Consolidated Balance Sheet

As at June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,359,936	1,236,670
Intangible assets	9	379	956
Investment properties	10	7,432,450	7,591,744
Long-term investments	11	1,565,041	1,757,093
Long-term loans and deposits	12	11,996	9,261
Long-term prepayment	13	65,002	74,049
Deferred tax asset - net	14	26,754	-
		10,461,558	10,669,773
CURRENT ASSETS			
Stores, spares and loose tools	15	85,756	80,584
Stock-in-trade	16	3,386,559	2,723,622
Trade debts - unsecured	17	942,975	1,086,991
Loans, advances, deposits, prepayments and other receivables	18	140,460	165,143
Short-term investments	19	3,121,623	2,712,928
Accrued profit on bank deposits		2,961	4,436
Income tax - net	20	296,027	84,715
Sales tax refundable		83,505	9,282
Cash and bank balances	21	520,971	813,455
		8,580,837	7,681,156
TOTAL ASSETS		19,042,395	18,350,929
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 100,000,000 (2013: 100,000,000) ordinary shares of Rs. 5/- each		500,000	500,000
Issued, subscribed and paid-up capital	22	405,150	405,150
Share deposit money		12	12
Reserves	23	10,542,041	10,262,060
Equity attributable to equity holders of the Holding Company		10,947,203	10,667,222
Non-controlling interest	24	5,664,797	5,501,071
Total equity		16,612,000	16,168,293
NON-CURRENT LIABILITIES			
Long term security deposits	25	308,119	307,962
Deferred tax liability - net	14	-	8,191
		308,119	316,153
CURRENT LIABILITIES			
Trade and other payables	26	2,034,191	1,834,300
Short-term borrowings - secured	27	74,059	7,368
Deferred income	28	13,995	24,808
Accrued markup		31	7
		2,122,276	1,866,483
CONTINGENCIES AND COMMITMENTS	29		
TOTAL EQUITY AND LIABILITIES		19,042,395	18,350,929

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, 2014

	Note	2014	2013
		(Rupees in '000)	
Revenue - net	30	14,281,453	15,544,225
Cost of sales	31	12,162,341	12,832,632
Gross profit		2,119,112	2,711,593
Distribution costs	32	(185,024)	(197,038)
Administrative expenses	33	(1,118,208)	(1,149,094)
		(1,303,232)	(1,346,132)
Other income	34	1,682,977	1,620,522
Operating profit		2,498,857	2,985,983
Finance costs	35	(5,543)	(24,457)
Other charges	36	(177,220)	(173,080)
		(182,763)	(197,537)
		2,316,094	2,788,446
Share of net loss of associates - after tax	11.1	(100,622)	(152,767)
Profit before taxation		2,215,472	2,635,679
Taxation	37	(716,501)	(760,534)
Profit after taxation		1,498,971	1,875,145
Attributable to			
- Equity holders of Holding Company		1,268,114	1,585,378
- Non-controlling interest		230,857	289,767
		1,498,971	1,875,145
		(Rupees)	
Basic and diluted earnings per share attributable to the equity holders of the Holding Company	38	15.65	19.57

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 Statement of Comprehensive Income

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
Profit after taxation		1,498,971	1,875,145
Other comprehensive income			
Items to be reclassified to profit and loss account in subsequent periods:			
Share of unrealized gain on revaluation of foreign exchange contracts of an associate		1,448	1,905
Gain on revaluation of available-for-sale investments		23,401	18,657
		24,849	20,562
Items not to be reclassified to profit and loss account in subsequent periods:			
Share of acturial loss on remeasurement of defined benefit plans of associates		(107)	-
Total comprehensive income for the year		1,523,713	1,895,707
Attributable to			
- Equity holders of the Holding Company		1,292,856	1,605,940
- Non-controlling interest		230,857	289,767
		1,523,713	1,895,707

