



# **Consolidated Financial Statements**

For the year ended June 30, 2015

# Consolidated Balance Sheet

As at June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	1,285,391	1,359,936
Intangible assets	9	8,713	379
Investment properties	10	7,176,769	7,432,450
Long-term investments	11	2,132,047	1,565,041
Long-term loans and deposits	12	11,803	10,282
Long-term prepayments	13	55,946	65,002
Deferred tax asset - net	14	28,612	26,754
		<b>10,699,281</b>	10,459,844
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	15	91,026	85,756
Stock-in-trade	16	2,543,659	3,386,559
Trade debts - unsecured	17	1,210,643	942,975
Loans, advances, deposits, prepayments and other receivables	18	151,654	140,460
Short-term investments	19	5,053,988	3,121,623
Accrued profit on bank deposits		4,053	2,961
Income tax - net	20	173,214	296,027
Sales tax refundable		31,219	83,505
Cash and bank balances	21	645,884	520,971
		<b>9,905,340</b>	8,580,837
<b>TOTAL ASSETS</b>		<b>20,604,621</b>	19,040,681
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 100,000,000 (2014: 100,000,000) ordinary shares of Rs. 5/- each		<b>500,000</b>	500,000
Issued, subscribed and paid-up capital	22	<b>405,150</b>	405,150
Share deposit money		<b>12</b>	12
Reserves	23	<b>12,214,199</b>	10,542,041
Equity attributable to equity holders of the Holding Company		<b>12,619,361</b>	10,947,203
Non-controlling interest	24	<b>5,790,139</b>	5,664,797
Total equity		<b>18,409,500</b>	16,612,000
<b>NON-CURRENT LIABILITIES</b>			
Long term security deposits	25	<b>309,708</b>	308,119
<b>CURRENT LIABILITIES</b>			
Trade and other payables	26	<b>1,847,549</b>	2,032,477
Short-term borrowings - secured	27	<b>23,807</b>	74,059
Deferred income	28	<b>14,002</b>	13,995
Accrued markup		<b>55</b>	31
		<b>1,885,413</b>	2,120,562
<b>CONTINGENCIES AND COMMITMENTS</b>	29		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,604,621</b>	19,040,681

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.



**ASIF RIZVI**  
CHIEF EXECUTIVE



**SOHAIL P. AHMED**  
VICE CHAIRMAN

# Consolidated Profit and Loss Account

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
Revenue - net	30	18,938,928	14,281,453
Cost of sales	31	15,504,550	12,162,341
<b>Gross profit</b>		<b>3,434,378</b>	2,119,112
Distribution costs	32	(237,708)	(185,024)
Administrative expenses	33	(1,268,432)	(1,118,208)
		<b>(1,506,140)</b>	(1,303,232)
Other income	34	1,809,850	1,682,977
<b>Operating profit</b>		<b>3,738,088</b>	2,498,857
Finance costs	35	(17,405)	(5,543)
Other charges	36	(244,959)	(177,220)
		<b>(262,364)</b>	(182,763)
		<b>3,475,724</b>	2,316,094
Share of net profit / (loss) of associates - after tax	11.1	489,860	(100,622)
<b>Profit before taxation</b>		<b>3,965,584</b>	2,215,472
Taxation	37	(1,192,345)	(716,501)
<b>Profit after taxation</b>		<b>2,773,239</b>	1,498,971
<b>Attributable to</b>			
- Equity holders of Holding Company		2,469,418	1,268,114
- Non-controlling interest		303,821	230,857
		<b>2,773,239</b>	1,498,971

(Rupees)


**Basic and diluted earnings per share attributable to the equity holders of the Holding Company**

38 **30.48** 15.65

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.



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# Consolidated Statement of Comprehensive Income

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>Profit after taxation</b>		<b>2,773,239</b>	1,498,971
<b>Other comprehensive income</b>			
<i>Items to be reclassified to profit and loss account in subsequent periods:</i>			
Share of unrealized gain on revaluation of foreign exchange contracts of an associate		-	1,448
Gain on revaluation of available-for-sale investments		13,187	23,401
		<b>13,187</b>	24,849
<i>Items 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		(146)	(107)
<b>Total comprehensive income for the year</b>		<b>2,786,280</b>	1,523,713
<b>Attributable to</b>			
- Equity holders of the Holding Company		2,482,459	1,292,856
- Non-controlling interest		303,821	230,857
		<b>2,786,280</b>	1,523,713

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.



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# Consolidated Cash Flow Statement

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	39	4,029,031	2,071,173
Finance costs paid		(16,851)	(5,426)
Retirement benefits paid		(3,529)	(3,331)
Income tax paid		(1,070,201)	(952,583)
<b>Net cash generated from operating activities</b>		<b>2,938,450</b>	<b>1,109,833</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(137,166)	(387,926)
Long term loans and deposits		2,258	731
Dividends received		338,704	127,716
Profit received		222,287	191,767
Proceeds from disposal of property, plant and equipment		13,671	24,070
Investment in equities		(396,669)	-
(Purchase) / redemption of short term investments		(240,434)	1,039,686
<b>Net cash (used in) / generated from investing activities</b>		<b>(197,349)</b>	<b>996,044</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of share capital		-	85,500
Dividends paid		(971,817)	(1,151,019)
Long term deposit		1,589	967
<b>Net cash used in financing activities</b>		<b>(970,228)</b>	<b>(1,064,552)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,770,873</b>	<b>1,041,325</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>3,485,412</b>	<b>2,444,087</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	40	<b>5,256,285</b>	<b>3,485,412</b>

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# Consolidated Statement of Changes in Equity

For the year ended June 30, 2015

	Issued, subscribe and paid-up capital	Share deposit money	Reserves					Non-controlling interest	Total equity
			Capital reserves	General reserve	Unappropriated profit	Unrealised gain / (loss) on hedging instruments	Gain on changes in fair value of available for sale investments		
	(Rupees in '000)								
Balance as at June 30, 2013	405,150	12	67,929	7,134,874	2,988,785	(1,448)	71,920	5,501,071	16,168,293
Profit for the year	-	-	-	-	1,268,114	-	-	230,857	1,498,971
Other comprehensive income	-	-	-	-	(107)	1,448	23,401	-	24,742
Total comprehensive income	-	-	-	-	1,268,007	1,448	23,401	230,857	1,523,713
Transfer to general reserve	-	-	-	814,000	(814,000)	-	-	-	-
Transaction with owners, recorded directly in equity									
Final dividend @ Rs. 7.50/- per share for the year ended June 30, 2013	-	-	-	-	(607,725)	-	-	-	(607,725)
Interim dividend @ Rs. 2.50/- per share for the period ended December 31, 2013	-	-	-	-	(202,575)	-	-	-	(202,575)
Interim dividend @ Rs. 2.50/- per share for the period ended March 31, 2014	-	-	-	-	(202,575)	-	-	-	(202,575)
Subsidiary company									
Final dividend @ Rs. 0.31/- per share for the year ended June 30, 2013	-	-	-	-	-	-	-	(42,171)	(42,171)
Interim dividend @ Rs. 0.812/- per share for the year ended June 30, 2014	-	-	-	-	-	-	-	(110,460)	(110,460)
Shares issued by subsidiary to non controlling interest holders	-	-	-	-	-	-	-	85,500	85,500
	-	-	-	-	(1,012,875)	-	-	(67,131)	(1,080,006)
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
Profit for the year	-	-	-	-	2,469,418	-	-	303,821	2,773,239
Other comprehensive income	-	-	-	-	(146)	-	13,187	-	13,041
Total comprehensive income	-	-	-	-	2,469,272	-	13,187	303,821	2,786,280
Transfer to general reserve	-	-	-	754,000	(754,000)	-	-	-	-
Transaction with owners, recorded directly in equity									
Final dividend @ Rs. 2.50/- per share for the year ended June 30, 2014	-	-	-	-	(202,575)	-	-	-	(202,575)
Interim dividend @ Rs. 3.75/- per share for the period ended December 31, 2014	-	-	-	-	(303,863)	-	-	-	(303,863)
Interim dividend @ Rs. 3.75/- per share for the period ended March 31, 2015	-	-	-	-	(303,863)	-	-	-	(303,863)
Subsidiary company									
Final dividend @ Rs. 0.242/- per share for the year ended June 30, 2014	-	-	-	-	-	-	-	(32,920)	(32,920)
Interim dividend @ Rs. 1.07/- per share for the year ended June 30, 2015	-	-	-	-	-	-	-	(145,559)	(145,559)
	-	-	-	-	(810,301)	-	-	(178,479)	(988,780)
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

