

Consolidated Balance Sheet

As at June 30, 2016

	Note	2016 (Rupees in '000)	2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	936,399	1,285,391
Intangible assets	9	9,262	8,713
Investment properties	10	6,948,303	7,176,769
Long-term investments	11	2,909,674	2,132,047
Long-term loans	12	15,010	171
Long-term deposits	13	13,995	11,632
Long-term prepayments	14	50,671	55,946
Deferred tax asset - net	15	148,651	28,612
		11,031,965	10,699,281
CURRENT ASSETS			
Stores, spares and loose tools	16	90,581	91,026
Stock-in-trade	17	2,824,550	2,543,659
Trade debts	18	1,048,514	1,210,643
Loans and advances	19	53,271	39,517
Trade deposits and short-term prepayments	20	52,849	90,255
Interest accrued		3,304	4,053
Other receivables	21	512,123	21,882
Short-term investments	22	5,594,911	5,053,988
Income tax - net	23	296,541	173,214
Sales tax refundable		34,345	31,219
Cash and bank balances	24	937,128	645,884
		11,448,117	9,905,340
		22,480,082	20,604,621
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 100,000,000 (2015: 100,000,000) ordinary shares of Rs. 5/- each		500,000	500,000
Issued, subscribed and paid-up capital	25	405,150	405,150
Share deposit money		12	12
Reserves	26	14,061,440	12,214,199
Equity attributable to equity holders of the Holding Company		14,466,602	12,619,361
Non-controlling interest	27	5,907,241	5,790,139
Total equity		20,373,843	18,409,500
NON-CURRENT LIABILITIES			
Long term deposits	28	311,155	309,708
CURRENT LIABILITIES			
Trade and other payables	29	1,765,523	1,847,549
Short-term running finance	30	22,790	23,807
Deferred income	31	6,729	14,002
Accrued markup		42	55
		1,795,084	1,885,413
CONTINGENCIES AND COMMITMENTS			
	32		
TOTAL EQUITY AND LIABILITIES			
		22,480,082	20,604,621

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



ASIF RIZVI
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VICE CHAIRMAN

Consolidated Profit and Loss Account

For the year ended June 30, 2016



	Note	2016 (Rupees in '000)	2015
Revenue - net	33	16,823,104	18,938,928
Cost of sales	34	13,157,360	15,504,550
Gross profit		3,665,744	3,434,378
Distribution costs	35	(259,568)	(237,708)
Administrative expenses	36	(1,292,466)	(1,268,432)
Other charges	37	(1,308,396)	(244,959)
		(2,860,430)	(1,751,099)
Other income	38	2,363,285	1,809,850
Operating profit		3,168,599	3,493,129
Finance costs	39	(5,902)	(17,405)
		3,162,697	3,475,724
Share of net profit of associates - after tax	11.1	767,097	489,860
Profit before taxation		3,929,794	3,965,584
Taxation	40	(1,026,509)	(1,192,345)
Profit after taxation		2,903,285	2,773,239
Attributable to			
- Equity holders of the Holding Company		2,570,535	2,469,418
- Non-controlling interest		332,750	303,821
		2,903,285	2,773,239
			(Rupees)
Basic and diluted earnings per share attributable to the equity holders of the Holding Company	41	31.72	30.48

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

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Consolidated Statement Of Comprehensive Income

For the year ended June 30, 2016

	2016 (Rupees in '000)	2015
Profit after taxation for the year	2,903,285	2,773,239
Other comprehensive income		
<i>Item to be reclassified to profit and loss account in subsequent periods:</i>		
(Loss) / gain on revaluation of available-for-sale investments - net of tax	(14,097)	13,187
<i>Item not to be reclassified to profit and loss account in subsequent periods:</i>		
Share of actuarial loss on remeasurement of defined benefit plans of associates	(184)	(146)
Total comprehensive income for the year	<u>2,889,004</u>	<u>2,786,280</u>
Attributable to		
- Equity holders of the Holding Company	2,556,254	2,482,459
- Non-controlling interest	332,750	303,821
	<u>2,889,004</u>	<u>2,786,280</u>

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.



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VICE CHAIRMAN

Consolidated Cash Flow Statement

For the year ended June 30, 2016



	Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	42	3,644,113	4,029,031
Finance costs paid		(5,440)	(16,851)
Retirement benefits paid		(2,356)	(3,529)
Income tax paid		(1,269,284)	(1,070,201)
Long-term loans		(55,275)	2,258
Long-term deposit - net		168	1,589
Operations fee paid		(792,000)	-
Net cash generated from operating activities		1,519,926	2,942,297
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(215,656)	(137,166)
Proceeds from disposal of operating fixed assets		17,284	13,671
Dividends received		529,095	338,704
Interest received		321,045	222,287
Investment made during the year		(505,563)	(396,669)
Redemption of short-term investments		(41,137)	(240,434)
Net cash generated from / (used in) investing activities		105,068	(199,607)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(879,943)	(971,817)
Net cash used in financing activities		(879,943)	(971,817)
NET INCREASE IN CASH AND CASH EQUIVALENTS		745,051	1,770,873
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		5,256,285	3,485,412
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43	6,001,336	5,256,285

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

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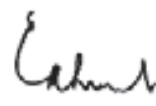
Consolidated Statement of Changes in Equity

For the year ended June 30, 2016

	Issued, subscribed and paid-up capital	Share deposit money	Reserves				Non-controlling interest	Total equity
			Capital reserves	General reserve	Unappropriated profit	Gain / (loss) on changes in fair value of available for sale investments		
	(Rupees in '000)							
Balance as at June 30, 2014	405,150	12	67,929	7,948,874	2,429,917	95,321	5,664,797	16,612,000
Transfer to general reserve	-	-	-	754,000	(754,000)	-	-	-
Final dividend @ Rs. 2.50/- per share for the year ended June 30, 2014	-	-	-	-	(202,575)	-	-	(202,575)
First Interim dividend @ Rs. 3.75/- per share for the year ended June 30, 2015	-	-	-	-	(303,863)	-	-	(303,863)
Second Interim dividend @ Rs. 3.75/- per share for the year ended June 30, 2015	-	-	-	-	(303,863)	-	-	(303,863)
Subsidiary companies								
Final dividend @ Rs. 0.242/- per share for the year ended June 30, 2014	-	-	-	-	-	-	(32,920)	(32,920)
Interim dividend @ Rs. 1.070/- per share for the year ended June 30, 2015	-	-	-	-	-	-	(145,559)	(145,559)
	-	-	-	-	(810,301)	-	(178,479)	(988,780)
Profit for the year	-	-	-	-	2,469,418	-	303,821	2,773,239
Other comprehensive income	-	-	-	-	(146)	13,187	-	13,041
Total comprehensive income for the year	-	-	-	-	2,469,272	13,187	303,821	2,786,280
Balance as at June 30, 2015	405,150	12	67,929	8,702,874	3,334,888	108,508	5,790,139	18,409,500
Transfer to general reserve	-	-	-	1,136,000	(1,136,000)	-	-	-
Final dividend @ Rs. 2.50/- per share for the year ended June 30, 2015	-	-	-	-	(405,150)	-	-	(405,150)
Interim dividend @ Rs. 3.75/- per share for the year ended June 30, 2016	-	-	-	-	(303,863)	-	-	(303,863)
Subsidiary companies								
Final dividend @ Rs. 0.30/- per share for the year ended June 30, 2015	-	-	-	-	-	-	(40,811)	(40,811)
Interim dividends @ Rs. 1.284/- per share for the year ended June 30, 2016	-	-	-	-	-	-	(174,837)	(174,837)
	-	-	-	-	(709,013)	-	(215,648)	(924,661)
Profit for the year	-	-	-	-	2,570,535	-	332,750	2,903,285
Other comprehensive income	-	-	-	-	-	(14,281)	-	(14,281)
Total comprehensive income for the year	-	-	-	-	2,570,535	(14,281)	332,750	2,889,004
Balance as at June 30, 2016	405,150	12	67,929	9,838,874	4,060,410	94,227	5,907,241	20,373,843

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.


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Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



1. THE HOLDING COMPANY AND ITS OPERATIONS

- 1.1** Thal Limited (the Company) was incorporated on January 31, 1966 as a public company limited by shares under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Pakistan Stock Exchange (formerly Karachi and Lahore Stock Exchanges).

The Holding Company is engaged in the manufacture of jute goods, engineering goods, papersack and laminate sheets. The jute operations are located at Muzaffargarh, engineering operations at Karachi, papersack operations at Hub and Gadoon and laminate operations located at Hub. The registered office of the Holding Company is situated at 4th Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharae Faisal, Karachi.

- 1.2** The Group comprises of the Holding Company and the following subsidiaries that have been consolidated in these financial statements:

Subsidiary Companies	Note	Date of becoming subsidiary	Holding		Total assets	Total liabilities	Total assets	Total liabilities
			2016	2015	2016		2015	
			%	%	(Rupees in '000s)		(Rupees in '000s)	
Noble Computer Services (Private) Limited	1.2.1	01-07-2005	100	100	146,999	39,939	134,484	31,666
Pakistan Industrial Aids (Private) Limited	1.2.2	27-03-2006	100	100	27,123	2,310	28,867	4,584
Makro-Habib Pakistan Limited	1.2.3	01-05-2008	100	100	137,414	353,300	1,004,657	318,170
A-One Enterprises (Private) Limited	1.2.4	16-12-2011	100	100	583,243	14,129	180,160	5,097
Habib METRO Pakistan (Private) Limited	1.2.5	16-12-2011	60	60	9,157,630	536,258	8,894,549	451,152
Thal Boshoku Pakistan (Private) Limited	1.2.6	03-09-2013	55	55	383,574	45,790	306,426	70,670
Thal Power (Private) Limited	1.2.7	03-07-2014	100	100	36,217	39,511	85	75

1.2.1 Noble Computer Services (Private) Limited

Noble Computer Services (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on May 8, 1983 and is a wholly owned subsidiary of Thal Limited. The Company provides Internal Audit Services, I.T. Related Services, Advisory Services, HR Services and Management Services. During the year, the Securities and Exchange Commission of Pakistan (SECP) issued the Balloters and Transfer Agents Rules, 2015. Under the said rules, the SECP restricted the Company from providing the services of balloter and transfer agent to the listed associated companies. Therefore, the Company discontinued providing these services.

