,304
Provision for Workers' welfare fund		5,999,285	10,222,142
Provision for employee benefits		8,666,747	8,072,706
Reversal of provision for doubtful debts		(612,270)	(550,000)
Provision for slow moving stores, spare parts and loose tools		1,373,676	457,892
Dividend income		(22,475,557)	(22,590,252)
Gain on remeasurement of investment		(393,483)	(206,677)
Gain on disposal of property, plant and equipment		(216,820)	(154,575)
Interest income		(811,990)	(764,775)
Unrealized exchange gain		(55,000)	(1,089,499)
		<b>59,006,800</b>	<b>60,720,058</b>
		<b>466,231,146</b>	<b>581,268,696</b>
<b>Changes in:</b>			
Stores, spare parts and loose tools		422,124	265,026
Stock in trade		28,699,960	(45,508,110)
Trade debts		23,332,087	18,674,107
Advances, deposits, prepayments and other receivables		(2,311,974)	(6,178,744)
Trade and other payables		(46,871,131)	(8,252,621)
		<b>3,271,066</b>	<b>(41,000,342)</b>
<b>Cash generated from operations</b>		<b>469,502,212</b>	<b>540,268,354</b>
Finance costs paid		(25,026,439)	(18,909,511)
Employee benefits paid		(7,893,093)	(13,093,964)
Payments to Workers' profit participation fund		(27,935,304)	(27,327,018)
Payments to Workers' welfare fund		(8,473,962)	(9,978,827)
Income taxes paid		(105,645,353)	(127,217,663)
		<b>(174,974,151)</b>	<b>(196,526,983)</b>
<b>Net cash from operating activities</b>		<b>294,528,061</b>	<b>343,741,371</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(24,739,151)	(31,420,154)
Proceeds from disposal of property, plant and equipment		2,101,260	1,522,117
Net investment during the year		32,920,414	(28,634,192)
Interest received on saving accounts and TDRs		778,654	765,684
<b>Net cash from /(used in) investing activities</b>		<b>11,061,177</b>	<b>(57,766,545)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of dividend		(323,915,733)	(393,774,694)
<b>Net cash used in financing activities</b>		<b>(323,915,733)</b>	<b>(393,774,694)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(18,326,495)</b>	<b>(107,799,868)</b>
<b>CASH AND CASH EQUIVALENTS AT 01 JULY</b>		<b>(255,783,154)</b>	<b>(147,983,286)</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		<b>(274,109,649)</b>	<b>(255,783,154)</b>

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The annexed notes 1 to 41 form an integral part of these financial statements.

  
**Chairman**
  
**Managing Director &  
Chief Executive Officer**



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Share capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
<b>Balance at 01 July 2015</b>	200,000,000	441,194,267	641,194,267
<b>Total comprehensive income for the year</b>			
Profit for the year	-	398,435,046	398,435,046
<b>Comprehensive income for the year transferred to equity</b>	-	398,435,046	398,435,046
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	2,405,559	2,405,559
	200,000,000	842,034,872	1,042,034,872
<b>Transactions with members recorded directly in equity</b>			
Distribution to members			
Final dividend of 2015 @ Rs. 7.50 per share	-	(150,000,000)	(150,000,000)
First interim dividend of 2016 @ Rs. 2.50 per share	-	(50,000,000)	(50,000,000)
Second interim dividend of 2016 @ Rs. 4.00 per share	-	(80,000,000)	(80,000,000)
Third interim dividend of 2016 @ Rs. 5.50 per share	-	(110,000,000)	(110,000,000)
<b>Total distribution to members</b>	-	(390,000,000)	(390,000,000)
<b>Balance at 30 June 2016</b>	200,000,000	452,034,872	652,034,872
<b>Balance at 01 July 2016</b>	200,000,000	452,034,872	652,034,872
<b>Total comprehensive income for the year</b>			
Profit for the year	-	320,578,624	320,578,624
<b>Comprehensive income for the year transferred to equity</b>	-	320,578,624	320,578,624
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	1,815,838	1,815,838
	200,000,000	774,429,334	974,429,334
<b>Transactions with members recorded directly in equity</b>			
Distribution to members			
Final dividend of 2016 @ Rs. 7.50 per share	-	(150,000,000)	(150,000,000)
First interim dividend of 2017 @ Rs. 2.50 per share	-	(50,000,000)	(50,000,000)
Second interim dividend of 2017 @ Rs. 1.50 per share	-	(33,000,000)	(33,000,000)
Third interim dividend of 2017 @ Rs. 4.50 per share	-	(99,000,000)	(99,000,000)
Issue of bonus shares @ 10%	20,000,000	(20,000,000)	-
<b>Total distribution to members</b>	20,000,000	(352,000,000)	(332,000,000)
<b>Balance at 30 June 2017</b>	220,000,000	422,429,334	642,429,334

The annexed notes 1 to 41 form an integral part of these financial statements.

**Chairman**
**Managing Director &  
Chief Executive Officer**



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

### **1 LEGAL STATUS AND OPERATIONS**

Biafo Industries Limited ("the Company") was incorporated in Pakistan on 07 September 1988 as a public limited company under the Companies Ordinance, 1984 (the repealed Ordinance) and its shares are quoted on the Pakistan Stock Exchange.

The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing of commercial explosives and blasting accessories including detonators and other materials. The Company's license for manufacturing and sale of explosives is required to be renewed annually. The Company's production facility is situated at Hattar Industrial Estate, Khyber Pakhtunkhwa, with its registered office located at 1st Floor, Biafo House, Plot No. 23, Street No. 38-40, I&T Centre, G-10/4, Islamabad, Pakistan.

### **2 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with 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 as are notified under the Companies Ordinance, 1984 (the repealed Ordinance), provisions of and directives issued under the Companies Ordinance, 1984 (the repealed Ordinance). In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 (the repealed Ordinance), shall prevail.

### **3 BASIS OF PRESENTATION AND MEASUREMENT**

During the year on 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated 20 July 2017 has advised the Companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

These financial statements have been prepared on the historical cost basis except for the following;

- certain items of property, plant and equipment are measured at revalued amounts; and
- investment at fair value through profit or loss is measured at fair value.

The methods used to measure fair values are discussed further in their respective policy notes.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

### **3.1 Functional and presentation currency**

These financial statements are presented in Pakistan Rupee (PKR), which is the Company's functional currency. All financial information presented in PKR has been rounded off to the nearest of PKR, unless otherwise stated.

### **3.2 Significant estimates**

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

### **Property, plant and equipment**

The Company reviews the useful lives and residual value of property, plant and equipment on each reporting date. Any change in estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding affect on the depreciation charge and impairment.

In addition, the Company reviews the carrying value of its revalued property, plant and equipment with sufficient regularity to ensure the amounts recognized in the financial statements reflect the values which are not significantly different from the fair values at the reporting dates. The changes are recognized through revaluation surplus.

### **Provisions**

Estimates of the amount of provisions recognized are based on current legal and constructive



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

obligations. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

### **Impairment of financial and non financial assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in estimates in future years might affect the carrying amounts of the respective assets with a corresponding affect on the impairment.

### **Taxation**

Estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences and carry forwards. The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are disclosed as contingent liabilities.

The Company regularly reviews the trend of proportion of incomes between Presumptive Tax Regime and Normal Tax Regime and the change in proportions, if significant, is accounted for in the year of change.

### **Stores, spare parts and loose tools and stock in trade**

The Company reviews the carrying value of stores, spare parts and loose tools and stock in trade for possible impairment on an annual basis. Any change in estimate in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock in trade with a corresponding effect on the provision. Net realizable value is determined with reference to estimated selling price less estimated cost of completion and estimated expenditure to make the sales.

### **Investment at fair value through profit or loss account - held for trading**

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date. Any change in the estimate in future years might affect the carrying amounts of the respective assets with the corresponding affect on profit and loss account.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

### **Provision against trade debts, advances and other receivables**

The Company regularly reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision.

### **4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO THE APPROVED ACCOUNTING STANDARDS**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 Income Taxes are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 Statement of Cash Flows are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 Investment Property - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

impact on Company's financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
  - Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are not likely to have an impact on Company's financial statements.
  - Amendments to IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognised. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognised. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and Securities and Exchange Commission of Pakistan (SECP) vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures and changes for certain accounting treatments including accounting for revaluation surplus which may require change in the relevant accounting policy. Management is in the process of assessing the impact of such changes on the financial statements.