The annexed notes from 1 to 51 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, 2015

## 1. THE HOLDING COMPANY AND ITS OPERATIONS

- 1.1** Thal Limited (the Holding 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 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
			2015	2014	2015		2014	
			%	%	(Rupees in '000s)		(Rupees in '000s)	
Noble Computer Services (Private) Limited	1.2.1	01-07-2005	100	100	134,484	31,666	121,689	30,485
Pakistan Industrial Aids (Private) Limited	1.2.2	27-03-2006	100	100	28,867	4,584	24,693	1,370
Makro-Habib Pakistan Limited	1.2.3	01-05-2008	100	100	1,004,657	318,170	1,088,576	388,770
A-One Enterprises (Private) Limited	1.2.4	16-12-2011	100	100	180,160	5,097	180,725	5,087
Habib METRO Pakistan (Private) Limited	1.2.5	16-12-2011	60	60	8,894,549	451,152	8,633,873	433,511
Thal Boshoku Pakistan (Private) Limited	1.2.6	03-09-2013	55	55	306,426	70,670	282,365	109,117
Thal Power (Private) Limited	1.2.7	03-07-2014	100	-	85	75	-	-

### 1.2.1 Noble Computer Services (Private) Limited

Noble Computer Services (Private) Limited was incorporated in Pakistan on May 08, 1983 as a private limited company. The subsidiary is engaged in providing share registrar and related accounting services, share floatation services, data entry services and internal audit 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 MHPL was an associated undertaking of the Holding Company until April 30, 2008 and became a subsidiary company with effect from May 01, 2008. The subsidiary is engaged in wholesale / retail cash and carry business.
- (b) The MHPL has 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 has been engaged to operate the AWT Saddar Store (the Store) for an operations fee determined under the agreed mechanism. The Operator has agreed to operate the Store safely and efficiently and in accordance with the standards of a reasonable and prudent Operator; and to perform the services under the Agreement (the Services) entirely at its own cost and expense ensuring that in performing the Services it shall not cause MHPL to be in breach of any of the obligations under the lease deed relating to the Store and those obligations which relate to or are affected by the Services under any of the applicable laws.

### 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, 2015

## 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)

- (a) 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, seat parts, air cleaner and other automobile parts. TBPPL has started commercial production during the year. The registered office of TBPPL is situated at 4th Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharah-e-Faisal, Karachi.
- (b) The Company was formed pursuant to a Joint Venture Agreement between Thal Limited (the Holding Company), Toyota Boshoku Corporation, Japan and Toyota Tsusho Corporation, Japan.

## 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. TPPL will be engaged in generating, supplying, converting, transforming, importing, exporting and dealing in electricity and all other forms of energy and electricity generation. TPPL has not started commercial production as at or subsequent to the balance sheet date. The registered office of TPPL is situated at 4th floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Shahrah-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 consolidated financial statements have been prepared under the historical cost convention, except for available for sale financial assets and financial assets designated as fair value through profit or loss account which are stated at fair value as required under IAS – 39 “Financial Instruments: Recognition and Measurement”.
- 3.2 These consolidated financial statements are presented in Pak Rupees which is also the Group’s functional currency.

## 4. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries as at 30 June 2015.

Subsidiaries are fully consolidated from the date of acquisition, being 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 period as the Holding Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interest in the net assets and profit or loss of subsidiaries are identified and reported separately from the Holding Company’s ownership interest.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 New and amended standards and interpretations

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

- IAS 19 – Employee Benefits – (Amendment) – Defined Benefit Plans: Employee Contributions
- IAS 32 – Financial Instruments: Presentation – (Amendment) – Offsetting Financial Assets and Financial Liabilities
- IAS 36 – Impairment of Assets – (Amendment) – Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment) Novation of Derivatives and  
Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Levies

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the consolidated 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 Current versus non-current classification

The Group presents assets and liabilities in balance sheet based on current / non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 5.3 Property, plant and equipment

#### (a) Owned

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

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.

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

## **(b) Leased**

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease less financial charges allocated to future periods are recorded as a liability.

These financial charges relating to the lease are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Depreciation is charged at the same rates as charged on the Holding Company's owned assets.

## **5.4 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (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 amortized applying the straight line method at the rates stated in note 9.

## **5.5 Investment properties**

Investment properties are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged on reducing balance method at the rate specified in note 10.

## **5.6 Impairment of 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.

## **5.7 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.

## **5.8 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 profit and loss account.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 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 recognized initially at fair value plus directly attributable costs and are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

### Designated investments at fair value through profit or loss

Designated investments at fair value through profit or loss are initially recognized 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 recognized in profit and loss account.

#### *Un-Quoted*

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

## 5.9 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 annually for slow moving and obsolete items.

## 5.10 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.

## 5.11 Trade debts and other receivables

Trade debts originated by the Group are recognized and carried at original invoice amount less provision for impairment. Provision for impairment 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 impairment, if any.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 5.12 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.

## 5.13 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.

## 5.14 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 20 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.

## 5.15 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.

## 5.16 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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 5.17 Staff retirement benefits

### Defined Contribution plan

#### Provident fund

The Group operates recognised provident funds for its permanent employees. Equal monthly contributions are made to the funds 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 a funded 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.

## 5.18 Compensated absences

Accrual is made for employees' compensated absences on the basis of accumulated leaves and the last drawn pay.

## 5.19 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 Group recognizes 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.

## 5.20 Revenue recognition

- 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.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on Term Deposit Receipts is recognised on constant rate of return to maturity.
- Profit on bank deposits are recognised on accrual basis.
- Rental income arising from investment properties is accounted for on a straight basis over the lease term.

## 5.21 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, 2015

## 5.22 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 recognized 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.

## 5.23 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.

## 5.24 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 judgments, 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 judgments, 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	5.3 & 8
- intangibles	5.4 & 9
- valuation of inventories	5.9, 5.10, 15 & 16
- provision against trade debts	5.11 & 17
- provision for tax and deferred tax	5.14, 14 & 37
- warranty obligations	5.19 & 26.3
- impairment of non financial assets	5.6
- contingencies	29

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 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)
IFRS 10 Consolidated Financial Statements	January 01, 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	January 01, 2015
IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 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)	January 01, 2016
IFRS 11 Joint Arrangements	January 01, 2015
IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 Fair Value Measurement	January 01, 2015
IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment and IAS 38 intangible assets -Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

The Group expects that the adoption of the above standards and amendments would not impact the Group'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	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 8. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	8.1	<b>1,264,098</b>	1,182,036
Capital work-in-progress	8.5	<b>21,293</b>	177,900
		<b>1,285,391</b>	1,359,936

### 8.1 Statement of operating fixed assets

	C O S T			D E P R E C I A T I O N			
	As at July 01, 2014	Additions	Disposals	As at July 01, 2014	Depreciation for the year	On disposals	As at June 30, 2015
							Written down value as at June 30, 2015
							(Rupees in '000)
<b>Owned:</b>							
Land - Freehold	203,753	-	-	-	-	-	203,753
- Leasehold	45,381	-	-	5,591	1,449	-	38,341
Building on freehold land							
- Factory building	270,035	17,558	-	149,814	12,944	-	124,835
- Non factory building	471,979	-	-	163,450	25,024	-	283,505
Railway sliding	792	-	-	712	4	-	76
Plant and machinery	1,232,542	134,024	-	830,399	95,461	-	440,706
Furniture and fittings	29,996	2,806	-	18,660	2,282	-	11,860
Vehicles	88,005	33,212	(16,197)	48,707	10,840	(8,975)	54,448
Office and mills equipment	62,103	12,159	(487)	38,282	5,090	(429)	30,832
Computer equipment	69,086	25,347	(1,457)	59,996	9,067	(1,447)	25,360
Jigs and fixtures	144,320	52,009	-	120,345	25,602	-	50,382
<b>2015</b>	<b>2,617,992</b>	<b>277,115</b>	<b>(18,141)</b>	<b>1,435,956</b>	<b>187,763</b>	<b>(10,851)</b>	<b>1,612,868</b>
							<b>1,264,098</b>

**8.1.1** Additions include transfers from capital work in progress amounting to Rs. 214,717 million (2014: Rs. 73.111 million).