1.2.2 Pakistan Industrial Aids (Private) Limited

Pakistan Industrial Aids (Private) Limited was incorporated in Pakistan on March 17, 2006 as a private limited company. The subsidiary is engaged in trading of various products.

1.2.3 Makro-Habib Pakistan Limited (MHPL)

- (a) MHPL was incorporated in Pakistan on June 29, 2005 as a public limited (unlisted) company. The principal objective of the Company is to operate a chain of wholesale / retail cash and carry stores. The Company was operating one store located at Survey No. 148/1, Abyssinia Lines, Mubarak Shaheed Road, Saddar, Karachi.
- (b) MHPL had entered into Arrangement with METRO Habib Cash & Carry Pakistan (Private) Limited (MHCCP) (then a wholly owned subsidiary of METRO Cash and Carry International Holding BV) (the Operator) whereby the Operator had been engaged to operate the MHPL's Saddar Store (the Store) for an operations fee determined under the agreed mechanism. However, the Arrangement stands terminated during the year due to the closure of Company's Saddar store.

1.2.4 A-One Enterprises (Private) Limited

A-One Enterprises (Private) Limited was incorporated in Pakistan on December 16, 2011 as a private limited company. The subsidiary owns a land at Multan road, Lahore.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

1.2.5 Habib METRO Pakistan (Private) Limited

Habib METRO Pakistan (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on December 16, 2011 under the Companies Ordinance, 1984. The main business of the Company is to own and manage properties.

1.2.6 Thal Boshoku Pakistan (Private) Limited (TBPPL)

TBPPL was incorporated on September 03, 2013 as a private company limited by shares under the Companies Ordinance, 1984. The principle activity of TBPPL is to manufacture automobile seats, parts, air cleaner and other automobile parts. TBPPL was formed pursuant to a Joint Venture Agreement between the Holding Company, Toyota Boshoku Corporation, Japan and Toyota Tsusho Corporation, Japan. The registered office of TBPPL is situated at 4th Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Shahr-e-Faisal, Karachi.

1.2.7 Thal Power (Private) Limited (TPPL)

TPPL was incorporated in Pakistan under the Companies Ordinance, 1984 as a private limited company on 03 July 2014. The registered office of TPPL is situated at 4th floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Shahr-e-Faisal, Karachi.

2. STATEMENT OF COMPLIANCE

These consolidated 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 (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) 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 or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention, except for certain investments which are measured at fair value as required under IAS – 39 “Financial Instruments: Recognition and Measurement” as disclosed in note 22 to these financial statements.
- 3.2 These consolidated financial statements are presented in Pak Rupees which is also the Group’s functional currency.

4. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies, here-in-after referred to as “the Group”.

A company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Holding Company, using consistent accounting policies. The accounting policies of the subsidiaries have been changed to conform with accounting policies of the Group, where required.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Where the ownership of a subsidiary is less than 100% and therefore, a non controlling interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in the consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New and amended standards and interpretations

The Group has adopted the following revised standards, amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 28 – Investments in Associates and Joint Ventures

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

In addition to the above standards and interpretations, certain improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Group expects that such improvements to the standards do not have any impact on the Group's financial statements for the period.

5.2 Property, plant and equipment

Operating assets

These are stated at cost less accumulated depreciation / amortisation and impairment loss, if any, except for freehold land and capital work-in-progress which are stated at cost.

Depreciation / amortisation is charged to the profit and loss account applying the reducing balance method except for computer equipment and jigs and fixtures which are depreciated / amortised on straight line method at the rates specified in note 8 to the consolidated financial statements. Depreciation / amortisation on additions is charged from the month of addition and in case of deletion, up to the month preceding the month of disposal.

Leasehold land is amortised in equal installments over the lease period.

Maintenance and normal repairs are charged to consolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work-in-progress

All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

5.3 Intangible assets

These are stated at cost less accumulated amortisation and impairment loss, if any.

Costs in relation to intangible assets are only capitalized when it is probable that future economic benefits attributable to that asset will flow to the Group and the same is amortised applying the straight line method at the rates stated in note 9 to these financial statements.

5.4 Investment properties

Investment property is stated at cost less accumulated depreciation and impairment loss, if any. Depreciation / amortisation is charged on reducing balance method at the rate specified in note 10 to the consolidated financial statements.

5.5 Impairment

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 characteristics.

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

5.6 Leases and licenses

The Group is the lessee (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 profit and loss account on a straight line basis over the lease term.

The Group is the licensor

Such income (net of any incentives given to the lessees) is through licence agreements and is recognised on a straight line basis over the lease term.

5.7 Investments

Associates

Investments in associates are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the associate. The consolidated profit and loss account reflects the Group's share of the results of the operations of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the consolidated profit and loss account.

Others

Held-to-maturity

These represent non-derivative financial assets with fixed or determinable payments and fixed maturities in respect of which the Group has the positive intent and ability to hold till maturity. These investments are recognised initially at fair value plus directly attributable costs and are subsequently measured at amortised cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

At fair value through profit or loss

Investments at fair value through profit or loss are initially recognised at fair value. Subsequently, these are measured at fair value whereas effects of changes in fair value are taken to the profit and loss account.

Available-for-sale

These are non-derivative financial assets which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates.

Quoted

These investments are initially measured at fair value plus transaction costs and subsequently carried at fair value. Changes in fair value are taken to a separate component of other comprehensive income until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss recorded in other comprehensive income is recognised in profit and loss account.

Un-Quoted

These investments are recorded at cost less accumulated impairment losses, if any.

5.8 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is determined by the weighted moving average cost method except for those in transit which are valued at actual cost. Provision is made for slow moving and obsolete items.

5.9 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of Net Realisable Value (NRV) and cost determined as follows:

Raw and packing materials	- Purchase cost or weighted moving average basis.
Work-in-process	- Cost of materials, labour cost and appropriate production overheads.
Finished goods	- Cost of materials, labour cost and appropriate production overheads.

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for slow moving and obsolete items.

5.10 Trade debts and other receivables

Trade debts originated by the Group are recognised and carried at original invoice amount less provision for impairment. Provision for doubtful debts is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

Other receivables are carried at cost less provision for doubtful receivables, if any.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

5.11 Ijarah rentals

Ijarah payments for assets under Ijarah arrangements are recognised as an expense in the profit and loss account on a straight line basis over the Ijarah term.

5.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term borrowings. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.13 Taxation

(a) Current

The charge for current taxation in respect of certain income streams of the Group is based on Final Tax Regime at the applicable tax rates and remaining income streams at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, or 1% of turnover or 17% alternate corporate tax, whichever is higher. The Group had also availed Group tax relief under the provisions of Section 59AA and 59B of the Income Tax Ordinance, 2001 as explained in note 23 to the consolidated financial statements.

(b) Deferred

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred tax assets 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 income tax assets to be utilized. Unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.14 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

5.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of assets and incurred during the period in connection with the activities necessary to prepare the asset for its intended use are capitalised as a part of the cost of related asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

5.16 Staff retirement benefits

Defined contribution plan

Provident fund

The Group operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Group and the employees in accordance with the rules of the scheme. The Group has no further obligation once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

Retirement benefit fund

The Holding Company operates an approved scheme for retirement benefits for all employees on the basis of defined contribution on attaining the retirement age with a minimum qualifying period of ten years which is managed by a Trust.

5.17 Compensated absences

Accrual is made for employees' compensated absences on the basis of accumulated leaves and the last drawn pay. No actuarial valuation of compensated absences is carried out as the management considers that the financial impact is not material.

5.18 Provisions

General

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

Warranty obligations

The Company recognises the estimated liability to repair or replace products under warranty at the balance sheet date. These are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually and adjusted, if required.

5.19 Revenue recognition

Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually on dispatch of the goods.

Other income

- Dividend income is recognised when the right to receive the dividend is established.
- Interest on Term Deposit Receipts is recognised on constant rate of return to maturity.
- Interest on bank deposits are recognised on accrual basis.

5.20 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in profit and loss account of the current period.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

5.21 Financial instruments

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period.

Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Group has a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the consolidated financial statements.

5.22 Research and development expenditure

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense as incurred.

5.23 Dividends and appropriation to reserves

Dividend and appropriation to reserves are recognised in the consolidated financial statements in the period in which these are approved.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following judgements, estimates and assumptions which are significant to the consolidated financial statements:

	Notes
- determining the residual values, useful lives and impairment of property, plant and equipment and investment property	5.2, 5.4, 8 & 10
- determining the residual values, useful lives and impairment of intangibles assets	5.3 & 9
- impairment of financial and non-financial assets	5.5
- provision for slow moving stores, spares and loose tools and stock-in-trade	5.8, 5.9, 16 & 17
- provision for doubtful debts and other receivables	5.10 & 18
- provision for tax and deferred tax	5.13, 15 & 40
- provision and warranty obligations	5.18 & 29.3
- provision for compensated absences	5.17
- contingencies	32

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 16 & 41 - Agriculture: Bearer Plants – (Amendment)	01 January 2016
IFRS 2 - Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures - Investment Entities	01 January 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2016
IAS 12 - Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets Clarification of Acceptable method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The Group expects that the adoption of the above standards and amendments would not impact the company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016 . The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application .