### **5 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **5.1 Property, plant and equipment**

Property, plant and equipment other than leasehold land, building on leasehold land, plant and machinery and capital work in progress, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Leasehold land, building on leasehold land and plant and machinery is stated at revalued amount less accumulated depreciation. Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of property, plant and equipment when available for intended use. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Depreciation is recognized in profit and loss account on a reducing balance method except for electric appliances which are depreciated on straight line method at the rates specified in note 6 to the financial statements. Depreciation is charged from the date at which the asset becomes available for use to the date it is disposed off. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Surplus arising on revaluation is credited to the surplus on revaluation of property, plant and equipment account. Deficit arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account or charged to profit and loss account in the absence of any surplus therein. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets (net of deferred tax) is transferred to unappropriated profit.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within “other income” in profit and loss account.

### **5.2 Stock in trade**

Stock in trade is measured at lower of cost and net realizable value. Cost is determined as follows:

Material in transit:	at material cost plus other charges paid thereon
Raw material:	at moving average cost
Work in process:	at material and related manufacturing cost
Finished goods:	at moving average cost and related manufacturing expenses

Cost comprises of purchase and other costs incurred in bringing the material to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses necessarily to be incurred to make a sale.

### **5.3 Stores, spare parts and loose tools**

These are valued at lower of weighted average cost and net realizable value less impairment. Cost is determined on a weighted average basis and comprises costs of purchase and other costs incurred in bringing the items to their present location and condition. Provision is made for slow moving items where necessary and is recognized in the profit and loss account. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

### **5.4 Investments**

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### **5.4.1 Investment at fair value through profit or loss - held for trading**

An investment is classified at fair value through profit or loss if it is classified as held for trading or is





## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

designated as such upon initial recognition. Attributable transaction costs are recognized in profit and loss account as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in profit and loss account.

### **5.4.2 Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

### **5.5 Taxation**

Taxation for the year comprises current and deferred tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized outside profit and loss account (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized directly in equity or in other comprehensive income .

#### **5.5.1 Current tax**

Provision for current taxation is based on taxable income for the year at the applicable tax rates after taking into account tax credit and tax rebates, if any and any adjustment to tax payable in respect of previous years.

#### **5.5.2 Deferred tax**

Deferred tax is recognized using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial statements and the corresponding tax bases used in the computation of tax. In addition, the Company also records deferred tax asset on available tax losses. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further the Company also recognizes deferred tax liability on surplus on revaluation of depreciable fixed assets which is adjusted against the related surplus. The effect on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirements of



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

accounting technical release 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

### **5.6 Investment property**

Investment property is the property held either to earn rental or for capital appreciation or for both, but not for sale in ordinary course of business. Investment property is initially measured at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing cost.

Depreciation is provided on a reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 6. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets are included in profit and loss account.

Gains and losses on disposal of investment property are determined by comparing the proceeds from disposal with the carrying amount of investment property, and are recognized net within “other income” in profit and loss account.

### **5.7 Employee benefits**

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below;

#### **5.7.1 Accumulating compensated absences**

The Company makes provision for compensated un-availed absences accumulated by its employees and charge for the year is recognized in profit and loss account.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

### **5.7.2 Provident fund**

The Company has established a recognized provident fund for the eligible employees of the Company. Provision is made in the financial statements for the amount payable by the Company to the fund and in this regard contributions are made monthly at the rate of 10% of basic salary equally by the Company and the employee. Obligations for contributions to plan is recognized as an employee benefit expense in profit and loss account when they are due.

### **5.7.3 Gratuity - defined contribution plan**

The Company operates a funded gratuity scheme for all its employees. Provision is made on an annual basis by way of a charge to the profit and loss account, in accordance with the rules of fund approved by Board of Trustees.

### **5.8 Revenue recognition**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies, trade discounts and commission. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Risk and rewards are transferred to the customer upon dispatch of goods as appropriate under the terms of agreements with customers.

### **5.9 Foreign currencies**

PKR is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to profit and loss account.

### **5.10 Finance income and cost**

Finance income comprises interest income on funds invested, exchange gain and changes in the fair value of financial asset at fair value through profit and loss account. Income on saving accounts is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Finance cost comprises interest expense on borrowings and bank charges. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss account.

### **5.11 Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. Financial assets mainly comprise long and short term deposits, trade debts, advances, investments, other receivables and cash and bank balances.

The particular recognition and subsequent measurement methods adopted for significant financial assets are disclosed in the individual policy statements associated with them.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Significant financial liabilities are obligations under short term borrowings, creditors, accrued and other liabilities.

The particular recognition and subsequent measurement methods adopted for significant financial liabilities are disclosed in the individual policy statements associated with them.

### **5.12 Offsetting**

Financial assets and liabilities are set off in the balance sheet, only when the Company has a legally

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

### **5.13 Trade and other receivables**

Trade and other receivables are initially stated at fair value of consideration to be received. Subsequent to initial recognition these are carried at their amortized cost as reduced by appropriate provision for impairment, if any. Bad debts are written off when identified.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

### **5.14 Trade and other payables**

Trade and other payables are initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

### **5.15 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and if required are adjusted to reflect the current best estimate.

### **5.16 Mark-up bearing borrowings**

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost.

### **5.17 Dividend**

Dividend distribution to the Company's members is recognized as a liability in the period in which the dividends are approved.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

### **5.18 Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and short term borrowings that form an integral part of the Company's cash management. Cash and cash equivalents are carried in the balance sheet at cost.

### **5.19 Impairment**

#### **5.19.1 Financial assets**

A financial asset other than held for trading and carried at fair value is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

All impairment losses are recognized in profit and loss account. An impairment loss is reversed in the profit and loss account if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

#### **5.19.2 Financial assets measured at amortized cost**

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both, specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit and loss account and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

### **5.19.3 Non financial assets**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses in respect of cash-generating units are allocated to the carrying amounts of assets in the cash-generating unit group on pro-rata basis. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **5.20 Earnings per share**

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.





## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

### **5.21 Fair value measurement**

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**6 PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land	Owned											Capital work in progress (Note 6.4)	Total
		Building on leasehold land	Plant and machinery	Fork lifter	Tools and equipment	Tube well	Office equipment	Furniture and fixtures	Electrical appliances	Vehicles				
											Rupees			
Cost / Revalued amount														
Balance as at 01 July 2015														
	292,159,350	33,723,750	113,000,001	3,154,690	1,025,926	2,606,600	4,304,379	5,501,129	7,623,993	25,118,494	85,264,888	573,483,200		
	-	2,525,696	2,947,120	-	-	-	1,633,879	2,580,695	1,668,710	4,845,448	15,218,606	31,420,154		
	-	-	(226,568)	-	-	-	(75,000)	(142,472)	(294,276)	(1,843,642)	-	(2,581,958)		
	-	(32,848,608)	-	-	-	-	-	-	-	-	-	(32,848,608)		
	-	88,440,600	1,584,215	-	-	-	2,227,051	-	5,400,000	-	(97,651,866)	-		
Balance as at 30 June 2016														
	292,159,350	91,841,438	117,304,768	3,154,690	1,025,926	2,606,600	8,090,309	7,939,352	14,398,427	28,120,300	2,831,628	569,472,788		
Balance as at 01 July 2016														
	292,159,350	91,841,438	117,304,768	3,154,690	1,025,926	2,606,600	8,090,309	7,939,352	14,398,427	28,120,300	2,831,628	569,472,788		
	-	184,000	6,629,690	-	350,000	-	594,265	411,250	671,772	1,919,640	13,978,534	24,739,151		
	-	-	-	-	-	-	-	-	-	(3,465,435)	-	(3,465,435)		
	-	6,570,559	2,920,818	-	-	-	-	-	202,500	-	(9,693,877)	-		
Balance as at 30 June 2017														
	292,159,350	98,595,997	126,855,276	3,154,690	1,375,926	2,606,600	8,684,574	8,350,602	15,272,699	26,574,505	7,116,285	590,746,504		
Depreciation														
Balance as at 01 July 2015														
	-	-	-	1,111,672	901,157	1,096,863	2,834,355	1,436,224	4,050,888	5,681,065	-	17,112,224		
	-	2,514,780	11,425,924	204,302	12,477	150,974	603,247	553,025	1,990,969	2,017,107	-	19,472,805		
	-	-	(15,177)	-	-	-	(32,764)	(140,263)	(265,486)	(760,726)	-	(1,214,416)		
Balance as at 30 June 2016														
	-	2,514,780	11,410,747	1,315,974	913,634	1,247,837	3,404,838	1,848,986	5,776,371	6,937,446	-	35,370,613		
Balance as at 01 July 2016														
	-	2,514,780	11,410,747	1,315,974	913,634	1,247,837	3,404,838	1,848,986	5,776,371	6,937,446	-	35,370,613		
	-	2,288,175	11,025,743	183,872	15,873	135,876	724,865	642,781	2,979,099	2,017,146	-	20,013,430		
	-	-	-	-	-	-	-	-	-	(1,580,995)	-	(1,580,995)		
Balance as at 30 June 2017														
	-	4,802,955	22,436,490	1,499,846	929,507	1,383,713	4,129,703	2,491,767	8,755,470	7,373,597	-	53,803,048		
Carrying amounts - 2016														
	292,159,350	89,326,658	105,894,021	1,838,716	112,292	1,358,763	4,685,471	6,090,366	8,622,056	21,182,854	2,831,628	534,102,175		
Carrying amounts - 2017														
	292,159,350	93,793,042	104,418,786	1,654,844	446,419	1,222,887	4,554,871	5,858,835	6,517,229	19,200,908	7,116,285	536,943,456		
Rates of depreciation per annum														
	-	2.50%	10%	10%	10%	10%	10-33.33%	10%	33.33%	10%	-	-		



