



Nestlé

Good Food, Good Life

Financial Report 2016

EXCELLENCE THROUGH GROWTH

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Nestlé Fruita Vitals

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CONTENTS

01

Auditors' Report to
the Members

02

Balance Sheet

04

Profit and Loss
Account

05

Statement of
Comprehensive
Income

06

Cash Flow
Statement

07

Water Statement of
Changes in Equity

08

Notes to the
Financial
Statements

55

Form of Proxy

Auditors' Report to the Members

We have audited the annexed balance sheet of Nestlé Pakistan Limited ("the Company") as at 31 December 2016 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the period 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 31 December 2016 and of the profit and of its comprehensive income, 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, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

Lahore: February 22, 2017

Balance Sheet

As at 31 December 2016

(Rupees in '000)	Note	2016	2015
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
75,000,000 (2015: 75,000,000) ordinary shares of Rs. 10 each		750,000	750,000
Issued, subscribed and paid up capital	3	453,496	453,496
Share premium	4	249,527	249,527
General reserve		280,000	280,000
Hedging reserve	5	(10,092)	2,728
Accumulated profit		7,839,121	11,652,011
		8,812,052	12,637,762
Non-current liabilities			
Long term finances	6	5,637,473	8,000,000
Deferred taxation	7	1,943,343	2,271,523
Retirement benefits	8	1,361,555	1,215,067
		8,942,371	11,486,590
Current liabilities			
Current portion of long term finances	6	-	1,047,750
Short term borrowings - secured	9	4,345,157	3,000,000
Short term running finance under mark-up arrangements - secured	10	2,013,120	2,461,648
Customer security deposits - interest free		240,843	221,305
Income tax - net		1,458,740	1,576,345
Trade and other payables	11	24,920,599	16,752,543
Interest and mark-up accrued	12	48,888	83,521
		33,027,347	25,143,112
Contingencies and commitments	13		
		50,781,770	49,267,464

The annexed notes 1 to 45 form an integral part of these financial statements.

Balance Sheet

As at 31 December 2016

(Rupees in '000)	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	14	28,046,124	29,996,095
Capital work-in-progress	15	2,765,730	882,230
Intangible assets	16	31,600	39,668
Long term loans and advances	17	338,449	276,199
Long term deposits and prepayments	18	32,046	43,674
		31,213,949	31,237,866
Current assets			
Stores and spares	19	1,308,329	1,262,789
Stock in trade	20	11,207,230	9,474,681
Trade debts	21	564,460	314,836
Current portion of long term loans and advances	17	98,565	98,775
Sales tax refundable - net		5,374,745	5,796,612
Advances, deposits, prepayments and other receivables	22	661,325	828,638
Cash and bank balances	23	353,167	253,267
		19,567,821	18,029,598
		50,781,770	49,267,464



JOHN MICHAEL DAVIS
Head of Finance and Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman

Profit and Loss Account

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
Sales - net	24	112,392,654	102,985,916
Cost of goods sold	25	(72,609,392)	(68,859,344)
Gross profit		39,783,262	34,126,572
Distribution and selling expenses	26	(17,875,408)	(15,411,236)
Administration expenses	27	(2,760,186)	(2,397,996)
Operating profit		19,147,668	16,317,340
Finance cost	28	(959,005)	(1,477,480)
Other operating expenses	29	(1,563,496)	(2,457,480)
		(2,522,501)	(3,934,960)
Other income	30	394,753	137,742
Profit before taxation		17,019,920	12,520,122
Taxation	31	(5,172,947)	(3,759,192)
Profit after taxation		11,846,973	8,760,930
Earnings per share - basic and diluted (Rupees)	32	261.23	193.18

The annexed notes 1 to 45 form an integral part of these financial statements.



JOHN MICHAEL DAVIS
Head of Finance and Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman

Statement of Comprehensive Income

For the year ended 31 December 2016

(Rupees in '000)	2016	2015
Profit after taxation	11,846,973	8,760,930
Items that are or may be classified subsequently to profit and loss:		
Cash flow hedges - effective portion of changes in fair value	(17,967)	25,490
Related tax	5,147	(8,763)
	(12,820)	16,727
Items that will never be reclassified to profit and loss:		
Remeasurement of net retirement benefit liability recognised directly in the equity	(20,660)	(222,204)
Related tax	6,405	71,105
	(14,255)	(151,099)
Total comprehensive income for the year	11,819,898	8,626,558

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Cash Flow Statement

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
Cash flow from operating activities			
Cash generated from operations	34	29,534,835	22,122,921
Decrease in long term deposits and prepayments		11,628	11,925
(Increase) / decrease in long term loans and advances		(62,040)	18,708
Increase in customer security deposits - interest free		19,538	348
Sales tax refundable - net		421,867	72,104
Retirement benefits paid		(387,921)	(316,866)
Finance cost paid		(993,638)	(1,541,611)
Workers' profit participation fund paid		(895,145)	(662,690)
Workers' welfare fund paid		(264,986)	(214,300)
Income taxes paid		(5,622,752)	(2,880,807)
Net cash generated from operating activities		21,761,386	16,609,732
Cash flow from investing activities			
Fixed capital expenditure		(4,080,255)	(2,701,201)
Sale proceeds of property, plant and equipment		560,991	348,904
Net cash used in investing activities		(3,519,264)	(2,352,297)
Cash flow from financing activities			
Long term finances - net		(3,410,127)	(1,108,715)
Short term borrowings - net		1,345,157	(4,029,193)
Dividend paid		(15,628,724)	(8,619,505)
Net cash used in financing activities		(17,693,694)	(13,757,413)
Net increase in cash and cash equivalents		548,428	500,022
Cash and cash equivalents at beginning of the year		(2,208,381)	(2,708,403)
Cash and cash equivalents at end of the year	35	(1,659,953)	(2,208,381)

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Statement of Changes in Equity

For the year ended 31 December 2016

(Rupees in '000)	Share capital	Capital reserves		Revenue reserves		Total
		Share premium	Hedging reserve	General reserve	Accumulated profit	
Balance as at 01 January 2015	453,496	249,527	(13,999)	280,000	11,658,601	12,627,625
Total comprehensive income for the year:						
Profit after taxation	-	-	-	-	8,760,930	8,760,930
Cash flow hedges - effective portion of changes in fair value (net of tax)	-	-	16,727	-	-	16,727
Remeasurement of net retirement benefits liability (net of tax)	-	-	-	-	(151,099)	(151,099)
	-	-	16,727	-	8,609,831	8,626,558
Transaction with owners, directly recognised in equity:						
Final dividend for the year ended 31 December 2014 (Rs. 90 per share)	-	-	-	-	(4,081,463)	(4,081,463)
Interim dividend for the six months period ended 30 June 2015 (Rs. 50 per share)	-	-	-	-	(2,267,479)	(2,267,479)
Interim dividend for the nine months period ended 30 September 2015 (Rs. 50 per share)	-	-	-	-	(2,267,479)	(2,267,479)
Balance as at 31 December 2015	453,496	249,527	2,728	280,000	11,652,011	12,637,762
Total comprehensive income for the year:						
Profit after taxation	-	-	-	-	11,846,973	11,846,973
Cash flow hedges - effective portion of changes in fair value (net of tax)	-	-	(12,820)	-	-	(12,820)
Remeasurement of net retirement benefits liability (net of tax)	-	-	-	-	(14,255)	(14,255)
	-	-	(12,820)	-	11,832,718	11,819,898
Transaction with owners, directly recognised in equity:						
Final dividend for the year ended 31 December 2015 (Rs. 90 per share)	-	-	-	-	(4,081,463)	(4,081,463)
Interim dividend for the six months period ended 30 June 2016 (Rs. 70 per share)	-	-	-	-	(3,174,472)	(3,174,472)
Interim dividend for the nine months period ended 30 September 2016 (Rs. 185 per share)	-	-	-	-	(8,389,673)	(8,389,673)
Balance as at 31 December 2016	453,496	249,527	(10,092)	280,000	7,839,121	8,812,052

The annexed notes 1 to 45 form an integral part of these financial statements.



JOHN MICHAEL DAVIS
Head of Finance and Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman

Notes to the Financial Statements

For the year ended 31 December 2016

1 Legal status and nature of business

Nestlé Pakistan Limited (“the Company”) is a public limited company incorporated in Pakistan and its shares are quoted on Pakistan Stock Exchange. The principal activity of the Company is manufacturing, processing and sale of food products including imported products (dairy, confectionery, culinary, coffee, beverages, infant nutrition and drinking water). Registered office of the Company is situated at Babar Ali Foundation Building, 308-Upper Mall, Lahore.

2 Basis of preparation and summary of significant accounting policies

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits at present value and recognition of certain financial instruments at fair value.

The preparation of financial statements in conformity with 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 and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about 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. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company’s financial statements or where judgments were exercised in application of accounting policies are as follows:

	Note
• Impairment losses	2.9
• Taxation	2.10
• Retirement benefits	2.11
• Provisions and contingencies	2.15
• Useful life of depreciable assets	2.16
• Store and spares	2.17
• Stock in trade	2.17
• Recoverability of trade debts and other receivables	2.18

2.3 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below and have been applied consistently to all periods presented in these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

2.4 Business combination

Business combinations are accounted for using the acquisition method. Under this method, as of the acquisition date, the Company recognised separately from goodwill the identified assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill is recognised as the excess of cost of an acquisition over the fair value of net identifiable assets acquired in the business combination. Any goodwill that arises is tested annually for impairment.

2.5 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company loses control of the contractual right that comprise the financial assets. Financial liabilities are de-recognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.6 Derivative financial instruments and hedge accounting

Derivatives are recognised initially at fair value, any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit and loss account.

The Company also holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Fair value hedge

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

Cash flow hedges

When a derivative is designated as cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

2.7 Financial liabilities

Financial liabilities are classified according to substance of contractual arrangements entered into. Significant financial liabilities include short and long term borrowings, trade and other payables, interest free customer security deposits and interest and markup accrued.

Notes to the Financial Statements

For the year ended 31 December 2016

Interest bearing borrowings

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

Other financial liabilities

All other financial liabilities are initially recognised at fair value minus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

2.8 Offsetting of financial assets and financial liabilities

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

2.9 Impairment losses

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets of the unit on a pro-rata basis. Impairment losses on goodwill shall not be reversed.

2.10 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current

Provision of current tax is based on the 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 rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Notes to the Financial Statements

For the year ended 31 December 2016

Deferred

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the proportion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

2.11 Retirement benefits

Defined benefit plan

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When calculation results in a potential assets for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan.

Remeasurement of net defined benefit liability, which comprise of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. The Company determines net interest expense/(income) on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plan

The Company operates a recognised provident fund for all its regular employees, excluding expatriates. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 12% of the basic salary plus cost of living allowance. All regular employees are eligible for provident fund upon their confirmation. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account as and when incurred.

Notes to the Financial Statements

For the year ended 31 December 2016

2.12 Leases

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of lease.

Finance leases

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated 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 any identified impairment loss.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance cost 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 asset on a straight-line method. Depreciation on leased assets is charged to profit and loss account.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired, while no depreciation is charged for the month in which the asset is disposed off.