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2018

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	C O S T			Rate %	D E P R E C I A T I O N / A M O R T I S A T I O N			W R I T T E N D O W N V A L U E
	As at July 01, 2014	Additions (Rupees in '000)	As at June 30, 2015		As at July 01, 2014	Charge for the year	On disposals	
Land - Freehold	203,753	-	203,753	-	-	-	203,753	
- Leasehold	45,381	-	45,381	1.69-3.33	5,591	1,449	38,341	
Building on freehold land								
- Factory building	270,035	17,558	287,593	10	149,814	12,944	124,835	
- Non factory building	471,979	-	471,979	5-10	163,450	25,024	283,505	
Railway siding	792	-	792	5	712	4	76	
Plant and machinery	1,232,542	134,024	1,366,566	10-30	830,399	95,461	440,706	
Furniture and fittings	29,996	2,806	32,802	15-20	18,660	2,282	11,860	
Vehicles	88,005	33,212	105,020	20	48,707	10,840	54,448	
Office and mills equipment	62,103	12,159	73,775	10-30	38,282	5,090	30,832	
Computer equipment	69,086	25,347	92,976	33-33	59,996	1,447	25,360	
Jigs and fixtures	144,320	52,009	196,329	33.33	120,345	25,602	50,382	
2015	2,617,992	277,115	2,876,966		1,435,956	187,763	1,264,098	

8.1.1 Additions include transfers from capital work in progress amounting to Rs. 38.126 million (2015: Rs. 214.717 million).

8.1.2 Jigs and fixtures include moulds having written down value of Nil (2015: Rs. 0.327 million) in the possession of sub-contractors.

8.2 Operating fixed assets include fully depreciated assets amounting to Rs. 182.361 million (2015: Rs. 154.095 million).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016	2015
(Rupees in '000)			
8.3 The depreciation / amortisation charge for the year has been allocated as follows:			
Cost of sales	34	129,715	136,057
Distribution costs	35	1,343	992
Administrative expenses	36	36,208	50,714
		<u>167,266</u>	<u>187,763</u>

8.4 The following operating fixed assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Written down value	Sales proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
(Rupees in '000)							
Land							
Freehold land	105,225	-	105,225	507,926	402,701	Negotiation	Lahore Development Authority, Lahore
Plant and machinery							
Automation Conveyor	4,728	4,382	346	428	82	Negotiation	Mr. Mumtaz Gul - Gadoon
Bottomer	950	747	203	251	48	Negotiation	Mr. Mumtaz Gul - Gadoon
Fork lifter	1,650	1,500	150	420	270	Negotiation	Mr. Mohammad Umer - Karachi
Items having book value upto Rs. 50,000	1,468	1,378	90	749	659	Various	Various
	8,796	8,007	789	1,848	1,059		
Furniture and fittings							
Items having book value upto Rs. 50,000	332	292	40	25	(15)	Various	Various
Vehicles							
Suzuki Mehran	696	154	542	565	23	Negotiation	Mr. Shahid Saleem - Employee, Karachi
Coure	434	381	53	422	369	Negotiation	M/s Shehzad Motor Workshop, Karachi
Toyota Corolla	1,391	1,030	361	689	328	Sold under Group's Car Scheme	Mr. Zafar Kamal - Employee, Karachi
Toyota Corolla	1,583	927	656	1,031	375	Sold under Group's Car Scheme	Mr. Osama Mufti - Ex-employee, Karachi
Suzuki Mehran	189	3	186	475	289	Sold against Group's Car Scheme	Mr. Aun Abbas - Employee, Karachi
Daihatsu Coure	663	497	166	322	156	Sold under Group's Car Scheme	Mr. Muhammad Hashim - Employee, Karachi
Toyota Corolla	1,389	1,100	289	292	3	Sold under Group's Car Scheme	Mr. Shahid Saleem - Employee, Karachi
Toyota Corolla	1,673	806	867	1,173	306	Sold under Group's Car Scheme	Mr. Tariq Saeed Butt - Ex-employee, Karachi
Toyota Altis	1,799	1,439	360	396	36	Sold under Group's Car Scheme	Syed Muzaffar Ali - Employee, Karachi
Suzuki Cultus	965	536	429	429	-	Sold under Group's Car Scheme	Syed Azadar Raza Jafri - Employee, Karachi
Suzuki Mehran	612	335	277	277	-	Sold under Group's Car Scheme	Mr. Ali Raza - Employee, Karachi
Toyota Altis	1,954	543	1,411	1,500	89	Negotiation	Mr. Zafar Iqbal Sobani - Ex-employee, Karachi
Items having book value upto Rs. 50,000	2,337	1,721	616	6,599	5,983	Various	Various
	15,685	9,472	6,213	14,170	7,957		
Office and mills equipment							
Items having book value upto Rs. 50,000	293	206	87	41	(46)	Various	Various
Computer equipment							
Items having book value upto Rs. 50,000	12,056	11,952	104	474	370	Various	Various
2016	<u>142,387</u>	<u>29,929</u>	<u>112,458</u>	<u>524,484</u>	<u>412,026</u>		
2015	<u>18,141</u>	<u>10,851</u>	<u>7,290</u>	<u>13,671</u>	<u>6,381</u>		

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



2016 2015
(Rupees in '000)

8.5 Capital work-in-progress

Plant and machinery	45,691	16,420
Furniture and fittings	156	-
Vehicles	800	-
Office and mills equipment	9,261	4,723
Computer Equipment	1,647	150
Jigs and fixtures	12,521	-
	<u>70,076</u>	<u>21,293</u>

9. INTANGIBLE ASSETS

	COST			Rate	AMORTISATION			WRITTEN DOWN VALUE As at June 30, 2016
	As at July 01, 2015	Additions	As at June 30, 2016		As at July 01, 2015	Charge for the year	As at June 30, 2016	
	(Rupees in '000)			%	(Rupees in '000)			
Softwares	12,167	150	12,317	30 - 50	6,824	2,110	8,934	3,383
Licenses	5,119	4,169	9,288	33.33	1,749	1,660	3,409	5,879
2016	<u>17,286</u>	<u>4,319</u>	<u>21,605</u>		<u>8,573</u>	<u>3,770</u>	<u>12,343</u>	<u>9,262</u>
2015	<u>7,111</u>	<u>10,175</u>	<u>17,286</u>		<u>6,732</u>	<u>1,841</u>	<u>8,573</u>	<u>8,713</u>

Note **2016** 2015
(Rupees in '000)

9.1 The amortisation charge for the year has been allocated as follows:

Cost of sales	34	1,303	463
Distribution costs	35	23	4
Administrative expenses	36	2,444	1,374
		<u>3,770</u>	<u>1,841</u>

10. INVESTMENT PROPERTIES

Land and building	10.1	6,948,190	7,176,769
Capital work-in-progress - Civil works		113	-
		<u>6,948,303</u>	<u>7,176,769</u>

10.1

		COST			Rate	AMORTISATION			WRITTEN DOWN VALUE As at June 30, 2016
		As at July 01, 2015	Additions / (disposal)	As at June 30, 2016		As at July 01, 2015	Charge for the year (on disposal)	As at June 30, 2016	
		(Rupees in '000)			%	(Rupees in '000)			
Freehold land		974,504	-	974,504	-	-	-	-	974,504
Leasehold land		1,657,588	-	1,657,588	3	197,805	48,660	246,465	1,411,123
Building on freehold land		1,894,345	29,464 (15,745)	1,908,064	10-30	489,967	60,549 (10,577)	539,939	1,368,125
Building on leasehold land		4,100,300	-	4,100,300	10-30	762,196	143,666	905,862	3,194,438
2016	10.1.1	<u>8,626,737</u>	<u>29,464</u> <u>(15,745)</u>	<u>8,640,456</u>		<u>1,449,968</u>	<u>252,875</u> <u>(10,577)</u>	<u>1,692,266</u>	<u>6,948,190</u>
2015		<u>8,616,754</u>	<u>9,983</u>	<u>8,626,737</u>		<u>1,187,804</u>	<u>262,164</u>	<u>1,449,968</u>	<u>7,176,769</u>