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 6.1 Depreciation for the year has been allocated as follows:

	Note	2017 Rupees	2016 Rupees
Cost of sales	24	12,893,271	13,341,954
Distribution cost	26	265,634	377,144
Administrative expenses	27	6,854,525	5,753,707
		<b>20,013,430</b>	<b>19,472,805</b>

### 6.2 Revaluation of land, building, plant and machinery

Leasehold land, building on leasehold land and plant and machinery of the Company were revalued on 30 June 1996, 30 June 2005, 30 June 2010 and 30 June 2015. Latest valuation for 2015 was carried out by an independent valuer M/S Asrem Private Limited. Land and building were revalued on the market basis and plant and machinery under the depreciated replacement cost basis. This revaluation resulted in net surplus of Rs. 213.352 million. Balance of revaluation surplus net of incremental depreciation included in the book value of these assets as stated in note 21 amounted to Rs. 277.8 million (2016: Rs. 280.7 million) at the year end. The fair value when determined falls under level 3 hierarchy. Sensitivity analysis has not been presented since data about observable input is not available.

Had there been no revaluations, related figures of revalued leasehold land, building and plant and machinery would have been as follows:

	Net book value	
	2017 Rupees	2016 Rupees
Leasehold land	44,033,883	44,033,883
Building on leasehold land	114,227,399	117,156,307
Plant and machinery	76,153,042	78,105,684
	<b>234,414,324</b>	<b>239,295,874</b>

### 6.3 Detail of disposal of property, plant and equipment:

	Cost	Book value	Sale proceeds	Gain	Mode of disposal	To
	Rupees					
Vehicle [PY-841]	1,446,455	737,960	950,000	212,040	Insurance Claim	Jubilee General Insurance Co.
Vehicle [SU-319]	2,018,980	1,146,480	1,151,260	4,780	Quotations	Qadeer Associates & Motors
<b>2017</b>	<b>3,465,435</b>	<b>1,884,440</b>	<b>2,101,260</b>	<b>216,820</b>		
<b>2016</b>	<b>2,581,958</b>	<b>1,367,542</b>	<b>1,522,117</b>	<b>154,575</b>		

### 6.4 Components of capital work in progress

	2017 Rupees	2016 Rupees
Plant and machinery	7,116,285	2,797,878
Others	-	33,750
	<b>7,116,285</b>	<b>2,831,628</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	2017 Rupees	2016 Rupees
<b>7 INVESTMENT PROPERTY</b>		
Balance at 01 July	32,643,304	-
Transfer from property, plant and equipment	-	32,848,608
Accumulated depreciation	(816,082)	(205,304)
Balance at 30 June	<u>31,827,222</u>	<u>32,643,304</u>

As per latest valuation of investment property, fair value of investment property is Rs. 31,603,793 (2016: Rs. 32,406,396).

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The fair value falls in level 3 hierarchy, is measured for disclosure purpose only. Sensitivity analysis has not been presented since data about observable input is not available.

	2017 Rupees	2016 Rupees
<b>8 STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	1,866,229	2,165,612
Spare parts	8,932,465	9,055,206
Loose tools	16,107	16,107
	10,814,801	11,236,925
Provision for slow moving stores, spare parts and loose tools	(6,080,089)	(4,706,413)
	<u>4,734,712</u>	<u>6,530,512</u>

<b>9 STOCK IN TRADE</b>		
Raw materials	99,220,748	98,053,460
Packing materials	4,183,159	5,276,212
Work in process	3,331,212	5,820,932
Finished goods	22,525,711	38,469,060
Goods in transit	13,491,395	23,832,521
	<u>142,752,225</u>	<u>171,452,185</u>

<b>10 TRADE DEBTS - unsecured</b>		
Unsecured - considered good	208,638,227	231,358,044
Unsecured - considered doubtful	-	612,270
	208,638,227	231,970,314
Provision for doubtful debts	-	(612,270)
	<u>208,638,227</u>	<u>231,358,044</u>

<b>11 ADVANCES - unsecured</b>		
Advances to suppliers - considered good	12,340,745	11,633,279
Advances to employees - interest free, considered good	648,476	950,660
	<u>12,989,221</u>	<u>12,583,939</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

				<b>2017</b>	<b>2016</b>
			<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>12</b>	<b>TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>				
	Trade deposits - interest free			<b>2,824,455</b>	2,666,576
	Prepayments			<b>1,890,370</b>	1,813,701
				<b>4,714,825</b>	4,480,277
<b>13</b>	<b>OTHER RECEIVABLES</b>				
	Considered good:				
	Interest income receivable			<b>89,662</b>	56,326
	Sales tax receivable - net			<b>792,144</b>	-
	Others			<b>1,101,612</b>	236,612
				<b>1,983,418</b>	292,938
<b>14</b>	<b>SHORT TERM INVESTMENTS</b>				
	Investments:	<b>Number of units</b>			
	Held for trading	<b>2017</b>	<b>2016</b>		
	ABL Income Fund	<b>14,537,032</b>	14,729,429	14.1 <b>145,884,929</b>	147,724,390
	Faysal Money Market Fund	<b>1,144,138</b>	1,233,672	14.1 <b>115,843,960</b>	124,748,901
	UBL Liquidity Plus Fund	<b>1,093,311</b>	1,088,839	14.1 <b>110,063,030</b>	109,480,002
				<b>371,791,919</b>	381,953,293
	Loans and receivables - term deposit receipts (TDRs)		14.2	<b>57,640,000</b>	57,475,000
				<b>429,431,919</b>	439,428,293
<b>14.1</b>	These investments are stated at fair value at the year end, using the year end redemption price. Gain on remeasurement is included in other operating income. As stated in note 17, 13,947,974 units in ABL Income Fund, 1,139,953.89 units in Faysal Money Market Fund and 776,281 units in UBL Liquidity Plus Fund (2016: 13,947,974 units in ABL Income Fund, 1,084,062 units in Faysal Money Market Fund and 776,281 units in UBL Liquidity Plus Fund) are pledged as security against running finance facilities arranged with Allied Bank Limited, Faysal Bank Limited and United Bank Limited respectively.				
<b>14.2</b>	This represents foreign currency term deposit receipts (TDRs) amounting to USD 550,000 (2016: USD 550,000). This carries interest rate at 2.00% (2016: 1.26%) per annum. As stated in note 17, TDRs of USD 550,000 are given as security against running finance facility arranged with Allied Bank Limited.				
<b>15</b>	<b>CASH AND BANK BALANCES</b>				
	Cash at bank - conventional banking		<b>Note</b>	<b>2017</b>	<b>2016</b>
	Current accounts	15.1		<b>28,386,680</b>	29,867,582
	Saving accounts	15.2		<b>21,592</b>	17,445
				<b>28,408,272</b>	29,885,027
	Cash in hand			<b>24,608</b>	23,257
				<b>28,432,880</b>	29,908,284
<b>15.1</b>	Current accounts include foreign currency balances amounting to Rs. 512,497 (USD 4,890), (2016: Rs. 7,525,522) (USD 72,015).				
<b>15.2</b>	These carry interest at the rate of 3.75% (2016: 3.75%) per annum.				