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 Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	2,071,173	3,366,900
Finance costs paid		(5,426)	(16,838)
Retirement benefits paid		(3,331)	(2,010)
Income tax paid		(952,583)	(880,440)
Net cash generated from operating activities		1,109,833	2,467,612
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(387,926)	(199,915)
Long term loans and deposits		731	(105)
Dividends received		127,716	196,055
Profit received		191,767	158,915
Proceeds from disposal of property, plant and equipment		24,070	17,830
Proceeds / (purchase) of short term investments		1,039,686	(710,612)
Net cash generated from / (used in) investing activities		996,044	(537,832)
CASH FLOWS FROM FINANCING ACTIVITIES			
Expenses on issue of share capital		-	(3,402)
Proceeds from issuance of shares by a subsidiary company		85,500	-
Long term finance repaid		-	(814,375)
Dividend paid		(1,151,019)	(748,376)
Long term security deposit		967	293,089
Repayment of liabilities against assets subject to finance lease		-	(259)
Net cash used in financing activities		(1,064,552)	(1,273,323)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,041,325	656,457
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,444,087	1,787,630
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	40	3,485,412	2,444,087

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 Statement of Changes in Equity

For the year ended June 30, 2014

	Issued, subscribed 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, 2012	368,318	12	67,929	5,989,874	3,211,379	(3,353)	53,263	5,346,797	15,034,219
Share issuance costs								(3,402)	(3,402)
Profit for the year	-	-	-	-	1,585,378	-	-	289,767	1,875,145
Other comprehensive income	-	-	-	-	-	1,905	18,657	-	20,562
Total comprehensive income	-	-	-	-	1,585,378	1,905	18,657	289,767	1,895,707
Issue of bonus shares in the ratio 1:10	36,832	-	-	-	(36,832)	-	-	-	-
Final dividend @ Rs. 5.75/- per share for the year ended June 30, 2012	-	-	-	-	(423,565)	-	-	-	(423,565)
Transfer to general reserve	-	-	-	1,145,000	(1,145,000)	-	-	-	-
Interim dividend @ Rs. 2.50/- per share for the period ended December 31, 2012	-	-	-	-	(202,575)	-	-	-	(202,575)
Subsidiary company									
Interim dividend @ Rs. 0.97/- per share for the year ended June 30, 2013	-	-	-	-	-	-	-	(132,091)	(132,091)
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)	-	-	-	-
Final dividend @ Rs. 7.50/- per share for the year ended June 30, 2013	-	-	-	-	(607,725)	-	-	-	(607,725)
Interim dividend @ Rs. 2.5/- per share for the period ended December 31, 2013	-	-	-	-	(202,575)	-	-	-	(202,575)
Interim dividend @ Rs. 2.5/- per share for the period ended March 31, 2014	-	-	-	-	(202,575)	-	-	-	(202,575)
Subsidiary companies									
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 a subsidiary to non-conrolling interest holders	-	-	-	-	-	-	-	85,500	85,500
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

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

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 2014	Holding 2013	Total assets 2014	Total liabilities 2014	Total assets 2013	Total liabilities 2013
			%	%	(Rupees in '000s)		(Rupees in '000s)	
Noble Computer Services (Private) Limited	1.2.1	01-07-2005	100	100	121,689	30,485	119,365	38,435
Pakistan Industrial Aids (Private) Limited	1.2.2	27-03-2006	100	100	24,693	1,370	24,964	746
Makro-Habib Pakistan Limited	1.2.3	01-05-2008	100	100	1,088,576	388,770	1,074,561	374,757
A-One Enterprises (Private) Limited	1.2.4	16-12-2011	100	100	180,725	5,087	180,314	4,175
Habib METRO Pakistan (Private) Limited	1.2.5	16-12-2011	60	60	8,633,873	433,511	8,366,519	380,568
Thal Boshoku Pakistan (Private) Limited	1.2.6	03-09-2013	55	-	282,365	109,117	-	-

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 servicers 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.