2.13 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortized cost using effective interest rate method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

2.14 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which dividends are approved.

2.15 Provisions and contingencies

Provisions are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate. Where the outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

2.16 Fixed capital expenditure and depreciation/amortization

Property, plant and equipment

Property, plant and equipment, except freehold land, are stated at cost less accumulated depreciation and any identified accumulated impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to self constructed assets includes direct cost of material, labour, applicable manufacturing overheads and borrowing costs on qualifying assets.

Notes to the Financial Statements

For the year ended 31 December 2016

Depreciation is charged to profit and loss account, unless it is included in the carrying amount of another asset, on straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 14.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

Depreciation on additions is charged from the month in which asset is capitalized, while no depreciation is charged for the month in which asset is disposed off. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. It consists of all expenditures and advances connected with specific assets incurred and made during installations and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified accumulated impairment loss. These are amortized using the straight line method at the rates given in note 16. Amortization on additions is charged from the month in which an intangible asset is acquired, while no amortization is charged for the month in which intangible asset is disposed off.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

2.17 Inventories

Inventories, except for stock in transit, are stated at lower of cost and net realizable value. Stock in transit is valued at cost comprising invoice value plus other charges thereon. Net realizable value is the estimated selling price in ordinary course of business less estimated costs of completion and selling expenses. Cost is determined as follows:

Store and spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value.

Finished goods and work in process

Cost of finished goods and work in process both manufactured and purchased, is determined on weighted average basis. Cost in relation to work-in-process and finished goods includes an appropriate portion of production overheads.

Raw and packing material

Cost in relation to raw and packing materials is arrived at on FIFO basis.

Notes to the Financial Statements

For the year ended 31 December 2016

2.18 Trade debts and other receivables

Trade debts and other receivables 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.

2.19 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably and there is no continuing management involvement with the goods. Sales of products and services are recorded when the risks and rewards are transferred.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

2.20 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to income currently. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined.

2.21 Borrowing cost

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of these assets. The Company recognizes other borrowing costs as an expense in the period in which it incurs.

2.22 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand and demand deposits. Running finances that are repayable on demand are included as component of cash and cash equivalents for the purpose of cash flow statement.

2.23 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Company's Chief Executive to make decisions about resources to be allocated to the segment and assess their performance, and for which discrete financial information is available.

2.24 Standards and amendments to published approved International Financial Reporting Standards not yet effective

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

Notes to the Financial Statements

For the year ended 31 December 2016

differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences.

- 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 recognized for new and outstanding awards.
- 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.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - o 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'.
 - o 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.
- 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 recognized. 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 recognized. 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.

These amendments improvements are not likely to have any significant impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
6 Long term finances			
Long term finances utilized under mark up arrangements:			
Associated company - foreign currency - unsecured	6.1	–	1,047,750
Banking companies - secured	6.2	5,637,473	8,000,000
		5,637,473	9,047,750
Less: Current maturity			
Associated company - foreign currency		–	(1,047,750)
		5,637,473	8,000,000

6.1 This represented an unsecured foreign currency loan facility obtained from Nestle Treasury Center Middle East and Africa Limited, Dubai – an associated undertaking. This loan has been fully repaid during the year.

(Rupees in '000)	Note	2016	2015
6.2 From banking companies - secured			
Allied Bank Limited			
Term Loan II	6.2.1	–	2,000,000
Habib Bank Limited			
Term Loan I	6.2.1	–	2,500,000
Term Loan II	6.2.1	–	1,500,000
Term Loan III	6.2.2	3,500,000	–
Long Term Financing Facility	6.2.3	137,473	–
Meezan Bank Limited			
Diminishing Musharika	6.2.4	2,000,000	2,000,000
		5,637,473	8,000,000

6.2.1 These loans have been fully repaid during the year.

6.2.2 This represents a loan facility from Habib Bank Limited having an aggregate limit of Rs. 3,500 million. The term of the loan is 5 years and the principal repayment to take place in a single lump sum instalment in December 2021. Mark-up is payable semi annually at a fixed rate of 8.00% per annum. The loan is secured by first joint pari passu hypothecation charge over fixed assets of the Company excluding land and building.

6.2.3 This represents a loan facility from Habib Bank Limited having an aggregate limit of Rs. 1,500 million. The term of the loan is 5 years with a grace period of 1 year six months and the principal repayment to take place in 8 equal semi annual instalments starting from May 2018. Mark-up is payable quarterly at a fixed rate of 3.65% per annum. The loan is secured by first joint pari passu hypothecation charge over fixed assets excluding land and building of the Company.

6.2.4 This represents diminishing musharika facility from Meezan Bank Limited having an aggregate limit of Rs. 2,000 million. The term of the loan is 5 years and the principal repayment to take place in a single lump sum instalment in December 2020. Mark up is payable semi annually at a flat rate of 8.7% per annum. The loan is secured by joint pari passu hypothecation charge over current assets and plant and machinery of the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
7 Deferred taxation			
Deferred taxation comprises of temporary differences related to:			
Accelerated tax depreciation		3,156,763	3,389,567
Foreign exchange difference		–	(129,532)
Provisions and others		(1,213,420)	(988,512)
		1,943,343	2,271,523
7.1 Movement in deferred tax liability is as follows:			
Balance as at 01 January		2,271,523	3,263,372
Charged to OCI related to cash flow hedges		(5,147)	8,763
Charged to profit and loss account	31	(323,033)	(1,000,612)
Balance as at 31 December		1,943,343	2,271,523
8 Retirement benefits			
Gratuity fund	8.1	698,864	680,577
Pension fund	8.1	662,691	534,490
		1,361,555	1,215,067

The Company contributes to following defined benefit plans.

- Gratuity plan entitles an eligible employee to receive a lump sum amount equal to last drawn basic salary multiplied by number of completed years of service with the Company at the time of cessation of employment. An eligible employee means the employee who has successfully completed one year of service with the Company. In case if the employee leaves the employment before successful completion of 10 years of service than he/ she shall be entitled to 50% of gratuity amount.
- Pension plan comprises of two types i.e. Type A and Type B. Type A members are those members who have joined the plan and who have not opted to become members of Type B. Type B members are those members who fulfill the criteria and opted to become member of Type B. With effect from 01 January 2016, the Company has made non-management employees part of pension plan.

Type A members are required to make a contribution of 5% of pensionable salary whereas, the Company makes the contribution based on actuarial recommendations. The annual benefit amount of a Type A member shall be 2.75% of his/ her pensionable salary at the time of retirement multiplied by number of years of pensionable service subject to a maximum of 82.5% of pensionable salary.

Type B member can make a contribution of 3% or 5% of his/ her pensionable salary and the Company will make a contribution equal to employee contribution +2%. In case of those members who are transferred from Type A to Type B, such members are required to make a contribution of 5% of pensionable salary and the Company will make a contribution of 11.4%. Type B member shall be entitled to 30% of employer benefit after successful completion of three years of pensionable service and thereafter additional 10% for each successful year till 10th year when he/ she entitles to 100% of the benefit.

Notes to the Financial Statements

For the year ended 31 December 2016

Gratuity and pension plans are administered through separate funds that are legally separated from the Company. The Trust of the funds comprises of six and five employees for pension and gratuity fund respectively, out of which one employee is the Chair. The Trustees of the funds are required by law to act in the best interests of the plan participants and are responsible for making all the investments and disbursements out of the funds.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. As at balance sheet date, an actuarial valuation has been performed by M/s Nauman Associates (Actuarial experts) for valuation of defined benefit obligation. The disclosure made in notes 8.1 to 8.14 are based on the information included in the actuarial report.

These defined benefit plans are fully funded by the Company. The funding requirements are evaluated by the management using the funds' actuarial measurement framework set out in the funding policies of the plans. The funding of each plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from time to time.

The Company is responsible to manage the deficit in the defined benefit obligation towards fair value of the plan assets. The Company has devised an effective periodic contribution plan to maintain sufficient level of plan assets to meet its obligations. Further, the Company also performs regular maturity analysis of the defined benefit obligation and manage its contributions accordingly.

(Rupees in '000)	Gratuity		Pension	
	2016	2015	2016	2015
8.1 Present value of funded obligations				
Amounts recognised in balance sheet are as follows:				
Present value of defined benefit obligation	2,309,477	2,024,189	3,189,227	2,556,488
Fair value of plan assets	(1,610,613)	(1,343,612)	(2,526,536)	(2,021,998)
Net retirement benefit obligation	698,864	680,577	662,691	534,490
8.2 Movement in net obligation				
Net liability as at 01 January	680,577	552,473	534,490	558,526
Charge to profit and loss account	244,070	212,638	269,679	(13,908)
Actuarial losses/ (gains) arising due to remeasurement of net retirement benefit obligation	(36,046)	84,802	56,706	137,402
Contribution made by the employees	–	–	105,758	70,586
Contributions paid to the plan	(189,737)	(169,336)	(303,942)	(218,116)
Net liability as at 31 December	698,864	680,577	662,691	534,490

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Gratuity		Pension	
	2016	2015	2016	2015
8.3 Movement in the liability for funded defined benefit obligations				
Liability for defined benefit obligations				
as at 01 January	2,024,189	1,736,589	2,556,488	2,290,437
Gain on transfer from Type A to Type B	–	–	–	(227,070)
Benefits paid by the plan	(137,912)	(130,886)	(124,428)	(105,573)
Current service cost	185,499	160,010	325,096	236,433
Past service cost	–	–	–	13,426
Interest cost	195,523	188,004	308,784	235,060
Remeasurements on obligation:				
Actuarial losses/(gains) on present value				
- Changes in financial assumptions	(1,515)	(3,406)	67,064	137,299
- Experience adjustments	43,693	73,878	56,223	(23,524)
	42,178	70,472	123,287	113,775
Liability for defined benefit obligations				
as at 31 December	2,309,477	2,024,189	3,189,227	2,556,488
8.4 Movement in fair value of plan assets				
Fair value of plan assets as at 01 January	1,343,612	1,184,116	2,021,998	1,731,911
Contributions paid into the plan	189,737	169,336	303,942	218,116
Benefits paid by the plan	(137,912)	(130,886)	(124,428)	(105,573)
Interest income on plan assets	136,952	135,376	258,443	201,171
Remeasurements on fair value of plan assets	78,224	(14,330)	66,581	(23,627)
Fair value of plan assets as at 31 December	1,610,613	1,343,612	2,526,536	2,021,998
8.5 Plan assets consist of the following:				
In terms of amount:				
Equity instruments	369,314	140,797	572,766	205,886
Debt instruments	313,586	309,493	470,441	426,525
Cash and other deposits	927,713	893,322	1,483,329	1,389,587
	1,610,613	1,343,612	2,526,536	2,021,998

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Gratuity		Pension	
	2016	2015	2016	2015
8.5.1 Plan assets				
Plan assets comprise:				
Equity instrument				
Fertilizers	19,673	11,698	35,155	18,122
Oil and gas	73,383	36,707	114,598	57,185
Textile	–	14,700	–	21,382
Power	47,633	33,387	79,825	51,936
Financial institutions	88,450	28,375	138,126	41,217
Mutual funds	22,982	15,857	22,982	15,857
Cement	29,477	–	38,149	–
Automobile	31,423	–	49,678	–
Chemicals	43,551	–	77,965	–
Insurance	9,638	–	11,121	–
Others	3,104	73	5,167	187
	369,314	140,797	572,766	205,886
Debts instruments				
Government bonds	303,318	299,194	449,789	405,923
TFCs	10,268	10,299	20,652	20,602
	313,586	309,493	470,441	426,525
Cash at bank				
Cash and bank balances	67,405	256,238	62,822	375,080
Term deposit receipts	860,308	637,084	1,420,507	1,014,507
	927,713	893,322	1,483,329	1,389,587
	1,610,613	1,343,612	2,526,536	2,021,998

Before making any investment decision, an Asset-Liability matching study is performed by the Board of Trustees of the funds to evaluate the merits of strategic investments. Risk analysis of each category is done to analyse the impacts of the interest rate risk, currency risk and longevity risk.