**8.1.2** Fixed assets include moulds having book value of Rs. 0.327 million (2014: Rs. 0.21 million) in the possession of sub-contractors.



# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	C O S T				Rate %	D E P R E C I A T I O N				
	As at July 01, 2013	Additions transfers*	Disposals transfers*	As at June 30, 2014		As at July 01, 2013	Depreciation/ adjustments for the year	On disposals / transfers*	As at June 30, 2014	Written down value as at June 30, 2014
	(Rupees in '000)					(Rupees in '000)				
<b>Owned:</b>										
Land - Freehold	211,490	(7,087)	(650)	203,753	-	708	(708)	-	-	203,753
- Leasehold	38,294	7,087	-	45,381	1.69-3.33	3,099	2,492	-	5,591	39,790
Building on freehold land										
- Factory building	270,035	-	-	270,035	10	136,455	13,359	-	149,814	120,221
- Non factory building	467,707	-	-	471,979	5-10	137,441	25,330	-	163,450	308,529
		4,272 *					679 *			
Railway sliding	792	-	-	792	5	708	4	-	712	80
Plant and machinery	1,172,190	78,820 (4,453) *	(14,015)	1,232,542	10-30	771,225	72,494 (679) *	(12,641)	830,399	402,143
Furniture and fittings	28,612	1,617	(233)	29,996	15-20	16,902	2,076 (166)	(152)	18,660	11,336
Vehicles	85,416	10,307	(7,718)	88,005	20	42,477	8,835 5 *	(2,610)	48,707	39,298
Office and mills equipment	57,181	5,513	(591)	62,103	10-30	34,482	4,312	(512)	38,282	23,821
Computer equipment	65,644	4,443	(1,001)	69,086	33	53,077	7,854 (20) *	(915)	59,996	9,090
Jigs and fixtures	143,246	7,125 181 *	(6,232)	144,320	33	109,271	7,125 181 *	(6,232)	120,345	23,975
2014	2,540,607	107,825	(30,440)	2,617,992		1,305,845	153,173	(23,062)	1,435,956	1,182,036

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
8.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	31	136,057	105,606
Distribution costs	32	992	794
Administrative expenses	33	50,714	46,772
		187,763	153,172

8.3 Fixed assets include fully depreciated assets amounting to Rs. 154.095 million (2014: Rs. 42.374 million).

8.4 The following property, plant and equipment were disposed off during the year:

Particulars	Original cost	Accumulated depreciation	Written down value	Sales proceeds	Gain Note 34	Mode of disposal	Particulars of buyers
(Rupees in '000)							
<b>Vehicles</b>							
Toyota Corolla Xli	168	-	168	948	780	Sold under company's car scheme	Mr. Ahmed Sheraz - Ex-Emple
Toyota Corolla Gli	320	-	320	1,400	1,080	Sold under company's car scheme	Mr. Zaheer Abbas - Ex-Employee
Toyota Altis	1,809	1,212	597	597	-	Sold under company's car scheme	Mr. Sohail P. Ahmed - Director
Toyota Corolla Gli	1,392	951	441	787	346	Sold under company's car scheme	Mr. Tariq Iqbal Ansari - Employee
Suzuki Mehran-VXR.	173	-	173	510	337	Sold under company's car scheme	Mr. Eijaz Raza - Employee
Toyota Corolla Gli	1,410	993	417	743	326	Sold under company's car scheme	Mr. Riyaz Y. Shroff - Ex-Employee
Suzuki Mehran	240	-	240	510	270	Sold under company's car scheme	Mr. Kashif Iqbal Butt - Ex-Employee
Toyota Corolla	1,899	1,377	522	522	-	Sold under company's car scheme	Mr. Hussain Qaiser Rizvi - Employee
Toyota Altis	1,355	1,061	294	294	-	Sold under company's car scheme	Mr. Ali Sajjad Dharamsey - Employee
Toyota Altis	1,317	782	535	535	-	Sold under company's car scheme	Mr. Asif Rizvi - Chief Executive Offi-
cer							
Toyota Corolla Gli	1,289	770	519	571	52	Sold under company's car scheme	Mr. Raza Rajani - Ex-Employee
Toyota Corolla Xli	1,464	671	793	872	79	Sold under company's car scheme	Mr. Ayaz Toosy - Employee
Toyota Corolla Xli	250	-	250	1,400	1,150	Insurance Claim	M/s. Habib Insurance Co. Ltd - a related party
Motor Cycle	70	9	61	62	1	Insurance Claim	M/s. Habib Insurance Co. - a related party
Motor Cycle	69	11	58	64	6	Insurance Claim	M/s. Habib Insurance Co. - a related party
Motor Cycle	69	18	51	52	1	Negotiation	Mr. Mohammad Saleem Soomro - Employee
Toyota Altis	2,139	673	1,466	1,689	223	Negotiation	Toyota Southern Motors
Items having book value upto Rs. 50,000	764	447	317	1,940	1,623	Various	Various
	16,197	8,975	7,222	13,496	6,274		
<b>Office and mills equipment</b>							
Items having book value upto Rs. 50,000	487	429	58	68	10	Various	Various
<b>Computer equipment</b>							
Items having book value upto Rs. 50,000	1,457	1,447	10	107	97	Various	Various
<b>2015</b>	18,141	10,851	7,290	13,671	6,381		
2014	30,440	23,062	7,378	24,071	16,693		

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

2015 2014  
(Rupees in '000)

## 8.5 Capital work-in-progress

Civil works	141	14,333
Plant and machinery	-	157,017
Office and mills equipment	17,240	6,061
Vehicles	3,762	489
Computer Equipment	150	-
	<b>21,293</b>	<b>177,900</b>

## 9. INTANGIBLE ASSETS

	C O S T			Amortisation Rate %	A M O R T I Z A T I O N			Written down value as at June 30, 2015
	As at July 01, 2014	Additions	As at June 30, 2015		As at July 01, 2014	Amortisation	As at June 30, 2015	
	(Rupees in '000)				(Rupees in '000)			
Softwares	5,972	6,195	12,167	30 - 50	5,875	949	6,824	5,343
Licenses	1,139	3,980	5,119	33	857	892	1,749	3,370
<b>2015</b>	<b>7,111</b>	<b>10,175</b>	<b>17,286</b>		<b>6,732</b>	<b>1,841</b>	<b>8,573</b>	<b>8,713</b>
2014	7,111	-	7,111		6,155	577	6,732	379

Note 2015 2014  
(Rupees in '000)

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

Cost of sales	31	463	-
Distribution costs	32	4	-
Administrative expenses	33	1,374	577
		<b>1,841</b>	<b>577</b>

## 10. INVESTMENT PROPERTIES

Land and building	7,176,769	7,428,950
Capital work-in-progress - Civil works	-	3,500
	<b>7,176,769</b>	<b>7,432,450</b>

	C O S T			Depreciation Rate %	D E P R E C I A T I O N			Written down value as at June 30, 2015
	As at July 01, 2014	Additions	As at June 30, 2015		As at July 01, 2014	Depreciation	As at June 30, 2015	
	(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	-	197,805	1,459,783
Building on freehold land	1,884,362	9,983	1,894,345	10-30	276,460	213,507	489,967	1,404,378
Building on leasehold land	4,100,300	-	4,100,300	10-30	713,539	48,657	762,196	3,338,104
<b>2015</b>	<b>8,616,754</b>	<b>9,983</b>	<b>8,626,737</b>		<b>1,187,804</b>	<b>262,164</b>	<b>1,449,968</b>	<b>7,176,769</b>
2014	8,504,464	112,290	8,616,754		919,220	268,584	1,187,804	7,428,950

10.1 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 an independent professional valuer and amount to Rs. 14,840 million (2014: Rs. 13,452 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, 2015