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 Rupees	2016 Rupees
<b>16 TRADE AND OTHER PAYABLES</b>			
Trade creditors		72,317,696	119,000,821
Advances from customers		6,248,709	4,603,008
Payable to contractors	16.1	-	1,899,060
Accrued liabilities		21,918,903	22,567,459
Sales tax payable - net		-	4,077,957
Insurance		622,255	422,333
Workers' profit participation fund payable		21,748,612	27,935,304
Workers' welfare fund payable		8,699,445	11,174,122
Unclaimed dividend		29,106,897	21,022,630
Withholding tax payable		33,009	-
Others		8,783,001	4,224,066
		<b>169,478,527</b>	<b>216,926,760</b>

**16.1** This represents amount payable to contractors against construction of head office building.

	Note	2017 Rupees	2016 Rupees
<b>17 SHORT TERM BORROWINGS - secured</b>			
<i>From banking companies - under mark-up arrangement</i>			
<b>Allied Bank Limited</b>			
Running finance	17.1	137,898,636	90,966,464
<b>Faysal Bank Limited</b>			
Running finance	17.2	67,852,320	97,568,692
<b>United Bank Limited</b>			
Running finance	17.3	96,791,573	97,156,282
		<b>302,542,529</b>	<b>285,691,438</b>

**17.1** This represents utilized amount of running finance facilities with cumulative sanctioned limit of Rs. 327.840 million (2016: Rs. 216 million). These facilities include running finance facility - RF I with sanctioned limit of Rs. 140 million carrying mark-up at the rate of 3 months KIBOR + 1.25% of the utilized amount, running finance facility - RF II with a maximum sanctioned limit of Rs. 133.50 million carrying markup at the rate of 3 months KIBOR + 1% per annum of the utilized amount and secured against investment in units of ABL Income Fund having market value of Rs. 140.962 million (refer note 14) with 5% margin, and running finance facility - RF III with maximum sanctioned limit of Rs. 54.340 million (2016: Rs. 47.5 million) carrying markup at the rate of 3 months KIBOR + 1% per annum of the utilized amount and secured against the investment made in the ABL term deposit receipts of USD 550,000 with 5% margin. Refer note 14.

RF I has sub limit of letter of credit - sight (foreign), Letter of credit - usance (foreign), Export Refinance and FCEF. Further the Company has facilities aggregating to Rs. 75 million (2016: Rs. 50 million) for Export Refinance and FCEF and for issuance of letter of credits (LCs) and letter of guarantees (LGs) secured against cash and cash equivalents with a margin of 10%.

**17.2** This represents utilized amount of running finance facility with a sanctioned limit of Rs. 150 million (2016: Rs. 150 million) and carries mark up at the rate of 3 months KIBOR + 1% per annum payable on quarterly basis. The facility is secured against investment in units of Faysal Money Market Fund with a 5% margin. Refer note 14.

**17.3** This represents utilized amount of running finance facility of Rs. 150 million (2016: Rs. 150 million) for financing working capital requirements of the Company. The facility carries markup at the rate of 1 month KIBOR + 0.75% per annum. The facility is secured against investment in units of UBL Liquidity Plus Fund with 5% margin. Refer note 14.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- 17.4** The facilities mentioned in note 17.1 are secured by way of first charge amounting to Rs. 315 million on all present and future current assets (excluding financial assets) and fixed assets (excluding head office building) of the Company including equitable mortgage over industrial property of the Company, lien on valid import documents of the Company and corporate guarantee of the Company in addition to security mentioned in note 17.1.

	<b>2017</b> <b>Rupees</b>	2016 Rupees
<b>18 DEFERRED EMPLOYEE BENEFIT</b>		
Accumulating compensated absences		
Balance at 01 July	<b>2,957,812</b>	2,062,050
Charge for the year	<b>774,714</b>	897,391
	<b>3,732,526</b>	2,959,441
Benefits paid during the year	<b>(1,060)</b>	(1,629)
Balance at 30 June	<b>3,731,466</b>	2,957,812

Actuarial valuation of accumulating compensated absences has not been carried out as the impact of such valuation is deemed immaterial.

	<b>2017</b> <b>Rupees</b>	2016 Rupees
<b>19 DEFERRED TAX LIABILITY- net</b>		
The net balance of deferred tax is in respect of the following temporary differences:		
Accelerated depreciation on property, plant and equipment	<b>25,628,275</b>	28,234,381
Retirement benefits	<b>(895,552)</b>	(745,369)
Provision for doubtful debts, advances and receivables	-	(154,292)
Provision for slow moving stores, spare parts and loose tools	<b>(1,459,221)</b>	(1,186,016)
Surplus on revaluation of property, plant and equipment	<b>7,127,511</b>	8,215,702
	<b>30,401,013</b>	34,364,406

- 19.1** Based on the Company's estimate of future export sales, adjustment of Rs. 25.33 million (2016: Rs. 21.82 million) has been made in the taxable temporary differences at the year end. This has resulted in increased after tax profit by Rs. 7.60 million (2016: Rs. 6.55 million) with corresponding decrease in deferred tax liability by the same amount.

## **20 SHARE CAPITAL**

### **20.1 Authorized share capital**

This represents 60,000,000 (2016: 25,000,000) ordinary shares of Rs. 10 each.

### **20.2 Issued, subscribed and fully paid up capital**

	<b>2017</b> <b>Numbers</b>	2016 Numbers	<b>2017</b> <b>Rupees</b>	2016 Rupees
Ordinary shares of Rs. 10 each	<b>15,400,000</b>	14,000,000	<b>154,000,000</b>	140,000,000
Ordinary shares of Rs. 10 each issued in lieu of restructuring arrangement with the lender	<b>6,600,000</b>	6,000,000	<b>66,000,000</b>	60,000,000
	<b>22,000,000</b>	20,000,000	<b>220,000,000</b>	200,000,000

- 20.2.1** These include 6,408,196 (2016: 5,894,000) ordinary shares of Rs. 10 each held by the Directors of the Company and 1,698,510 (2016: 6,544,100) ordinary shares held by an associated company.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	2016 Rupees
<b>21 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax</b>		
Balance at 01 July	280,727,459	283,943,446
Transferred to equity in respect of incremental depreciation - net of deferred tax	(1,815,838)	(2,405,559)
Related deferred tax on incremental depreciation	(696,967)	(810,428)
	(2,512,805)	(3,215,987)
Balance at 30 June	278,214,654	280,727,459
Related deferred tax liability:		
Balance at 01 July	(8,215,702)	(9,026,130)
Movement during the year	1,088,191	810,428
Balance at 30 June	(7,127,511)	(8,215,702)
	271,087,143	272,511,757

## 22 CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

**22.1.1** Industrial Estate Hattar of Khyber Pakhtunkhwa Economic Zone Development and Management Company (formally Sarhad Development Authority), Khyber Pakhtunkhwa has raised an additional demand of Rs. 6,203,400 against the Company relating to additional payment to be made to original owners of the land for which lease was signed and full payment was made in 1991. The Company has not acknowledged the claim and has filed an appeal against the demand before the Civil Judge, Haripur. The court has stayed the demand and currently the case is with the Chairman, IEMC & HIA for arbitration. Pending the outcome of the appeal, no provision has been made in these financial statements for such demand as the management is confident that the appeal will be decided in the Company's favour.

**22.1.2** For contingencies relating to tax matters refer note 29 to the financial statements.

### 22.2 Commitments

**22.2.1** Letters of credit issued by Allied Bank Limited on behalf of the Company for import of raw materials, outstanding at the year end amounted to Rs. 32,707,040 (2016: Rs. 42,168,467).

**22.2.2** Letter of guarantee issued by Allied Bank Limited on behalf of the Company for the issuance of performance bond to secure the contracts with different government and private entities outstanding at the year end amounting to Rs. 1,000,000 (2016: Rs. 1,200,950).

