

AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed balance sheet of ITTEFAQ IRON INDUSTRIES LIMITED ("The Company") (Formerly Ittefaq Sons (Private) Limited) as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts 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 which we concur;
 - 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 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 June 30, 2017 and of the Profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

- (e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.


Muhammad Kaleem Rathor
Lahore.
September 29, 2017

KALEEM AND COMPANY
CHARTERED ACCOUNTANTS

**REVIEW REPORT TO THE MEMBERS ON THE 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 ITTEFAQ IRON INDUSTRIES LIMITED ("The Company") (Formerly Ittefaq Sons Private Limited), Regulation No. 35 of the Pakistan Stock Exchange 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 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 and 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 its related party transactions distinguishing between transactions carried out on terms equivalent to those that 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.


Muhammad Kaleem Rathor
Date : September 29, 2017
Lahore

KALEEM & COMPANY
CHARTERED ACCOUNTANTS

ITTEFAQ IRON INDUSTRIES LIMITED
Formerly **ITTEFAQ SONS PRIVATE LIMITED**
BALANCE SHEET AS AT JUNE 30, 2017

<u>EQUITY & LIABILITIES</u>	<u>Notes</u>	<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u> Re-stated	<u>2015</u> <u>RUPEES</u> Re-stated	<u>ASSETS</u>	<u>Notes</u>	<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u> Re-stated	<u>2015</u> <u>RUPEES</u> Re-stated
SHARE CAPITAL & RESERVES					NON-CURRENT ASSETS				
Authorized Share Capital	4	3,000,000,000	1,000,000,000	1,000,000,000	Property, Plant & Equipments	15	1,332,684,239	1,448,613,574	1,560,502,630
Issued Subscribed and Paid-up Share Capital	4	1,312,212,400	894,712,400	894,712,400	Capital W.I.P		2,834,248	2,563,303	16,365,331
Capital Reserves	5	774,507,925	-	-					
Equity Portion of Sponsors Loan		49,724,864	62,718,864	74,193,743					
Revenue Reserves		797,968,074	620,873,150	509,236,346					
		2,934,413,263	1,578,304,414	1,478,142,489	Long-Term Security Deposits		19,103,526	19,409,026	19,489,626
Surplus on Revaluation of Fixed Assets	6	229,871,741	247,883,207	267,520,775					
NON-CURRENT LIABILITIES					CURRENT ASSETS				
Sponsors Loans -subordinated	7	244,264,194	224,095,591	205,592,285	Stores, Spares & Loose Tools		137,202,627	168,060,611	211,867,078
Long Term Loans	8	-	49,991,000	9,967,048	Stock in Trade	16	1,434,987,235	1,152,565,252	1,431,920,516
Liabilities against Assets Subject to Finance Lease	9	-	-	2,100,000	Trade Debts		680,207,444	597,100,046	445,46,690
		244,264,194	274,086,591	217,659,333	Advances, Deposits, Prepayments & Other Receivables	17	284,712,980	481,127,605	709,383,919
Deferred Liabilities	10	132,980,560	166,385,149	182,079,189	Taxes Refundable	18	140,157,092	131,696,292	323,451,846
					Cash & Bank Balances	19	1,110,810,033	5,316,850	16,035,519
							3,788,077,411	2,535,866,656	3,141,783,568
							5,142,699,424	4,006,452,559	4,738,141,155
		5,142,699,424	4,006,452,559	4,738,141,155			5,142,699,424	4,006,452,559	4,738,141,155

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


CHIEF EXECUTIVE


DIRECTOR

ITTEFAQ IRON INDUSTRIES LIMITED
Formerly ITTEFAQ SONS PRIVATE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	NOTE	2017 RUPEES	2016 RUPEES <u>Restated</u>
Sales-Net	20	4,442,102,678	3,917,451,919
Cost of Sales	21	(4,070,358,212)	(3,561,943,062)
Gross Profit		371,744,466	355,508,857
Distribution Cost	22	13,216,251	13,278,919
Administrative Expenses	23	38,973,373	34,934,359
		(52,189,624)	(48,213,278)
Operating Profit		319,554,842	307,295,579
Other Income	24	5,318,825	5,209,310
		324,873,667	312,504,889
Finance Cost	25	111,407,620	167,492,833
Workers Profit Participation Fund		10,673,302	7,250,603
Workers Welfare Fund		4,055,855	2,755,229
		(126,136,777)	(177,498,665)
Profit Before taxation		198,736,890	135,006,224
Taxation	26	(57,875,622)	(57,976,931)
Profit After taxation		140,861,268	77,029,293
			After IPO
			Before IPO
Earning Per Share	27	1.55	0.86 8.61

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



 CHIEF EXECUTIVE



 DIRECTOR

ITTEFAQ IRON INDUSTRIES LIMITED
Formerly ITTEFAQ SONS PRIVATE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	<u>NOTE</u>	<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u> <u>Restated</u>
Profit after taxation		140,861,268	77,029,293
Other Comprehensive Income/(Loss)			
Remeasurement of defined benefits plan	10.1.2	971,343	(2,360,518)
Deferred tax on remeasurement of defined benefit plan		(310,830)	755,366
		660,513	(1,605,152)
Total Comprehensive Income		<u>141,521,781</u>	<u>75,424,141</u>

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



CHIEF EXECUTIVE



DIRECTOR

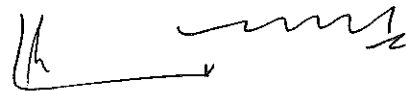
ITTEFAQ IRON INDUSTRIES LIMITED
Formerly ITTEFAQ SONS PRIVATE LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Issued Subscribed and paid up Capital	Equity Portion of Sponsors Loan	Reserve			Total Equity
			Capital	Revenue	Total Reserves	
			Share Premium	Unappropriated Profit		
Rupees						
Balance as on June 30, 2015	894,712,400	-	-	509,236,346	509,236,346	1,403,948,746
Equity Portion of Sponsors / Directors Loan - net of deferred tax - due to correction of error		74,193,743				74,193,743
Balance as on June 30, 2015 - Restated	894,712,400	74,193,743	-	509,236,346	509,236,346	1,478,142,489
Total Comprehensive income for the year ended 30th June, 2016 - Restated	-		-	75,424,141	75,424,141	75,424,141
Decrease in deferred Tax due to rate change		1,107,369	-	-	-	1,107,369
Less: Unwinding of discount - net of deferred tax		(12,582,248)	-	12,582,248	12,582,248	-
		(11,474,879)				1,107,369
Incremental Depreciation transferred from Surplus on Rev. of fixed assets	-			23,630,415	23,630,415	23,630,415
Balance as on June 30, 2016 - Restated	894,712,400	62,718,864	-	620,873,150	620,873,150	1,578,304,414
Total Comprehensive income for the year ended 30th June, 2017	-		-	141,521,781	141,521,781	141,521,781
Decrease in deferred Tax due to rate change		922,336	-	-	-	922,336
Less: Unwinding of discount		(13,916,336)	-	13,916,336	13,916,336	-
		(12,994,000)				922,336
Issuance of shares	417,500,000		843,350,000	-	843,350,000	1,260,850,000
Less: Shares issue cost	-		68,842,075	-	68,842,075	68,842,075
			774,507,925	-	774,507,925	1,192,007,925
Incremental Depreciation transferred from Surplus on Rev. of fixed assets			-	21,656,807	21,656,807	21,656,807
Balance as on June 30, 2017	1,312,212,400	49,724,864	774,507,925	797,968,074	1,572,475,999	2,934,413,263