(Rupees in '000)	Gratuity		Pension	
	2016	2015	2016	2015
8.6 Profit and loss account includes the following in respect of retirement benefits:				
Interest cost for the year	195,523	188,004	308,784	235,060
Current service cost	185,499	160,010	325,096	236,433
Past service cost	–	–	–	13,426
Gain on transfer from Type A to Type B	–	–	–	(227,070)
Interest income on plan assets	(136,952)	(135,376)	(258,443)	(201,171)
Contribution made by the employees	–	–	(105,758)	(70,586)
	244,070	212,638	269,679	(13,908)

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Gratuity		Pension	
	2016	2015	2016	2015
8.7 Charge for the year has been allocated as follows:				
Cost of goods sold	115,505	129,162	118,681	(938)
Distribution and selling expenses	80,728	50,763	87,978	(1,951)
Administration expenses	47,837	32,713	63,020	(11,019)
	244,070	212,638	269,679	(13,908)
8.8 Actual return on plan assets	215,176	121,046	325,024	177,544
8.9 Actuarial (gains) and losses recognised directly in other comprehensive income				
Cumulative amount at 01 January	660,633	575,831	636,874	499,472
Remeasurements on obligation:				
Actuarial losses/ (gains) on present value				
- Changes in financial assumptions	(1,515)	(3,406)	67,064	137,299
- Experience adjustments	43,693	73,878	56,223	(23,524)
	42,178	70,472	123,287	113,775
Remeasurements on fair value of plan assets	(78,224)	14,330	(66,581)	23,627
Losses / (gains) recognised during the year	(36,046)	84,802	56,706	137,402
Cumulative amount at 31 December	624,587	660,633	693,580	636,874

(Rupees in '000)	2016	2015	2014	2013	2012
8.10 Historical Information for Gratuity plan					
Present value of defined benefit obligation	2,309,477	2,024,189	1,736,589	1,523,346	1,063,970
Fair value of the plan assets	(1,610,613)	(1,343,612)	(1,184,116)	(995,124)	(788,363)
Deficit in the plan	698,864	680,577	552,473	528,222	275,607
Experience adjustments arising on plan liabilities	43,693	73,878	(33,912)	304,181	67,328
Experience adjustments arising on plan assets	78,224	(14,330)	(10,851)	48,927	35,335

The Company expects to pay Rs. 263.78 million in contributions to gratuity fund in 2017.

(Rupees in '000)	2016	2015	2014	2013	2012
8.11 Historical Information for Pension plan					
Present value of defined benefit obligation	3,189,227	2,556,488	2,290,437	1,765,958	1,506,356
Fair value of the plan assets	(2,526,536)	(2,021,998)	(1,731,911)	(1,431,777)	(1,143,978)
Deficit in the plan	662,691	534,490	558,526	334,181	362,378
Experience adjustments arising on plan liabilities	56,223	(23,524)	26,939	139,032	38,393
Experience adjustments arising on plan assets	66,581	(23,627)	8,295	43,519	58,614

The Company expects to pay Rs. 262.42 million in contributions to pension fund in 2017.

Notes to the Financial Statements

For the year ended 31 December 2016

	2016		2015	
	Gratuity fund per annum	Pension fund per annum	Gratuity fund per annum	Pension fund per annum
8.12 Significant actuarial assumptions used for valuation of these plans are as follows:				
Discount rate used for profit and loss charge	10.00%	10.00%	11.25%	11.25%
Discount rate used for year-end obligation	9.50%	9.50%	10.00%	10.00%
Expected rates of salary increase	9.50%	9.50%	10.00%	10.00%
Expected rates of return on plan assets	9.50%	9.50%	10.00%	10.00%
Mortality Rate	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year

8.13 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 50 bps with all other variables held constant, the impact on the present value of the defined benefit obligation would have been as follows:

(Rupees in '000)	Change	Gratuity		Pension	
		Increase	Decrease	Increase	Decrease
		Impact on present value of defined benefit obligation as at 31 December 2016			
Discount rate	50 bps	(113,978)	123,450	(186,099)	204,485
Future salary increase	50 bps	124,431	(115,951)	81,150	(76,892)

(Rupees in '000)	Change	Gratuity		Pension	
		Scale up by	Scale down by	Scale up by	Scale down by
		Impact on present value of defined benefit obligation as at 31 December 2016			
Expected mortality rates	1 year	(531)	565	(23,645)	22,838

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the balance sheet.

8.14 Weighted average duration of the defined benefit obligation is 10 years and 12 years for gratuity and pension plans, respectively.

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
9 Short term borrowings - secured			
Money market deals	9.1	2,000,000	–
Export refinance facility	9.2	2,345,157	3,000,000
		4,345,157	3,000,000

9.1 These represent money market deals obtained from various commercial banks having an aggregate limit of Rs. 2,000 million and carry mark-up ranging from 5.79% to 6.33% (2015: 6.25% to 9.75%) per annum. These deals are obtained for a period ranging from 11 to 60 days and are secured by a hypothecation charge over fixed and current assets of the Company excluding land and building.

9.2 The Company has obtained export refinance from commercial bank having an aggregate limit of Rs 2,345 million (2015: Rs 3,000 million). The mark up on this facility ranges from 2.20.% to 3.70% (2015: 3.70% to 6.70%) per annum and are secured by a hypothecation charge over fixed and current assets of the Company excluding land and building.

(Rupees in '000)	Note	2016	2015
10 Short term running finance under mark-up arrangements-secured			
Running finance	10.1	2,013,120	2,461,648

10.1 The Company has obtained short term running finances from various commercial banks under mark-up arrangements having an aggregate limit of Rs. 35,410 million (2015: Rs. 39,772 million) including sub-limits of other short term facilities. The mark up on these facilities ranges from 6.09% to 7.24% (2015: 6.40.% to 9.90%) per annum. These facilities are secured by joint pari passu hypothecation charge over fixed and current assets of the Company excluding land and building and assignment of receivables of the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
11 Trade and other payables			
Trade creditors			
Related parties		4,145,789	971,637
Others		5,813,567	3,846,627
		9,959,356	4,818,264
Accrued liabilities			
Related parties		484,586	462,249
Others		13,185,070	10,176,983
		13,669,656	10,639,232
Advances from customers		298,513	300,433
Workers' profit participation fund	11.1	15,998	79,517
Workers' welfare fund		333,413	282,139
Royalty and technical assistance fee payable to associated company including taxes		271,701	286,715
Unclaimed dividend		21,122	4,238
Withholding income tax payable		15,930	80,285
Withholding sales tax payable		183,007	146,824
Derivative financial liability - cash flow hedge	11.2	21,535	3,547
Others		130,368	111,349
		24,920,599	16,752,543
11.1 Workers' profit participation fund			
Balance as at 01 January		79,517	68,950
Provision for the year	29	912,431	673,257
		991,948	742,207
Net payments / adjustments made during the year		(975,950)	(662,690)
Balance as at 31 December		15,998	79,517

11.2 The Company has outstanding exchange rate forward contracts with various banks for amounts aggregating to US\$ 11.862 million (2015: US\$ 9.755 million) and EUR€ 4.454 million (2015: EUR€ 3.882 million) to manage exchange rate exposure on outstanding foreign currency payments under the terms of commitments of letters of credit. Under the aforementioned contracts, the Company would pay respective rate agreed at the initiation of the contracts on respective settlement dates. As at 31 December 2016 the fair value of these derivatives is Rs. 2,016.53 million (2015: 1,461.53 million).

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	2016	2015
12 Interest and mark-up accrued		
Long term loan from associated company - unsecured	–	425
Long term finances from banking companies - secured	2,500	20,720
Short term borrowings - secured	21,695	27,978
Short term running finance under mark-up arrangements - secured	24,693	34,398
	48,888	83,521

13 Contingencies and commitments

13.1 There is no material contingency as at balance sheet date.

(Rupees in '000)	2016	2015
13.2 Guarantees		
Outstanding guarantees	263,486	210,498
Un-utilized portion	296,514	264,502

13.3 Commitments

13.3.1 The amount of future payments under Ijarah and the period in which these payments will become due are as follows:

(Rupees in '000)	2016	2015
Not later than one year	41,925	45,691
Later than one year but not later than five years	13,164	47,674
	55,089	93,365
13.3.2 Commitments in respect of capital expenditure	275,704	243,073
13.4 Letters of credit		
Outstanding letters of credit	2,480,350	1,381,813
Un-utilized portion	7,111,680	7,669,312

Notes to the Financial Statements

For the year ended 31 December 2016

14 Property, plant and equipment

	Owned assets								
	Freehold land	Lease hold land	Building on freehold land	Building on lease hold land	Plant and machinery	Furniture and fixtures	Vehicles	IT Equipment	Total
(Rupees in '000)									
Cost									
Balance as at 01 January 2015	1,467,256	100,394	6,254,435	219,273	34,763,832	393,520	807,592	979,417	44,985,719
Additions during the year	-	-	269,799	-	2,282,465	61,365	619,307	276,310	3,509,246
Disposals / scrapped	-	(18,483)	-	(175,259)	(737,425)	(11,964)	(151,098)	(94,253)	(1,188,482)
Balance as at 31 December 2015	1,467,256	81,911	6,524,234	44,014	36,308,872	442,921	1,275,801	1,161,474	47,306,483
Balance as at 01 January 2016	1,467,256	81,911	6,524,234	44,014	36,308,872	442,921	1,275,801	1,161,474	47,306,483
Additions during the year	-	-	326,455	-	1,513,233	78,395	103,953	160,232	2,182,268
Disposals/scrapped	(318,639)	-	(1,202)	-	(388,378)	(14,675)	(178,724)	(37,316)	(938,934)
Assets charged off *	-	-	-	-	(363,844)	-	-	-	(363,844)
Reclassification	113	104	9,535	25,867	(77,273)	41,812	-	(158)	-
Balance as at 31 December 2016	1,148,730	82,015	6,859,022	69,881	36,992,610	548,453	1,201,030	1,284,232	48,185,973
Depreciation and impairment losses									
Balance as at 01 January 2015	122,639	6,939	1,041,865	153,441	11,805,236	233,596	422,173	649,631	14,435,520
Depreciation charge for the year	-	2,279	217,491	780	2,795,639	41,722	163,823	205,196	3,426,930
Depreciation and impairment on disposals	-	(2,496)	-	(140,558)	(526,940)	(11,889)	(120,788)	(94,095)	(896,766)
Impairment charge for the year	-	-	-	-	344,704	-	-	-	344,704
Balance as at 31 December 2015	122,639	6,722	1,259,356	13,663	14,418,639	263,429	465,208	760,732	17,310,388
Balance as at 01 January 2016	122,639	6,722	1,259,356	13,663	14,418,639	263,429	465,208	760,732	17,310,388
Depreciation charge for the year	-	2,228	228,747	1,962	2,735,343	67,917	226,680	232,954	3,495,831
Impairment charged/ (reversed) during the year	(122,639)	-	33,417	-	19,928	14	734	-	(68,546)
Depreciation and impairment on disposals	-	-	(429)	-	(315,178)	(14,136)	(144,605)	(36,567)	(510,915)
Assets charged off *	-	-	-	-	(86,909)	-	-	-	(86,909)
Reclassification	-	(292)	4,402	11,242	(65,517)	53,057	(2)	(2,890)	-
Balance as at 31 December 2016	-	8,658	1,525,493	26,867	16,706,306	370,281	548,015	954,229	20,139,849
Net book value as at 31 December 2016	1,148,730	73,357	5,333,529	43,014	20,286,304	178,172	653,015	330,003	28,046,124
Net book value as at 31 December 2015	1,344,617	75,189	5,264,878	30,351	21,890,233	179,492	810,593	400,742	29,996,095
Rate of depreciation in %	-	1-6.67	2-5	2-5	4-33	20	20	10-33.3	

* These assets have been charged to cost of goods sold.