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

(a) Thal Boshoku Pakistan (Private) Limited was incorporated on September 03, 2013 as a private company limited by shares under the Companies Ordinance, 1984. The principle activity of the Company is to manufacture automobile seats, seat parts, air cleaner and other automobile parts. The Company has started commercial production subsequent to the balance sheet date. The registered office of the Company 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 the Holding Company, Toyota Boshoku Corporation, Japan and Toyota Tsusho Corporation, Japan.

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 2014.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New and amended standards and interpretations

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of previous financial year except as disclosed below:

The Group has adopted the following amendments to IFRSs which became effective for the current year:

IAS 19 - Employee Benefits -(Revised)
IFRS 7 - Financial Instruments : Disclosures - (Amendments)
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

The adoption of the above amendments did not have any effect on the consolidated financial statements.

Improvements to Accounting Standards Issued by the IASB

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS 16 - Property, Plant and Equipment - Clarification of Servicing Equipment
IAS 32 - Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments
IAS 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

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

5.2 Current versus not-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.

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 amortisation and any impairment loss. Cost in relation to intangible assets presently held by the Group includes cost of computer software and other expenses incidental to the purchase of computer software. Intangible assets are amortised when assets are available for use on the straight line method whereby cost of intangible assets are written off over the period, which reflects the pattern in which the economic benefits associated with the assets are likely to be consumed by the Group, at the rate specified 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 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.

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.

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.

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.

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 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 19 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.

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 revised 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.

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

6.1 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
- 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 & 26.4
- impairment on non financial assets	5.6
- contingencies	29

7. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE CURRENT FINANCIAL YEAR

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

Standard or Interpretation	Effective date(accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 19 - Employee Contributions – (Amendment)	01 July 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	01 January 2014

The Group is currently evaluting the impact of the above revisions, amendments and adoption of the standards on the Group's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Group expects that such improvements to the standards will not have any 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 Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2017

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
8. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	8.1	1,182,036	1,234,762
Capital work-in-progress	8.5	177,900	1,908
		1,359,936	1,236,670

8.1 Statement of operating fixed assets

	COST					DEPRECIATION				
	As at July 01, 2013	Additions / transfers*	Disposals / transfers*	As at June 30, 2014	Rate %	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)				
Owned:										
Land - Freehold	211,490	-	(650)	210,840	-	-	-	-	-	210,840
- Leasehold	38,294	-	-	38,294	1.69-3.33	3,807	1,784	-	5,591	32,703
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	(14,015)	1,232,542	10-30	771,225	72,494	(12,641)	830,399	402,143
		(4,453) *					(679) *	-		
Furniture and fittings	28,612	1,617	(233)	29,996	15-20	16,902	2,076	(152)	18,660	11,336
							(166) *			
Vehicles	85,416	10,307	(7,718)	88,005	20	42,477	8,835	(2,610)	48,707	39,298
							5 *			
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	(915)	59,996	9,090
							(20) *			
Jigs and fixtures	143,246	7,125	(6,232)	144,320	33	109,271	17,125	(6,232)	120,345	23,975
		181 *					181 *			
2014	2,540,607	107,825	(30,440)	2,617,992		1,305,845	153,173	(23,062)	1,435,956	1,182,036

8.1.1 Additions include transfers from capital work in progress amounting to Rs. 73.111 million (2013: Rs. 58.409 million).

8.1.2 Fixed assets include moulds having book value of Rs. 0.21 million (2013: Rs. 1.467 million) in the possession of sub-contractors.