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



CHIEF EXECUTIVE



DIRECTOR

ITTEFAQ IRON INDUSTRIES LIMITED
Formerly ITTEFAQ SONS PRIVATE LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
	<u>RUPEES</u>	<u>RUPEES</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		<u>Restated</u>
Profit Before Taxation	198,736,890	135,006,224
Adjustments for:		
Depreciation	120,560,023	131,858,178
Provision of Gratuity	5,650,570	5,672,395
Gain on Sale of Fixed Asset	(1,767,684)	-
Finance Cost	111,407,620	167,492,833
Prior Year Adjustment	(378,024)	(3,792,241)
	235,472,505	301,231,165
Profit Before Working Capital Changes	434,209,395	436,237,389
Working Capital Changes		
(INCREASE)/ DECREASE IN		
Stores, Spares & Loose Tools	30,857,984	43,806,467
Stock in Trade	(282,421,983)	279,355,264
Trade Debts	(83,107,398)	(147,975,356)
Advances, Deposits, Prepayments & Other Receivables	196,414,625	228,256,314
	(138,256,772)	403,442,689
INCREASE/ (DECREASE) IN		
Trade and Other Payables	(16,830,392)	(159,509,358)
Cash Generated from Operations	279,122,231	680,170,720
Taxes Paid	(73,957,671)	(48,236,493)
Finance Cost Paid	(91,325,947)	(183,048,785)
Gratuity Paid	(3,585,643)	(6,576,331)
	(168,869,261)	(237,861,609)
<i>Net Cash from Operating Activities</i>	110,252,970	442,309,111
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Fixed Assets Acquired	(5,453,704)	(19,969,122)
Capital Work in Progress	(270,945)	13,802,028
Proceeds from disposal of fixed asset	2,590,700	-
Security Deposits	305,500	80,600
<i>Net Cash used in Investing Activities</i>	(2,828,449)	(6,086,494)

<u>2017</u>	<u>2016</u>
<u>RUPEES</u>	<u>RUPEES</u>
	<u>Restated</u>

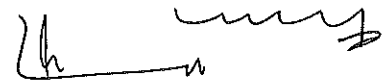
CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares	1,192,007,925	-
Long Term Loans	(146,633,713)	160,000,000
Short Term Borrowings	(47,305,550)	(598,714,331)
Liabilities Against Assets Subject to Finance Lease	-	(8,226,955)
<i>Net Cash from / (used in) Financing Activities</i>	998,068,662	(446,941,286)
Net Increase / (Decrease) in Cash and Cash Equivalents	1,105,493,183	(10,718,669)
Cash & Cash Equivalents at the Beginning of the Year	5,316,850	16,035,519
Cash & Cash Equivalents at the End of the Year	<u>1,110,810,033</u>	<u>5,316,850</u>

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



CHIEF EXECUTIVE



DIRECTOR

ITTEFAQ IRON INDUSTRIES LIMITED
Formerly ITTEFAQ SONS PRIVATE LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Ittefaq Iron Industries Limited (" The Company") (Formerly Ittefaq Sons (Private) Limited) was incorporated on February 20, 2004 and converted into public unquoted company on 05 January 2017. The company also changed its name from (Ittefaq Sons (Private) Limited) to (Ittefaq Iron Industries Limited) on 09 february 2017. The principal activity of the company is manufacturing of Iron Bars and Girders. The registered office of the company is situated at 40, B-II Gulberg III M. M. Alam Road, Lahore.
- 1.2 During the year the company has made an initial public offering (IPO) of Rs: 1,260,850,000/- through issuance of 41,750,000 ordinary shares of Rs: 10/- each at a price of Rs: 30.2/- per share including share premium of Rs: 20.2/- per share amounting to 843,350,000/-. On 03 July 2017 the Pakistan Stock Exchange approved the company's application for formal listing and quotation of the shares. Out of total issue of 41.750 million ordinary shares 31.3125 million shares were subscribed through book building by High Net Worth Individuals (HNWI) and Institutional Investors, while the remaining 10.4375 million shares were subscribed by the general public and the shares have been duly allotted . Further the company also changed the par value of its shares from Rs: 100/-each to Rs: 10/- each.

2 BASIS OF PREPARATION :

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the companies ordinance 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall

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 that 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.

2.2 BASIS OF MEASUREMENT

These accounts have been prepared under historical cost convention without any adjustments for the effects of inflation or current values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating fair value of an asset or liability, the Company takes into the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financials statements is determined on such basis, except for share based-payment transactions that are within the scope of IFRS-2, leasing transactions that are within the scope of IFRS-16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS-2 or value in use in IAS-36

2.3 FUNCTIONAL & PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees are rounded to the nearest thousand.

2.4 USE OF ESTIMATES & JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 the judgments about the carrying values 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 the estimate is 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, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are set forth below.

a) Employee Benefits

The cost of defined benefit retirement plan (gratuity) is determined using actuarial valuations (projected unit credit method) performed by independent actuaries. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. All assumptions are reviewed at each reporting date.

b) Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views 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 shown as contingent liabilities. The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

c) Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation and useful life used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

Assumptions and estimates used in determining the depreciation rates, recoverable amount, residual values and useful lives of the property, plant and equipment-note 3.4 and 15.

d) Inventories

The Company reviews the net realizable value of stock in trade and stores and spare parts to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Assumptions and estimates used in determining the estimated selling price and estimated cost and provision for slow moving stores and spares-note 3.8, 3.9, & 16 respectively

e) Directors / Sponsors Loan

The company has discounted loan using market based interest rate on loans with similar terms and conditions.

f) Impairment

The management of the Company reviews carrying amounts of its assets including receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such

2.5 INITIAL APPLICATION OF A STANDARD, AMENDMENT OR AN INTERPRETATION TO AN EXISTING STANDARD

2.5.1 Amendments to published standards and interpretations effective in 2016 :

The following amendments to published standards are mandatory for the financial year beginning January 1, 2016 and are relevant to the Company.