		2017 Rupees	2016 Rupees
<b>23 NET SALES / TURNOVER</b>	<b>Note</b>		
Turnover		1,114,416,392	1,521,161,601
Sales tax		(163,185,826)	(221,473,619)
Commissions		(11,551,486)	(8,189,670)
Net local sales		939,679,080	1,291,498,312
Net export sales	23.1	259,953,143	156,384,877
		1,199,632,223	1,447,883,189

**23.1** Export sales represent sales made to Saindak and Dudder (2016: Saindak and Dudder) projects in Balochistan, Pakistan which has been declared as Export Processing Zone by the Government of Pakistan (GoP).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 Rupees	2016 Rupees
<b>24 COST OF SALES</b>			
Materials consumed	24.1	444,252,851	637,706,398
Stores, spare parts and loose tools		4,875,709	5,297,024
Packing materials consumed		15,233,713	17,271,749
Electricity charges		8,068,096	5,862,196
Salaries, wages and other benefits	24.2	84,084,668	76,179,064
Insurance		4,571,724	4,447,171
Repairs and maintenance		2,735,577	4,980,297
Depreciation	6.1	12,893,271	13,341,954
Vehicle running and maintenance		1,147,664	839,616
Travelling and conveyance		447,832	857,974
Water charges		72,010	60,900
Telephone, telex and postage		211,829	213,416
Legal and professional charges		-	42,000
Printing and stationery		162,498	241,279
Canteen		851,424	867,095
Transportation		31,416,892	16,797,174
Fees and subscription		889,845	1,120,190
Vehicle rent		1,861,155	1,793,880
Security charges		4,231,137	3,779,632
Saindak expenses		2,500,406	1,918,760
Miscellaneous expenses		1,025,612	869,504
Provision for slow moving stores, spare parts and loose		1,373,676	457,892
		<b>622,907,589</b>	<b>794,945,165</b>
Work in process:			
Opening		5,820,932	2,619,916
Closing		(3,331,212)	(5,820,932)
		<b>2,489,720</b>	<b>(3,201,016)</b>
Cost of goods manufactured		<b>625,397,309</b>	<b>791,744,149</b>
Finished goods:			
Opening		38,469,060	19,108,367
Closing		(22,525,711)	(38,469,060)
		<b>15,943,349</b>	<b>(19,360,693)</b>
		<b>641,340,658</b>	<b>772,383,456</b>
<b>24.1 Materials consumed</b>			
Stock at 01 July		98,053,460	92,555,775
Purchases during the year		445,420,139	643,204,083
		543,473,599	735,759,858
Stock at 30 June		(99,220,748)	(98,053,460)
		<b>444,252,851</b>	<b>637,706,398</b>

**24.2** This includes Rs. 7,355,707 (2016: Rs. 6,690,868) charged on account of gratuity, provident fund and employees compensated absences.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 Rupees	2016 Rupees
<b>25 OTHER INCOME</b>			
From financial assets:			
Dividend income		22,475,557	22,590,252
Gain on remeasurement of investment at fair value through profit or loss - conventional		393,483	206,677
Interest on investment in TDRs		793,868	764,775
Exchange gain - net (non-derivative financial instruments)		506,327	1,492,486
Rental income		5,494,950	1,320,000
Bad debts recovered		612,270	550,000
Interest on bad debts recovered		786,730	-
Interest on saving accounts		18,122	25,395
		<b>31,081,307</b>	<b>26,949,585</b>
From non-financial assets:			
Gain on disposal of property, plant and equipment		216,820	154,575
		<b>216,820</b>	<b>154,575</b>
		<b>31,298,127</b>	<b>27,104,160</b>
<b>26 DISTRIBUTION COST</b>			
Salaries, wages and other benefits	26.1	19,664,134	17,335,494
Staff travelling and conveyance		2,586,566	2,496,814
Telephone and postage		123,998	138,224
Entertainment		689,513	1,099,180
Printing and stationary		154,920	182,568
Vehicle running and maintenance		505,328	654,359
Insurance		140,337	110,602
Other charges		93,300	84,430
Depreciation	6.1	265,634	377,144
		<b>24,223,730</b>	<b>22,478,815</b>
<b>26.1</b>	This include Rs. 2,057,850 (2016: Rs. 1,868,068) charged on account of gratuity, provident fund and employees compensated absences.		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 Rupees	2016 Rupees
<b>27 ADMINISTRATIVE EXPENSES</b>			
Chief Executive and Directors' remuneration	27.1	46,346,775	42,850,000
Salaries, wages and other benefits	27.1	23,464,169	18,779,528
Directors' travelling and conveyance		12,510,008	14,558,232
Staff travelling		52,382	3,301,192
Electricity, gas and water charges		1,006,325	1,113,145
Telephone, telex and postage		1,098,980	889,071
Rent, rates and taxes		88,258	377,788
Legal and professional charges		5,225,941	2,644,183
Donation		-	2,100,000
Auditors' remuneration	27.2	800,000	735,000
Printing and stationery		1,028,593	640,155
Entertainment		365,565	327,493
Insurance		335,364	357,401
Advertisements		373,942	315,248
Vehicle running and maintenance		1,649,495	2,333,104
Repair and maintenance		1,647,070	1,781,889
Security charges - head office		719,670	860,884
General expenses		1,056,487	451,744
Depreciation on investment property		816,082	205,304
Depreciation	6.1	6,854,525	5,753,707
		<b>105,439,631</b>	<b>100,375,068</b>
<b>27.1</b>	This includes Rs. 4,002,370 (2016: Rs. 3,606,979) charged on account of gratuity, provident fund and employees compensated absences.		
<b>27.2 Auditors' remuneration</b>		<b>2017 Rupees</b>	<b>2016 Rupees</b>
Annual audit fee		575,000	525,000
Half yearly review		135,000	125,000
Other certifications		90,000	85,000
		<b>800,000</b>	<b>735,000</b>
<b>28 FINANCE COSTS</b>			
Mark up on short term borrowings - secured		23,344,539	19,709,683
Bank charges		1,609,549	1,334,243
		<b>24,954,088</b>	<b>21,043,926</b>
<b>29 TAXATION</b>			
Current:			
- Prior years		(1,267,357)	(18,282,003)
- For the year		91,485,248	132,214,427
		90,217,891	113,932,424
Deferred		(3,572,169)	8,181,168
		<b>86,645,722</b>	<b>122,113,592</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	2016 Rupees
<b>29.1 Reconciliation of tax expense with tax on accounting profit:</b>		
Profit before taxation	<u>407,224,346</u>	<u>520,548,638</u>
Tax rate	<u>31%</u>	<u>32%</u>
Tax on accounting profit	126,239,547	166,575,564
Tax effect of income charged at lower tax rate	(33,483,190)	(23,473,004)
Tax effect of prior years	(1,267,357)	(18,282,003)
Tax credit for selling more than 90% to sales tax registered persons	(2,575,263)	(3,230,830)
Others	<u>(2,268,015)</u>	<u>523,865</u>
	<u>86,645,722</u>	<u>122,113,592</u>

**29.2** The returns for and up to Tax Year 2016 have been filed by the Company. The taxation authorities are empowered to question or amend an assessment within 05 years of the end of the financial year in which the return was filed.

**29.3** The OIR, LTU, Islamabad while issuing appeal effect order under section 124 of the ITO'2001, for the Tax Year 2012 disallowed expenses amounting to Rs. 28,226,385 relating to Salaries, WPPF, donations and expenses relating to Final Tax Regime (FTR). The tax credit has been allowed to the extent of tax demand determined so there is no outstanding tax liability based on the appeal effect order. The Company is in appeal before Appellate Tribunal on this matter.

**29.4** The CIR, LTU, Islamabad has selected the Company for Tax Audit under section 177 of the ITO'2001 for the Tax Year 2015. The Company has adequately responded to the Information Document Request (IDR); and the matter is in progress.

**29.5** The OIR, LTU, Islamabad issued show cause notice contending short fall of Rs. 61,401,195 in advance tax paid by the Company for the Tax Year 2017. The short deposit determined by OIR pertained to verification of tax credits of advance withholding tax deductions adjustable under section 168 of the ITO'2001. The Company filed writ petitions to the Islamabad High Court (IHC) against the subject notices and has obtained stay against recovery.

	2017	2016 Restated
<b>30 EARNINGS PER SHARE - basic and diluted</b>		
Profit for the year (Rupees)	<u>320,578,624</u>	<u>398,435,046</u>
Average number of shares outstanding during the year (Number)	<u>22,000,000</u>	<u>22,000,000</u>
Earnings per share (Rupees)	<u>14.57</u>	<u>18.11</u>

**30.1** Restatement in earnings per share is due to issue of bonus shares during the year. There is no dilutive effect on the basic earnings per share of the Company.