(Rupees in '000)	Note	2016	2015
14.1 Depreciation charge for the year has been allocated as follows:			
Cost of goods sold	25	2,914,825	2,883,740
Distribution and selling expenses	26	480,865	427,316
Administration expenses	27	100,141	115,874
		3,495,831	3,426,930

Notes to the Financial Statements

For the year ended 31 December 2016

14.2 Detail of significant property, plant and equipment sold during the year is as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
(Rupees in '000)						
Freehold land	318,639	–	318,639	411,159	Tender	M/S Qarshi Industries (Pvt.) Ltd.
Building on freehold land	1,202	(429)	773	99	Tender	M/S Haider Engineering
Plant and Machinery	45,700	(44,558)	1,142	16,617	Negotiation	Hershey India (Private) Limited
	29,955	(19,221)	10,734	10,892	Negotiation	Hershey India (Private) Limited
	16,527	(9,052)	7,475	960	Tender	M/S Haider Engineering
	14,997	(9,623)	5,374	5,453	Negotiation	Hershey India (Private) Limited
	5,322	(2,616)	2,706	348	Tender	M/S Haider Engineering
	4,056	(1,048)	3,008	386	Tender	M/S Haider Engineering
	3,701	(2,344)	1,357	1,271	Negotiation	M/s Karachi Scrap
	3,247	(3,084)	163	21	Tender	M/S Haider Engineering
	2,942	(1,366)	1,576	203	Tender	M/S Haider Engineering
	2,360	(669)	1,691	858	Negotiation	Hershey India (Private) Limited
	2,295	(841)	1,454	834	Negotiation	Hershey India (Private) Limited
	1,072	(848)	224	232	Tender	M/S Sheikh Ijaz Ahmad & Sons
	887	(168)	719	92	Tender	M/S Haider Engineering
	857	(160)	697	90	Tender	M/S Haider Engineering
	756	(145)	611	275	Negotiation	Hershey India (Private) Limited
	720	(184)	536	448	Negotiation	Mr.Zafar Ullah Khan
	661	(371)	290	143	Tender	M/S Sheikh Ijaz Ahmad & Sons
	545	(145)	400	51	Tender	M/S Haider Engineering
	542	(478)	64	117	Tender	M/S Sheikh Ijaz Ahmad & Sons
	542	(478)	64	117	Tender	M/S Sheikh Ijaz Ahmad & Sons
	500	(150)	350	182	Negotiation	Hershey India (Private) Limited
	468	(120)	348	65	Tender	M/S Sheikh Ijaz Ahmad & Sons
	468	(122)	346	291	Negotiation	Mr.Muhammad Ishtiaq
	451	(391)	60	62	Tender	M/S Sheikh Ijaz Ahmad & Sons
	432	(342)	90	94	Tender	M/S Sheikh Ijaz Ahmad & Sons
	432	(320)	112	60	Tender	M/S Sheikh Ijaz Ahmad & Sons
	367	(139)	228	228	Tender	M/S Sheikh Ijaz Ahmad & Sons
	367	(139)	228	228	Tender	M/S Sheikh Ijaz Ahmad & Sons
	361	(137)	224	225	Tender	M/S Sheikh Ijaz Ahmad & Sons
	321	(248)	73	200	Negotiation	Mr.Ghulam Shabbir
	321	(250)	71	183	Negotiation	Mr.Muhammad Iqbal
	320	(150)	170	69	Tender	M/S Sheikh Ijaz Ahmad & Sons
	320	(150)	170	69	Tender	M/S Sheikh Ijaz Ahmad & Sons
	320	(251)	69	199	Negotiation	Mr.Muhammad Tariq Wali
	320	(252)	68	183	Negotiation	Mr.Muhammad Iqbal
	301	(142)	159	65	Tender	M/S Sheikh Ijaz Ahmad & Sons
	295	(143)	152	184	Negotiation	Mr.Imdad Hussain
	295	(143)	152	184	Negotiation	Mr.Ghulam Shabbir
	295	(143)	152	184	Negotiation	Mr.Muhammad Amin
	295	(143)	152	184	Negotiation	Mr.Muhammad Iqbal

Notes to the Financial Statements

For the year ended 31 December 2016

Description	Accumulated Cost	depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
(Rupees in '000)						
	295	(143)	152	184	Negotiation	Mr.Muhammad Iqbal
	295	(143)	152	184	Negotiation	Mr.Muhammad Amin
	291	(238)	53	40	Tender	M/S Sheikh Ijaz Ahmad & Sons
	287	(113)	174	40	Tender	M/S Sheikh Ijaz Ahmad & Sons
	276	(190)	86	60	Tender	M/S Sheikh Ijaz Ahmad & Sons
	265	(88)	177	124	Negotiation	Mr.Mian Muhammad Ali
	257	(136)	121	160	Negotiation	Mr.Ghulam Shabbir
	257	(136)	121	160	Negotiation	Mr.Ghulam Shabbir
	257	(136)	121	160	Negotiation	Mr.Ghulam Shabbir
	257	(138)	119	160	Negotiation	Mr.Athar Sultan
	257	(138)	119	160	Negotiation	Mr.Ghulam Shabbir
	257	(138)	119	160	Negotiation	Mr.Ghulam Shabbir
	257	(138)	119	160	Negotiation	Mr.Ghulam Shabbir
	257	(138)	119	160	Negotiation	Mr.Ghulam Shabbir
	257	(138)	119	160	Negotiation	Mr.Shamshad Hussain
	257	(139)	118	183	Negotiation	Mr.Muhammad Iqbal
	257	(141)	116	160	Negotiation	Mr.Naseem Akhtar
	257	(135)	122	36	Tender	M/S Sheikh Ijaz Ahmad & Sons
	257	(136)	121	160	Negotiation	Mr.Muhammad Tariq Wali
	257	(136)	121	160	Negotiation	Mr.Muhammad Tariq Wali
	257	(140)	117	36	Tender	M/S Sheikh Ijaz Ahmad & Sons
	256	(137)	119	35	Tender	M/S Sheikh Ijaz Ahmad & Sons
	256	(138)	118	159	Negotiation	Mr.Liaqat Ali
	256	(138)	118	159	Negotiation	Mr.Muhammad Iqbal
	255	(134)	121	35	Tender	M/S Sheikh Ijaz Ahmad & Sons
	251	(175)	76	183	Negotiation	Mr.Muhammad Afzal
	251	(99)	152	156	Negotiation	Mr.Zulqarnain Akbar
	251	(100)	151	124	Negotiation	Mr.Muhammad Asif
	249	(172)	77	155	Negotiation	Mr.Muhammad Yousaf
	249	(172)	77	155	Negotiation	Mr.Muhammad Amin
	249	(172)	77	155	Negotiation	Mr.Muhammad Yousaf
	249	(94)	155	155	Negotiation	Mr.Mohammad Hassan Ashfaq
	248	(171)	77	155	Negotiation	Mr.Muhammad Tariq Wali
	248	(171)	77	155	Negotiation	Mr.Muhammad Tariq Wali
	248	(171)	77	154	Negotiation	Mr.Muhammad Tariq Wali
	248	(171)	77	154	Negotiation	Mr.Muhammad Tariq Wali
	248	(171)	77	154	Negotiation	Mr.Muhammad Tariq Wali
	248	(171)	77	154	Negotiation	Mr.Haji Mustafa
	248	(171)	77	154	Negotiation	Mr.Muhammad Tariq Wali
	248	(171)	77	154	Negotiation	Mr.Muhammad Tariq Wali
	248	(171)	77	154	Negotiation	Mr.Muhammad Tariq Wali
	248	(171)	77	154	Negotiation	Mr.Liaqat Ali
	222	(110)	112	138	Negotiation	Mr.Haji Mustafa
	221	(103)	118	31	Tender	M/S Sheikh Ijaz Ahmad & Sons
	221	(104)	117	48	Tender	M/S Sheikh Ijaz Ahmad & Sons
	206	(105)	101	128	Tender	M/S M. Gulzar & Brothers

Notes to the Financial Statements

For the year ended 31 December 2016

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
(Rupees in '000)						
	206	(100)	106	128	Negotiation	Mr.Imran Ali
	206	(100)	106	128	Negotiation	Mr.Khalid Mehmood
	206	(100)	106	183	Negotiation	Mr.Muhammad Iqbal
	193	(109)	84	42	Tender	M/S Sheikh Ijaz Ahmad & Sons
	193	(130)	63	30	Tender	M/S M. Gulzar & Brothers
	193	(130)	63	30	Tender	M/S M. Gulzar & Brothers
	193	(133)	60	27	Tender	M/S Sheikh Ijaz Ahmad & Sons
	193	(133)	60	27	Tender	M/S Sheikh Ijaz Ahmad & Sons
	193	(133)	60	27	Tender	M/S Sheikh Ijaz Ahmad & Sons
	192	(115)	77	42	Tender	M/S Sheikh Ijaz Ahmad & Sons
	192	(115)	77	42	Tender	M/S Sheikh Ijaz Ahmad & Sons
	187	(104)	83	26	Tender	M/S Sheikh Ijaz Ahmad & Sons
	187	(104)	83	26	Tender	M/S Sheikh Ijaz Ahmad & Sons
	185	(68)	117	15	Tender	M/S Haider Engineering
	184	(89)	95	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	184	(89)	95	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	183	(108)	75	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	182	(86)	96	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	182	(86)	96	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	182	(86)	96	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	182	(86)	96	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	182	(86)	96	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	182	(87)	95	39	Tender	M/S Sheikh Ijaz Ahmad & Sons
	182	(87)	95	39	Tender	M/S Sheikh Ijaz Ahmad & Sons
	182	(87)	95	39	Tender	M/S Sheikh Ijaz Ahmad & Sons
	181	(106)	75	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	181	(87)	94	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	181	(90)	91	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	180	(86)	94	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	180	(87)	93	25	Tender	M/S Sheikh Ijaz Ahmad & Sons
	173	(107)	66	24	Tender	M/S Sheikh Ijaz Ahmad & Sons
	168	(82)	86	23	Tender	M/S Sheikh Ijaz Ahmad & Sons
	156	(87)	69	22	Tender	M/S Sheikh Ijaz Ahmad & Sons
	156	(87)	69	22	Tender	M/S Sheikh Ijaz Ahmad & Sons
	143	(93)	50	31	Tender	M/S Sheikh Ijaz Ahmad & Sons
	143	(93)	50	31	Tender	M/S Sheikh Ijaz Ahmad & Sons
	143	(93)	50	31	Tender	M/S Sheikh Ijaz Ahmad & Sons
	143	(93)	50	31	Tender	M/S Sheikh Ijaz Ahmad & Sons
	143	(93)	50	31	Tender	M/S Sheikh Ijaz Ahmad & Sons
	139	(37)	102	22	Tender	M/S M. Gulzar & Brothers
	120	(36)	84	21	Tender	M/S Maqsood Barlas & Sons
Vehicles	2,602	(564)	2,038	2,350	Insurance claim	IGI Insurance
	1,850	(339)	1,511	1,700	Insurance claim	IGI Insurance
	1,715	(486)	1,229	1,493	Company policy	Employee (Ms.Aatekah Ahmad Mir Khan)