	Note	2015 Holding %	(Rupees in '000)	2014 Holding %	(Rupees in '000)
<b>11. LONG-TERM INVESTMENTS</b>					
<b>Investment in associates - stated as per equity method</b>	11.2 & 11.3				
<b>Quoted associates</b>					
<b>Indus Motor Company Limited</b>	6.22			6.22	
Opening balance			1,142,528		998,109
Share of profit for the period - net of tax			496,130		245,642
Share of unrealized gain on hedging			-		1,448
Share of actuarial (loss) / gain on remeasurement of defined benefit plan			(94)		19
Dividend received during the period			(310,515)		(102,690)
			<b>1,328,049</b>		<b>1,142,528</b>
(Market value Rs. 6,107.610 million) (2014: Rs. 2,630.429 million)					
<b>Habib Insurance Company Limited</b>	11.4	4.63		4.63	
Opening balance			41,431		35,984
Share of profit for the period - net of tax			14,043		11,308
Share of actuarial loss on remeasurement of defined benefit plan			(52)		(126)
Dividend received during the period			(11,471)		(5,735)
			<b>43,951</b>		<b>41,431</b>
(Market value Rs. 108.514 million) (2014: Rs. 88.612 million)					
<b>Agriauto Industries Limited</b>	7.35			7.35	
Opening balance			199,090		189,433
Share of profit for the year - net of tax			35,911		21,500
Share of loss in change in fair value of available for sale investment			(1,332)		(207)
Dividend received during the year			(10,578)		(11,636)
			<b>223,091</b>		<b>199,090</b>
(Market value Rs. 393.396 million) (2014: Rs. 204.155 million)					
<b>Shabbir Tiles and Ceramics Limited</b>	1.30			1.30	
Opening balance			20,552		22,107
Investment made during the period			5,729		-
Share of profit / (loss) for the period - net of tax			22		(614)
Dividend received during the year			-		(941)
			<b>26,303</b>		<b>20,552</b>
(Market value Rs. 27.751 million) (2014: Rs. 15.523 million)					
			<b>1,621,394</b>		<b>1,403,601</b>
<b>Un-Quoted associates</b>					
<b>METRO Habib Cash &amp; Carry Pakistan (Private) Limited (MHCCP)</b>	11.4 & 11.5	25		25	
Opening balance			56,246		434,704
Share of loss for the period - net of tax			(56,246)		(378,458)
			-		56,246
<b>TOTAL OF ASSOCIATES</b>			<b>1,621,394</b>		<b>1,459,847</b>
<b>Other investments - Available-for-sale</b>					
<b>Quoted - at fair value</b>					
Habib Sugar Mills Limited			78,112		68,142
GlaxoSmithKline (Pakistan) Limited			328		279
Dynea Pakistan Limited			40,032		36,773
Allied Bank Limited			18,171		-
Habib Bank Limited			14,010		-
			<b>150,653</b>		<b>105,194</b>
<b>Un-Quoted - at cost</b>					
Sindh Engro Coal Mining Company Limited	11.7		360,000		-
<b>TOTAL</b>			<b>2,132,047</b>		<b>1,565,041</b>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
<b>11.1 Share of net profit / (loss) of associates - after tax</b>			
Indus Motor Company Limited		<b>496,130</b>	245,642
Habib Insurance Company Limited		<b>14,043</b>	11,308
Agriauto Industries Limited		<b>35,911</b>	21,500
Shabbir Tiles and Ceramics Limited		<b>22</b>	(614)
METRO Habib Cash & Carry Pakistan (Private) Limited		<b>(56,246)</b>	(378,458)
		<b>489,860</b>	(100,622)

**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, 2015 except for MHCCP which is twelve months period ended June 30, 2015 is as follows:

which is twelve months period ended June 30, 2015 is as follows:

	2015			
	Total Assets	Total Liabilities	Revenues	Profit / (loss) after tax
	(Rupees in '000)			
<b>Associates</b>				
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 in which the Group has 25% equity interest, 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** The financial year end of all the associates is June 30 except for Habib Insurance Company Limited where the financial year end is December 31, and MHCCP where financial year end is September 30. 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 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, 2015

	Note	2015 (Rupees in '000)	2014
<b>11.6</b> Share in contingent liabilities of associated companies		<b>302,467</b>	184,688
Share in commitments of associated companies		<b>3,890,637</b>	4,125,317

**11.7** The Group has entered into a Shareholders Agreement with Engro Powergen Limited and Hub Power Company Limited for joint investment in Sindh Engro Coal Mining Company Limited (SECMC). The Group has made an investment of Rs. 360 million and also agreed to make an investment upto a total of Rs. 3 billion subject to certain conditions and regulatory approvals.

	Note	2015 (Rupees in '000)	2014
<b>12. LONG-TERM LOANS AND DEPOSITS</b>			
Loans to employees - unsecured, considered good			
Interest bearing		<b>58</b>	91
Interest free		<b>264</b>	183
Current portion	18	<b>(151)</b>	(101)
		<b>171</b>	173
Long-term deposits			
Security deposits		<b>6,751</b>	5,258
Utilities		<b>4,410</b>	4,410
Others		<b>471</b>	441
		<b>11,632</b>	10,109
		<b>11,803</b>	10,282

## 13. LONG TERM PREPAYMENT

Rent	13.1	<b>67,640</b>	74,057
Current portion	18	<b>(11,694)</b>	(9,055)
		<b>55,946</b>	65,002

**13.1** Includes prepaid rent of Rs. 3.780 million (2014: 11.340 million) paid in respect of service centre upto June 2016 and prepaid rent of Rs. 63.860 million (2014: 61.222 million) paid for land obtained under operating lease agreement which is adjustable against yearly installments over a period of 20 years.

	Note	2015 (Rupees in '000)	2014
<b>14. DEFERRED TAX ASSET - net</b>			
<b>Deferred tax comprises temporary differences relating to :</b>			
Accelerated tax depreciation		<b>(132,584)</b>	(144,815)
Provisions		<b>155,441</b>	120,036
Unabsorbed tax losses	14.1	<b>131,459</b>	161,655
Investment in associates		<b>(125,704)</b>	(110,122)
		<b>28,612</b>	26,754

**14.1** Deferred tax asset on tax losses of a subsidiary company on account of unabsorbed depreciation is recognised on the basis that the realisation of related tax benefits through future taxable profits is probable.

	2015 (Rupees in '000)	2014
<b>15. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	<b>23,120</b>	22,826
Spares	<b>67,819</b>	62,789
Loose tools	<b>87</b>	141
	<b>91,026</b>	85,756

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>16. STOCK-IN-TRADE</b>			
Raw material			
- In hand	16.1	1,494,319	2,182,610
- In transit		406,768	330,713
		<b>1,901,087</b>	2,513,323
Work-in-process		192,326	171,239
Finished goods	16.2	456,564	707,923
Provision for obsolescence and shrinkage		(6,318)	(5,926)
		<b>450,246</b>	701,997
		<b>2,543,659</b>	3,386,559

**16.1** Raw materials amounting to Rs. 9.577 million (2014: Rs. 13.218 million) are held with the sub-contractors.

**16.2** Stock-in-trade includes items amounting to Rs. 611.309 million (2014: Rs. 814.864 million) carried at net realisable value. [Cost Rs. 674.722 million (2014: Rs. 869.673 million)].