	COST					DEPRECIATION				
	As at July 01, 2012	Additions / transfers *	Disposals / transfers *	As at June 30, 2013	Rate %	As at July 01, 2012	Depreciation / transfers *	On disposals / transfers *	As at June 30, 2013	Written down value as at June 30, 2013
	Rupees in '000					Rupees in '000				
Owned:										
Land - Freehold	208,871	2,619	-	211,490	-	-	-	-	-	211,490
- Leasehold	32,569	5,725	-	38,294	1.69-3.33	2,246	1,561	-	3,807	34,487
Building on freehold land										
- Factory building	257,832	12,203	-	270,035	10	122,310	14,145	-	136,455	133,580
- Non factory building	434,694	33,013	-	467,707	5-10	114,664	22,777	-	137,441	330,266
Building on leasehold land										
- Non factory building		-	-	-	-	-	-	-	-	-
Railway sliding	792	-	-	792	5	704	4	-	708	84
Plant and machinery	1,139,529	42,998	(8,602)	1,172,190	10-30	706,246	73,648	(7,351)	771,225	400,965
		(1,735) *					(1,318) *			
Furniture and fittings	36,855	3,303	(11,546)	28,612	15-20	22,785	2,609	(8,492)	16,902	11,710
Vehicles	84,602	14,458	(20,843)	85,416	20	41,369	9,986	(12,318)	42,477	42,939
		7,199 *					3,440 *			
Office and mills equipment	43,970	6,773	(1,567)	57,181	10-30	25,930	4,107	(1,115)	34,482	22,699
		8,005 *					5,560 *			
Computer equipment	71,871	6,827	(11,499)	65,644	33	55,525	10,349	(11,116)	53,077	12,567
		(1,555) *					(1,681) *			
Jigs and fixtures	98,454	44,792	-	143,246	33	95,430	13,841	-	109,271	33,975
	2,410,039	172,711	(54,057)	2,540,607		1,187,209	153,027	(40,392)	1,305,845	1,234,762
		11,914 *	-				6,001 *			
Leased:										
Vehicles	7,199	-	(7,199) *	-		3,401	39	(3,440) *	-	-
2013	2,417,238	172,711	(54,057)	2,540,607		1,190,610	153,066	(40,392)	1,305,845	1,234,762
		11,914 *	(7,199) *				6,001 *	(3,440) *		

8.2 The depreciation charge for the year has been allocated as follows:

	Note	2014	2013
		(Rupees in '000)	
Cost of sales	31	105,606	103,452
Distribution costs	32	794	933
Administrative expenses	33	46,772	48,681
		153,172	153,066

8.3 Fixed assets include fully depreciated assets amounting to Rs. 42.374 million (2013: Rs. 131.737 million).

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

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/ (loss) Note 34	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Land							
	650	-	650	5,500	4,850	Negotiation	Dynea Pakistan Limited, Karachi
Plant and machinery							
Electric Motors	168	24	144	168	24	Negotiation	Siemens Pakistan Engineering Co.
Looms	8,893	8,663	230	11,250	11,020	Negotiation	Mr. Malik Abdul Hameed
Items having book value upto Rs. 50,000	4,954	3,954	1,000	265	(735)	Various	Various
	14,015	12,641	1,374	11,683	10,309		
Vehicles							
Daihatsu Coure - CX	619	398	221	241	20	Sold under company's car scheme	Mr. Abul Hassan Bukhari - Employee
Daihatsu Coure - CX	604	422	182	550	368	Negotiation	Mr. Mohammed Ilyas Yaqoob - Employee
Motor Cycle	69	5	64	64	-	Insurance Claim	Habib Insurance Company Limited - a related party
Toyota Corolla Altis	2,212	258	1,954	1,954	-	Negotiation	Habib METRO Pakistan (Private) Ltd. - a related party
Suzuki Alto	686	261	425	600	175	Sold under company's car scheme	Syed Azfar Hussain - Employee
Daihatsu Coure	700	134	566	800	234	Insurance claim	Habib Insurance Company Limited - a related party
Toyota Altis	1,938	581	1,357	1,493	136	Sold under company's car scheme	Mr. Hadi Abbas - Employee
Items having book value upto Rs. 50,000	890	551	339	486	147	Various	Various
	7,718	2,610	5,108	6,188	1,080		
Furniture and fittings							
Chairs, tables and cabinets	209	131	78	247	169	Negotiation	Corporate Technology Outsourcing (Private) Limited
Items having book value upto Rs. 50,000	24	21	3	4	1	Various	Various
	233	152	81	251	170		
Office and mills equipment							
Items having book value upto Rs. 50,000	591	512	79	198	119	Various	Various
Computer equipment							
Laptop	106	23	83	83	-	Negotiation	Habib METRO Pakistan (Private) Ltd. - a related party
Items having book value upto Rs. 50,000	895	892	3	109	106	Various	Various
	1,001	915	86	192	106		
Jigs and Fixtures							
Items having book value upto Rs. 50,000	6,232	6,232	-	59	59	Various	Various
2014	30,440	23,062	7,378	24,071	16,693		
2013	54,057	40,392	13,665	18,415	4,750		