10.1.1 Investment property comprises of various properties across Pakistan which have been let out. The fair value of such properties is determined on the basis of a valuation carried out by independent professional valuers and amounts to Rs.14,844 million (2015: Rs. 14,840 million). The valuation was arrived on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016		2015	
		Holding %	(Rupees in '000)	Holding %	(Rupees in '000)
11. LONG-TERM INVESTMENTS					
Investment in associates - stated as per equity method	11.2 & 11.3				
Quoted associates					
Indus Motor Company Limited		6.22		6.22	
Opening balance			1,328,049		1,142,528
Share of profit - net of tax			717,675		496,130
Remeasurement gain of post employment benefit obligation - net of deferred tax			45		-
Share of actuarial loss on remeasurement of defined benefit plan			-		(94)
Dividend received during the period			(489,000)		(310,515)
			<u>1,556,769</u>		<u>1,328,049</u>
(Market value Rs. 4,594.351 million) (2015: Rs. 6,107.61 million)					
Habib Insurance Company Limited	11.4	4.63		4.63	
Opening balance			43,951		41,431
Share of profit - net of tax			8,171		14,043
Share of actuarial loss on remeasurement of defined benefit plan			(229)		(52)
Dividend received during the period			(10,037)		(11,471)
			<u>41,856</u>		<u>43,951</u>
(Market value Rs. 93.143 million) (2015: Rs.108.514 million)					
Agriauto Industries Limited		7.35		7.35	
Opening balance			223,091		199,090
Share of profit - net of tax			46,011		35,911
Share of loss in change in fair value of available for sale investment			-		(1,332)
Dividend received during the period			(21,156)		(10,578)
			<u>247,946</u>		<u>223,091</u>
(Market value Rs. 413.071 million) (2015: Rs. 393.396 million)					
Shabbir Tiles and Ceramics Limited		1.30		1.30	
Opening balance			26,303		20,552
Investment made during the period			-		5,729
Share of (loss) / profit - net of tax			(1,541)		22
			<u>24,762</u>		<u>26,303</u>
(Market value Rs. 23.942 million) (2015: Rs. 27.751 million)					
			<u>1,871,333</u>		<u>1,621,394</u>
Un-Quoted associates					
METRO Habib Cash & Carry Pakistan (Private) Limited (MHCCP)	11.4 & 11.5	25		25	
Opening balance			-		56,246
Share of loss - net of tax			-		(56,246)
			<u>-</u>		<u>-</u>
ThalNova Power Thar (Private) Limited (TNPTPL)	11.3	49.9			
Opening balance			-		-
Investment made during the period			30,005		-
Share of loss - net of tax			(3,219)		-
			<u>26,786</u>		<u>-</u>
TOTAL OF ASSOCIATES			<u>1,898,119</u>		<u>1,621,394</u>
Other investments - Available-for-sale					
Quoted - at fair value					
Habib Sugar Mills Limited			69,710		78,112
GlaxoSmithKline (Pakistan) Limited			451		328
Dynea Pakistan Limited			37,173		40,032
Allied Bank Limited			16,357		18,171
Habib Bank Limited			12,865		14,010
			<u>136,556</u>		<u>150,653</u>
Un-Quoted - at cost					
Sindh Engro Coal Mining Company Limited	11.7		862,499		360,000
TPL Properties Limited	11.8		12,500		-
			<u>874,999</u>		<u>360,000</u>
TOTAL			<u>2,909,674</u>		<u>2,132,047</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



2016
2015
(Rupees in '000)

11.1 Share of net profit / (loss) of associates - after tax

Indus Motor Company Limited	717,675	496,130
Habib Insurance Company Limited	8,171	14,043
Agriauto Industries Limited	46,011	35,911
Shabbir Tiles and Ceramics Limited	(1,541)	22
METRO Habib Cash & Carry Pakistan (Private) Limited	-	(56,246)
ThalNova Power Thar (Private) Limited	(3,219)	-
	<u>767,097</u>	<u>489,860</u>

11.2 The summarised financial information of the associated companies where there is a significant influence, based on the un-audited financial statements for the twelve months period ended March 31, 2016 except for MHCCP which is twelve months period ended June 30, 2016 is as follows:

	2016			Profit / (loss) after tax
	Total Assets	Total Liabilities	Revenues	
	(Rupees in '000)			
Associates				
Indus Motor Company Limited	54,587,933	27,993,034	108,022,575	11,535,622
Habib Insurance Company Limited	2,928,944	1,916,786	498,329	176,489
Agriauto Industries Limited	3,450,381	422,377	7,162,438	705,488
Shabbir Tiles and Ceramics Limited	5,131,811	3,474,841	4,413,754	(118,108)
METRO Habib Cash & Carry Pakistan (Private) Limited	7,441,675	10,603,743	34,370,124	(1,241,119)
ThalNova Power Thar (Private) Limited	58,585	5,012	-	(6,437)
	2015			
	Total Assets	Total Liabilities	Revenues	Profit / (loss) after tax
	(Rupees in '000)			
Associates				
Indus Motor Company Limited	50,413,613	27,495,053	80,473,510	7,974,604
Habib Insurance Company Limited	2,928,944	1,916,786	477,499	303,308
Agriauto Industries Limited	3,450,381	422,377	4,169,514	488,857
Shabbir Tiles and Ceramics Limited	5,131,811	3,474,841	4,292,445	1,741
METRO Habib Cash & Carry Pakistan (Private) Limited	9,541,765	11,161,025	35,489,167	(1,794,063)

11.3 Although the Group has less than 20% equity interest in all its associates except for MHCCP and TNPTPL in which the Group has 25% and 49.9% equity interest, respectively, the management believes that significant influence over these associates exists by virtue of Group's representation on the Board of Directors of the respective companies.

11.4 As the financial statements of all the associates may not necessarily be available at each reporting period of the Group, therefore the Group uses the financial statements of the associates with a lag of three months for applying the equity method of accounting except MHCCP and TNPTPL where the Group has used financial statements for the same period end as that of the Holding Company.

11.5 The Group holds a put option with respect to its holding in MHCCP whereby, if MHCCP does not achieve specified financial performance targets, the Group may require METRO Cash and Carry International Holding BV to acquire the shares of MHCCP at a price to be determined on the basis of a predefined mechanism. The put option is exercisable from June 27, 2014 to June 26, 2019 subject to certain conditions.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	2016 (Rupees in '000)	2015 (Rupees in '000)
11.6 Share in contingent liabilities of associated companies	<u>261,918</u>	<u>302,467</u>
Share in commitments of associated companies	<u>3,828,774</u>	<u>3,890,637</u>

11.7 The Holding Company undertook to invest USD 24.3 million in PKR equivalent and upto the balance sheet date it has invested Rs. 862.499 million acquiring 58,198,316 ordinary shares having face value of Rs. 10 each, at a price of Rs. 14.82 per share. The balance commitment of the investment is USD 15.94 million.

11.8 Subsequent to the year end, the shares were quoted on the Pakistan Stock Exchange effective July 04, 2016.

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
12. LONG-TERM LOANS - secured, considered good			
Employees			
Interest bearing	12.1	24	58
Interest free		<u>19,056</u>	264
		<u>19,080</u>	322
Current portion	19	<u>(4,070)</u>	(151)
		<u>15,010</u>	171

12.1 These carry interest at the rate of 10% (2015: 10%) per annum.

13. LONG-TERM DEPOSITS

Security deposits		7,010	6,751
Utilities		4,410	4,410
Others		<u>2,575</u>	471
	13.1	<u>13,995</u>	<u>11,632</u>

13.1 These long term deposits are interest free.

14. LONG-TERM PREPAYMENT

Rent	14.1	59,811	67,640
Current portion	20	<u>(9,140)</u>	(11,694)
		<u>50,671</u>	<u>55,946</u>

14.1 Includes prepaid rent of Rs. 3.780 million (2015: Rs. 3.780 million) paid in respect of service centre upto June 2017 and prepaid rent of Rs. 56.031 million (2015: Rs. 63.860 million) paid for land obtained under operating lease agreement which is adjustable against yearly installments over a period of 20 years.

	2016 (Rupees in '000)	2015 (Rupees in '000)
15. DEFERRED TAX ASSET - net		
Deferred tax asset arising:		
In respect of provisions	352,745	155,441
Due to unabsorbed tax losses	-	131,459
	<u>352,745</u>	<u>286,900</u>
Deferred tax liability arising:		
Due to investment in associates	<u>(150,548)</u>	(125,704)
Due to accelerated tax depreciation allowance	<u>(53,546)</u>	(132,584)
	<u>(204,094)</u>	(258,288)
	<u>148,651</u>	<u>28,612</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



	Note	2016 (Rupees in '000)	2015
16. STORES, SPARES AND LOOSE TOOLS			
Stores		21,602	23,120
Spares		68,873	67,819
Loose tools		106	87
		<u>90,581</u>	<u>91,026</u>
17. STOCK-IN-TRADE			
Raw material			
- In hand	17.1	1,651,970	1,494,319
- In transit		475,437	406,768
		<u>2,127,407</u>	<u>1,901,087</u>
Work-in-process		213,115	192,326
Finished goods	17.2	484,028	450,246
		<u>2,824,550</u>	<u>2,543,659</u>

17.1 Raw materials amounting to Rs. 9.635 million (2015: Rs. 9.577 million) are held with the sub-contractors.

17.2 Includes items amounting to Rs. 504.582 million (2015: Rs. 611.309 million) carried at net realisable value. [Cost Rs. 554.813 million (2015: Rs. 674.722 million)].