	Note	2015 (Rupees in '000)	2014
<b>17. TRADE DEBTS - unsecured</b>			
Considered good	17.1	1,210,643	942,975
Considered doubtful		22,290	20,627
Provision for impairment	17.2	(22,290)	(20,627)
		-	-
		<b>1,210,643</b>	942,975

**17.1** This includes amount due from following related parties:

Indus Motor Company Limited	333,041	43,164
Habib Metropolitan Bank Limited	2,967	4,047
Agriauto Industries Limited	250	64
Shabbir Tiles & Ceramics Limited	7,511	1,902
METRO Habib Cash & Carry Pakistan (Private) Limited	750	2,271
Schneider Electric Pakistan (Private) Limited	-	9
Habib Insurance Company Limited	47	-
	<b>344,566</b>	51,457

**17.2** Reconciliation of provision for impairment of trade debts

Balance at the beginning of the year		20,627	33,688
Charge for the year	32	5,949	6,072
Reversal for the year		(2,296)	(19,133)
		3,653	(13,061)
Bad debts written off		(1,990)	-
Balance at the end of the year		<b>22,290</b>	20,627

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>18. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Considered good – unsecured Loans</b>			
Current portion of long-term loans to employees	12	151	101
Interest free loans to Executives	18.1	9,525	1,063
<b>Advances</b>			
Suppliers		27,559	13,361
Employees		2,282	1,489
		29,841	14,850
<b>Deposits</b>			
Tender / Performance guarantee		53,856	33,257
Margin against letter of credit		231	1,775
Security deposits		443	406
Container deposits		3,830	2,052
Others		2,540	2,763
		60,900	40,253
<b>Short-term prepayments</b>			
Current portion of long-term prepayment	13	11,694	9,055
Rent		6,862	4,305
Insurance		7,002	9,888
Others		3,797	5,092
		29,355	28,340
<b>Other receivables</b>	18.2	21,882	55,853
		151,654	140,460
<b>18.1</b>	The maximum aggregate amount due from executives at the end of any month during the year was Rs. 10.5 million.		
<b>18.2 Other receivables</b>			
Duty drawback		2,875	8,905
Workers' profit participation fund	18.2.1	4,398	5,505
Rent		487	-
Receivable against test production		356	17,300
Others	18.2.2	13,766	24,143
		21,882	55,853
<b>18.2.1 Workers' profit participation fund (WPPF)</b>			
Receivable/ (Payable) to WPPF at the beginning of the year		5,505	(3,495)
Allocation for the current year	36	(160,602)	(94,495)
Interest on funds utilised in the Company's business		-	(348)
Liability for WPPF		(155,097)	(98,338)
Paid during the year		159,495	103,843
Net receivable from WPPF		4,398	5,505
<b>18.2.2</b>	This includes receivable from the following related parties:		
Indus Motor Company Limited		36	-
Auvitronics Limited		1	-
Agriautos Industries Limited		26	-
Habib Insurance Company Limited		10	-
Habib Metropolitan Bank Limited		106	14
METRO Habib Cash & Carry Pakistan (Private) Limited		-	893
		179	907



# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>19. SHORT-TERM INVESTMENTS</b>			
<b>Held-to-maturity - at amortised cost</b>			
Term Deposit Receipts	19.1	4,740,409	2,998,409
Accrued profit thereon		8,219	1,404
		<b>4,748,628</b>	2,999,813
Musharika Certificates	19.2	106,000	121,000
Accrued profit thereon		78	810
		<b>106,078</b>	121,810
Treasury Bills	19.3	196,747	-
Accrued profit thereon		2,535	-
		<b>199,282</b>	-
		<b>5,053,988</b>	3,121,623

**19.1** Represents Term Deposit Receipts of Habib Metropolitan Bank Limited, a related party. These deposits carry profit rate of 6.6% to 8.95% (2014: 6.5% to 9.75%) per annum and having maturity ranging from July 05, 2015 to November 30, 2015 out of which Rs. 0.909 million (2014: Rs. 0.909 million) is under lien against a letter of guarantee issued by the Bank on behalf of the Group.

**19.2** This represents Musharika Certificates with a Modaraba Company carrying mark-up rate 6.75% to 7.15% (2014: 9.00% to 9.25%) per annum having maturity ranging from September 29, 2015 to November 27, 2015.

**19.3** These carry profit rate ranging from 6.84% to 7.38% per annum and having maturity upto August 06, 2015.

	Note	2015 (Rupees in '000)	2014
<b>20. INCOME TAX - net</b>			
Group Tax Relief adjustments	20.1	593,466	593,466
Income tax provision less tax payments – net		(420,252)	(297,439)
		<b>173,214</b>	296,027

**20.1** 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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>21. CASH AND BANK BALANCES</b>			
With banks in:			
Current accounts	21.1	134,883	33,166
Deposit accounts	21.2	398,802	377,927
Saving accounts	21.3	102,307	104,645
		<u>635,992</u>	<u>515,738</u>
In hand		9,892	5,233
		<u>645,884</u>	<u>520,971</u>

**21.1** These include an amount of Rs. 103.053 million (2014: 8.220 million) maintained with Habib Metropolitan Bank, a related party.

**21.2** These represent deposits maintained with Habib Metropolitan Bank Limited, a related party, and carry markup at the rates ranging from 5.50% to 8% (2014: 7% to 8%) per annum.

**21.3** These include accounts maintained with Habib Metropolitan Bank - a related party, amounting to Rs. 86.676 million (2014: 55.98 million) and carry markup at the rates ranging from 5.50% to 8% (2014: 7% to 8%) per annum.

## 22. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
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
		Issued as fully paid bonus shares:		
64,640,390	64,640,390	Opening balance	323,202	323,202
-	-	Issued during the year	-	-
64,640,390	64,640,390	Closing balance	323,202	323,202
		Shares issued under the Scheme of Arrangements for Amalgamation		
11,239,669	11,239,669		56,198	56,198
<u>81,029,909</u>	<u>81,029,909</u>		<u>405,150</u>	<u>405,150</u>

**22.1** As at 30 June 2015: 7,512,043 (2014: 7,874,443) ordinary shares of Rs. 5/- each are held by related parties.

	2015 (Rupees in '000)	2014
<b>23. RESERVES</b>		
<b>Capital reserves</b>		
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>
<b>Revenue reserves</b>		
General reserve	8,702,874	7,948,874
Unappropriated profit	3,334,888	2,429,917
	<u>12,037,762</u>	<u>10,378,791</u>
<b>Gain on change in fair value of available for sale investments - net</b>	<u>108,508</u>	<u>95,321</u>
	<u>12,214,199</u>	<u>10,542,041</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>24. NON-CONTROLLING INTEREST</b>			
Habib Metro Pakistan (Private) Limited		5,684,049	5,586,835
Thal Boshoku Pakistan (Private) Limited		106,090	77,962
		<u>5,790,139</u>	<u>5,664,797</u>
<b>25. LONG TERM SECURITY DEPOSITS</b>			
Security deposits	25.1	<u>309,708</u>	<u>308,119</u>
<b>25.1</b> Represents deposits in respect of investments properties rented out by a subsidiary company and includes amounts due to the following related parties:			
Habib Metropolitan Bank Limited		-	1,403
Indus Motor Company Limited		2,005	2,005
METRO Habib Cash and Carry Pakistan (Private) Limited		289,506	289,506
		<u>291,511</u>	<u>292,914</u>
<b>26. TRADE AND OTHER PAYABLES</b>			
Creditors	26.1	503,096	509,049
Accrued liabilities	26.2	723,261	544,402
Custom duty payable		10,875	81,981
Unclaimed salaries		7,733	7,878
Warranty obligations	26.3	187,266	117,642
Royalty	26.4	118,487	60,799
Workers' welfare fund		132,939	85,119
Security deposits	26.5	43,502	101,986
Unclaimed dividend and unpaid dividend		60,376	43,413
Consideration payable against acquisition of shares of MHPL		-	429,821
Other liabilities	26.6	60,014	50,387
		<u>1,847,549</u>	<u>2,032,477</u>
<b>26.1</b> This includes amounts due to related parties:			
Habib Insurance Company Limited		70	-
Shabbir Tiles & Ceramics Limited		287	153
Indus Motor Company Limited		1	147
Auvitronics Limited		10,801	30
METRO Habib Cash & Carry (Private) Limited		2,300	7
		<u>13,459</u>	<u>337</u>
<b>26.2</b> This includes amounts due to related parties:			
Habib Insurance Company Limited		591	758
<b>26.3 Warranty obligations</b>			
Balance at the beginning of the year		117,642	94,904
Charge for the year-net	32	83,312	47,143
		<u>200,954</u>	<u>142,047</u>
Claims paid during the year		(13,688)	(24,405)
Balance at end of the year		<u>187,266</u>	<u>117,642</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>26.4 Royalty payable</b>			
Balance at the beginning of the year		60,799	74,228
Charge for the year-net	31	166,726	87,951
Paid during the year		(109,038)	(101,380)
Balance at the end of the year		<u>118,487</u>	<u>60,799</u>
<b>26.5</b> This includes amounts due to related parties:			
METRO Habib Cash and Carry Pakistan Limited		<u>42,965</u>	<u>100,878</u>
<b>26.6 Other liabilities</b>			
Staff salaries		-	3,064
Tax deducted at source		2,306	1,117
EOBI		128	22
Advances from customers		31,296	27,374
Payable to provident fund		1,932	7
Payable to retirement benefit fund		4,538	4,353
Others		19,814	14,450
		<u>60,014</u>	<u>50,387</u>
<b>27. SHORT-TERM BORROWINGS - Secured</b>			
<b>Short-term running finance - Banks</b>			
Related party		23,172	73,693
Others		635	366
	27.1	<u>23,807</u>	<u>74,059</u>
<b>27.1</b> Available limits of the running finance facilities amount to Rs 2,629 million (2014: Rs. 2,553 million). The facilities carry mark-up ranges at rates ranging from one month to three months' KIBOR plus spreads of 0.75% to 0.90% (2014: 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.			
<b>28. DEFERRED INCOME</b>			
Represents license fee received in advance in respect of portion of its stores leased out and advertisement income.			
		2015 (Rupees in '000)	2014
<b>29. CONTINGENCIES AND COMMITMENTS</b>			
<b>29.1 Contingencies</b>			
<b>29.1.1</b> Letter of guarantees issued by banks on behalf of the Company.		35,074	29,859
<b>29.1.2</b> 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 SRO's.		166,379	218,276