- IAS 27 (Amendment) 'Separate financial statements'. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment does not have any impact on the Company's financial statements.
- IFRS 7, 'Financial instruments: Disclosures'. There are two amendments:
 - Servicing contracts - If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The amendment provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively.
 - Interim financial statements - The amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective. These amendments only affect the disclosures in the Company's financial statements.
- IAS 1, 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2016). The amendments provide clarifications on a number of issues, including:
 - Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial
 - Disaggregation and subtotals - line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
 - Notes - confirmation that the notes do not need to be presented in a particular order.
 - OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.
- IAS 19 (Amendment), 'Employee benefits'. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented. This amendment only affects the disclosures in the Company's financial statements.
- IAS 34, 'Interim financial reporting'. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. This amendment only affects the disclosures in the Company's financial statements.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

2.5.2 Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company:

The following new standards and amendments to published standards are not effective for the financial year beginning on July 1, 2016 and have not been early adopted by the Company

- IFRS-9 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. It is unlikely that the standard will have any significant impact on the
- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company is yet to assess the full impact of the standard.
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Surplus On Revaluation Of Fixed Assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on revaluation of fixed assets" account which is shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan (SECP) SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the period is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the period net of deferred taxation is transferred from surplus on revaluation of fixed assets to unappropriated profit through statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the period.

3.2 Employee Benefits

The Company operates an unfunded retirement gratuity scheme for those employees who have completed specified period of service with the Company. Gratuity expense is accounted for on 'accrual basis'.

3.3 Taxation

a) Current Tax

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rate expected to apply to the profit for the year if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Deferred Tax

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference, carry-forward or unused tax credits and unused tax losses can be utilized.

The correction of error has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. Further the management has presented three balance sheets in accordance with the requirements of IAS 1 "Presentation of financial statements".

c) Prior Year

This includes adjustments, where considered necessary, to existing provision for tax made in previous years arising from assessments framed during the period for such years

d) Sales Tax And Federal Excise Duty

Revenues, expenses and assets are recognized net of amount of sales tax and federal excise duty except:

- Where amount incurred on a purchase of asset or service is not recoverable from the taxation authority, the tax / duty is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables or payables that are stated with the amount of sales tax and federal excise duty included.

The net amount of sales tax and federal excise duty recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.4 Fixed Assets and Depreciation

These are stated at cost less accumulated depreciation and accumulated impairment losses, (if any), except freehold land which is stated at cost less accumulated impairment losses (if any). Cost comprises of historical cost, borrowing cost pertaining to the erection period and directly attributable costs of bringing the assets to working condition. These costs are transferred to specific assets as and when assets are available for use. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economics benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. The cost of the day to day servicing of property, plant and equipment are recognized in profit or loss account.

Depreciation is charged to income applying the reducing balance method at the rates given in relevant notes to the financial statements to write off the cost of operating fixed assets over their expected useful life. Depreciation on additions is charged from the date when the asset is available for use and on deletions up to the date when the asset is deleted. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or derecognition (calculated at the difference between the net disposal proceeds and carrying amount of the asset) is taken to profit and loss account.

Impairment test for property, plant and equipment is performed when there is an indication of impairment. At each period end, an assessment is made to determine whether there is any indication of impairment. If any such indications exist, an estimate of the asset's recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the asset's value in use. If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to the profit and loss account so as to reduce the carrying amount of property, plant and equipment to its recoverable amount. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal. An impairment loss is recovered if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's 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.

3.5 Assets Subject to Finance Lease

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates specified in schedule. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The finance cost is calculated at the interest rates implicit in the lease and are charged to profit and loss account.

3.6 Operating Lease

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease.

3.7 Capital Work-in-Progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital working-progress. These are transferred to specific assets as and when these are available for use. All cost or expenditure attributable to work-in-progress are capitalized and apportioned to buildings and plant and machinery at the time of commencement of commercial operations.

3.8 Stores, Spares and Loose Tools

Store and spares are valued at moving average cost or net realizable value (NRV). Item in transit is valued at cost comprising invoice value plus other charges paid thereon.

3.9 Stock In Trade

Stock-in-trade is valued at lower of average cost and net realizable value except waste which is valued at net realizable value determined on the basis of contract prices. Average cost and net realizable value are defined as under:

Cost is determined as follows:

- For Raw Materials Weighted average cost.
- For Work-in-Process & Finished Goods At weighted average manufacturing cost (Direct Labour, Material and Appropriate Manufacturing Overheads)
- Net Realizable Value Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.10 Financial instruments

3.10.1 Recognition and derecognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments and are remeasured at fair value. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain/loss on de-recognition and on remeasurement of such financial instruments is included in the profit/loss for the period in which it arises.

3.10.2 Financial assets

Significant financial assets include trade debts, advances and receivables, long term deposits and bank balances. Finances and receivables are stated at their nominal value as reduced by provision for doubtful finances and receivable, while other financial assets are stated at cost.

3.10.3 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include short and long term finances, lease finances, interest and mark up accrued and trade and other payables. Markup based financial liabilities are recorded at gross proceeds received. Other liabilities are stated

3.11 Off Setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

3.12 Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sale of goods is recorded when significant risks and rewards of ownership are transferred to the customer;
- Interest and rental income are recognized on accrual basis.
- Sale of scrap is recognized on actual realization basis.

3.13 Foreign Currencies

Foreign Currency transactions are converted into Pak Rupees using the rates prevailing on the date of transaction while monetary assets & liabilities are converted into Pak Rupees using the rates of exchange prevailing at the balance sheet date. Exchange gains and losses on conversion are charged to income currently.

3.14 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimate.

3.15 Borrowings and their Cost

Borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss / equity over the period of the borrowings on an effective interest basis.

Borrowings are recorded at the proceeds received. Borrowing costs are recognized as an expense in the period in which they are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction and commissioning of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

3.16 Investments

All investments are initially recognized at cost being the fair value of consideration given.

These investments are being measured at fair value, being their market value at balance sheet date. The resulting gain or loss is included in profit or loss for the period. Whereas, cost is calculated on moving average basis.

Classification of investments is made based on the intended purpose of holding such investments, which is as follows:

3.16.1 Held for Trading Securities

These are investments securities, which are acquired principally for the purpose of generating profit, from short-term fluctuations in price.

3.16.2 Held to Maturity Securities

These are investments securities with fixed or determinable payments and fixed maturity and the company has the positive intent and ability to hold till maturity.

3.16.3 Available for sale securities

These are investments, which do not fall under the category of held for trading or held to maturity.

3.17 Trade Debts and Other Receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

3.18 Trade and Other Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received. Whether or not billed to the Company. Provisions are recognized when the Company has a present legal or constructive obligations as results of past events, It is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.19 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cash in transit and balances with banks.

3.20 Earnings Per Share

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

3.21 Transactions with Related Parties

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price with reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

3.22 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

3.23 Share Capital

Ordinary shares are classified as equity instruments and recognized at their fair value. Transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are

Transaction costs that relate jointly to more than one transaction such as costs of a concurrent offering of shares and a stock exchange listing are allocated to those transactions using a basis of allocation that is rational and consistent with similar

3.24 Correction of error

Treatment of director sponsor loan

Previously the company stated director/ sponsor loan at cost .During the year the company has rectified the error and the loan has been stated at present value and accordingly the comparative figures have been restated.