Notes to the Financial Statements

For the year ended 31 December 2016

Description	Accumulated Cost	depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
(Rupees in '000)						
	1,529	(1,453)	76	469	Company policy	Employee (Mr.Muhammad Shahid Yazdani)
	1,513	(1,084)	429	737	Company policy	Employee (Mr.Khaliq Dad)
	1,513	(1,135)	378	718	Company policy	Employee (Mr.Muhammad Afzal)
	1,378	(1,195)	183	517	Company policy	Employee (Mr.Muhammad Riaz Bhatti)
	1,334	(334)	1,000	1,145	Company policy	Employee (Mr.Sangeen Khan)
	1,334	(475)	859	1,120	Company policy	Employee (Mr.Fazal E Qadir)
	1,334	(294)	1,040	1,192	Company policy	Employee (Mr.Muhammad Asad Ullah)
	1,332	(333)	999	1,143	Company policy	Employee (Mr.Ali Zeeshan Rizvi)
	1,332	(378)	954	1,013	Company policy	Employee (Mr.Syed Hassan Jawad)
	1,332	(333)	999	1,143	Company policy	Employee (Mr.Abul Huda Abbasi)
	1,331	(510)	821	1,122	Company policy	Employee (Mr.Mohammad Asghar)
	1,329	(510)	819	1,094	Company policy	Employee (Mr.Muhammad Farhan)
	1,324	(265)	1,059	1,196	Company policy	Employee (Mr.Muhammad Khalid Aziz)
	1,321	(330)	991	1,133	Company policy	Employee (Mr.Syed Owais)
	1,318	(505)	813	1,080	Company policy	Employee (Mr.Rehan Mansoor)
	1,317	(373)	944	1,160	Company policy	Employee (Mr.Awais Abdullah)
	1,075	(419)	656	855	Company policy	Employee (Mr.Waqas Anwar)
	1,069	(481)	588	822	Company policy	Employee (Mr.Muhammad Mohsin Khan)
	1,060	(336)	724	925	Company policy	Employee (Mr.Muhammad Hasan)
	1,057	(493)	564	790	Company policy	Employee (Mr.Syed Ijaz Ali Jafri)
	1,057	(581)	476	774	Company policy	Employee (Mr.Syed Maaz Hashmi)
	1,052	(456)	596	801	Company policy	Employee (Mr.Ahsan Akbar)
	1,052	(456)	596	710	Company policy	Employee (Mr.Muhammad Akrem)
	1,052	(631)	421	748	Company policy	Employee (Mr.Muhammad Sufyan)
	1,043	(591)	452	756	Company policy	Employee (Mr.Ammar Ahmed)
	1,043	(626)	417	1,122	Company policy	Employee (Mr.Sohail Raza)
	1,042	(660)	382	741	Company policy	Employee (Mr.Sami Ullah)
	1,028	(651)	377	704	Company policy	Employee (Mr.Afzal Siddiqui)
	1,028	(685)	343	711	Company policy	Employee (Mr.Usman Aslam)
	1,023	(515)	508	752	Company policy	Employee (Mr.Humayun Babar Khan)

Notes to the Financial Statements

For the year ended 31 December 2016

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
(Rupees in '000)						
	1,022	(596)	426	764	Company policy	Employee (Mr.Salman Qayyum Niazi)
	1,008	(790)	218	646	Company policy	Employee (Mr.Abrar Hussain)
	1,008	(756)	252	652	Company policy	Employee (Mr.Muhammad Asim Shehzad)
	1,008	(756)	252	664	Company policy	Employee (Mr.Muhammad Sohail Nadeem)
	1,008	(790)	218	664	Company policy	Employee (Mr.Jamal Nasir)
	1,003	(786)	217	650	Company policy	Employee (Mr.Iftikhar Ahmad)
	1,002	(785)	217	649	Company policy	Employee (Mr. Azhar Ali)
	988	(642)	346	668	Company policy	Employee (Mr.Amjad Abbas)
	988	(791)	197	639	Company policy	Employee (Mr.M. Sanaullah Khan)
	988	(823)	165	613	Company policy	Employee (Mr.Muhammad Shahnawaz Khan)
	988	(823)	165	613	Company policy	Employee (Mr.Furqan Sajid)
	988	(823)	165	596	Company policy	Employee (Mr.Mohsin Iqbal)
	988	(823)	165	602	Company policy	Employee (Mr.Tipu Aziz)
	988	(823)	165	596	Company policy	Employee (Mr.Farrukh Nazir)
	982	(818)	164	597	Company policy	Employee (Mr.Jamal Khan Khattak)
	982	(818)	164	592	Company policy	Employee (Mr.Khawaja Zeeshan Rauf)
	982	(687)	295	633	Company policy	Employee (Mr.Inayat Ullah Khan)
	982	(818)	164	597	Company policy	Employee (Mr.Farooq Ahmed)
	716	(119)	597	701	Company policy	Employee (Mr.Ahmed Athar)
	716	(119)	597	650	Insurance claim	IGI Insurance
	716	(119)	597	685	Company policy	Employee (Mr.Syed Waseem Hassan Razvi)
	716	(119)	597	662	Company policy	Employee (Mr.Muhammad Saim)
	716	(143)	573	638	Company policy	Employee (Mr.Muhammad Tahir Khan)
Assets with book value less than Rs. 50,000	391,016	(365,619)	25,397	52,008		
2016	938,934	(510,915)	428,019	560,991		
2015	1,188,482	(896,766)	291,716	281,304		

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
15 Capital work-in-progress			
Civil works		350,587	61,670
Plant and machinery		2,923,130	1,375,229
Others		204,904	158,222
		3,478,621	1,595,121
Less: Provision for impairment loss		(712,891)	(712,891)
		2,765,730	882,230
16 Intangible assets			
Cost			
Balance as at 01 January		272,655	232,315
Addition during the year		–	40,340
Balance as at 31 December		272,655	272,655
Amortization			
Balance as at 01 January		232,987	232,315
Charge for the year	26	8,068	672
Accumulated amortization as at 31 December		241,055	232,987
Net book value as at 31 December		31,600	39,668
Amortization rate		20%	20%
17 Long term loans and advances			
To employees - secured, considered good:			
Executives	17.1.1	379,611	291,971
Other employees		55,758	79,713
	17.1.2	435,369	371,684
To suppliers - unsecured, considered good	17.2	1,645	3,290
		437,014	374,974
Less: current portion shown under current assets		(98,565)	(98,775)
		338,449	276,199

17.1 These represent long term interest free loans to employees for the purchase of cars and motor cycles as per the Company policy and are repayable within a period of 5 years. Loans are secured by the crossed cheque from employees of the full loan amount in the name of the Company without mentioning any date as part of collateral.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs. 420 million (2015: Rs. 298 million).

No loan or advance has been given to Chief Executive and any other Director of the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	2016	2015
17.1.1 Reconciliation of carrying amount of loans to executives		
Balance as at 01 January	291,971	295,748
Disbursements during the year	187,670	76,960
Loans recovered during the year	(100,030)	(80,737)
Balance as at 31 December	379,611	291,971

17.1.2 The amount of loans and advances to employees and the period in which these will become due are as follows:

(Rupees in '000)	2016	2015
Less than one year	98,565	98,775
More than one year but not more than 3 years	127,368	103,711
More than 3 years	209,436	169,198
	435,369	371,684

17.2 This represents an un-secured loan given to Sui Northern Gas Pipelines Limited for the development of infrastructure for supply of natural gas to the plant at Kabirwala. Mark-up is charged at the rate of 1.5% per annum (2015: 1.5% per annum) and is receivable annually. This amount is recoverable in 10 equal annual instalments which commenced from October 2008.

(Rupees in '000)	Note	2016	2015
18 Long term deposits and prepayments			
Long term security deposits		26,148	37,787
Long term prepayments	18.1	5,898	5,887
		32,046	43,674

18.1 This represents long term prepayments related to rent of facilities obtained by the Company on cancellable lease basis. These prepayments are amortized over the term of the lease on straight line basis.

(Rupees in '000)	Note	2016	2015
19 Stores and spares			
Stores		116,691	108,206
Spares, including in transit amounting to Rs. 16.23 million (2015: Rs. 10.33 million)		1,801,506	1,654,190
		1,918,197	1,762,396
Less: Provision for obsolete spares	19.1	(609,868)	(499,607)
		1,308,329	1,262,789
19.1 Provision for obsolete spares			
Balance as at 01 January		499,607	420,897
Addition during the year		171,915	78,710
Written off during the year		(61,654)	-
Balance as at 31 December		609,868	499,607

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
20 Stock in trade			
Raw and packing materials including in transit amounting to Rs.1,439.06 million (2015: Rs. 751.48 million)		7,049,391	5,696,699
Work-in-process		1,277,141	1,042,516
Finished goods	20.1	2,819,891	2,393,877
Goods purchased for resale including in transit amounting to Rs. 23.99 million (2015: Rs. 70.49 million)	20.2	222,341	347,095
		11,368,764	9,480,187
Less: Provision for unusable raw and packing material	20.3	(161,534)	(5,506)
		11,207,230	9,474,681

20.1 The amount charged to profit and loss account on account of write down of finished goods to net realizable value amounts to Rs. 9.52 million (2015: Rs. nil).

20.2 The amount charged to profit and loss account on account of write down of goods purchased for resale to net realizable value amounts to Rs. 9.08 million (2015: Rs. 6.35 million).