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

2015 2014  
(Rupees in '000)

**29.1.3** The Subsidiary company MHPL owns a retail store in Saddar Karachi. The Supreme Court of Pakistan, in its judgment released on December 18, 2009, cancelled the 90 years lease (for the area where Saddar store is located) granted by the Government of Pakistan (GoP) to the Army Welfare Trust (AWT) dated December 19, 2002 on the basis that it was granted without lawful authority. As a consequence, the Supreme Court of Pakistan also cancelled the sub-lease granted in favour of the MHPL by AWT dated July 31, 2006. MHPL was allowed three months from the date of judgment to remove its structures and installations from the subject land and hand-over the subject land's vacant possession to City District Government Karachi.

MHPL filed a review petition against the judgment of the Supreme Court of Pakistan and GoP and AWT also filed review petitions on January 22, 2010. The matter has not been definitively decided up till now.

During the year 2012, MHPL entered into an Operation Agreement with MHCCP whereby MHCCP was engaged to operate MHPL's AWT (Saddar) Store. Under the above referred Operation Agreement, MHPL is required to pay to MHCCP an Operation Fee of up to Rs. 792 million. Under the agreement between Metro BV and the Company, if the Review Petition filed by MHPL in the Supreme Court is definitively and conclusively decided adversely against MHPL prior to the payment of the entire amount of Rs. 792 million by MHPL to MHCCP, then MHPL is required to pay to MHCCP the balance of the Operation Fee (Rs. 792 million less the Operation Fee paid up to date of such decision of Review Petition). If MHPL fails to make such payment, the Company has agreed that it will make the payment of the same to MHCCP.

However, no provision against the same has been considered necessary in these financial statements as the Company expects a favourable outcome of the review petition.

792,000 792,000

## 29.2 Commitments

**29.2.1** Letters of credit outstanding for raw material and spares.

1,282,630 1,028,488

**29.2.2** Commitments in respect of capital expenditure

- 18,532

**29.2.3** Commitments for rentals under Ijarah finance agreements

Within one year

2,209 8,662

Later one year but not later than five years

220 2,643

2,429 11,305

**29.2.4** Represent Ijarah agreement entered into with a Modaraba in respect of vehicles. Total Ijarah payments due under the agreements are Rs. 2.429 (2014: 11.305 million) and are payable in monthly installments latest by September 2017. These commitments are secured by on-demand promissory notes of Rs. 11.834 million (2014: 41.313 million).

**29.2.5** The Group has obtained three pieces for 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:

2015 2014  
(Rupees in '000)

Not later than one year

66,627 65,384

Later than one year but not later than five years

450,076 421,277

Later than five years

2,546,405 2,641,905

3,063,108 3,128,566

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>30. REVENUE - net</b>			
Export sales	30.1	930,322	1,075,530
Local sales	30.2	20,577,623	14,974,227
		<u>21,507,945</u>	<u>16,049,757</u>
Less: Sales tax		2,599,115	1,817,408
Sales discount		1,322	1,968
Sales returns		79,216	49,421
		<u>2,679,653</u>	<u>1,868,797</u>
		<u>18,828,292</u>	<u>14,180,960</u>
Add: Service income		112,702	94,519
		<u>18,940,994</u>	<u>14,275,479</u>
Add: Duty drawback		(2,066)	5,974
		<u>18,938,928</u>	<u>14,281,453</u>

**30.1** Export sales are stated net of export related freight and other expenses of Rs. 42.311 million (2014: Rs. 47.535 million).

**30.2** Local sales are stated net of freight and other expenses of Rs. 61.242 million (2014: Rs. 51.951 million).

	Note	2015 (Rupees in '000)	2014
<b>31. COST OF SALES</b>			
Raw material consumed	31.1	10,993,021	8,257,018
Salaries, wages and benefits		1,053,602	971,581
Stores, spares and lubricants		149,358	132,534
Repairs and maintenance		92,651	77,658
Power and fuel		303,425	312,439
Rent, rates and taxes		8,179	1,828
Vehicle running and maintenance		9,024	10,349
Insurance		9,601	9,889
Communication		4,369	3,954
Travelling and conveyance		13,272	8,593
Entertainment		413	926
Printing and stationery		4,629	3,882
Legal and professional		1,064	1,293
Computer accessories		6,424	3,285
Royalty	26.4	166,726	87,951
Depreciation	8.2	136,057	105,606
Amortization	9.1	463	-
Research and development		5,517	3,521
Ijarah rentals		2,625	5,240
Technical Assistance fee		-	17,226
Others		2,159	15,310
		<u>12,962,579</u>	<u>10,030,083</u>
Work-in-process			
Opening		171,239	176,847
Closing		(192,326)	(171,239)
		<u>(21,087)</u>	<u>5,608</u>
<b>Cost of goods manufactured</b>		<u>12,941,492</u>	<u>10,035,691</u>
Finished goods			
Opening stock		707,919	457,049
Purchases		2,395,722	2,391,471
Sharing of cost under arrangement	1.2.3(b)	(84,411)	(15,879)
Provision for obsolescence and shrinkage		392	1,932
Closing stock		(456,564)	(707,923)
		<u>2,563,058</u>	<u>2,126,650</u>
		<u>15,504,550</u>	<u>2,162,341</u>
<b>31.1 Raw material consumed</b>			
Opening stock		2,182,610	1,653,805
Purchases		10,304,730	8,785,823
Closing stock		(1,494,319)	(2,182,610)
		<u>10,993,021</u>	<u>8,257,018</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 32. DISTRIBUTION COSTS

	Note	2015 (Rupees in '000)	2014
Salaries and benefits		57,518	50,622
Vehicle running expense		4,261	4,941
Utilities		1,753	1,660
Insurance		2,751	2,618
Rent, rates and taxes		8,182	9,003
Communication		1,855	1,759
Advertisement and publicity		13,062	10,156
Travelling and conveyance		8,050	7,005
Entertainment		211	280
Printing and stationery		319	369
Legal and professional		25	-
Computer accessories		209	235
Research and development		267	440
Depreciation	8.2	992	794
Amortization	9.1	4	
Provision for impairment of debts	17.2	5,726	6,072
Repairs and maintenance		1,611	498
Export expenses		23,412	24,793
Provision for warranty claims	26.3	83,312	47,143
Ijarah rentals		970	2,984
Others		23,218	13,652
		<u>237,708</u>	<u>185,024</u>