3.25 Impact of Restatement

	2016 RUPEES	2015 RUPEES
Present value adjustment	92,233,624	110,736,930
Deferred tax liability	(29,514,760)	(36,543,187)
Equity portion	62,718,864	74,193,743
Deferred tax expense	(5,921,058)	-
Finance cost	18,503,306	-
WPPF and WWF	(1,276,728)	-
Profit before taxation	(17,226,378)	-
Profit after taxation	(11,305,320)	-
EPS	(1.26)	-

As a result of discounting, loan from directors / sponsor as at 30 June 2015 has decreased by Rs. 110.736 million with a corresponding increase in equity portion of loan from sponsor shareholders by Rs. 74.193 million (net of deferred tax) . Subsequent unwinding has decreased profit before taxation (PBT) by Rs: 17.226 million (2016) and increase in finance cost of Rs: 18,503,306 resulting in consequent increase in present value of the loan in 2015-16 as presented above. This classification has resulted in decrease in basic or diluted earning per share of the Company for the year ended June 30, 2015-16.

3.26 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS with weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary

4 SHARE CAPITAL

	2017 <u>RUPEES</u>	2016 <u>RUPEES</u>
4.1 <u>Authorized Capital</u>		
Ordinary shares (2017: 300,000,000) of Rs 10/- each (2016: 10,000,000) of Rs: 100/- each	3,000,000,000	1,000,000,000

During the year the company has increased authorized share capital from 10 million ordinary shares of Rs: 100/- each to 300 million ordinary shares of Rs: 10/- each.

4.2 Issued Subscribed and Paid-up Capital

Ordinary shares (2017: 80,000,000 of Rs 10/-) (2016: 8,000,000 of Rs: 100/-) each issued for consideration paid in cash.	800,000,000	800,000,000
Ordinary shares (2017: 9,471,240 of Rs 10/-) (2016: 947,124 of Rs: 100/-) each issued for consideration other than cash.	94,712,400	94,712,400
Ordinary shares of Rs 10/- (2017: 41,750,000) (2016: Nil) each fully paid in cash.	417,500,000	-
	<u>1,312,212,400</u>	<u>894,712,400</u>

During the year the company has made an initial public offering (IPO) of Rs: 1,260,850,000/- through issuance of 41,750,000 ordinary shares of Rs: 10/- each at a price of Rs: 30.2/- per share including share premium of Rs: 20.2/- per share amounting to 843,350,000/-. Out of total issue of 41.750 million ordinary shares 31.3125 million shares were subscribed through book building by High Net Worth Individuals (HNWI) and Institutional Investors, while the remaining 10.4375 million shares were subscribed by the general public and the shares have been duly allotted . Further the company also changed the par value of its shares from Rs: 100/-each to Rs: 10/- each.

5 CAPITAL RESERVES

Capital Reserves

Share Premium	843,350,000	-
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Capital reserves represents premium of Rs: 20.2/- per share received on public issuance of 41,750,000 shares of Rs: 10/- each during the year. This reserve has been accounted for in accordance with section 83 of the companies ordinance ,1984. This reserve can be utilized by the Company only for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

Movement in Capital reserves

Opening Balance	-	-
Add: Premium of Rs: 20.2/- per share of 41,750,000 shares.	843,350,000	-
Less: Transaction Cost	68,842,075	-
Closing Balance	<u>774,507,925</u>	-

	<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u>
6 <u>SURPLUS ON REVALUATION OF FIXED ASSETS</u>		
Opening Balance	364,534,129	399,284,739
Less: Transferred to equity in respect of:		
Incremental depreciation on revalued Asset	21,656,807	23,630,415
Related deferred tax liability	9,729,870	11,120,195
	31,386,677	34,750,610
Closing Balance - Gross	333,147,452	364,534,129
Less: Related Deferred tax liability		
Related Deferred Tax Liability on Revaluation Surplus	116,650,922	131,763,964
Effect of change in tax rate	(3,645,341)	(3,992,847)
Amount realized during the year on account of incremental depreciation	(9,729,870)	(11,120,195)
	103,275,711	116,650,922
Closing Balance - Net	229,871,741	247,883,207

The company has complied with the requirements of SRO 45(1)2003 for the effect of incremental depreciation. The incremental depreciation charged on revalued assets, except land, during the years has been transferred to retained earnings / accumulated profit/(Loss) to record realization of surplus to the extent of incremental depreciation to comply with the amendment in section 235 of Companies Ordinance, 1984 further notification of Securities and Exchange Commission of Pakistan to clarify the treatment of surplus arising on revaluation of fixed assets.

	<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u> <u>Restated</u>	<u>2015</u> <u>RUPEES</u> <u>Restated</u>
7 <u>DIRECTORS / SPONSORS LOAN</u>			
Interest free loan	316,329,215	316,329,215	316,329,215
Present value adjustment	(92,233,624)	(110,736,930)	(110,736,930)
Unwinding of discount	20,168,603	18,503,306	-
Present value of loan from sponsor shareholders	244,264,194	224,095,591	205,592,285

This represents interest free and unsecured loan received from the directors / sponsor shareholders of the Company, which will be repaid through cash generated internally from operations. It has been recognized at present value cost using discount rate of 9% per annum. Un winding of discount has been recognized through profit and loss.

This interest free loan has been discounted using market related interest on loans with similar terms and conditions and the resulting credit has been transferred to equity in the current year. The adjustment has been made retrospectively in accordance with IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors "and comparative figures have been restated.

	<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u>
8 <u>LONG TERM LOANS</u>		
Soneri Bank Limited	-	9,967,048
Bank Islami	49,991,000	200,000,000
	49,991,000	209,967,048
Less: Current Portion	49,991,000	159,976,048
	-	49,991,000

Long term loans were obtained from various commercial banks. The loans are secured against mortgage of Land, Building, Plant & Machinery and the personal guarantees of all the directors of the company. Mark-up is charged at the rate ranging from 3-months to 6-months KIBOR plus 2.25% to 2.5% per annum. The loans will be expired on the dates ranging from 31 March, 2016 to 1 September,

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2017		2016	
	Payable within one year	Payable after one year but less than five years	Payable within one year	Payable after one year but less than five years
Total of Minimum lease payments	-	-	2,273,045	-
Less: Finance cost	-	-	-	-
Present value of Minimum lease payments.	-	-	2,273,045	-

The rate of interest used as discounting factor ranging from 3 to 6 months KIBOR + 3 to 4 % per annum with floor of 12.5%. The taxes, repairs and insurance cost are borne by lessee. Lessee shall have no right to terminate the lease agreement and if lease agreement is terminated, the lessee shall pay entire amount of rentals for unexpired period of lease agreements. In all the above leases, the purchase option is available to the company which it intends to avail. This lease is secured against the ownership of leased asset in the name of bank and the Personal Guarantees of the Directors.