(Rupees in '000)	Note	2016	2015
20.3 Provision for unusable raw and packing material			
Balance as at 01 January		5,506	162,978
Net provision during the year		195,016	(91,179)
Written off during the year		(38,988)	(66,293)
Balance as at 31 December		161,534	5,506
21 Trade debts			
Considered good - unsecured	21.1	564,460	314,836
Considered doubtful - unsecured		21,729	8,593
		586,189	323,429
Less: Provision for doubtful debts	21.2	(21,729)	(8,593)
		564,460	314,836

21.1 These include interest free receivable from related parties amounting to Rs. 2.63 million (2015: Rs. 2.15 million) and are due by not more than 50 days.

(Rupees in '000)	2016	2015
21.2 Provision for doubtful debts		
Balance as at 01 January	8,593	7,994
Net provision during the year	14,166	599
Bad debts written off	(1,030)	-
Balance as at 31 December	21,729	8,593

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
22 Advances, deposits, prepayments and other receivables			
Advances to employees - unsecured, considered good		130	1,960
Advances to suppliers - unsecured, considered good	22.1	403,338	252,642
Due from related parties - unsecured, considered good	22.2	5,234	54,525
Trade deposits and prepayments - considered good		108,746	111,310
Derivative financial asset - cash flow hedge	11.2	7,520	7,500
Other receivables		136,357	400,701
		661,325	828,638

22.1 These relate to normal business of the Company and are interest free.

22.2 These are interest free in the normal course of business.

(Rupees in '000)	Note	2016	2015
23 Cash and bank balances			
Local currency			
- Current accounts		5,427	4,584
- Savings accounts	23.1	340,326	220,771
		345,753	225,355
Foreign currency			
- Current accounts		3,751	24,214
Cash in hand		3,663	3,698
		353,167	253,267

23.1 The balances in savings accounts carry rate of return ranging from 2.40% to 4.08% (2015: 4.00% to 7.95%) per annum.

(Rupees in '000)	2016	2015
24 Sales- net		
Own manufactured		
Local	117,206,357	105,675,148
Export	4,864,751	5,712,325
	122,071,108	111,387,473
Goods purchased for resale	2,534,350	2,126,911
Less :		
Sales tax	(5,697,110)	(4,856,495)
Trade discounts	(6,515,694)	(5,671,973)
	112,392,654	102,985,916

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
25 Cost of goods sold			
Raw and packing materials consumed		53,300,962	49,880,360
Salaries, wages and amenities	25.1	5,304,612	4,510,474
Fuel and power		1,960,499	2,348,866
Insurance		95,883	91,516
Repairs, maintenance and stores consumption		3,427,576	2,796,841
Rent, rates and taxes		212,189	222,040
Depreciation on property, plant and equipment	14.1	2,914,825	2,883,740
Expenses on information technology		279,877	278,522
Stationery expenses		57,384	59,576
Communication		84,030	75,979
Quality assurance		365,063	413,112
Royalty and technical assistance fee - associated company		3,489,077	3,665,868
Others		545,714	422,124
		72,037,691	67,649,018
Increase in work in process		(234,624)	(186,979)
Cost of goods manufactured		71,803,067	67,462,039
(increase)/ Decrease in finished goods		(435,536)	9,323
Cost of goods sold - own manufactured		71,367,531	67,471,362
Cost of goods sold - purchased for resale		1,241,861	1,387,982
		72,609,392	68,859,344

25.1 Salaries, wages and amenities include Rs. 139.55 million (2015: Rs. 129.16 million) in respect of gratuity, Rs. 153.29 million (2015: Rs.(0.94) million) in respect of pension and Rs. 135.89 million (2015: Rs. 123.61 million) in respect of provident fund.

(Rupees in '000)	Note	2016	2015
26 Distribution and selling expenses			
Salaries, wages and amenities	26.1	3,209,435	2,578,109
Training		98,747	60,064
Rent, rates and taxes		93,515	61,676
Insurance		19,070	14,419
Freight outward		2,281,128	2,046,086
Depreciation on property, plant and equipment	14.1	480,865	427,316
Amortization of intangible assets	16	8,068	672
Sales promotion and advertisement		10,877,006	9,492,240
Legal and professional charges		28,340	13,382
Vehicle running and maintenance		30,496	29,052
Utilities		43,025	59,055
Repairs and maintenance		181,283	124,720
Subscription, stationery, printing and publication		29,617	32,848
Communications		38,274	36,602
Travelling, conveyance and vehicle running		251,054	173,528
Provision for doubtful advances/debts - net		16,328	1,175
Expenses on information technology		12,376	11,765
Other expenses		176,781	248,527
		17,875,408	15,411,236

Notes to the Financial Statements

For the year ended 31 December 2016

26.1 Salaries, wages and amenities include Rs. 61.26 million (2015: Rs. 50.76 million) in respect of gratuity, Rs. 71.37 million (2015: Rs. (1.95) million) in respect of pension and Rs. 94.94 million (2015: Rs. 82.27 million) in respect of provident fund.

(Rupees in '000)	Note	2016	2015
27 Administration expenses			
Salaries, wages and amenities	27.1	1,434,513	1,246,606
Training		55,461	46,543
Rent, rates and taxes		137,227	115,493
Insurance		2,381	2,583
Depreciation on property, plant and equipment	14.1	100,141	115,874
Legal and professional charges	27.2	252,571	131,089
Vehicles running and maintenance		18,050	19,273
Utilities		36,926	33,356
Repairs and maintenance		35,135	28,406
Subscription, stationery, printing and publication		42,271	42,881
Communications		84,564	87,642
Travelling and conveyance		126,316	94,894
Expenses on information technology		343,942	339,584
Other expenses		90,688	93,772
		2,760,186	2,397,996

27.1 Salaries, wages and amenities include Rs. 36.30 million (2015: Rs. 32.71 million) in respect of gratuity, Rs. 51.12 million (2015: Rs. (11.02) million) in respect of pension and Rs. 59.21 million (2015: Rs. 53.07 million) in respect of provident fund.

27.2 Legal and professional charges include the following in respect of auditors' services for:

(Rupees in '000)	2016	2015
Statutory audit	1,050	1,000
Half yearly review	150	150
Other certificates	137	57
Other services	730	–
Out of pocket expenses	140	140
	2,207	1,347
28 Finance cost		
Mark-up on long term finances from banking companies- secured	624,997	736,993
Mark-up on loan from associated company - unsecured	7,984	53,443
Mark-up on short term borrowings - secured	201,431	362,939
Mark-up on short term running finances - secured	83,570	274,749
Bank charges	41,023	49,356
	959,005	1,477,480

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
29 Other operating expenses			
Workers' profit participation fund	11.1	912,431	673,257
Workers' welfare fund		316,260	271,762
Donations	29.1	49,717	52,241
Loss on disposal of property, plant and equipment		–	10,412
Impairment of goodwill		–	167,546
Impairment loss on			
Property, plant and equipment	14	54,093	780,460
Exchange loss on foreign currency		43,394	137,742
Loss on foreign exchange commitments		173,114	246,940
CWIP written off		14,487	–
Others		–	117,120
		1,563,496	2,457,480
29.1 Donations			
Name of donee in which a director or his spouse has an interest:			
Dairy & Rural Development Foundation (DRDF), 30-E/1, Gulberg III, Lahore - Pakistan (Syed Yawar Ali, Director is also Governor of DRDF)		2,500	2,500
National Management Foundation (NMF), Defence Housing Authority, Lahore (Syed Babar Ali, Director is also Chairman of NMF)		10,000	10,000
		12,500	12,500
30 Other income			
Income from financial assets			
Return on bank accounts		12,344	14,888
Realised exchange rate gain on loan from associated company	6.1	150	–
Others		552	3,500
		13,046	18,388
Income from non - financial assets			
Sale of scrap		126,096	119,354
Profit on sale of property, plant and equipment		132,972	–
Reversal of impairment loss on			
property, plant and equipment	14	122,639	–
		394,753	137,742

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
31 Taxation			
Current tax			
For the year		4,950,641	4,324,718
Prior year		545,339	435,086
		5,495,980	4,759,804
Deferred tax	7.1	(323,033)	(1,000,612)
		5,172,947	3,759,192

See accounting policy note 2.10.

%		2016	2015
31.1 Tax charge reconciliation			
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
Applicable tax rate		31.00	32.00
Tax effect of amounts that are:			
Tax impact related to prior year		0.86	1.46
Tax impact of Super tax levied		2.35	2.60
Tax impact of presumptive tax regime		(2.38)	(2.97)
Tax impact of exempt income		(0.41)	–
Tax credits		(1.32)	(1.73)
Others		0.30	(1.32)
		(0.60)	(1.96)
Average effective tax rate charged to profit and loss account		30.40	30.04

		2016	2015
32 Earnings per share			
32.1 Basic earnings per share			
Profit after taxation available for distribution			
to ordinary shareholders	Rupees in '000'	11,846,973	8,760,930
Weighted average number of ordinary shares	Number in '000'	45,350	45,350
Basic earnings per share	Rupees	261.23	193.18

32.2 Diluted earnings per share

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

Notes to the Financial Statements

For the year ended 31 December 2016

33 Transactions with related parties

The related parties comprise of associated companies, other related companies, key management personnel and employees retirement benefit funds. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration to key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

(Rupees in '000)	2016	2015
33.1 Transactions during the year		
Associated companies		
- Royalty and technical assistance fee	3,165,569	2,872,937
- Purchase of assets, goods, services and rental	14,871,838	12,173,676
- Sale of property, plant and equipment	-	47,399
- Interest on foreign currency loan	7,984	53,443
- Sale of goods	102,036	39,485
- Repayment of foreign currency loan	1,047,600	2,839,072
- Donations	12,500	12,500
- Insurance claims	35,189	57,646
Other related parties		
- Contribution to staff retirement benefit plans	679,957	577,266

All transactions with related parties have been carried out on mutually agreed terms and conditions except for donations.

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	Note	2016	2015
34 Cash generated from operations			
Profit before taxation		17,019,920	12,520,122
Adjustment for non-cash charges and other items:			
Depreciation on property, plant and equipment		3,495,831	3,426,930
Fixed assets charged off		291,422	–
Amortization of intangible assets		8,068	672
Impairment loss on property, plant and equipment - net		(68,546)	780,460
Impairment of goodwill		–	167,546
(Gain)/ loss on disposal of property, plant and equipment		(132,972)	10,412
Exchange rate (gain)/ loss on foreign currency loan from associated company		(150)	122,027
Provision for workers' profit participation fund		912,431	673,257
Provision for workers' welfare fund		316,260	271,762
Provision for doubtful advances/debts - net		16,328	1,175
Provision for obsolete spares		171,915	78,710
Unrealized exchange loss on foreign currency transactions/ contracts		17,059	16,894
Net provision for unusable raw and packing material		195,016	(91,179)
Provision for staff retirement benefits		513,749	198,730
Finance cost		959,005	1,477,480
Profit before working capital changes		23,715,336	19,654,998
Effect on cash flow due to working capital changes:			
(Increase)/ decrease in current assets:			
Stores and spares		(217,455)	(132,952)
Stock in trade		(1,927,565)	380,485
Trade debts		(265,952)	(43,114)
Advances, deposits, prepayments and other receivables		167,335	(70,391)
Increase in current liabilities:			
Trade and other payables		8,063,136	2,333,895
		5,819,499	2,467,923
		29,534,835	22,122,921
35 Cash and cash equivalents			
Cash and bank balances	23	353,167	253,267
Short term running finance under mark-up arrangements - secured	10	(2,013,120)	(2,461,648)
		(1,659,953)	(2,208,381)

Notes to the Financial Statements

For the year ended 31 December 2016

36 Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in these financial statements during the year for remuneration, including certain benefits, to the chief executive, executive directors, non-executive directors and executives of the Company are as follows:

(Rupees in '000)	Chairman		Chief Executive		Executive Director		Executive	
	2016	2015	2016	2015	2016	2015	2016	2015
Fee / managerial remuneration	5,470	4,571	25,611	28,702	35,303	32,722	2,525,438	2,122,773
Bonus	-	-	9,030	6,542	11,837	8,336	630,991	433,314
Retirement benefits	-	-	-	-	2,671	2,390	516,531	369,320
Housing	-	-	3,534	11,287	3,049	2,400	10,849	11,069
Utilities	-	-	-	-	-	-	11,816	7,704
Reimbursable expenses	699	696	10,570	34,570	15,373	13,391	577,861	544,070
	6,169	5,267	48,745	81,101	68,233	59,239	4,273,486	3,488,250
Number of persons	1	1	1	1	2	2	1,481	1,258

36.1 The chairman, chief executive, executive directors and certain executives of the Company are provided with use of Company maintained vehicles and residential telephones.