		2014	2013
		(Rupees in '000)	
8.5	Capital work-in-progress		
	Civil works	14,333	119
	Plant and machinery	157,017	1,189
	Office and mills equipment	6,061	600
	Vehicles	489	-
		177,900	1,908

9. INTANGIBLE ASSETS

	COST				AMORTISATION			
	As at July 01, 2013	Additions	As at June 30, 2014	Amortisation rate %	As at July 01, 2013	Amortisation	As at June 30, 2014	Written down value as at June 30, 2014
	Rupees in '000				Rupees in '000			
Softwares	6,796	-	6,796	50	5,840	577	6,417	379
Oracle License fee	315	-	315	33	315	-	315	-
2014	7,111	-	7,111		6,155	577	6,732	379
2013	6,365	746	7,111		5,718	437	6,155	956

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

	Note	2014	2013
		(Rupees in '000)	
Administrative expenses	33	577	437
		577	437

10. INVESTMENT PROPERTIES

Land and building	7,428,950	7,585,244
Capital work-in-progress - Civil works	3,500	6,500
	7,432,450	7,591,744

	COST				DEPRECIATION			
	As at July 01, 2013	Additions / transfers*	As at June 30, 2014	Rate %	As at July 01, 2013	Depreciation / transfers*	As at June 30, 2014	Written down value as at June 30, 2014
	Rupees in '000				Rupees in '000			
Freehold land	973,409	1,095	974,504	-	-	-	-	974,504
Leasehold land	1,652,789	4,799	1,657,588	3	149,189	48,616	197,805	1,459,783
Building on freehold land	1,857,825	26,537 *	1,884,362	10-30	221,500	54,960	276,460	1,607,902
Building on leasehold land	4,020,441	79,859 *	4,100,300	10-30	548,531	165,008	713,539	3,386,761
2014	8,504,464	112,290	8,616,754		919,220	268,584	1,187,804	7,428,950
2013	8,465,607	38,857	8,504,464		651,137	268,083	919,220	7,585,244

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. 13,452.073 million (2013: Rs. 13,448.68 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.