	Note	2016 (Rupees in '000)	2015
18. TRADE DEBTS - unsecured			
Considered good	18.1	1,048,514	1,210,643
Considered doubtful		83,757	22,290
Provision for doubtful debts	18.2	(83,757)	(22,290)
		<u>1,048,514</u>	<u>1,210,643</u>
18.1 This includes amount due from following related parties:			
Indus Motor Company Limited		334,150	333,041
Auvitronics Limited		24	-
Habib Metropolitan Bank Limited		-	2,967
Agriauto Industries Limited		261	250
Shabbir Tiles & Ceramics Limited		15,629	7,511
METRO Habib Cash & Carry Pakistan (Private) Limited		35	750
Habib Insurance Company Limited		-	47
		<u>350,099</u>	<u>344,566</u>
18.2 Reconciliation of provision for doubtful debts:			
Balance at the beginning of the year		22,290	20,627
Charge for the year	35	75,328	5,726
Reversal for the year		(8,160)	(2,296)
Bad debts written off		(5,701)	(1,767)
Balance at the end of the year		<u>83,757</u>	<u>22,290</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
19. LOANS AND ADVANCES - unsecured, considered good			
Loans			
Current portion of long-term loans to employees	12	4,070	151
Employees - interest free	19.1	25,625	9,525
		<u>29,695</u>	<u>9,676</u>
Advances			
Suppliers		18,660	27,559
Employees		4,916	2,282
	19.2	23,576	29,841
		<u>53,271</u>	<u>39,517</u>

19.1 The maximum aggregate amount due from employees at the end of any month during the year was Rs. 9.3 million.

19.2 These advances are interest free.

	Note	2016 (Rupees in '000)	2015
20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits			
Tender / Performance guarantee		20,329	53,856
Margin against letter of credit		175	231
Security deposits		406	443
Container deposits		6,225	3,830
Others		2,937	2,540
	20.1	<u>30,072</u>	<u>60,900</u>
Short-term prepayments			
Current portion of long-term prepayment	14	9,140	11,694
Rent		4,510	6,862
Insurance		5,598	7,002
Others		3,529	3,797
		<u>22,777</u>	<u>29,355</u>
		<u>52,849</u>	<u>90,255</u>

20.1 These deposits are interest free.

21. OTHER RECEIVABLES			
Duty drawback		1,101	2,875
Custom duty refundable		759	-
Workers' profit participation fund	21.1	293	4,398
Rent		788	487
Receivable against test production		-	356
Others	21.2	509,182	13,766
		<u>512,123</u>	<u>21,882</u>
21.1 Workers' profit participation fund (WPPF)			
Balance at the beginning of the year		4,398	5,505
Allocation for the current year	37	(165,507)	(160,602)
Paid during the year		161,402	159,495
Balance at the end of the year		<u>293</u>	<u>4,398</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



	Note	2016 (Rupees in '000)	2015
21.2	This includes receivable from the following related parties:		
Indus Motor Company Limited		100	36
Auvitronics Limited		118	1
Agriautos Industries Limited		131	26
Habib Insurance Company Limited		-	10
Dynea Pakistan Limited		7	-
Habib Metropolitan Bank Limited		-	106
Shabbir Tiles & Ceramics Limited		135	-
		491	179
22. SHORT-TERM INVESTMENTS			
Held-to-maturity - at amortised cost			
Term Deposit Receipts	22.1	4,617,811	4,740,409
Accrued interest		15,258	8,219
		4,633,069	4,748,628
Musharika Certificates	22.2	-	106,000
Accrued interest		-	78
		-	106,078
Treasury Bills	22.3	741,746	196,747
Accrued interest		2,983	2,535
		744,729	199,282
At fair value through profit and loss account			
NAFA Government Securities Liquidity Fund		175,051	-
NAFA Money Market Fund		20,930	-
Alfalah GHP Income Fund		21,132	-
		217,113	-
		5,594,911	5,053,988
22.1	These include deposits amounting to Rs. 2,197 million (2015: Rs. 4,439.5 million) with Habib Metropolitan Bank Limited, a related party. These deposits carry interest rate ranging from 6.05% to 6.4% (2015: 6.6% to 8.95%) per annum and having maturity ranging from July 12, 2016 to November 30, 2016. Included in the above investment, Rs. 521.811 million (2015: Rs. 0.909 million) is under lien against a letter of guarantee issued by the banks on behalf of the Group.		
22.2	These carry interest at the rate of Nil (2015: 6.75%) per annum.		
22.3	These carry interest rate ranging from 5.90% to 6.21% (2015: 6.84% to 7.38%) per annum and having maturity ranging from July 07, 2016 to September 15, 2016.		
	Note	2016 (Rupees in '000)	2015
23. INCOME TAX - net			
Group Tax Relief adjustments	23.1	593,466	593,466
Group Taxation adjustments	23.2	278,440	-
Income tax provision less tax payments – net		(575,365)	(420,252)
		296,541	173,214

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

- 23.1** In terms of the provisions of Section 59B of the Income Tax Ordinance, 2001 (the Ordinance), a subsidiary company may surrender its tax losses in favour of its holding company for set off against the income of its holding company subject to certain conditions as prescribed under the Ordinance.

Accordingly, the Holding Company adjusted its tax liabilities for the tax years 2008-2010 by acquiring the losses of its subsidiary company and consequently an aggregate sum of Rs. 593.466 million equivalent to the tax value of the losses acquired has been paid to the subsidiary company.

The original assessments of the Holding Company for the tax years 2008 to 2010 were amended under Section 122(5A) of the Ordinance by the tax authorities by disallowing Group Relief claimed by the Holding Company under Section 59B of the Ordinance aggregating to Rs. 593.466 million. The Holding Company preferred appeals against the said amended assessments before the Commissioner Inland Revenue (Appeals) who vide his orders dated 10th June 2011 and 11th July 2011 has held that the Holding Company is entitled to Group Relief under section 59B of the Ordinance. However, the tax department filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the Commissioner Inland Revenue (Appeal) (CIR) Order. The ATIR has passed an order in favour of the Holding Company for the above tax years; the Tax department filed reference application / appeal against the order of ATIR before the Sindh High Court and with the Chairman ATIR which are under the process of hearings.

- 23.2** In terms of the provision of Section 59AA of the Income Tax Ordinance, 2001 (the Ordinance), the Holding Company and MHPL have irrevocably opted to be taxed as one fiscal unit for the tax year 2016. Accordingly, the tax loss of MHPL for the tax year 2016 has been adjusted against the taxable income of the Holding Company.

	Note	2016	2015
		(Rupees in '000)	
24. CASH AND BANK BALANCES			
In hand		5,375	9,892
With banks in:			
Current accounts	24.1	95,620	134,883
Deposit accounts	24.2	426,730	398,802
Saving accounts	24.3	409,403	102,307
	24.4	931,753	635,992
		<u>937,128</u>	<u>645,884</u>

- 24.1** These include an amount of Rs. 67.235 million (2015: Rs. 103.053 million) maintained with Habib Metropolitan Bank, a related party.

- 24.2** These represent deposits maintained with Habib Metropolitan Bank Limited, a related party, and carry markup at the rates ranging from 4.75% to 5.5% (2015: 5.50% to 8%) per annum.

- 24.3** These include accounts maintained with Habib Metropolitan Bank - a related party, amounting to Rs. 370.232 million (2015: Rs. 86.676 million) and carry markup at the rates ranging from 4.75% to 6% (2015: 5.50% to 8%) per annum.

- 24.4** Bank balances in deposit accounts are placed under interest arrangements. The Group has conventional banking relationships with all the banks having Islamic window operations except Meezan Bank Limited and Al-Baraka Bank.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



25. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016	2015		2016	2015
Number of ordinary shares of Rs. 5/- each			(Rupees in '000)	
5,149,850	5,149,850	Fully paid in cash	25,750	25,750
64,640,390	64,640,390	Issued as fully paid bonus shares:	323,202	323,202
11,239,669	11,239,669	Shares issued under the Scheme of Arrangements for Amalgamation	56,198	56,198
<u>81,029,909</u>	<u>81,029,909</u>		<u>405,150</u>	<u>405,150</u>

25.1 As at 30 June 2016, 7,334,889 (2015: 7,512,043) ordinary shares of Rs. 5/- each are held by related parties.

	Note	2016	2015
		(Rupees in '000)	
26. RESERVES			
Capital reserves			
Reserve on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited		13,240	13,240
Premium on issue of share capital		12,225	12,225
Reserve on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited		42,464	42,464
		<u>67,929</u>	<u>67,929</u>
Revenue reserves			
General reserve		9,838,847	8,702,874
Unappropriated profit		4,060,410	3,334,888
		<u>13,899,284</u>	<u>12,037,762</u>
Gain on revaluation of available-for-sale investments - net of tax		94,227	108,508
		<u>14,061,440</u>	<u>12,214,199</u>
27. NON-CONTROLLING INTEREST			
Habib Metro Pakistan (Private) Limited		5,755,239	5,684,049
Thal Boshoku Pakistan (Private) Limited		152,002	106,090
		<u>5,907,241</u>	<u>5,790,139</u>
28. LONG-TERM DEPOSITS			
Security deposits	28.1	311,155	309,708

28.1 Represents deposits in respect of investments properties rented out by a subsidiary company and includes amounts due to the following related parties:

	2016	2015
	(Rupees in '000)	
- Indus Motor Company Limited	2,280	2,005
- METRO Habib Cash and Carry Pakistan (Private) Limited	289,506	289,506
	<u>291,786</u>	<u>291,511</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
29. TRADE AND OTHER PAYABLES			
Creditor	29.1	181,544	503,096
Accrued liabilities	29.2	842,477	723,261
Custom duty payable		54,981	10,875
Unclaimed salaries		5,887	7,733
Warranty obligations	29.3	261,017	187,266
Royalty payable	29.4	109,198	118,487
Workers' welfare fund		166,703	132,939
Security deposits	29.5	207	43,502
Unclaimed dividend and unpaid dividend		105,094	60,376
Other liabilities	29.6	38,415	60,014
		<u>1,765,523</u>	<u>1,847,549</u>
29.1 This includes amounts due to the following related parties:			
Habib Insurance Company Limited		84	70
Shabbir Tiles & Ceramics Limited		-	287
Indus Motor Company Limited		-	1
Auvitronics Limited		10,837	10,801
METRO Habib Cash & Carry Pakistan (Private) Limited		-	2,300
		<u>10,921</u>	<u>13,459</u>
29.2 This includes amounts due to the following related party:			
Habib Insurance Company Limited		1,816	591
29.3 Warranty obligations			
Balance at the beginning of the year		187,266	117,642
Charge for the year - net	35	82,715	83,312
		<u>269,981</u>	<u>200,954</u>
Claims paid during the year		(8,964)	(13,688)
Balance at end of the year		<u>261,017</u>	<u>187,266</u>
29.4 Royalty payable			
Balance at the beginning of the year		118,487	60,799
Charge for the year - net		191,879	166,726
Paid during the year	34	(201,168)	(109,038)
Balance at the end of the year		<u>109,198</u>	<u>118,487</u>
29.5 This includes amounts due to the following related party:			
METRO Habib Cash and Carry Pakistan (Private) Limited		-	42,965
29.6 Other liabilities			
Tax deducted at source		1,202	2,306
Employees Old-Age Benefits Institution (EOBI)		753	128
Advances from customers		9,601	31,296
Payable to provident fund		179	1,932
Payable to retirement benefit fund		5,087	4,538
Others		21,593	19,814
		<u>38,415</u>	<u>60,014</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