10 DEFERRED LIABILITIES

		2017 RUPEES	2016 RUPEES Restated	2015 RUPEES Restated
Staff Retirement Gratuity	10.1	23,294,506	20,258,236	18,801,654
Deferred Tax	10.2	109,686,054	146,126,913	163,277,535
		<u>132,980,560</u>	<u>166,385,149</u>	<u>182,079,189</u>

10.1 Movement in the net liability recognized in the balance sheet is as follows:

Opening liability		20,258,236	18,801,654	18,121,669
Amount recognized during the year	10.1.1	5,650,570	5,672,395	5,715,132
Remeasurements chargeable in other comprehensive income	10.1.2	971,343	2,360,518	2,987,158
Benefits paid during the year		(3,585,643)	(6,576,331)	(8,022,305)
Closing liability		<u>23,294,506</u>	<u>20,258,236</u>	<u>18,801,654</u>

10.1.1 The amount recognized in the profit and loss account is as follows:

Current service cost		4,311,827	4,159,830	3,845,489
Interest cost		1,338,743	1,512,565	1,869,643
Expense chargeable to Profit and loss		<u>5,650,570</u>	<u>5,672,395</u>	<u>5,715,132</u>

10.1.2 The amount recognized in the Other Comprehensive Income is as follows:

Actuarial (gain)/loss		4,210,141	(143,614)	(102,628)
Experience Adjustments		(3,238,798)	2,504,132	3,089,786
Total remeasurements chargeable in other comprehensive income		<u>971,343</u>	<u>2,360,518</u>	<u>2,987,158</u>

a) Changes in present value of defined benefit obligations

Present value of defined benefit obligations		20,258,236	18,801,654	18,121,669
Current Service Cost		4,311,827	4,159,830	3,845,489
Interest Cost on defined benefit obligations		1,338,743	1,512,565	1,869,643
Benefits paid during the year		(3,585,643)	(6,576,331)	(8,022,305)
Actuarial Adjustment				
Remeasurements:				
Actuarial (gain)/losses from changes in financial assumptions		4,210,141	(143,614)	(102,628)
Experience adjustments		(3,238,798)	2,504,132	3,089,786
Present value of defined benefit obligations		<u>23,294,506</u>	<u>20,258,236</u>	<u>18,801,654</u>

	<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u> <u>Restated</u>	<u>2015</u> <u>RUPEES</u> <u>Restated</u>
b) Principal actuarial assumptions			
The principal actuarial assumptions used in the actuarial valuation of this scheme by applying projected unit credit method as on 30 June are as follows:			
Discount rate used for interest cost	7.25%	9.75%	13.25%
Discount rate used for year end obligation	7.75%	7.25%	9.75%
c) Expected rate of salary increase in future years			
Salary Increase for year 2016	N/A	N/A	8.75%
Salary Increase for year 2017	6.75%	6.25%	8.75%
Salary Increase for year 2018	6.75%	6.25%	8.75%
Salary Increase for year 2019	6.75%	6.25%	8.75%
Salary Increase for year 2020	6.75%	6.25%	8.75%
Salary Increase for year 2021	6.75%	6.25%	8.75%
Salary Increase for year 2022 onward	6.75%	6.25%	8.75%
Net salary is increased at	1-Jan-18	1-Jan-17	1-Jan-16
Expected mortality rate	SLIC 2001- 2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Withdrawal rates Retirement assumption	Age-Based Age 60	Age-Based Age 60	Age-Based Age 60
Estimated expense to be charged to Profit and Loss in 2018 is Rs. 7,072,289.			
d) Year and sensitivity analysis (± 100 bps) on defined benefit obligation			
Discount rate + 100 bps	17,825,350	19,510,972	-
Discount rate - 100 bps	20,553,777	21,116,021	-
Salary increase + 100 bps	20,553,777	21,173,092	-
Salary increase - 100 bps	17,803,393	19,444,233	-
The average duration of defined obligation is 6 year.			
10.2 The Deferred Tax Liability/(Asset) comprises of Temporary differences relating to:			
Taxable Temporary Differences			
Accelerated Tax Depreciation	181,686,704	193,261,748	207,842,267
Revaluation surplus	103,275,710	116,650,921	131,763,964
Finance Lease	-	6,105,329	4,364,139
Equity portion of Directors / Sponsors Loan	22,340,156	29,514,760	36,543,187
Deductible Temporary Differences			
Minimum tax available for carry forward	(112,027,536)	(112,027,536)	(127,607,809)
Unused Tax Losses	(78,367,683)	(80,895,673)	(83,423,663)
Staff Retirement Benefits-Gratuity	(7,221,297)	(6,482,636)	(6,204,546)
	<u>109,686,054</u>	<u>146,126,913</u>	<u>163,277,535</u>

		<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u> <u>Restated</u>
11	<u>TRADE AND OTHER PAYABLES</u>		
	Sundry Creditors	329,929,605	391,134,436
	Advances from Customers	75,322,724	45,608,552
	Accrued Expenses	46,882,797	22,550,108
	Security Deposits Payable	2,081,664	775,669
	Others Payables	6,683,802	6,800,607
	Workers' Profit Participation Fund	9,748,137	14,182,928
	Workers' Welfare Fund	4,055,855	9,557,511
		<u>474,704,584</u>	<u>490,609,811</u>

11.1 Workers' profit participation fund

	Balance as at 01 July	14,182,928	6,932,325
	Allocation for the year-Restated	10,673,302	7,250,603
	Less: Amount adjusted / paid	(15,108,093)	-
	Balance as at 30 June	<u>9,748,137</u>	<u>14,182,928</u>

12 SHORT TERM BORROWINGS-SECURED

	Bank of Punjab Ltd.	349,626,412	346,429,968
	National Bank of Pakistan Ltd.	585,845,866	391,649,987
	MCB Bank Limited	-	157,300,039
	J-S Bank Ltd	-	87,397,837
		<u>935,472,278</u>	<u>982,777,828</u>

Short term borrowings were obtained from various commercial banks. The borrowings are secured against charge over Raw Material, Finished Goods, Imported Chemicals and the personal guarantees of all the directors of the company. Mark-up rate charged at the rate ranging from 3-months to 6-months KIBOR plus 2.25% to 3.0% per annum. These loan will expire within the period ranging from March 2016 to December 2017.

13 CURRENT PORTION OF LONG TERM LIABILITIES

	Current Portion of Long Term Loans	83,342,994	179,985,707
	Current Portion of Liabilities Against Assets Subject to Finance Lease	-	2,273,045
		<u>83,342,994</u>	<u>182,258,752</u>

13.1 This amount includes current portion of long term loans pertaining to balance outstanding of Islamic bank in the prior year which is not paid fully during the year and the management acknowledged that its payments shall be cleared at the year end.

14 CONTINGENCIES AND COMMITMENTS

There were no known contingencies as at June 30, 2017 (2016: Nil). The commitments against Letter of Credits are Nil as at June 30, 2017 (2016: Nil).