	Note	2014 Holding %	2014 Rupees in '000	2013 Holding %	2013 Rupees in '000
11. LONG-TERM INVESTMENTS					
Investment in associates - stated as per equity method	11.2				
Quoted associates					
Indus Motor Company Limited		6.22		6.22	
Opening balance			998,109		967,201
Share of profit for the year - net of tax			245,642		195,263
Share of acturial gain on remeasurement of defined benefit plan			19		-
Share of unrealized gain / (loss) on revaluation of foreign exchange contracts			1,448		1,905
Dividend received during the year			(102,690)		(166,260)
			1,142,528		998,109
(Market value Rs. 1,591.695 million) (2013: Rs.1,520.790 million)					
Habib Insurance Company Limited	11.3	4.63		4.63	
Opening balance			35,984		34,446
Share of profit for the year - net of tax			11,308		9,568
Share of acturial loss on remeasurement of defined benefit plan			(126)		-
Dividend received during the year			(5,735)		(8,030)
			41,431		35,984
(Market value Rs. 54.652 million) (2013: Rs. 47.274 million)					
Agriauto Industries Limited		7.35		7.35	
Opening balance			189,433		177,044
Share of profit for the year - net of tax			21,500		31,533
Share of loss in change in fair value of available for sale investment			(207)		(3,277)
Dividend received during the year			(11,636)		(15,867)
			199,090		189,433
(Market value Rs. 175.595 million) (2013: Rs. 158.945 million)					
Shabbir Tiles & Ceramics Limited		1.30		1.30	
Opening balance			22,107		20,673
Share of (loss) / profit for the year - net of tax			(614)		1,434
Dividend received during the year			(941)		-
			20,552		22,107
(Market value Rs. 17.386 million) (2013: Rs. 18.345 million)					
			1,403,601		1,245,633
Un-Quoted associates					
METRO Habib Cash & Carry Pakistan (Private) Limited (MHCCP)	11.5	25		25	
Opening balance			434,704		825,269
Share of loss for the year - net of tax			(378,458)		(390,565)
			56,246		434,704
			1,459,847		1,680,337
Other investments - at fair value					
Available-for-sale - Quoted					
Habib Sugar Mills Limited			68,142		44,096
GlaxoSmithKilne (Pakistan) Limited			279		185
Dynea Pakistan Limited			36,773		32,475
			105,194		76,756
			1,565,041		1,757,093

		2014	2013
		(Rupees in '000)	
11.1	Share of net loss of associates - after tax		
	Indus Motor Company Limited	245,642	195,263
	Habib Insurance Company Limited	11,308	9,568
	Agriauto Industries Limited	21,500	31,533
	Shabbir Tiles & Ceramics Limited	(614)	1,434
	METRO Habib Cash & Carry Pakistan (Private) Limited	(378,458)	(390,565)
		(100,622)	(152,767)

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, 2014 except for MHCCP which is twelve months period ended June 30, 2014 is as follows:

	2014			
	Total Assets	Total Liabilities	Revenues	Profit / (loss) after tax
	(Rupees in '000)			
Associates				
Indus Motor Company Limited	25,632,360	7,268,813	65,897,239	3,948,349
Habib Insurance Company Limited	2,271,461	1,189,865	436,623	244,235
Agriauto Industries Limited	3,046,689	345,407	3,514,786	292,688
Shabbir Tiles & Ceramics Limited	4,887,154	3,226,473	4,823,553	(47,006)
METRO Habib Cash & Carry Pakistan (Private) Limited	9,086,156	8,982,197	33,539,597	(1,513,829)

	2013			
	Total Assets	Total Liabilities	Revenues	Profit / (loss) after tax
	(Rupees in '000)			
Associates				
Indus Motor Company Limited	24,412,538	8,056,201	65,724,291	3,138,578
Habib Insurance Company Limited	2,050,080	1,036,570	438,685	206,658
Agriauto Industries Limited	2,900,156	330,336	3,693,003	429,251
Shabbir Tiles & Ceramics Limited	4,811,061	3,031,246	5,005,019	109,926
METRO Habib Cash & Carry Pakistan (Private) Limited	8,625,720	7,069,641	32,459,026	(1,562,258)

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.

11.6	Share in contingent liabilities of associated companies	184,688	95,107
	Share in commitments of associated companies	4,125,317	4,138,441

	Note	2014	2013
		(Rupees in '000)	
12. LONG-TERM LOANS AND DEPOSITS			
Loans to employees - unsecured, considered good			
Interest bearing		91	-
Interest free		183	69
Current portion	18	(101)	(69)
		173	-
Long-term deposits			
Security deposits		6,972	4,454
Utilities		4,410	4,401
Others		441	406
		11,823	9,261
		11,996	9,261
13. LONG TERM PREPAYMENT			
Rent	13.1	74,057	83,104
Current portion	18	(9,055)	(9,055)
		65,002	74,049