## 33. ADMINISTRATIVE EXPENSES

Salaries and benefits		518,124	399,238
Vehicle running expense		19,379	18,896
Printing and stationery		10,298	8,086
Rent, rates and taxes		125,994	101,143
Utilities		66,156	68,412
Insurance		5,503	11,677
Entertainment		3,539	3,504
Subscription		3,135	2,572
Communication		8,401	8,377
Advertisement and publicity		867	1,288
Repairs and maintenance		50,504	51,454
Travelling and conveyance		32,536	29,082
Legal and professional		49,638	37,824
Computer accessories		6,799	5,376
Auditors' remuneration	33.1	5,153	4,356
Depreciation	8.2	50,714	46,772
Amortization	9.1	1,374	577
Depreciation on investment property	10	262,166	268,584
Ijarah rentals		3,611	5,850
Charity and donations	33.2	41,966	28,275
Directors' Fee & meeting expenses		1,146	2,199
Others		28,603	43,028
Sharing of cost under arrangement	1.2.3(b)	(27,174)	(28,362)
		<u>1,268,432</u>	<u>1,118,208</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>33.1 Auditors' remuneration</b>			
Audit fee		3,173	2,777
Half-yearly review		279	234
Taxation services		942	510
Other certifications		393	329
Out of pocket expenses		367	506
		<b>5,153</b>	<b>4,356</b>

## 33.2 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	2015 (Rupees in '000)	2014
Mohamedali Habib Welfare Trust	2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharaf Faisal, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee	10,101	6,582
Habib Education Trust	4th floor, United Bank building, I.I. Chundrigar Road, Karachi.	Mr. Ali S. Habib - Trustee Mr. Mohammed Ali R. Habib - Trustee	3,000	3,000
Habib University Foundation	147, Block 7&8, Banglore Cooperative Housing Society, Tipu Sultan Road, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee	5,000	5,250
Anjuman -e- Behbood-Samat -e- Itefal	ABSA School 26-C National Highway Korangi Road, Karachi.	Mrs. Rafiq M. Habib - Vice President	36	36

	Note	2015 (Rupees in '000)	2014
<b>34. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income		6,140	6,714
Profit on call deposit accounts and short term investments		231,598	178,070
Gain on redemption of investments at fair value through profit and loss		88,052	81,707
Reversal of provision for impairment of debt		2,296	19,133
Liabilities/provisions no longer payable/required written back		3,854	19,224
Exchange gain - net		3,554	74
		<b>335,494</b>	<b>304,922</b>
<b>Income from non financial assets</b>			
Gain on disposal of property, plant and equipment	8.4	6,381	16,693
Rental income from investment properties	34.1	1,380,655	1,296,196
Claim from suppliers		14,119	12,735
Licence fee, signage and others		56,456	54,919
Others		25,890	5,937
Sharing of cost under arrangement	1.2.3(b)	(9,145)	(8,425)
		<b>1,474,356</b>	<b>1,378,055</b>
		<b>1,809,850</b>	<b>1,682,977</b>

**34.1** Includes an amount of Rs.1,245 million (2014: Rs. 1,159 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.



# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>35. FINANCE COSTS</b>			
Mark-up / interest on:			
Short-term borrowings			
- Related party		8,150	146
- Others		2,361	791
Workers' profit participation fund		-	348
Bank charges and commission		6,894	4,258
		<u>17,405</u>	<u>5,543</u>
<b>36. OTHER CHARGES</b>			
Workers' profits participation fund	18.2.1	160,602	94,495
Workers' welfare fund		84,357	82,725
		<u>244,959</u>	<u>177,220</u>
<b>37. TAXATION</b>			
Current		1,191,138	759,273
Prior		3,065	(7,828)
Deferred		(1,858)	(34,944)
	37.1	<u>1,192,345</u>	<u>716,501</u>
<b>37.1 Relationship between income tax expense and accounting profit</b>			
Profit before tax and share of profit of associates		3,475,724	2,316,094
Tax at the rate of 25% - 33% (2014: 25% - 34%)		1,117,093	787,269
Super tax @ 3% of taxable income	37.1.1	108,341	-
		<u>1,225,434</u>	<u>787,269</u>
<b>Tax effects of:</b>			
Tax effect of inadmissible items		241,198	19
Income taxed at reduced rates, exempt or taxed under final tax regime		(277,352)	(62,959)
Prior years		3,065	(7,828)
		<u>1,192,345</u>	<u>716,501</u>
<b>37.1.1</b> The Federal Government vide Finance Act 2015 has imposed a onetime super tax at the rate of 3% on income of companies for the tax year 2015. This tax has been levied for financing the rehabilitation of internally displaced persons affected by the ongoing war on terror. Accordingly, provisions of Rs. 108.341 million for Super tax has been made in these financial statements.			
		2015 (Rupees in '000)	2014
<b>38. BASIC AND DILUTED EARNINGS PER SHARE</b>			
There is no dilutive effect on the basic earnings per share of the Holding Company which is based on:			
Profit for the year after taxation attributable to the equity holders of the Holding Company		2,469,418	1,268,114
Weighted average number of ordinary shares of Rs. 5/- each in issue		81,030	81,030
		(Rupees)	
<b>Basic and diluted earnings per share</b>		<u>30.48</u>	<u>15.65</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
<b>39. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		3,965,584	2,215,472
Adjustments for non-cash charges and other items:			
Depreciation and amortization		451,770	422,333
Share in profit / (loss) of associates - after taxation		(489,860)	100,622
Finance costs		16,898	5,453
Profit earned on call deposit and short term investments		(231,598)	(178,070)
Liabilities / provisions no longer payable / required written back		(3,854)	(186)
Gain on redemption of investments at fair value through profit and loss		(88,052)	(67,456)
Dividend income		(6,140)	(6,714)
Provision for impairment of debts		3,430	(19,133)
Provision for retirement benefits		3,595	2,985
Gain on disposal of property, plant and equipment		(6,381)	(16,693)
		(350,192)	243,141
		<b>3,615,392</b>	<b>2,458,613</b>
(Increase) / decrease in current assets			
Stores, spares and loose tools		(5,228)	(5,172)
Stock-in-trade		842,900	(662,937)
Trade debts		(271,098)	163,149
Loans, advances, deposits, prepayments and other receivables		(633)	(22,640)
Increase / (decrease) in current liabilities		-	-
Deferred income		2	857
Trade and other payables		(198,231)	168,936
Sales tax payable		45,927	(29,633)
		413,639	(387,440)
		<b>4,029,031</b>	<b>2,071,173</b>
<b>40. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	645,884	520,971
Short-term investments		4,634,208	3,038,500
Running Finance	27	(23,807)	(74,059)
		<b>5,256,285</b>	<b>3,485,412</b>
<b>41. TRANSACTIONS WITH RELATED PARTIES</b>			

Related parties of the Company comprise of subsidiaries, associates, and 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 notes 38 in these financial statements, are as follows:

Relationship	Nature of transactions	2015	2014
		(Rupees in '000)	
<b>Associates</b>	Sales	8,542,069	4,510,943
	Professional Services rendered	140,485	116,470
	Rental Income on properties	1,274,439	1,192,610
	Insurance premium	30,041	34,660
	Purchase of assets	24,658	158,164
	Purchase of goods	204,326	151,646
	Insurance claim received	11,307	3,313
	Mark-up and bank charges paid	13,902	5,524
	Profit received	187,998	157,619
	Supplies purchased	1,279	-
	Licence fee, signage and others	2,936	4,022
	Operational fee	102,440	35,815
	Rent Paid	2,066	1,033
<b>Employee benefit plans</b>	Contribution to provident fund	43,779	48,321
	Contribution to retirement benefit fund	3,319	2,902

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 42. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

	2015			2014		
	Chief executive	Director	Executives	Chief executive	Director	Executives
	(Rupees in '000)					
Managerial remuneration	28,898	-	362,518	27,172	-	257,426
Group's contribution to provident fund	694	-	11,670	603	-	8,275
Group's contribution to retirement fund	-	-	3,425	-	-	2,786
Other perquisites	-	-	540	-	-	5,670
	<u>29,592</u>	<u>-</u>	<u>378,153</u>	<u>27,775</u>	<u>-</u>	<u>274,157</u>
Number of persons	<u>1</u>	<u>-</u>	<u>124</u>	<u>1</u>	<u>-</u>	<u>91</u>

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

**42.2** Four non-executive directors (2014: Five) have been paid fees of Rs. 970,000 (2014: 1,070,000 ) for attending board and other meetings.