15 PROPERTY, PLANT & EQUIPMENTS

PARTICULARS	C O S T/Revalued Amount			Rate %	Depreciation			WDV As At 30-06-2017	WDV As At 30-06-2017
	As At 01-07-2016	Addition/ (Deletion)	Adjustments		As At 30-06-2017	As At 01-07-2016	Adjustments		
Land	62,875,000	-	-	-	-	-	-	-	62,875,000
Building	500,282,974	748,519	-	501,031,493	96,581,675	-	20,222,491	116,804,166	384,227,327
Plant & Machinery	1,320,600,063	3,865,344	29,289,710	1,352,480,117	501,393,807	7,937,512	85,116,058	593,783,505	738,696,612
		(1,275,000)				(663,872)			
Grid Station	57,279,039	-	-	57,279,039	36,197,520	-	2,108,152	38,305,672	18,973,367
Electric Installation	192,691,624	148,000	-	192,839,624	89,708,483	-	10,313,114	100,021,597	92,818,027
Vehicles	25,792,671	105,500	-	24,964,271	16,269,879	-	1,770,329	17,318,196	7,646,075
		(933,900)				(722,012)			
Furniture & Fixture	5,316,107	10,000	-	5,326,107	2,969,410	-	235,670	3,205,080	2,121,027
Office Equipment	3,356,812	576,341	-	3,933,153	2,112,088	-	364,213	2,476,301	1,456,852
Laboratory Equipment	11,232,088	-	-	11,232,088	7,098,123	-	413,397	7,511,520	3,720,568
Arms & Ammunition	146,013	-	-	146,013	91,368	-	5,465	96,833	49,180
Tools	302,509	-	-	302,509	191,171	-	11,134	202,305	100,204
Year 2017	2,179,874,900	3,244,804	29,289,710	2,212,409,414	752,613,524	6,551,628	120,560,023	879,725,175	1,382,684,239
Year 2016	2,159,905,778	19,969,122	-	2,179,874,900	623,127,813	-	129,485,711	752,613,524	1,427,261,376

15.1 WDV/H COST MODEL APPLIED

PARTICULARS	C O S T/Revalued Amount			Rate %	Depreciation			WDV As At 30-06-2017	WDV As At 30-06-2017
	As At 01-07-2016	Addition/ (Deletion)	Adjustments		As At 30-06-2017	As At 01-07-2016	Adjustments		
Land	33,322,002	-	-	33,322,002	-	-	-	-	33,322,002
Building	505,651,695	748,519	-	506,400,214	144,179,119	-	18,111,055	162,290,174	344,110,040
Plant & Machinery	984,475,285	3,865,344	-	987,065,629	458,021,438	7,937,512	52,904,419	518,199,497	468,866,132
		(1,275,000)				(663,872)			
Grid Station	57,279,039	-	-	57,279,039	36,197,520	-	2,108,152	38,305,672	18,973,367
Electric Installation	192,691,624	148,000	-	192,839,624	89,708,483	-	10,313,114	100,021,597	92,818,027
Vehicles	25,792,671	105,500	-	24,964,271	16,269,879	-	1,738,878	17,286,745	7,677,526
		(933,900)				(722,012)			
Furniture & Fixture	5,316,107	10,000	-	5,326,107	2,969,410	-	235,670	3,205,080	2,121,027
Office Equipment	3,356,812	576,341	-	3,933,153	2,112,088	-	364,213	2,476,301	1,456,852
Laboratory Equipment	11,232,088	-	-	11,232,088	7,098,123	-	413,397	7,511,520	3,720,568
Arms & Ammunition	146,013	-	-	146,013	91,368	-	5,465	96,833	49,180
Tools	302,509	-	-	302,509	191,171	-	11,134	202,305	100,204
Year 2017	1,819,565,845	3,244,804	-	1,822,810,649	756,838,599	6,551,628	86,205,497	849,595,724	973,214,925
Year 2016	1,799,596,723	19,969,122	-	1,819,565,845	662,103,497	-	94,735,101	756,838,599	1,062,727,247

15.2 The surplus on revaluation of land, building and plant & machinery was determined as on June 11, 2011 by M/S Ryada Co. (Approved Valuer of Pakistan Bank's Association) on current replacement cost basis as follows:

	Original Cost Rupees	Book Value Rupees	Revalued amount Rupees	Revaluation Surplus Rupees
Land	33,322,002	33,322,002	62,875,000	29,552,998
Building	301,589,141	241,645,900	296,220,420	54,574,520
Plant & Machinery	428,928,610	269,274,614	765,053,388	495,778,774
Total	763,839,753	544,242,516	1,124,148,808	579,906,292

15.3 LEASED ASSETS

PARTICULARS	COST					Rate %	Depreciation					WDV As At 30-06-2017
	As At 01-07-2016	Addition	Adjustments	As At 30-06-2017	As At 01-07-2016		Adjustments	For The Year	As At 30-06-2017	As At 30-06-2017		
Plant & Machinery	29,289,710	-	(29,289,710)	-	-	10	7,937,512	(7,937,512)	-	-	-	
Year 2017	29,289,710	-	(29,289,710)	-	-		7,937,512	(7,937,512)	-	-	-	
Year 2016	29,289,710	-	-	29,289,710	-		5,565,045	-	2,372,467	7,937,512	21,352,198	

Total for the Year 2017	2,209,164,610	3,244,804	-	2,212,409,414	760,551,036	(1,385,884)	120,560,023	879,725,175	1,332,684,239
Total for the Year 2016	2,189,195,488	19,969,122	-	2,209,164,610	628,692,858	-	131,858,178	760,551,036	1,448,613,574

15.4 Depreciation for the year has been allocated as under :-

	2017 RUPEES	2016 RUPEES	
Cost of Sales	95%	114,532,022	125,265,269
Administrative Expenses	5%	6,028,001	6,592,909
		120,560,023	131,858,178

15.5 The Following Assets were sold during the year.

Description of Asset	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Cain/(Loss)	Mode of Disposal
LEI-4332	650,000	575,194	74,806	460,000	385,194	Negotiation
LEP-1308	86,300	71,511	14,789	32,000	17,211	Negotiation
LEY-675	92,100	66,636	25,464	43,000	17,536	Negotiation
LEM-404	105,500	8,671	96,829	105,500	8,671	Claim Receivable
Plant & Machinery	750,000	390,513	359,487	1,040,200	680,713	Negotiation
Plant & Machinery	525,000	273,359	251,641	910,000	658,359	Negotiation
	2,208,900	1,385,884	823,016	2,590,700	1,767,684	