	Note	2017 Rupees	2016 Rupees
<b>31 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	15	28,432,880	29,908,284
Short term borrowings	17	<u>(302,542,529)</u>	<u>(285,691,438)</u>
		<u>(274,109,649)</u>	<u>(255,783,154)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 32 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer	Executive Directors	Executives	Total
<b>2017</b>	<b>(Rupees)</b>			
Managerial remuneration	20,896,775	17,280,000	56,421,000	94,597,775
Employee benefits	1,750,000	-	6,797,768	8,547,768
Bonus	3,500,000	2,920,000	9,244,667	15,664,667
<b>Total</b>	<b>26,146,775</b>	<b>20,200,000</b>	<b>72,463,435</b>	<b>118,810,210</b>
<b>Number of persons</b>	<b>1</b>	<b>3</b>	<b>50</b>	
<b>2016</b>				
Managerial remuneration	18,600,000	16,800,000	47,361,000	82,761,000
Employee benefits	1,550,000	-	7,115,402	8,665,402
Bonus	3,100,000	2,800,000	7,893,500	13,793,500
<b>Total</b>	<b>23,250,000</b>	<b>19,600,000</b>	<b>62,369,902</b>	<b>105,219,902</b>
<b>Number of persons</b>	<b>1</b>	<b>3</b>	<b>49</b>	

The aggregate amount charged in these financial statements in respect of meeting fee paid to other than Chief Executive Officer and three Directors (2016: Three) was Rs. 9,459,000 (2016: Rs. 7,576,000).

Chief Executive Officer, Executive Directors and Chief Operating Officer are provided with the Company's maintained cars.

### 33 RELATED PARTY TRANSACTIONS

Related parties comprise of associated undertakings, directors, key management personnel, entities over which the directors are able to exercise influence, employees' provident fund and gratuity fund. Transactions with related parties and balances outstanding at the year end are as follows:

	Note	2017 Rupees	2016 Rupees
<b>Associated undertakings</b>			
Orient Trading Limited			
- Payment of dividend		108,632,060	127,609,950
- Share capital		16,985,100	65,441,000
Dividend to Non Executive Directors		83,251,696	105,066,000
<b>Other related parties</b>			
Remuneration including benefits and perquisites of key management personnel	32	118,810,210	105,219,902
Dividend to key management personnel (Executive Directors)		8,482,600	9,867,000
Contribution towards employees' provident fund		4,862,959	4,108,275
Contribution towards employees' gratuity fund		7,892,033	12,519,090
Services received		-	200,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 34 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values 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 fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

#### 34.1 Fair value of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Carrying amount			Fair value			
	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total	Level 1	Level 2	Level 3
30 June 2017	Rupees				Rupees		
Financial assets measured at fair value							
Short term investments	-	371,791,919	-	371,791,919	371,791,919	-	-
Financial assets not measured at fair value							
Trade debts - net	208,638,227	-	-	208,638,227	-	-	-
Advances	648,476	-	-	648,476	-	-	-
Trade deposits	2,824,455	-	-	2,824,455	-	-	-
Other receivables	1,191,274	-	-	1,191,274	-	-	-
Short term investments	57,640,000	-	-	57,640,000	-	-	-
Long term deposits	1,793,600	-	-	1,793,600	-	-	-
Cash and bank balances	28,432,880	-	-	28,432,880	-	-	-
<b>Total financial assets</b>	<b>301,168,912</b>	<b>371,791,919</b>	<b>-</b>	<b>672,960,831</b>	<b>371,791,919</b>	<b>-</b>	<b>-</b>
Financial liabilities not measured at fair value							
Short term borrowings	-	-	302,542,529	302,542,529	-	-	-
Markup accrued	-	-	5,135,461	5,135,461	-	-	-
Trade and other payables	-	-	132,748,752	132,748,752	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>440,426,742</b>	<b>440,426,742</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Carrying amount				Fair value			
	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets and liabilities</b>								
<b>30 June 2016</b>								
	Rupees				Rupees			
<b>Financial assets measured at fair value</b>								
Short term investments	-	381,953,293	-	381,953,293	381,953,293	-	-	381,953,293
<b>Financial assets not measured at fair value</b>								
Trade debts - net	231,358,044	-	-	231,358,044	-	-	-	-
Advances	950,660	-	-	950,660	-	-	-	-
Trade deposits	2,666,576	-	-	2,666,576	-	-	-	-
Other receivables	292,938	-	-	292,938	-	-	-	-
Short term investments	57,475,000	-	-	57,475,000	-	-	-	-
Long term deposits	1,778,600	-	-	1,778,600	-	-	-	-
Cash and bank balances	29,908,284	-	-	29,908,284	-	-	-	-
<b>Total financial assets</b>	<b>324,430,102</b>	<b>381,953,293</b>	<b>-</b>	<b>706,383,395</b>	<b>381,953,293</b>	<b>-</b>	<b>-</b>	<b>381,953,293</b>
<b>Financial liabilities not measured at fair value</b>								
Short term borrowings	-	-	285,691,438	285,691,438	-	-	-	-
Markup accrued	-	-	5,207,812	5,207,812	-	-	-	-
Trade and other payables	-	-	169,136,369	169,136,369	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>460,035,619</b>	<b>460,035,619</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 34.2 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 34.3 Credit risk

Credit risk refers to the risk that the counterparty will fail to perform or fail to pay amounts due, resulting in financial loss to the Company. The primary activities of the Company are manufacturing and sale of commercial explosives. The Company is exposed to credit risk from its operation and certain investing activities.

The Company's credit risk exposures are categorised under the following headings:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### Counterparties

In relation to the Company's exposure to credit risk, trade debtors and financial institutions are major counterparties and the Company's policies to manage risk in relation to these counterparties are explained in the following paragraphs.

### Trade debts

Credit risk with respect to trade debts is diversified due to the number of entities comprising the Company's customer base. Trade debts are essentially due from the entities engaged in cement manufacturing, construction, mining and oil and gas exploration service providers. The Company has a credit policy that governs the management of credit risk, including the establishment of counterparty credit repayment timeline and specific transaction approvals. The Company limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated. Further the Company for all major customers enters into a written agreement, and amongst the provisions agreed are product rates and repayment terms. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Collectability is assessed based on the creditworthiness of the customer as determined by credit checks and the customer's payment history to the Company. The Company establishes a provision for doubtful debts in respect of trade debts and historically such losses have been within management's expectations.

### Bank balances and investments

The Company maintains its bank balances and makes investments in money market funds with financial institutions of high credit ratings. The investment made in ABL Income Fund, Faysal Money Market Fund and UBL Liquidity Plus Fund is exposed to minimal credit risk as these are open-ended collective schemes, while deposits held with banks can either be redeemed upon demand or have a short term maturity of six months and therefore also bear minimal risk.

### Exposure to credit risk

The carrying amount of financial assets of the Company represents the maximum credit exposure. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics and the maximum financial exposure due to credit risk on the Company's financial assets as at 30 June was;

	2017 Rupees	2016 Rupees
Trade debts - net	208,638,227	231,358,044
Advances	648,476	950,660
Trade deposits	2,824,455	2,666,576
Other receivables	1,191,274	292,938
Short term investments	429,431,919	439,428,293
Long term deposits	1,793,600	1,778,600
Bank balances	28,408,272	29,885,027
	<b>672,936,223</b>	<b>706,360,138</b>

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk at the reporting date is held with a mutual fund amounting to Rs. 145,884,929 (2016 : Rs. 147,724,390).

The maximum exposure to credit risk for trade debts at the reporting date by type of customer was:

	2017 Rupees	2016 Rupees
Cement manufacturers	19,928,984	19,359,610
Oil and gas exploration service providers	28,184,669	170,940,664
Construction and mining entities	160,524,574	41,057,770
	<b>208,638,227</b>	<b>231,358,044</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### Impairment losses

The aging of trade debts at the reporting date was:

	2017		2016	
	Gross debts Rupees	Impairment Rupees	Gross debts Rupees	Impairment Rupees
Not past due	102,898,636	-	33,399,682	-
Past due 0-30 days	90,992,095	-	87,091,784	-
Past due 31-60 days	14,747,496	-	73,741,644	-
Past due 61-90 days	-	-	15,595,283	-
Past due 91-365 days	-	-	21,529,651	-
Over 365 days	-	-	612,270	612,270
	<u>208,638,227</u>	<u>-</u>	<u>231,970,314</u>	<u>612,270</u>

The movement in impairment in respect of trade receivables during the year was as follows:

	2017 Rupees	2016 Rupees
Balance at 01 July	612,270	1,162,270
Doubtful debts recovered	(612,270)	(550,000)
Balance at 30 June	<u>-</u>	<u>612,270</u>

The management constantly evaluates the creditworthiness of the customers and considers the historical payment record of customers. In relation to the trade debts that are past due, the management believes that counterparties will discharge their obligations and accordingly no additional allowance for impairment is required.