	Note	2016 (Rupees in '000)	2015
30. SHORT-TERM RUNNING FINANCE - secured			
Related party		-	23,172
Others		22,790	635
	30.1	<u>22,790</u>	<u>23,807</u>

30.1 Available limits of the running finance facilities amount to Rs. 2,638 million (2015: Rs. 2,629 million). The facilities carry mark-up at rates ranging from one month to three months' KIBOR plus spreads of 0.75% to 1.50% (2015: 0.75% to 0.90%) per annum. The facilities are secured by way of joint pari passu charge against hypothecation of the Group's stock-in-trade and book debts. The facilities have a maturity till April 20, 2018.

31. DEFERRED INCOME

Represents license fee received in advance in respect of portion of the Group's stores leased out and advertisement income.

	2016 (Rupees in '000)	2015
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32. CONTINGENCIES AND COMMITMENTS

32.1 Contingencies

32.1.1 Represents letter of guarantees issued by banks on behalf of the Group. These include a Standby Letter of Credit (SBLC) amounting to Rs. 2.083 billion issued by United Bank Limited favoring Habib Bank Limited as Intercreditor Agent and Sindh Engro Coal Mining Company Limited (SECMCL) as Project Company for balance equity participation of the Group. The term of SBLC is 42 months and its amount will reduce as and when the Group injects equity in SECMCL.

2,138,947	35,074
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32.1.2 Post dated cheques have been issued to Collector of Custom in respect of differential duty between commercial and concessional rate of duty, duty and tax remission on exports and safe transport requirement under various SROs.

155,254	166,379
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32.2 Commitments

32.2.1 Letters of credit outstanding for raw material and spares.

1,350,969	1,282,630
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32.2.2 Commitments in respect of capital expenditure

114,614	-
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32.2.3 Commitments for rentals under Ijarah (lease) agreements

Within one year

6,429	2,209
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Later than one year but not later than five years

8,104	220
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<u>14,533</u>	<u>2,429</u>
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Represent Ijarah (lease) agreement entered into with a Modaraba in respect of vehicles. Total Ijarah payments due under the agreements are Rs. 14.533 million (2015: Rs. 2.429 million) and are payable in monthly installments latest by September 2017. These commitments are secured by on-demand promissory notes of Rs. 19.476 million (2015: Rs. 11.834 million).

32.2.4 The Group has obtained three pieces of land for its stores under operating lease agreements of 30 to 59 years. The leases have varying terms, escalation clauses, contingent rent arrangements and renewal rights. The amounts of future payments under operating leases and the period in which these payments will become due are as follows:

	2016 (Rupees in '000)	2015
Not later than one year	89,716	66,627
Later than one year but not later than five years	372,861	450,076
Later than five years	2,446,799	2,546,405
	<u>2,909,376</u>	<u>3,063,108</u>

32.2.5 Commitment in respect of investment is disclosed in note 11.7 to these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
33. REVENUE - net			
Export sales	33.1	526,933	930,322
Local sales	33.2	18,742,697	20,577,623
		19,269,630	21,507,945
Less: Sales tax		2,583,985	2,599,115
Sales discount		1,089	1,322
Sales returns		12,229	79,216
		2,597,303	2,679,653
		16,672,327	18,828,292
Add: Service income		143,892	112,702
		16,816,219	18,940,994
Add: Duty drawback		7,479	(2,066)
Less: Freight assistance		594	-
		16,823,104	18,938,928

33.1 Export sales are stated net of export related freight and other expenses of Rs. 19.034 million (2015: Rs. 42.311 million).

33.2 Local sales are stated net of freight and other expenses of Rs. 54.308 million (2015: Rs. 61.242 million).

	Note	2016 (Rupees in '000)	2015
34. COST OF SALES			
Raw material consumed	34.1	11,025,212	10,993,021
Salaries, wages and benefits		921,766	1,053,602
Stores, spares and lubricants		140,557	149,358
Repairs and maintenance		94,089	92,651
Power and fuel		207,360	303,425
Rent, rates and taxes		2,974	8,179
Vehicle running and maintenance		9,371	9,024
Insurance		8,512	9,601
Communication		4,557	4,369
Travelling and conveyance		10,466	13,272
Entertainment		200	413
Printing and stationery		4,914	4,629
Legal and professional		1,396	1,064
Computer accessories		3,928	6,424
Royalty	29.4	191,879	166,726
Depreciation / amortisation	8.3	129,715	136,057
Amortisation	9.1	1,303	463
Research and development		6,217	5,517
Ijarah rentals		3,426	2,625
Others		1,073	2,159
		12,768,915	12,962,579
Work-in-process			
Opening		192,326	171,239
Closing		(213,115)	(192,326)
		(20,789)	(21,087)
Cost of goods manufactured		12,748,126	12,941,492
Finished goods			
Opening stock		450,246	707,919
Purchases		467,007	2,396,114
Sharing of cost under arrangement	1.2.3(b)	(23,991)	(84,411)
Closing stock		(484,028)	(450,246)
		409,234	2,569,376
		13,157,360	15,504,550

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



	Note	2016	2015
		(Rupees in '000)	
34.1 Raw material consumed			
Opening stock		1,494,319	2,182,610
Purchases		11,182,863	10,304,730
Closing stock		<u>(1,651,970)</u>	<u>(1,494,319)</u>
		<u>11,025,212</u>	<u>10,993,021</u>
35. DISTRIBUTION COSTS			
Salaries and benefits		58,793	57,518
Vehicle running expense		2,673	4,261
Utilities		2,100	1,753
Insurance		2,573	2,751
Rent, rates and taxes		8,877	8,182
Communication		1,640	1,855
Advertisement and publicity		5,574	13,062
Travelling and conveyance		5,695	8,050
Entertainment		208	211
Printing and stationery		253	319
Legal and professional		1	25
Computer accessories		379	209
Research and development		290	267
Depreciation / amortisation	8.3	1,343	992
Amortisation	9.1	23	4
Provision for doubtful debts	18.2	75,328	5,726
Repairs and maintenance		3,467	1,611
Export expenses		6,189	23,412
Provision for warranty claims	29.3	82,715	83,312
Ijarah rentals		559	970
Others		888	23,218
		<u>259,568</u>	<u>237,708</u>
36. ADMINISTRATIVE EXPENSES			
Salaries and benefits		600,317	518,124
Vehicle running expense		16,428	19,379
Printing and stationery		5,583	10,298
Rent, rates and taxes		102,135	125,994
Utilities		31,664	66,156
Insurance		4,785	5,503
Entertainment		4,548	3,539
Subscription		2,240	3,135
Communication		8,509	8,401
Advertisement and publicity		3,891	867
Repairs and maintenance		61,161	50,504
Travelling and conveyance		34,374	32,536
Legal and professional		50,768	49,638
Computer accessories		4,733	6,799
Auditors' remuneration	36.1	5,918	5,153
Depreciation / amortisation	8.3	36,208	50,714
Amortisation	9.1	2,444	1,374
Depreciation on investment property	10.1	252,875	262,166
Ijarah rentals		2,775	3,611
Charity and donations	36.2	48,590	41,966
Directors' fee & meeting expenses		1,194	1,146
General contracted services		10,033	-
Severance cost		807	-
Others		5,653	28,603
Sharing of cost under arrangement	1.2.3(b)	<u>(5,167)</u>	<u>(27,174)</u>
		<u>1,292,466</u>	<u>1,268,432</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016	2015
(Rupees in '000)			
36.1 Auditors' remuneration			
Audit fee		3,398	3,173
Half-yearly review		292	279
Taxation services		1,295	942
Other certifications		414	393
Out of pocket expenses		519	366
		5,918	5,153

36.2 Charity and donations

Charity and donations include the following donees in whom directors or their spouses are interested:

Name of donee	Address of donee	Name of directors/spouse	2016	2015
(Rupees in '000)				
Mohamedali Habib Welfare Trust	2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharae Faisal, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee	12,063	10,101
Habib Education Trust	4th floor, United Bank building, I.I. Chundrigar Road, Karachi.	Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee	3,000	3,000
Habib University Foundation	147, Block 7&8, Banglore Co-operative Housing Society, Tipu Sultan Road, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee	6,000	5,000
Anjuman -e- Behbood-Samat -e- Itefal	ABSA School 26-C National Highway Korangi Road, Karachi.	Mrs. Rafiq M. Habib - Vice President	36	36

	Note	2016	2015
(Rupees in '000)			
37. OTHER CHARGES			
Workers' profits participation fund	21.1	165,507	160,602
Workers' welfare fund		94,861	84,357
Operation fee to METRO Habib Cash & Carry Pakistan (Private) Limited	37.1	792,000	-
Impairment of operating fixed assets	37.1	249,785	-
Write-off of property, plant and equipment		1,243	-
Others		5,000	-
		1,308,396	244,959

37.1 As a consequence of the dismissal of the Review Petition by the Honorable Supreme Court of Pakistan (SCP) the Saddar Store of the subsidiary company, Makro Habib Pakistan Limited (MHPL), was closed down on September 11, 2015. Accordingly, the Operation Agreement with METRO Habib Cash & Carry Pakistan (Private) Limited (MHCCP) stands terminated.