36.2 The aggregate amount charged in these financial statements in respect of contribution to provident fund of key management personnel is Rs. 186.77 million (2015: Rs. 156.04 million).

36.3 Meeting fees amounting to Rs. 2,700,000 (2015: Rs. 450,000) was paid to non executive directors during the year.

	Capacity		Production	
	2016	2015	2016	2015
37 Capacity and production				
Liquid products - litres in thousand	1,797,329	1,742,562	1,027,518	923,029
Non-liquid products - Kgs in thousand	183,208	175,252	103,028	89,892

Under utilization of capacity was mainly due to seasonal impact of fresh milk.

38 Segment reporting

Segment information is presented in respect of the Company's business. The primary format, business segment, is based on the Company's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities include short term and long term borrowings, employees retirement benefits and other operating liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

Notes to the Financial Statements

For the year ended 31 December 2016

The Company's operations comprise of the following main business segments and product categories:

i) Milk and nutrition products

Milk based products and cereals

ii) Beverages

Juices and water

38.1 Segment analysis and reconciliation for the year ended 31 December

(Rupees in '000)	Milk and Nutrition Products		Beverages		Other Operations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Sales								
External sales	88,578,540	81,686,079	23,091,721	20,729,151	722,393	570,686	112,392,654	102,985,916
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	88,578,540	81,686,079	23,091,721	20,729,151	722,393	570,686	112,392,654	102,985,916
Depreciation and amortization	2,586,163	2,511,548	850,223	832,698	67,513	83,356	3,503,899	3,427,602
Operating profit before tax and before unallocated expenses								
	17,164,969	14,683,840	2,443,410	2,333,963	(460,711)	(700,463)	19,147,668	16,317,340
Unallocated corporate expenses								
Finance cost							(959,005)	(1,477,480)
Exchange loss on foreign currency							(43,394)	(137,742)
Other operating expenses							(1,466,009)	(1,539,278)
Other operating income							394,753	137,742
Taxation							(5,172,947)	(3,759,192)
Other material non-cash items								
Impairment loss on property, plant and equipment	(54,093)	(451,956)	-	-	-	(328,504)	(54,093)	(780,460)
Profit after taxation							11,846,973	8,760,930
Segment assets								
	31,513,706	29,703,503	11,927,256	11,781,319	482,510	485,476	43,923,472	41,970,298
Unallocated assets							6,858,298	7,297,166
Total assets							50,781,770	49,267,464
Segment liabilities								
	19,640,343	14,538,056	5,360,924	3,910,570	160,175	101,568	25,161,442	18,550,194
Unallocated liabilities							16,808,276	18,079,508
Total liabilities							41,969,718	36,629,702
Segment capital expenditure								
	3,422,617	1,503,254	622,005	1,125,005	35,633	72,942	4,080,255	2,701,201

Notes to the Financial Statements

For the year ended 31 December 2016

(Rupees in '000)	2016	2015
38.2 Geographical segments		
Sales are made by the Company in the following countries:		
Pakistan	107,527,903	97,273,591
Afghanistan	4,745,011	5,500,839
Other foreign countries	119,740	211,486
	112,392,654	102,985,916

The Company manages and operates manufacturing facilities and sales offices in Pakistan only.

39 Financial risk management

Financial risk factors

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

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. The Company follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available. Market risks are managed by the Company through the adoption of appropriate policies to cover currency risks and interest rate risks. The Company applies credit limits to its customers and obtains advances from them.

39.1 Market risk

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 exposed to currency risk arising from various currency exposures, primarily with respect to various currencies. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to the foreign entities. The Company's exposure to currency risk is as follows:

Notes to the Financial Statements

For the year ended 31 December 2016

Particulars	Currency	2016	2015
Foreign currency bank accounts	US \$	54,044	66,356
	EUR€	–	26,921
	JPY	–	1,120,468
Cash in hand	US \$	29,915	29,915
	EUR€	6,985	6,985
		36,900	36,900
Receivables	US \$	–	1,496,245
	GB £	–	2,214
	AUD	7,890	–
	CHF	190	33,176
	JPY	2,054,577	–
	SGP \$	–	63,225
	EUR€	–	1,437,638
			2,062,657
		2,153,601	4,283,143
Less :			
Long term loan from associated undertaking (including current maturity)	US \$	–	1,047,750
Payables	US \$	8,330,969	7,093,593
	EUR€	3,883,086	1,907,581
	CHF	1,779,680	1,467,161
	GB £	75,274	8,480
	SGP \$	2,370,611	1,885,599
	JPY	–	2,899,373
	AED	33,463	57,845
	AUD	2,125	10,768
	ZAR	–	298,186
	THB	151,388	–
TRY	51,951	–	
		16,678,547	15,628,586
		16,678,547	16,676,336
On balance sheet exposure		(14,524,946)	(12,393,193)
Outstanding letters of credit	PKR	(2,480,350)	(1,381,813)
Off balance sheet exposure		(2,480,350)	(1,381,813)

Notes to the Financial Statements

For the year ended 31 December 2016

The following significant exchange rates were applied during the year:

	2016		2015	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
(Rupees per currency unit)				
US \$	104.70	104.61	102.59	104.78
EUR	112.25	109.97	118.27	114.52
CHF	104.10	102.28	103.68	105.91
GB £	141.89	128.38	155.79	155.39
SGP \$	73.25	72.29	75.07	74.21
JPY	0.88	0.89	0.86	0.87
CNY	15.61	15.08	16.17	16.13
AED	28.50	28.48	27.93	28.52
AUD	76.05	75.54	79.37	76.56
ZAR	7.28	7.83	7.74	6.73
TRY	32.81	29.63	39.53	35.98
THB	2.92	2.93	2.98	2.90
NZD	72.28	72.93	75.26	71.62

Currency rate sensitivity analysis

If the functional currency, at reporting date, had increased by 10% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year and 2015 would have been as follows:

(Rupees in '000)	2016	2015
Effect on Profit and loss		
US Dollar	86,272	68,619
Euro	42,625	4,993
Swiss Franc	18,201	15,187
Great Britain Pound	966	97
Singapore Dollar	17,137	13,524
Australian Dollar	(44)	82
Japanese Yen	(183)	155
Arab Emirates Dirham	95	165
Thai Bath	44	–
Turkish Lira	154	–
South African Rand	–	201
	165,267	103,023

The effect may be respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments.

Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

Notes to the Financial Statements

For the year ended 31 December 2016

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 instruments traded in the market.

c) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates.

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

(Rupees in '000)	2016	2015
Variable rate instruments		
Short term borrowings and running finance from local banks - PKR	(6,358,277)	(5,461,648)
Effective interest rate in %age	5.29	6.48

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

If interest rates on loans from associates and borrowings from banks, at the year end date, fluctuate by 100 bps higher / lower with all other variables, in particularly foreign exchange rates held constant, profit before taxation for the year and 2015 would have been affected as follows:

(Rupees in '000)	2016	2015
Effect on Profit and loss of an increase	(63,583)	(54,616)
Effect on Profit and loss of a decrease	63,583	54,616

The effect may be higher / lower, mainly as a result of higher / lower mark-up income on floating rate loans / investments.

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

Notes to the Financial Statements

For the year ended 31 December 2016

d) Fair value measurement of financial instruments

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.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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 Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of 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 either directly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Notes to the Financial Statements

For the year ended 31 December 2016

31, December 2016		Carrying amount				Fair value			
(Rupees in '000)	Note	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value		7,520	-	-	7,520	-	7,520	-	7,520
Financial assets - not measured at fair value									
Trade debts	21	564,460	-	-	564,460	-	-	-	-
Loans and advances	17	435,369	-	-	435,369	-	-	-	-
Security deposits	18	26,148	-	-	26,148	-	-	-	-
Advances, deposits, prepayments and other receivables	22	141,591	-	-	141,591	-	-	-	-
Cash and bank balances	23	-	353,167	-	353,167	-	-	-	-
		1,167,568	353,167	-	1,520,735	-	-	-	-
Financial liabilities - measured at fair value		-	-	28,817	28,817	-	28,817	-	28,817
Financial liabilities - not measured at fair value									
Long term finances	6	-	-	5,637,473	5,637,473	-	-	-	-
Short term borrowings - secured	9	-	-	4,345,157	4,345,157	-	-	-	-
Short term running finance under mark-up arrangements - secured	10	-	-	2,013,120	2,013,120	-	-	-	-
Customer security deposits - interest free		-	-	240,843	240,843	-	-	-	-
Trade and other payables	11	-	-	24,044,921	24,044,921	-	-	-	-
Interest and mark-up accrued	12	-	-	48,888	48,888	-	-	-	-
		-	-	36,330,402	36,330,402	-	-	-	-

31, December 2015		Carrying amount				Fair value			
(Rupees in '000)	Note	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value		7,500	-	-	7,500	-	7,500	-	7,500
Financial assets - not measured at fair value									
Trade debts	21	314,836	-	-	314,836	-	-	-	-
Loans and advances	17	371,684	-	-	371,684	-	-	-	-
Security deposits	18	37,787	-	-	37,787	-	-	-	-
Advances, deposits, prepayments and other receivables	22	455,226	-	-	455,226	-	-	-	-
Cash and bank balances	23	-	253,267	-	253,267	-	-	-	-
		1,179,533	253,267	-	1,432,800	-	-	-	-
Financial liabilities - measured at fair value		-	-	3,547	3,547	-	3,547	-	3,547
Financial liabilities - not measured at fair value									
Long term finances	6	-	-	9,047,750	9,047,750	-	-	-	-
Short term borrowings - secured	9	-	-	3,000,000	3,000,000	-	-	-	-
Short term running finance under mark-up arrangements - secured	10	-	-	2,461,648	2,461,648	-	-	-	-
Customer security deposits - interest free		-	-	221,305	221,305	-	-	-	-
Trade and other payables	11	-	-	15,859,798	15,859,798	-	-	-	-
Interest and mark-up accrued	12	-	-	83,521	83,521	-	-	-	-
		-	-	30,674,022	30,674,022	-	-	-	-

The company has not disclosed the fair values of certain financial assets and liabilities as their carrying amounts are reasonable approximation of fair values.