The allowance account in respect of other receivables is used to record impairment losses, when no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off by the Company.

### 34.4 Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of borrowings and paying its suppliers. The responsibility for liquidity risk management rests with the Board of Directors of the Company and their approach in this regard is to ensure that the Company always has sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Beyond effective working capital and cash management, the Company mitigates liquidity risk by arranging short term financing from highly rated financial institutions.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	2017		2016	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	Rupees		Rupees	
<b>Maturity upto one year</b>				
Short term borrowings	302,542,529	302,542,529	285,691,438	285,691,438
Markup accrued	5,135,461	5,135,461	5,207,812	5,207,812
Trade and other payables	132,748,752	132,748,752	169,136,369	169,136,369
	<u>440,426,742</u>	<u>440,426,742</u>	<u>460,035,619</u>	<u>460,035,619</u>
	<u>440,426,742</u>	<u>440,426,742</u>	<u>460,035,619</u>	<u>460,035,619</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 34.5 Market risk

Market fluctuations may result in cash flow and profit volatility risk for the Company. The Company's operating activities as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and security prices. To optimize the allocation of the financial resources as well as secure an optimal return for its shareholders, the Company identifies, analyzes and proactively manages the associated financial market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities.

#### Foreign currency risk management

PKR is the functional currency of the Company and exposure arises from transactions and balances in currencies other than PKR as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

#### Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

#### Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

#### Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on following amounts:

	2017 USD	2016 USD
Trade debts	745,632	200,198
Bank balances and investments	554,890	622,015
Trade creditors	194,285	268,814
	<u>1,494,807</u>	<u>1,091,027</u>

The significant exchange rates applied during the year were:

	Average rate		Reporting date closing rate	
	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
USD 1	<u>104.65</u>	<u>103.00</u>	<u>104.80</u>	<u>104.50</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### Sensitivity analysis

A 10 percent weakening of the PKR against the USD at 30 June would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>2017</b> <b>Rupees</b>	<b>2016</b> <b>Rupees</b>
Profit and loss account	<b><u>15,665,579</u></b>	<b><u>11,401,234</u></b>

A 10 percent strengthening of the PKR against the USD at 30 June would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

### Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk arising on its financial assets is minimized by investing in fixed rate investments like TDRs.

### Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	<b>2017</b> <b>%</b>	<b>2016</b> <b>%</b>	<b>2017</b> <b>Rupees</b>	<b>2016</b> <b>Rupees</b>
<b>Financial assets</b>				
<b>Fixed rate instrument</b>				
Term deposit receipts	<b>2.00</b>	1.26	<b>57,640,000</b>	57,475,000
<b>Variable rate instrument</b>				
Bank balances - saving accounts	<b>3.75</b>	3.75	<b><u>21,592</u></b>	<u>17,445</u>
			<b><u>57,661,592</u></b>	<u>57,492,445</u>
<b>Financial liabilities</b>				
<b>Variable rate instrument</b>				
Short term borrowings	<b>7.01 - 7.37</b>	7 - 8.01	<b><u>302,542,529</u></b>	<u>285,691,438</u>
			<b><u>302,542,529</u></b>	<u>285,691,438</u>

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / decreased profit or loss by Rs. 3,241,974 (2016: Rs. 2,619,435).

### Price risk

The Company is exposed to price risk because of investment in marketable securities held by the Company in ABL Income Fund, Faysal Money Market Fund and UBL Liquidity Plus Fund. These investments are classified as investments at fair value through profit or loss held for trading. The Company makes investment in securities in accordance with the Board of Directors approval.

### Sensitivity analysis – equity price risk

A change of Rs. 1 in value of investment at fair value through profit and loss would have increased / decreased profit or loss by Rs. 16,774,481 (2016: Rs. 17,051,940).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 34.6 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

#### Investment in fair value through profit or loss - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

#### Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

#### Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### 35 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital

Products	Units	Rated production capacity	2017	2016
			Actual production	
Tovex water gel and powder explosives	Kgs	6,000,000	3,463,294	3,334,265
Detonator - plain / electric	Nos.	9,000,000	1,664,654	2,234,889
Safety fuse	Meter	500,000	-	-
Detonating cord	Meter	2,500,000	1,420,250	1,433,000

The shortfall in production of certain products is due to the gap between market demand and the available capacity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 37 DISCLOSURE REQUIREMENTS FOR ALL SHARES ISLAMIC INDEX

Following information has been disclosed with reference to circular No. 14 of 2015 dated 21 April 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

Description	Explanation	2017 Rupees	2016 Rupees
i) Long term deposits	Non-interest bearing	1,793,600	1,778,600
ii) Trade debts	Non-interest bearing	208,638,227	231,358,044
iii) Advances	Non-interest bearing	12,989,221	12,583,939
iv) Trade deposits and short term prepayments	Non-interest bearing	4,714,825	4,480,277
v) Other receivables	Non-interest bearing	1,983,418	292,938
vi) Short term investments	Interest bearing	57,640,000	57,475,000
vii) Cash and bank balances	Placed under interest arrangement	21,592	17,445
	Placed under Shariah permissible arrangement	28,411,288	29,890,839
		<u>28,432,880</u>	<u>29,908,284</u>
viii) Interest income on saving accounts	Placed under interest arrangement	18,122	25,395
	Placed under Shariah permissible arrangement	-	-
		<u>18,122</u>	<u>25,395</u>
ix) Interest income on investments	Placed under interest arrangement	793,868	764,775
	Placed under Shariah permissible arrangement	-	-
		<u>793,868</u>	<u>764,775</u>
x) All sources other income	Disclosed in note 25		
xi) Exchange gain	Earned from actual currency fluctuations	506,327	1,492,486
xii) Dividend income	ABL Income Fund	8,201,834	9,427,573
	Faysal Money Market Fund	7,856,136	7,410,407
	UBL Liquidity Fund	6,417,587	5,752,272
		<u>22,475,557</u>	<u>22,590,252</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Un-Audited 2017 Rupees	Audited 2016 Rupees
<b>38 EMPLOYEES PROVIDENT FUND TRUST</b>		
Size of the fund	63,742,779	49,349,642
Investments made	63,310,148	48,362,818
Percentage of investments made	98.00%	98.00%
Fair value of investments	63,366,589	48,477,633
Cost of investments made	62,159,370	48,391,512

Breakup of investments is as follows:

	2017		2016	
	Rupees	Total	Rupees	Total
National Saving Certificates	35,350,000	55.84%	29,400,000	60.79%
NAFA Money Market Fund	6,404,574	10.12%	751,799	1.55%
NAFA Stock Fund	10,356,321	16.36%	9,480,439	19.60%
Meezan Sovereign Fund	11,199,253	17.69%	8,730,580	18.05%
	<u>63,310,148</u>		<u>48,362,818</u>	

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 (the repealed Ordinance) and the rules formulated for this purpose.

### 39 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs. 6.00 per share in its meeting held on 26 September 2017.

### 40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 26 September 2017.

### 41 GENERAL

#### 41.1 Figures have been rounded off to the nearest rupee.

#### 41.2 Number of persons employed

	2017	2016
Employees on year end (number)	177	146
Average employees during the year (number)	176	146

Chairman

Managing Director &  
Chief Executive Officer



**PATTERN OF SHAREHOLDING  
FOR THE YEAR ENDED 30 JUNE 2017**

NO. OF SHAREHOLDERS	SHARE HOLDING		TOTAL NUMBER OF SHARES HELD
	FROM	TO	
201	1	100	10,040
252	101	500	69,152
226	501	1,000	145,133
303	1,001	5,000	660,973
50	5,001	10,000	339,200
16	10,001	15,000	180,180
15	15,001	20,000	263,182
7	20,001	25,000	153,170
3	25,001	30,000	80,550
3	30,001	35,000	98,850
2	35,001	40,000	75,200
2	40,001	45,000	82,133
4	45,001	50,000	191,487
1	50,001	55,000	52,218
6	60,001	70,000	399,700
2	70,001	80,000	152,050
2	80,001	90,000	176,364
1	90,001	100,000	99,000
3	100,001	125,000	333,730
1	140,001	150,000	148,280
1	155,001	160,000	158,510
1	160,001	165,000	165,000
1	215,001	220,000	216,500
1	225,001	230,000	222,709
1	235,001	240,000	238,687
2	245,001	250,000	497,618
1	270,001	275,000	275,000
1	325,001	330,000	330,000
1	790,001	800,000	792,220
1	830,001	835,000	831,390
1	1,000,001	1,100,000	1,065,654
1	1,600,001	1,700,000	1,698,510
1	1,810,001	1,815,000	1,815,000
1	4,400,001	4,500,000	4,482,610
1	5,400,001	5,500,000	5,500,000
1116			22,000,000