MHPL paid off its liability of Rs. 792 million to MHCCP on account of closure of Saddar Store and a provision of Rs. 249.785 million has been made in the books of MHPL for impairment of its operating assets.

On the application filed by Army Welfare Trust in respect of the cancellation of sub-lease of the Saddar Store Land, the SCP has restored the review petition in its order dated December 9, 2015.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
38. OTHER INCOME			
Income from financial assets			
Dividend income			
Related parties			
Dynea Pakistan Limited		2,042	1,021
Habib Sugar Mills Limited		4,667	4,201
Allied Bank Limited		1,273	682
Habib Bank Limited		912	228
GlaxoSmithKline Pakistan Limited		7	8
		8,901	6,140
Interest on:			
Deposit accounts		47,431	72,012
Term deposit receipts		251,179	131,584
Musharika certificates		1,812	3,520
Government treasury bills		24,231	16,872
		324,653	223,988
Gain on redemption of investments at fair value through profit and loss		42,587	96,020
Reversal of provision for doubtful debts		478	2,296
Liabilities no longer payable written back		33,210	3,854
Exchange gain - net	38.1	1,941	3,554
		411,770	335,852
Income from non-financial assets			
Gain on disposal of operating fixed assets	8.4	412,026	6,381
Loss on disposal of investment property		(4,442)	-
Rental income from investment properties	38.2	1,482,842	1,380,655
Licence fee, signage and others		13,105	56,456
Sale of scrap		10,698	4,553
Service income		2,514	5,511
Claim from suppliers		29,421	26,845
Advertising income		5,162	136
Commission income		2,158	215
Insurance claim		124	2,391
Sharing of cost under arrangement	1.2.3(b)	(2,093)	(9,145)
		1,951,515	1,473,998
		2,363,285	1,809,850

38.1 Represents exchange gain - net arising on revaluation of foreign currency financial assets and liabilities and on transactions in foreign currencies.

38.2 Includes an amount of Rs. 1,351 million (2015: Rs. 1,245 million) under long term agreements with MHCCP, whereby the immovable properties owned by the Group have been rented out to MHCCP for its cash & carry store operations at fixed annual rent.

	2016 (Rupees in '000)	2015 (Rupees in '000)
39. FINANCE COSTS		
Mark-up on short-term running finance:		
- Related party	1,216	8,150
- Others	81	2,361
	1,297	10,511
Bank charges and guarantee commission	4,605	6,894
	5,902	17,405

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

	Note	2016 (Rupees in '000)	2015
40. TAXATION			
Current		1,115,207	1,191,138
Prior		31,341	3,065
Deferred		(120,039)	(1,858)
	40.1	<u>1,026,509</u>	<u>1,192,345</u>
40.1 Relationship between income tax expense and accounting profit			
Profit before taxation and share of profit of associates		<u>3,162,697</u>	<u>3,475,724</u>
Tax at the rate of 25% - 32% (2015: 25% - 33%)		937,470	1,117,093
Super tax @ 3% of taxable income	40.1.1	<u>128,171</u>	<u>108,341</u>
		<u>1,065,641</u>	<u>1,225,434</u>
Tax effects of:			
Tax effect of inadmissible items		183,730	241,198
Income taxed at reduced rates, exempt or taxed under final tax regime		(254,203)	(277,352)
Prior years		31,341	3,065
		<u>1,026,509</u>	<u>1,192,345</u>

40.1.1 The Federal Government vide Finance Act 2016 has imposed a one time super tax at the rate of 3% on income of companies for the tax year 2016. This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror.

41. BASIC AND DILUTED EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the Holding Company which is based on:

	2016 (Rupees in '000)	2015
Profit after taxation attributable to the equity holders of the Holding Company	<u>2,570,535</u>	<u>2,469,418</u>
	Number of shares in thousands	
Weighted average number of ordinary shares of Rs. 5/- each in issue	<u>81,030</u>	<u>81,030</u>
	(Rupees)	
Basic and diluted earnings per share	<u>31.72</u>	<u>30.48</u>

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



	Note	2016 (Rupees in '000)	2015
42. CASH GENERATED FROM OPERATIONS			
Profit before taxation		3,929,794	3,965,584
Adjustments for non-cash charges and other items:			
Depreciation and amortisation		423,910	451,770
Amortisation of long term prepayments		5,275	-
Share in profit of associates - after tax		(767,097)	(489,860)
Finance costs		5,427	16,898
Interest income		(327,251)	(231,598)
Liabilities no longer payable written back		(25,786)	(3,854)
Gain on redemption of investments at fair value through profit and loss		(39,989)	(88,052)
Dividend income		(8,901)	(6,140)
Provision for doubtful debts		74,471	3,430
Provision for retirement benefits		2,905	3,595
Impairment of operating fixed assets		249,785	-
Write-off of property, plant and equipment		1,243	-
Operation fee to METRO Habib Cash & Carry Pakistan (Private) Limited		792,000	-
Gain on disposal of operating fixed assets		(407,584)	(6,381)
		(21,592)	(350,192)
		3,908,202	3,615,392
(Increase) / decrease in current assets			
Stores, spares and loose tools		445	(5,228)
Stock-in-trade		(306,151)	842,900
Trade debts		87,658	(271,098)
Loans and advances		301,057	18,900
Trade deposits and short-term prepayments		(37,406)	(9,820)
Other receivables		80,790	(9,713)
		126,393	565,941
Decrease in current liabilities			
Deferred income		(4,888)	2
Trade and other payables		(360,922)	(198,231)
Sales tax payable		(24,672)	45,927
		(390,482)	(152,302)
		3,644,113	4,029,031
43. CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	937,128	645,884
Short-term investments	22	5,086,998	4,634,208
Short-term running finance	30	(22,790)	(23,807)
		6,001,336	5,256,285

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016

44. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Group comprise of associates, companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than those which have been disclosed in note 45 and elsewhere in these consolidated financial statements, are as follows:

Relationship	Nature of transactions	2016	2015
		(Rupees in '000)	
Associates	Sales	9,419,023	8,542,069
	Professional Services rendered	173,028	140,485
	Rental Income on properties	1,351,276	1,274,439
	Insurance premium	32,227	30,041
	Purchase of assets	9,833	24,658
	Sale of assets	40	-
	Purchase of goods	190,331	204,326
	Insurance claim received	228	11,307
	Mark-up and bank charges paid	4,048	13,902
	Profit received	285,443	187,998
	Supplies purchased	1,624	1,279
	Licence fee, signage and others	134	2,936
	Operational fee	-	102,440
	Rent paid	2,142	2,066
Rent received	22,066	-	
Employee benefit plans	Contribution to provident fund	36,859	43,779
	Contribution to retirement benefit fund	3,202	3,319

45. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

	2016			2015		
	Chief executive	Director	Executives	Chief executive	Director	Executives
	(Rupees in '000)					
Managerial remuneration	34,491	-	426,456	28,898	-	362,518
Group's contribution to provident fund	770	-	13,593	694	-	11,670
Group's contribution to retirement fund	-	-	4,050	-	-	3,425
Other perquisites	-	-	-	-	-	540
	<u>35,261</u>	<u>-</u>	<u>444,099</u>	<u>29,592</u>	<u>-</u>	<u>378,153</u>
Number of persons	<u>1</u>	<u>6</u>	<u>122</u>	<u>1</u>	<u>6</u>	<u>124</u>

45.1 The chief executive, directors and certain executives of the Group are provided with free use of Group maintained cars.

45.2 Four non-executive directors (2015: Four) have been paid fees of Rs. 1,175,000 (2015: Rs. 970,000) for attending board and other meetings.

45.3 The Chief Executive of Pakistan Industrial Aids (Private) Limited, A-One Enterprises (Private) Limited, Thal Boshoku Pakistan (Private) Limited and Thal Power (Private) Limited are not being paid any remuneration for holding the office.

Notes to the Consolidated Financial Statements

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	2016	2015
46. PLANT CAPACITY AND ACTUAL PRODUCTION		
Annual Capacity		
Jute (Metric Tons)	33,800	33,800
Auto air conditioners (Units)	90,000	90,000
Paper bags (Nos. '000s)	140,000	140,000
Alternator (Units)	90,000	90,000
Starter (Units)	90,000	90,000
Seat tracks (Sets)	58,464	55,000
Side frame (Sets)	63,648	55,000
Air cleaner (Sets)	226,656	110,000
Actual Production		
Jute (Metric Tons)	15,534	25,247
Auto air conditioners (Units)	82,560	72,078
Wire harness (Units)	128,578	107,890
Paper bags (Nos. '000s)	95,067	95,148
Alternator (Units)	57,529	51,655
Starter (Units)	57,609	51,753
Seat tracks (Sets)	52,620	48,473
Side frame (Sets)	57,810	51,753
Air cleaner (Sets)	45,667	39,128
Reason for shortfall	Low demand	Low demand

46.1 The capacity of wire harness is dependent on product mix.

46.2 The production capacity of Laminate Operations depends on the relative proportion of various types of products.

	2016 (Unaudited)	2015 (Audited)
	(Rupees in '000)	
47. PROVIDENT FUNDS		
Size of the funds	569,166	601,673
Percentage of investments made	96.82%	97.68%
Fair value of investments	551,059	587,726
Cost of investments made	536,373	561,548

47.1 Break-up of investments in terms of amount and percentage of the size of the provident funds are as follows:

	2016 (Unaudited)		2015 (Audited)	
	Investments (Rs. '000)	% of investment as size of the funds	Investments (Rs. '000)	% of investment as size of the funds
Government securities	134,985	23.72%	275,003	45.71%
Term finance certificates and Sukus	100,511	17.66%	100,119	16.64%
Term deposit receipts, call deposits and musharika certificates	159,897	28.09%	46,084	7.66%
Listed securities and mutual fund units	155,666	27.35%	166,520	27.68%
	<u>551,059</u>	<u>96.82%</u>	<u>587,726</u>	<u>97.68%</u>

47.2 Investments out of provident funds have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Notes to the Consolidated Financial Statements

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments are subject to credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Board of Directors oversees policies for managing each of these risks which are summarised below.