Notes to the Financial Statements

For the year ended 31 December 2016

39.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its long term deposits, trade debts, advances, deposits and other receivables and balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

(Rupees in '000)	2016	2015
Particulars		
Long term deposits	26,148	37,787
Trade debts	564,460	314,836
Advances, deposits and other receivables	141,591	455,226
Bank balances	349,504	249,569
	1,081,703	1,057,418
The aging of trade debts at the reporting date is:		
Not yet due	555,857	306,076
Past due 0 - 30 days	5,125	3,581
Past due 31 - 60 days	2,662	3,957
Past due 61 - 90 days	459	216
Past due 91 - 120 days	58	604
Past due 120 days	299	402
	564,460	314,836

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and subscribers in the case of trade debts.

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

	Rating 2016			Rating 2015		
	Short Term	Long Term	Agency	Short Term	Long Term	Agency
National bank of Pakistan	A1+	AAA	PACRA	A1+	AAA	PACRA
Allied Bank Limited	A1+	AA+	PACRA	A1+	AA+	PACRA
Faysal Bank Limited	A1+	AA	PACRA	A1+	AA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS	A-1+	AAA	JCR-VIS
MCB Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
Standard Chartered Bank Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
United Bank Limited	A-1+	AAA	JCR-VIS	A-1+	AA+	JCR-VIS
Citi Bank N.A	P-1	A1	Moody's	P-1	A2	Moody's
Deutsche Bank AG	P-2	A3	Moody's	P-2	A3	Moody's
Meezan Bank Limited	A-1+	AA	JCR-VIS	A-1+	AA	JCR-VIS
Tameer Microfinance Bank Limited	A-1	A+	PACRA			
Afghanistan International Bank	Not available	Not available	Not available	Not available	Not available	Not available

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 counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

Notes to the Financial Statements

For the year ended 31 December 2016

39.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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. For this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further, liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

The following are the contractual maturity analysis of financial liabilities as at 31 December 2016:

(Rupees in '000)	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
Financial liability						
Derivative financial liability						
- cash flow hedge	21,535	21,535	21,535	-	-	21,535
Long term finances	5,637,473	7,749,781	229,509	229,509	7,290,763	7,749,781
Short term borrowings	4,345,157	4,432,213	2,035,463	2,396,750	-	4,432,213
Short term running finance						
under mark-up arrangement	2,013,120	2,137,934	62,407	2,075,527	-	2,137,934
Customer security deposits	240,843	240,843	240,843	-	-	240,843
Trade and other payables	24,044,921	24,044,921	24,044,921	-	-	24,044,921
Interest and mark-up accrued	48,888	48,888	48,888	-	-	48,888
	36,351,937	38,676,115	26,683,566	4,701,786	7,290,763	38,676,115

The following are the contractual maturity analysis of financial liabilities as at 31 December 2015:

(Rupees in '000)	Carrying value	Contractual cash flows	Less than 6 months	6 to 12 months	1 year to 5 years	Total
Financial liability						
Derivative financial liability						
- cash flow hedge	3,547	3,547	3,547	-	-	3,547
Long term finances	9,047,750	11,692,191	1,055,513	687,879	9,948,799	11,692,191
Short term borrowings	3,000,000	3,043,442	3,043,442	-	-	3,043,442
Short term running finance						
under mark-up arrangement	2,461,648	2,496,046	2,496,046	-	-	2,496,046
Customer security deposits	221,305	221,305	221,305	-	-	221,305
Trade and other payables	15,859,798	15,859,798	15,859,798	-	-	15,859,798
Interest and mark-up accrued	83,521	83,521	83,521	-	-	83,521
	30,677,569	33,399,850	22,763,172	687,879	9,948,799	33,399,850

Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Notes to the Financial Statements

For the year ended 31 December 2016

Derivative assets and liabilities designated as cash flow hedges

The cash flows associated with cash flow hedges are expected to occur within a period of six months from reporting date and are likely to have same impact on the profit and loss.

40 Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) To provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of debt to equity ratio, calculated on the basis of total debt to equity.

The debt to equity ratio as at 31 December 2016 and 2015 were as follows:

(Rupees in '000)	2016	2015
Total borrowings	11,995,750	14,509,398
Total equity	8,812,052	12,637,762
Total debt and equity	20,807,802	27,147,160
Debt to equity ratio	58:42	53:47

There were no major changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

41 Number of employees

The total average number of employees during the year and as at 31 December 2016 and 2015 are as follows:

(Number of Employees)	2016	2015
Average number of employees during the year	4,393	4,175
Number of employees as at 31 December	4,488	4,221

42 Provident Fund Disclosure

The following information is based on latest audited financial statements of the fund as of 31 December 2016:

(Rupees in '000)	2016 Audited	2015 Audited
Size of the fund - total assets	3,266,680	2,851,181
Cost of investments made	2,955,116	2,784,574
Fair value of investments	3,265,609	2,845,713
Percentage of investments made	99.97%	99.81%

Notes to the Financial Statements

For the year ended 31 December 2016

	Note	2016		2015	
		(Rs in '000)	%	(Rs in '000)	%
42.1 The break-up of fair value of investments is:					
Pakistan investment bonds		581,519	17.80%	527,088	18.49%
Term finance certificates		30,808	0.94%	30,885	1.08%
Term deposit receipts		1,231,041	37.68%	981,462	34.42%
Investment in equity instruments	42.2	688,383	21.07%	296,028	10.38%
Mutual funds		63,001	1.93%	43,960	1.54%
Temporary interest based loans to members		494,785	15.15%	446,851	15.67%
Savings accounts with banks		176,072	5.39%	519,439	18.22%
Others		1,071	0.03%	5,468	0.20%
		3,266,680	99.99%	2,851,181	100.00%

42.2 Fair value of equity instruments include ordinary shares of the Company whose fair value as at 31 December 2016 is Rs. 6.30 million (2015: Rs. 5.46 million).

42.3 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

43 Date of authorization for issue

These financial statements were authorized for issue on 22 February 2017 by the Board of Directors of the Company.

44 Dividend

The Board of Directors in their meeting held on 22 February 2017 have proposed a final cash dividend for the year ended 31 December 2016 of Rs. 170/- (2015: Rs. 90) per share, amounting to Rs. 7,709.43 million (2015: Rs. 4,081.46 million) for approval of the members at the Annual General Meeting to be held on 18 April 2017. These financial statements do not reflect this dividend.

45 General

45.1 Corresponding figures

Previous year's figures have been re-arranged, wherever necessary for the purpose of comparison. However no material re-arrangements have been made.

45.2 Figures have been rounded off to the nearest of thousand of rupee.



JOHN MICHAEL DAVIS
Head of Finance and Control



BRUNO BORIS OLIERHOEK
Chief Executive



SYED YAWAR ALI
Chairman

Form of Proxy

Nestlé Pakistan Ltd.
308 – Upper Mall, Lahore, Pakistan.

I/We, _____, of _____, being a member of Nestlé Pakistan Ltd., holder of _____ Ordinary Share(s) as per registered Folio No. _____ hereby appoint Mr. / Mrs. _____ Folio No. _____ of _____ or failing him Mr. / Mrs. _____ Folio No. _____ of _____, who is also a member of Nestlé Pakistan Ltd., as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 39th Annual General Meeting of the Company to be held on April 18, 2017 and at any adjournment thereof.

Signed under my / our hand this _____ day of _____, 2017.

Signed by the said: _____

Shareholder's Folio No.: _____

and / or CDC Participant I.D. No.: _____

and Sub- Account No.: _____

Shareholder's CNIC : _____

In the presence of:

Signature of Witness No. 1

Signature of Witness No. 2

Name: _____

Name: _____

CNIC No.: _____

CNIC No.: _____



Signature should agree with the specimen signature registered with the company

NOTES:

- 1 This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorised. No person shall be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.
- 2 The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.

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The Company Secretary

Nestlé Pakistan Ltd.

308 – Upper Mall, Lahore, Pakistan

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Fax No. +92 42 3578 9303

www.nestle.pk

پراکسی فارم

تختہ پاکستان لمیٹڈ، 308-اے، مال، لاہور

میں / ہم _____
برائے _____
تختہ پاکستان لمیٹڈ کے ممبر (ممبران) کی حیثیت سے _____
عمومی شیئرز کی تحویل رکھتا ہوں / رکھتے ہیں _____
لہذا بذریعہ ہذا _____ کے / کی جناب / محترمہ _____
کو بحوالہ فولیو / CDC کا وٹ نمبر یا ان کی جگہ _____
کے / کی جناب / محترمہ _____ بحوالہ فولیو / CDC کا وٹ نمبر _____ (یہ بھی تختہ پاکستان لمیٹڈ کے / کی ممبر ہیں) کو کمپنی کے سالانہ اجلاس عام
میں اپنی جگہ شرکت، رائے اور ووٹ دینے کے لئے اپنا پراکسی تقرر کرتا / کرتی ہوں / کرتے ہیں۔ یہ اجلاس 18 اپریل 2017 کو اثناء کی صورت میں کسی بھی دیگر وقت مقررہ پر منعقد ہوگا۔
میں / ہم بروز _____ بتاریخ _____ کو اپنے دستخط / مہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔
مذکورہ بالا کے دستخط _____

ان کی موجودگی میں 1. _____
2. _____

پانچ روپے کی
ریونیئم مہر پر دستخط

یہ دستخط کمپنی کے پاس رجسٹرڈ نمونہ
دستخط کے جیسے ہونے چاہئیں

فولیو / CDC کا وٹ نمبر

اہم نکات:

- 1۔ باضابطہ، مکمل شدہ اور دستخط کردہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس بمقام 308-اے، مال روڈ لاہور، میں اجلاس کے وقت سے 48 گھنٹے قبل پہنچ جانا چاہئے۔
- 2۔ کمپنی کا ممبر نہ ہونے کی صورت میں کسی فرد کو بطور پراکسی مقرر نہیں کیا جاسکتا، ماسوائے کارپوریشن جو ممبر کے علاوہ دوسرے فرد کو پراکسی نامزد کر سکتی ہے۔
- 3۔ CDC شیئرز ہولڈر یا اسکے پراکسی کی صورت میں اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ بمع CDC پارٹنر شپ آئی ڈی اور اکاؤنٹ نمبر اپنی شناخت کے لئے پیش کرنا ہوگا۔
- 4۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمع نمونہ دستخط، پراکسی فارم کے ساتھ کمپنی کو پیش کئے جائیں (اگر وہ پہلے پیش نہ کئے گئے ہوں)۔

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Acronyms Used in Financial Statement

Sr.#	Abbreviation	Written Out Form
1	IAS	International Accounting Standards
2	IFRS	International Financial Reporting Standards
3	IFRIC	International Financial Reporting Interpretations Committee
4	LIBOR	London Inter-Bank Offer Rate
5	KIBOR	Karachi Inter-Bank Offer Rate
6	FIFO	First In First Out
7	OCI	Other Comprehensive Income



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