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARES HELD	PERCENTAGE
INDIVIDUALS	1,079	18,484,319	84.02%
JOINT STOCK COMPANIES	25	2,615,503	11.89%
INSURANCE COMPANIES	5	645,205	2.93%
OTHERS	1	17,881	0.08%
INVESTMENT COMPANIES	2	4,800	0.02%
FINANCIAL INSTITUTIONS	1	2,190	0.01%
CHARITABLE TRUSTS	1	3,900	0.02%
MUTUAL FUNDS	2	226,202	1.03%
	1,116	22,000,000	100.00%

## PATTERN OF SHAREHOLDING FOR THE YEAR ENDED 30 JUNE 2017

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Khan	1	4,497,610	20.44
Ms. Zishan Afzal Khan	1	792,220	3.60
Khawaja Amanullah Askari & Mrs. Ishrat Askari	1	330,000	1.50
Khawaja Ahmad Hosain	1	249,480	1.13
M. Afzal Khan	1	150,000	0.68
Adnan Aurangzeb	1	113,730	0.52
Ehsan Mani	1	87,450	0.40
M. Humayun Khan	1	66,000	0.30
Ms. Shirin Safdar	1	49,500	0.23
Ms. Shandana Humayun Khan	1	41,360	0.19
Maj. Gen. (Ret'd) S. Z. M. Askree	1	17,600	0.08
Ms. Mehreen Hosain	1	12,146	0.06
Muhammad Yaqoob & Maliha Yaqoob	1	1,100	0.01
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, & Modarba	33	3,267,698	14.85
Mutual Funds:			
CDC - Trustee AKD Opportunity Fund	1	222,709	1.01
CDC - Trustee Alfalah GHP Stock Fund	1	3,493	0.02
Other Individuals	1,066	4,782,904	21.74
Shareholders holding 5% or more shares in the Company:			
Ms. Ayesha Humayun Khan	1	5,500,000	25.00
Ms. Shayan Afzal Khan Abbas	1	1,815,000	8.25
<b>TOTAL</b>	<b>1,116</b>	<b>22,000,000</b>	<b>100.00</b>

Details of trading in the shares by the Director, CEO, CFO, Company Secretary and their Spouses and minor children:

	Shares Purchased	Shares Sold
M. Zafar Khan	21,200	-
M. Afzal Khan	-	(15,000)
Adnan Aurangzeb	5,730	(2,000)
Maj. Gen. (Ret'd) S. Z. M. Askree	5,000	-



## PROXY FORM

The Secretary  
Biafo Industries Limited  
1st Floor, Biafo House,  
Plot No. 23, St No. 38-40  
I&T Centre, G-10/4,  
Islamabad.

I/We \_\_\_\_\_ Of \_\_\_\_\_ being  
member of BIAFO INDUSTRIES LIMITED and Holder of \_\_\_\_\_ Ordinary Shares as per Share Register  
Folio (Number) \_\_\_\_\_ and/ or CDC Participant I.D. No. \_\_\_\_\_ and Sub Account No.  
\_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ (Name)

as my/our proxy to vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held  
at its registered office, 1st Floor, Biafo house, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad on October  
25, 2017 and any adjournment thereof.

Signed \_\_\_\_\_ day of \_\_\_\_\_ 2017

Signature  
(Signature should agree with the specimen  
signature registered with the Company)

### WITNESSES:

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
NIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
NIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

### Note:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or Passport with the proxy form.



**Proxy فارم**

جناب سیکرٹری

بائیو انڈسٹریز لمیٹڈ

فسٹ فلور، بائیو ہاؤس، پلاٹ نمبر 23، سٹریٹ نمبر 38-40،

آئی اینڈ ٹی مرکز، جی ٹین فور، اسلام آباد۔

میں/ہم \_\_\_\_\_ بحیثیت رکن بائیو انڈسٹریز لمیٹڈ اور شیئرز رجسٹر فلیو (نمبر) \_\_\_\_\_ کے مطابق

\_\_\_\_\_ عمومی شیئرز کا حامل ہوں/کے حامل ہیں اور ریسی ڈی سی پارٹیسپنٹ (Participant) شناختی کارڈ نمبر \_\_\_\_\_

اور ذیلی کھاتہ نمبر \_\_\_\_\_ بذریعہ ہذا \_\_\_\_\_ کو \_\_\_\_\_ (نام) کو مقرر کرتا ہوں۔

جیسا کہ میرے/ہمارے Proxy نے کمپنی کے 29 ویں سالانہ عمومی اجلاس میں میرے/ہمارے حوالے سے ووٹ دینا ہے جو اس کے رجسٹرڈ دفتر پہلی

منزل، بائیو ہاؤس، پلاٹ نمبر 23، سٹریٹ نمبر 38-40، آئی اینڈ ٹی مرکز، جی ٹین فور، اسلام آباد میں 25 اکتوبر، 2017ء اور کسی بھی اس کے التواء کے

منعقد ہوگا۔

دستخط \_\_\_\_\_ مورخہ \_\_\_\_\_ 2017 کو کئے گئے

دستخط

(دستخطی اس نمونہ جاتی سے متفق ہونا چاہیے جو کمپنی کے پاس مندرج شدہ ہیں)

گواہان

1- \_\_\_\_\_ دستخط \_\_\_\_\_ دستخط \_\_\_\_\_

نام \_\_\_\_\_ نام \_\_\_\_\_

پتہ \_\_\_\_\_ پتہ \_\_\_\_\_

\_\_\_\_\_

این آئی سی یا \_\_\_\_\_ این آئی سی یا \_\_\_\_\_

پاسپورٹ نمبر \_\_\_\_\_ پاسپورٹ نمبر \_\_\_\_\_

نوٹ:

1- کوئی بھی رکن جو اجلاس میں شرکت کرنے اور ووٹ دینے کا حقدار ہو وہ اجلاس میں اپنی جگہ شرکت اور ووٹ دینے کے لیے کسی Proxy مقرر کر سکے گا۔ Proxy کو کمپنی کا رکن ہونے کی ضرورت نہیں ہے۔

2- بغرض موثریت Proxy فارم، کمپنی کے رجسٹرڈ آفس میں اجلاس سے کم از کم 48 گھنٹے قبل موصول ہو جانا چاہیے۔

3- جملہ سی ڈی سی شیئر ہولڈرز اور ان کے Proxies کو قومی شناختی کارڈ یا پاسپورٹ کی نقل بمعہ Proxy فارم کے ساتھ منسلک کرنا لازمی ہے۔

**E-DIVIDEND MANDATE FORM**

The Secretary  
Biafo Industries Limited  
1st Floor, Biafo House,  
Plot No. 23, St No. 38-40  
I&T Centre, G-10/4,  
Islamabad.

**Bank account details for payment of Dividend through Electronic Mode**

Dear Sir,

I/We/Messrs., \_\_\_\_\_,  
being shareholder(s) of Biafo Industries Limited hereby authorize the Company to directly credit cash dividends declared by it, in my bank account as detailed below:

<b>(i) Shareholder's details:</b>	
Name of the Shareholder	
CDC Participant ID & Sub-Account No. /CDC IAS	
CNIC/NICOP/Passport/NTN No. (please attach copy)	
Contact Number (Landline & Cell Nos.)	
Shareholder's Address	

<b>(ii) Shareholder's Bank account details:</b>	
Title of Account	
IBAN *	
Bank's Name	
Branch Name & Code No.	
Branch Address	

It is stated that the above particulars given by me are correct and I shall keep the Company informed in case of any changes in the said particulars in future.

Yours truly,

\_\_\_\_\_  
Signature of Shareholder  
(Please affix company stamp in case of corporate entity)

Notes:








- \* Please provide complete IBAN, after checking with your concerned branch to enable electronic credit directly into your bank account.
- \*\* This letter must be sent to shareholder's participant/CDC Investor Account Services which maintains his/her CDC account for incorporation of bank account details for direct credit of cash dividend declared by the Company from time to time.










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Email: [management@biafo.com](mailto:management@biafo.com), [www.biafo.com](http://www.biafo.com)