48.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group is mainly exposed to credit risk on trade debts, short term investments and bank balances. The Group seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

2016 2015
(Rupees in '000)

Quality of financial assets

The credit quality of financial assets is analyzed as under:

Trade debts

The analysis of trade debts is as follows:

Neither past due nor impaired [includes Rs. 335.737 million (2015: Rs. 327.785 million) receivable from related parties.]	836,374	916,674
Past due but not impaired		
- Less than 90 days [includes Rs. 14.065 million (2015: Rs. 16.781 million) receivable from related parties.]	181,468	203,121
- 91 to 180 days [includes Rs. 297 million (2015: Nil) receivable from related parties.]	25,299	77,623
- 181 to 360 days [includes Nil (2015: Nil) receivable from related parties.]	5,373	13,225
	1,048,514	<u>1,210,643</u>

Bank balances

Ratings

A1+	917,668	605,337
A-1+	13,915	23,739
A-1	-	6,870
A1	24	-
P-1 *	146	46
	931,753	<u>635,992</u>

* This reflects rating assigned by an international rating agency to a foreign bank.

Short term investments

Ratings

A1+	2,597,218	4,854,706
A-1+	2,780,580	199,282
AAA	21,132	-
AAA(f)	175,051	-
AA	20,930	-
	5,594,911	<u>5,053,988</u>

Financial assets other than trade debts, bank balances and short-term investments are not exposed to any material credit risk.

Notes to the Consolidated Financial Statements

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48.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments. To guard against the risk, the Group has diversified funding sources and the assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

Year ended June 30, 2016

	On demand	Less than 3 months	3 to 12 months	More than 1 year	Total
	(Rupees in '000)				
Long-term deposit	-	-	311,155	-	311,155
Trade and other payable	1,765,523	-	-	-	1,765,523
Short-term running finance	22,790	-	-	-	22,790
Accrued markup	42	-	-	-	42
	<u>1,788,355</u>	<u>-</u>	<u>311,155</u>	<u>-</u>	<u>2,099,510</u>

Year ended June 30, 2015

	On demand	Less than 3 months	3 to 12 months	More than 1 year	Total
	(Rupees in '000)				
Long-term deposit	-	-	-	309,708	309,708
Trade and other payables	1,431,344	-	-	-	1,431,344
Short-term running finance	14,556	-	9,251	-	23,807
Accrued markup	55	-	-	-	55
	<u>1,445,955</u>	<u>-</u>	<u>9,251</u>	<u>309,708</u>	<u>1,764,914</u>

48.3 Foreign Currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Group's exposure to foreign currency risks is as follows:

	2016	2015
	(Rupees in '000)	
Trade receivables (US Dollars)	<u>107,959</u>	<u>418,857</u>
Trade receivables (AED)	<u>1,568,568</u>	<u>-</u>
Trade and other payables (US Dollars)	<u>175,102</u>	<u>1,649,767</u>
Trade and other payables (JPY)	<u>8,002</u>	<u>109,201</u>
Trade and other payables (CHF)	<u>-</u>	<u>1,481</u>
Total AED - receivable	<u>1,568,568</u>	<u>-</u>
Total USD - payable	<u>67,143</u>	<u>1,230,910</u>
Total JPY - payable	<u>8,002</u>	<u>109,201</u>
Total CHF - payable	<u>-</u>	<u>1,481</u>

The following significant exchange rates have been applied at the reporting dates:

	(Rupees)	
US Dollar	<u>104.70</u>	<u>101.70</u>
AED	<u>28.51</u>	<u>-</u>
JPY	<u>1.02</u>	<u>0.82</u>
CHF	<u>106.85</u>	<u>109.64</u>

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Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the USD, AED, JPY and CHF's exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Change in US dollars, AED, JPY & CHF's rate %	Effect on profit or (loss) before tax (Rupees in '000)	Effect on equity
2016	+10	3,768	2,784
	-10	(3,768)	(2,784)
2015	+10	(12,544)	(8,772)
	-10	12,544	8,772

48.4 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term borrowings and cash in deposit account. The interest rates on these financial instruments are disclosed in the respective notes to the consolidated financial statements.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax
2016		
KIBOR	+ 100	8,133
KIBOR	- 100	(8,133)
2015		
KIBOR	+ 100	4,773
KIBOR	- 100	(4,773)

48.5 Equity price risks

Equity price risk is the risk that the fair value of future cash flows of financial instruments 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.

The Group's quoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Group's Board of Directors on a regular basis. The Board of Directors review and approve all equity investment decisions.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2016



49. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group is currently financing majority of its operations through equity and working capital.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Investment in subsidiary companies and associates are carried at cost. The carrying values of financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities are considered not significantly different from their book value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

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

	Level 1	Level 2	Level 3	Total
(Rupees in '000)				
2016				
Assets				
Held to maturity				
- Available for sale investments	136,556	-	-	136,556
- Short-term investments	217,113	5,359,557	-	5,576,670
(Rupees in '000)				
2015				
Assets				
Held to maturity				
- Available for sale investments	150,653	-	-	150,653
- Short-term investments	-	5,043,156	-	5,043,156

There were no transfers amongst levels during the year.

Notes to the Consolidated Financial Statements

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51. OPERATING SEGMENTS

51.1 SEGMENT ANALYSIS

	2016					2015				
	Engineering	Building Materials and Allied Products	Real estate & management & others	Elimination	Total	Engineering	Building Materials and Allied Products	Real estate & management & others	Elimination	Total
	(Rupees in '000)					(Rupees in '000)				
Sales revenue	11,375,915	4,732,080	898,478	(183,369)	16,823,104	10,452,370	5,835,541	2,827,852	(176,835)	18,938,928
Segment result	2,716,441	566,759	926,590	-	4,209,790	2,426,902	458,557	987,116	-	3,872,575
Unallocated (expenses) / income:										
Administrative and distribution costs					(632,935)					(538,960)
Other charges					(1,308,396)					(244,959)
Other income					900,140					404,473
Operating profit					3,168,599					3,493,129
Finance cost					(5,902)					(17,405)
Share in profit of associates					767,097					489,860
Taxation					(1,026,509)					(1,192,345)
					<u>2,903,285</u>					<u>2,773,239</u>
Segment assets	2,609,379	2,599,175	10,029,950	(19,215)	15,219,289	2,238,802	2,432,610	10,160,812	12,202	14,844,426
Corporate assets					3,905,927					3,426,322
Unallocated assets					3,354,866					2,333,873
					<u>22,480,082</u>					<u>20,604,621</u>
Segment liabilities	964,944	375,306	602,431	-	1,942,681	808,663	445,918	785,473	-	2,040,054
Corporate liabilities					163,558					155,067
Unallocated liabilities					-					-
					<u>2,106,239</u>					<u>2,195,121</u>

The Engineering segment is engaged in the manufacturing of automotive parts.

The Building material and allied products segment includes jute, papersack and laminate operations.

The third segment includes the real estate management, trading and management services.

2016 2015
(Rupees in '000)

51.2 Geographical Information of customers

Revenues from customers (Country wise)

Pakistan	16,289,643	18,007,363
Afghanistan	75,299	163,705
UAE	51,657	40,151
Bangladesh	12,643	18,964
Uzbekistan	120,189	22,258
Italy	35,836	29,487
Iraq	29,014	65,969
Australia	18,849	-
Kuwait	5,983	6,209
Saudi Arabia	3,902	4,449
Egypt	-	35,014
Vietnam	-	57,262
Others	180,089	488,097
	<u>16,823,104</u>	<u>18,938,928</u>

The revenue information above is based on the location of customers.

51.3 Of the Group's total revenue, one customer accounts for more than 10%.

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52. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 30, 2016 has approved the following:

- (i) transfer of Rs. 1,368.5 million from unappropriated profit to general reserve; and
- (ii) payment of cash dividend of Rs. 6.25/- per share for the year ended June 30, 2016 for approval of the members at the Annual General Meeting to be held on September 29, 2016.

53. GENERAL

53.1 The number of employees as at June 30, 2016 was 3,911 (2015: 4,417) and average number of employees during the year was 3,961 (2015: 5,085).

53.2 Corresponding figures have been re-arranged and reclassified, wherever necessary. However, there were no significant reclassifications to report.

53.3 Figures have been rounded off to the nearest thousands.

54. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 30, 2016 by the Board of Directors of the Holding Company.

Handwritten signature of Asif Rizvi in black ink.

ASIF RIZVI
CHIEF EXECUTIVE

Handwritten signature of the Vice Chairman in black ink.

VICE CHAIRMAN