	<u>2017</u>	<u>2016</u>	
	<u>RUPEES</u>	<u>RUPEES</u>	
16 STOCK IN TRADE			
Stock of Raw Material	1,217,043,796	401,083,174	
Finished Goods	217,943,439	751,482,078	
	<u>1,434,987,235</u>	<u>1,152,565,252</u>	
17 ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES			
Advance to :			
-Suppliers	44,890,737	44,196,010	
-Office Staff	188,287	257,494	
-Clearing Agent	2,079,885	2,208,904	
-Staff for Expenses	10,336,832	7,377,611	
Advances Against L/C	198,123,095	404,787,077	
Security Deposits	22,571,058	17,277,423	
Letter of Guarantee	6,523,086	5,023,086	
	<u>284,712,980</u>	<u>481,127,605</u>	
18 TAXES REFUNDABLE			
Sales Tax Receivable	60,274,226	5,738,728	
Advance Income Tax	79,882,866	125,957,564	
	<u>140,157,092</u>	<u>131,696,292</u>	
19 CASH & BANK BALANCES			
Cash at Banks			
- Current Account	1,032,539,068	1,165,750	
- Saving Account	74,884,289	964,844	
Cash in Hand	3,386,676	3,186,256	
	<u>1,110,810,033</u>	<u>5,316,850</u>	
20 SALES			
Export Sales	-	4,604,425	
Local Sales	4,544,932,426	4,061,274,782	
Total Sales	4,544,932,426	4,065,879,207	
Less : Sales Tax	102,829,748	148,427,288	
	<u>4,442,102,678</u>	<u>3,917,451,919</u>	
21 COST OF SALES			
Raw Material Consumed	21.1	3,161,197,826	2,424,127,179
Salaries, Wages & Benefits	21.2	80,582,966	134,398,623
Store Consumption		14,423,343	96,679,777
Fuel and Power		125,900,190	293,416,705
Repair & Maintenance		20,913,248	35,088,079
Freight Expenses		501,196	28,400,000
Vehicles Running Expenses		3,053,319	4,782,076
Insurance Charges		4,044,439	4,646,124
Traveling & Conveyance		115,955	404,420
Entertainment		386,027	356,756
Printing & Stationery		228,696	222,950
Rent, Rates & Taxes		283,500	105,300
Telephone Expense		213,958	297,471
Laboratory Expense		2,117,376	345,195
Misc. Expenses		8,325,511	16,333,717
Depreciation		114,532,022	125,265,269
		<u>3,536,819,573</u>	<u>3,164,869,641</u>
Opening Stock		751,482,078	1,148,555,499
Closing Stock		(217,943,439)	(751,482,078)
		<u>4,070,358,212</u>	<u>3,561,943,062</u>

	<u>2017</u> <u>RUPEES</u>	<u>2016</u> <u>RUPEES</u>
21.1 Raw Material consumed		
Opening Raw material stock	401,083,174	283,365,017
Add: Purchases during the year	3,977,158,448	2,541,845,336
	<u>4,378,241,622</u>	<u>2,825,210,353</u>
Less: Consumption during the year	3,161,197,826	2,424,127,179
Closing stock	<u>1,217,043,796</u>	<u>401,083,174</u>

21.2 Includes Rs: 4,237,927/- (2016 :Rs.4,254,296/-) in respect of staff retirement benefits.

22 DISTRIBUTION COST

Salaries, Wages and Benefits	2,161,090	529,170
Advertising Expenses	1,728,108	153,510
Packing Expenses	3,098,285	2,898,898
Loading/Unloading	772,351	1,025,466
Sample Test Expenses	64,750	101,600
Others	5,391,667	8,570,275
	<u>13,216,251</u>	<u>13,278,919</u>

23 ADMINISTRATIVE EXPENSES

Salaries, Wages and Benefits	23.1	22,750,761	19,439,022
Fee & Subscription		1,207,637	755,558
Legal & Professional Charges		391,275	231,535
Auditors' Remuneration	23.2	900,000	600,000
Vehicle Running Expenses		3,132,712	3,136,315
Traveling & Conveyance		562,990	389,550
Printing & Stationery		174,854	686,347
Donation		324,000	324,000
Insurance Charges		657,278	638,743
Telephone & Postage Charges		848,522	452,294
Entertainment		87,635	93,727
Advertisement		41,180	82,080
Misc. Expenses		1,866,528	1,512,279
Depreciation		6,028,001	6,592,909
		<u>38,973,373</u>	<u>34,934,359</u>

23.1 Includes Rs: 1,412,642/- (2016 :Rs. 1,418,099/-) in respect of staff retirement benefits & Directors Remuneration of Rs. 8,708,536/- (2016: Rs.6,465,300).

23.2 Auditors' Remuneration

Audit Fee	800,000	600,000
Review report on code of corporate governance	100,000	-
	<u>900,000</u>	<u>600,000</u>

24 OTHER INCOME

Interest and Other Income	3,551,141	5,209,310
Gain on Disposal of Fixed Assets	1,767,684	-
	<u>5,318,825</u>	<u>5,209,310</u>

	<u>2017</u>	<u>2016</u>
	<u>RUPEES</u>	<u>RUPEES</u>
25 <u>FINANCE COST</u>		
Finance Cost on Banks Borrowings	89,621,375	145,505,685
Finance Cost on Lease Liability	-	657,637
Bank Charges	1,617,642	2,826,205
Unwinding Interest Cost	20,168,603	18,503,306
	<u>111,407,620</u>	<u>167,492,833</u>

26 TAXATION

Current		
For the Year	89,069,663	65,479,730
Prior Year	378,024	3,792,241
	<u>89,447,687</u>	<u>69,271,971</u>
Deferred		
Relating to origination and reversal of temporary differences	(29,145,300)	(7,580,549)
Relating to rate change	(2,426,765)	(3,714,452)
	<u>(31,572,065)</u>	<u>(11,295,040)</u>
	<u>57,875,622</u>	<u>57,976,931</u>

Tax Reconciliation

Reconciliation between the average effective tax rate and the applicable tax rate.

	% Age	
	<u>31</u>	<u>32</u>
Applicable tax rate		
Tax effect of amounts that are deductible for tax purposes	(0.120)	(0.110)
Effect on opening deferred taxes of reduction in tax rate	0.123	0.035
Others	(0.0019)	(0.025)
	<u>31.07</u>	<u>32.62</u>
Average effective tax rate charged to profit and loss A/c in percentage		

27 Earning Per Share

27.1 Earning Per Share based on face value of Rs: 10/ and Rs: 100/- per share

	<u>Before IPO</u>	
Profit after taxation for the year attributable to ordinary shareholders.	140,861,268	77,029,293
Weighted average number of ordinary shares outstanding during the year.	90,615,076	8,947,124
Earning Per Share (Rs./Share)	1.55	8.61

27.2 Earning Per Share based on face value of RS: 10/- per share

	<u>After IPO</u>	
Profit after taxation for the year attributable to ordinary shareholders.	140,861,268	77,029,293
Weighted average number of ordinary shares outstanding during the year.	90,615,076	89,471,240
Earning Per Share (Rs./Share)	1.55	0.86

27.3 Diluted Earning Per Share

There is no dilution effect on the basic earnings per share as the company has no such commitments.