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

## 43. PLANT CAPACITY AND ACTUAL PRODUCTION

	2015	2014
<b>Annual Capacity</b>		
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
<b>Actual Production</b>		
Jute (Metric Tons)	25,247	27,260
Auto air conditioners (Units)	72,078	46,531
Wire harness (Units)	107,890	63,253
Paper bags (Nos. 000s)	95,148	81,924
Alternator (Units)	51,655	781
Starter (Units)	51,753	777
Reason for shortfall	Low demand	Low demand

**43.1** The capacity of wire harness is dependent on product mix.

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

## 44. PROVIDENT FUND

	2015 (Unaudited)	2014 (Audited)
	(Rupees in '000)	
Size of the fund	625,279	576,945
Percentage of investments made	92.54%	97.30%
Fair value of investments	578,652	561,354
Cost of investments made	547,854	500,429

**44.1** Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	2015 (Unaudited)		2014 (Audited)	
	Investments (Rs '000)	% of investment as size of the fund	Investments (Rs '000)	% of investment as size of the fund
Government securities	275,003	43.98%	240,292	41.65%
Term finance certificates and Sukuks	100,119	16.01%	87,578	15.18%
Term deposit receipts, call deposits and musharika certificates	37,651	6.02%	33,966	5.89%
Listed securities and mutual fund units	165,879	26.53%	199,518	34.58%

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

## 45. 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 oversee policies for managing each of these risks which are summarised below.

### 45.1 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.

### Quality of financial assets

The credit quality of financial assets is analyzed as under:

#### Trade debts

The analysis of trade debts is as follows:

	2015 (Rupees in '000)	2014
Neither past due nor impaired [includes Rs. 327.785 million (2014: Rs. 27.429 million) receivable from related parties.]	916,674	609,677
Past due but not impaired		
- Less than 90 days [includes Rs. 16.781 million (2014: Rs. 26.190 million) receivable from related parties.]	203,121	306,552
- 91 to 180 days [includes Rs. Nil million (2014: Rs. 0.171 million) receivable from related parties.]	77,623	26,532
- 181 to 360 days [includes Rs. Nil million (2014: Rs. 0.535 million) receivable from related parties.]	13,225	214
	<u>1,210,643</u>	<u>942,975</u>

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
<b>Bank balances</b>			
Ratings			
A1+		605,337	498,466
A-1+		23,739	16,687
A-1		6,870	26
P-1 *		46	559
		<u>635,992</u>	<u>515,738</u>

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

## Short term investments

Ratings			
A1+		4,854,706	3,121,623
A-1+		199,282	-
		<u>5,053,988</u>	<u>3,121,623</u>

## 45.2 Liquidity Risk

Liquidity risk is the risk that an Group 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, 2015

	On demand	Less than 3 months	3 to 12 months	More than 1 year	Total
	(Rupees in '000)				
Long term security deposit	-	-	-	309,708	309,708
Trade and other payable	1,431,344	-	-	-	-
Short-term borrowing	14,556	-	9,251	-	23,807
Accrued markup	55	-	-	-	55
	<u>14,611</u>	<u>-</u>	<u>9,251</u>	<u>309,708</u>	<u>333,570</u>

### Year ended June 30, 2014

	On demand	Less than 3 months	3 to 12 months	More than 1 year	Total
	(Rupees in '000)				
Long term security deposit	-	-	-	308,119	308,119
Short-term borrowing	5,338	-	68,721	-	74,059
Trade and other payables	1,633,691	-	-	-	1,633,691
Accrued markup	31	-	-	-	31
	<u>1,639,060</u>	<u>-</u>	<u>68,721</u>	<u>308,119</u>	<u>2,015,900</u>

## 45.3 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:

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

	2015	2014
Trade receivables (US Dollars)	418,857	317,894
Trade receivables (AED)	-	1,270,306
Trade receivables (SAR)	-	1,114,489
Trade and other payables (USD)	1,649,767	1,138,002
Trade and other payables (JPY)	109,201	-
Trade and other payables (CHF)	1,481	-
Total AED - receivable	-	1,270,306
Total SAR - receivable	-	1,114,489
Total USD - payable	1,230,910	820,108
Total JPY - payable	109,201	-
Total CHF - payable	1,481	-

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

US Dollars	101.70	98.75
AED	27.69	26.83
SAR	27.12	26.28
JPY	0.82	-
CHF	109.64	-

## Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, Euro, AED, SAR, 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, SAR, JPY, CHF's rate %	Effect on profit or (loss) before tax (Rupees in '000)	Effect on equity
2015	+10	(12,544)	(8,772)
	-10	12,544	8,772
2014	+10	(1,761)	(1,191)
	-10	1,761	1,191

## 45.4 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 bank accounts. The interest rates on these financial instruments are disclosed in the respective notes to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 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
		(Rupees in '000)
<b>2015</b>		
KIBOR	+ 100	<u>4,773</u>
KIBOR	- 100	<u>(4,773)</u>
 2014		
KIBOR	+ 100	<u>4,085</u>
KIBOR	- 100	<u>(4,085)</u>

## 45.5 Equity price risks

Equity price risk is the risk that the fair value of future cashflows 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.

## 46. 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 mainly through equity and working capital.

## 47. 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 considered not significantly different from their book value.

### Fair value hierarchy

The Group uses the following hierarchy for disclosure of the fair value of financial instruments by valuation techniques:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2015, the Group has available-for-sale investments measured at fair value using level 1 valuation techniques.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2015

## 48. SEGMENT ANALYSIS FOR THE YEAR ENDED JUNE 30

	2015					2014				
	Engineering	Building Materials and Allied Products	Real estate and management & others	Elimination	Total	Engineering	Building Materials and Allied Products	Real estate and management & others	Elimination	Total
	(Rupees in '000)					(Rupees in '000)				
<b>Sales revenue</b>	<b>10,452,370</b>	<b>5,835,541</b>	<b>2,827,852</b>	<b>(176,835)</b>	<b>18,938,928</b>	6,240,203	5,385,586	2,792,318	(136,654)	14,281,453
<b>Segment result</b>	<b>2,426,902</b>	<b>458,557</b>	<b>987,116</b>	<b>-</b>	<b>3,872,575</b>	1,283,591	407,396	900,101	-	2,591,088
<b>Unallocated (expenses) / income:</b>										
Administrative and distribution costs					(538,960)					(428,801)
Other income					404,474					336,570
<b>Operating profit</b>					<b>3,738,089</b>					<b>2,498,857</b>
Finance cost					(17,405)					(5,543)
Other charges					(244,959)					(177,220)
Share in profit of associates					489,860					(100,622)
Taxation					(1,192,346)					(716,501)
					<b>2,773,239</b>					<b>1,498,971</b>
<b>Segment assets</b>	<b>2,238,802</b>	<b>2,432,610</b>	<b>10,160,812</b>	<b>12,202</b>	<b>14,844,426</b>	1,784,061	3,392,893	9,950,636	15,674	15,143,264
Corporate assets					3,426,322					2,009,592
Unallocated assets					2,333,873					1,887,825
					<b>20,604,621</b>					<b>19,040,681</b>
<b>Segment liabilities</b>	<b>808,663</b>	<b>445,918</b>	<b>785,473</b>	<b>-</b>	<b>2,040,054</b>	568,655	498,162	830,300		1,897,117
Corporate liabilities					155,067					531,564
Unallocated liabilities					-					-
					<b>2,195,121</b>					<b>2,428,681</b>

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 share registrar & management services.

## 49. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 27, 2015 has approved the following:

- transfer of Rs. 1,136 million from unappropriated profit to general reserve; and
- payment of cash dividend of Rs. 5 per share for the year ended June 30, 2015 for approval of the members at the Annual General Meeting to be held on October 5, 2015.

## 50. GENERAL

**50.1** The number of employees as at June 30, 2015 was 4,417 (2014: 5,282) and average number of employee during the year was 5,085 (2014: 6,150).

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

**50.3** Figures have been rounded off to the nearest thousands.

## 51. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 27, 2015 by the Board of Directors of the Holding Company.



**ASIF RIZVI**  
CHIEF EXECUTIVE



**SOHAIL P. AHMED**  
VICE CHAIRMAN



# Notice of AGM and Annexures