28 REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVE OFFICERS

The aggregate amount charged in the accounts for the year for remuneration to the Chief Executive and other executive officers was as follows:

	2017		2016	
	Chief Executive	Director	Chief Executive	Director
	Rs.	Rs.	Rs.	Rs.
Managerial remuneration	3,747,988	4,960,548	3,532,650	2,932,650
Housing allowance	-	-	-	-
Utilities and conveyance	-	-	-	-
Medical	-	-	-	-
Bonus	-	-	-	-
Others	-	-	-	-
	<u>3,747,988</u>	<u>4,960,548</u>	<u>3,532,650</u>	<u>2,932,650</u>
Number of persons	1	3	1	1

28.1 In addition Chief Executive and Directors are provided with company maintained car with reimbursement of certain expenses pertaining to business.

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

- Credit Risk
- Liquidity Risk
- Market Risk

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

29.1 Risk management framework

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

Risk management systems are reviewed regularly by the executive management team 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.

29.2 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trades debts, advances and deposits, interest accrued, other receivables and margin on letter of guarantee. To manage credit risk, the Company maintains procedures covering the credit worthiness of debtors and monitoring of exposures. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash security deposit.

a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2017 <u>RUPEES</u>	2016 <u>RUPEES</u>
Trade Debtors	680,207,444	597,100,046
Deposits, Prepayments & Other Receivables	284,712,980	481,127,605
Bank Balances	<u>1,110,810,033</u>	<u>5,316,850</u>
	<u>2,075,730,457</u>	<u>1,083,544,501</u>

Trade Debtors

Majority of the Company's sales are on advance basis and trade debts represents receivable from various customers. Hence the management believes that no impairment allowance is necessary in respect of these trade debts.

Deposits, Prepayments & Other Receivables

These mainly comprise of advances against L/C, security deposits , letter of gaurantee and partial payment of cost of documents.

Customer credit risk is managed subject to the Company's established policies, procedures and controls relating to customer credit risk management. Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

b) Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings agencies as follows:

<u>Banks</u>	Agency	Rating	
		Short-term	Long-term
National Bank of Pakistan	PACRA	A1+	AAA
The Bank of Punjab	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA+
Askari bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Faisal Bank Limited	JCR-VIS	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank Pakistan	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A-
United Bank Limited	JCR-VIS	A-1+	AAA
Bank Islamic Pakistan Limited	PACRA	A+	A+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	AA-	AA-
Meezan Bank Limited	JCR-VIS	AA	AA
MCB Islamic Bank Limited	PACRA	A	A

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

29.3 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company manages liquidity risk by maintaining sufficient cash. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. Following are the contractual maturities of financial liabilities. The amounts disclosed in the table are undiscounted cash flows.

- Contractual maturities of financial liabilities as at 30 June 2017

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More Than 2 Year
RUPEES						
Non-derivative financial liabilities:						
Long Term Loan	83,342,994	83,342,994	41,671,497	41,671,497	-	-
Liabilities against Assets- Subject to Finance Lease	-	-	-	-	-	-
Trade and Other Payables	474,704,584	474,704,584	46,882,797	22,569,458	405,252,329	-
Finance Cost Payable	18,580,147	18,580,147	18,580,147	-	-	-
Short term borrowings	935,472,278	935,472,278	467,736,139	467,736,139	-	-

- Contractual maturities of financial liabilities as at 30 June 2016

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More Than 2 Year
RUPEES						
Non-derivative financial liabilities:						
Long Term Loan	209,967,048	209,967,048	89,992,854	89,992,854	29,981,341	-
Liabilities against Assets- Subject to Finance Lease	-	-	-	1,136,523	-	-
Trade and Other Payables	490,609,811	490,609,811	22,550,108	31,316,715	391,134,436	-
Finance Cost Payable	18,667,077	18,667,077	18,667,077	-	-	-
Short term borrowings	982,777,828	982,777,828	491,388,914	491,388,914	-	-
	1,702,021,764	1,702,021,764	622,598,953	613,835,006	421,115,777	-

Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

Financial instruments by categories

	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total
	2017			2016		
Rupees						
Assets as per balance sheet						
Trade Debtors	680,207,444	-	680,207,444	597,100,046	-	597,100,046
Deposits, Prepayments & Other Receivables	284,712,980	-	284,712,980	481,127,605	-	481,127,605
Bank Balances	1,110,810,033	-	1,110,810,033	5,316,850	-	5,316,850
	<u>2,075,730,457</u>	<u>-</u>	<u>2,075,730,457</u>	<u>1,083,544,501</u>	<u>-</u>	<u>1,083,544,501</u>

Financial Liabilities at Amortized Cost

Liabilities as per balance sheet

	2017 RUPEES	2016 RUPEES
Long Term Loan	83,342,994	209,967,048
Liabilities against Assets- Subject to Finance Lease	-	-
Trade and Other Payables	474,704,584	490,609,811
Finance Cost Payable	18,580,147	18,667,077
Short term bank borrowings	935,472,278	982,777,828
	<u>1,512,100,003</u>	<u>1,702,021,764</u>

Liquidity Risk Management

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

29.4 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is not exposed to currency risks.

b) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

c) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is geared only to the extent of borrowings as mentioned in note # 08, 09 & 12. Financial instruments at variable rates expose the company to cash flow interest rate risk. Financial instruments at fixed rate expose the company to fair value interest rate risk.

The Company has no long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	<u>2017</u>	<u>2016</u>
	<u>RUPEES</u>	<u>RUPEES</u>
<u>Floating rate instruments</u>		
Financial liabilities		
Long Term Loan	83,342,994	209,967,048
Liabilities against Assets Subject to Finance Lease	-	-
Short Term Loan	935,472,278	982,777,828

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. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

The Company does not account for any variable rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets and liabilities of the Company.

30 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through long-term and short-term financing in addition to its equity. The Company has a positive gearing ratio of 69.6% (2016: 98.7%) as of the balance sheet date.

31 TRANSACTION WITH RELATED PARTIES

Related parties of the Company comprises Associates directors and key management personnel. Transactions and balances if any ,with related parties are disclosed in respective notes to the accounts.

32 PLANT CAPACITY AND ACTUAL PRODUCTION

Plant Capacity-Actual (M.Tons)	120,000	120,000
Capacity Utilization (M.Tons)	53,323	52,879

32.1 Low production during the period is due to power and gas shutdowns.

33 GENERAL

33.1 Corresponding Figures

previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison and for better presentation. However, there is no material rearrangement to report.

33.2 Functional and Presentation Currency

- a) The financial statements are prepared in Pakistani Rupee, which is the Company's functional and presentation currency.
- b) Figures have been rounded off to the nearest rupees.

33.3 Number of employees at the end of year and average were 182 and 188 (2016: 202 and 250) respectively.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 05, 2017.

35 SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

Ittefaq Iron Industries Limited (" The Company") (Formerly Ittefaq Sons Private Limited) has been listed on Pakistan Stock Exchange on 3 July 2017.



CHIEF EXECUTIVE

DIRECTOR