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

14. DEFERRED TAX ASSET - net			
Deferred tax comprises temporary differences relating to :			
Accelerated tax depreciation		(144,815)	(165,125)
Provisions		120,036	105,760
Unabsorbed tax losses	14.1	161,655	164,387
Investment in associates		(110,122)	(113,213)
		26,754	(8,191)

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

15. STORES, SPARES AND LOOSE TOOLS			
Stores		22,826	22,795
Spares		62,789	57,654
Loose tools		141	135
		85,756	80,584
16. STOCK-IN-TRADE			
Raw material			
- In hand	16.1	2,182,610	1,653,805
- In transit		330,713	439,914
		2,513,323	2,093,719
Work-in-process		171,239	176,847
Finished goods	16.2	707,923	457,049
Provision for obsolescence and shrinkage		(5,926)	(3,993)
		701,997	453,056
		3,386,559	2,723,622

16.1 Raw materials amounting to Rs. 13.218 million (2013: Rs. 8.399 million) are held with the sub-contractors.

16.2 Stock-in-trade includes items amounting to Rs. 814.864 million (2013: Rs. 533.490 million) carried at net realisable value. [Cost Rs. 869.673 million (2013: Rs. 533.972 million)].

17. TRADE DEBTS - unsecured			
Considered good	17.1	942,975	1,086,991
Considered doubtful		20,627	33,688
Provision for impairment	17.2	(20,627)	(33,688)
		-	-
		942,975	1,086,991

		Note	2014	2013
			(Rupees in '000)	
17.1	This includes amount due from following related parties:			
	Indus Motor Company Limited		43,164	159,442
	Habib Metropolitan Bank Limited		4,047	6,392
	Agriauto Industries Limited		64	1,586
	Shabbir Tiles & Ceramics Limited		1,902	3,651
	METRO Habib Cash & Carry Pakistan (Private) Limited		2,271	2,451
	Schneider Electric Pakistan (Private) Limited		9	-
	Habib Insurance Company Limited		-	30
			51,457	173,552
17.2	Reconciliation of provision for impairment of trade debts			
	Balance at the beginning of the year		33,688	6,241
	Charge for the year	32	6,072	28,271
	Reversal for the year		(19,133)	(824)
			(13,061)	27,447
	Balance at the end of the year		20,627	33,688
18.	LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Considered good – unsecured			
	Loans			
	Current portion of long-term loans to employees	12	101	69
	Advances			
	Suppliers		13,361	10,328
	Employees		2,552	2,417
			15,913	12,745
	Deposits			
	Tender / Performance guarantee		33,257	38,895
	Margin against letter of credit		1,775	-
	Security deposits		406	205
	Container deposits		2,052	8,110
	Others		2,763	2,990
			40,253	50,200
	Short-term prepayments			
	Current portion of long-term prepayment	13	9,055	9,055
	Rent		4,305	4,188
	Insurance		9,888	8,418
	Others		5,092	5,991
			28,340	27,652
	Other receivables	18.1	55,853	74,477
			140,460	165,143
18.1	Other receivables			
	Duty drawback		8,905	9,956
	Custom duty refundable		-	38,000
	Workers' profit participation fund	18.1.1	5,505	-
	Insurance claims receivable	18.1.2	-	10
	Rent		-	100
	Receivable against test production		17,300	-
	Others	18.1.3	24,143	26,411
			55,853	74,477
18.1.1	Workers' profit participation fund (WPPF)			
	Payable to WPPF at the beginning of the year		(3,495)	(12,564)
	Allocation for the current year	36	(94,495)	(118,495)
	Interest on funds utilised in the Company's business		(348)	(211)
	Liability for WPPF		(98,338)	(131,270)
	Paid during the year		103,843	127,775
	Net receivables from / (payable to) WPPF		5,505	(3,495)

18.1.2 Represents receivable from Habib Insurance Company Limited - a related party.

	Note	2014	2013
		(Rupees in '000)	
18.1.3 This includes receivable from the following related parties:			
Agriautos Industries Limited		-	91
Habib Metropolitan Bank Limited		14	138
Shabbir Tiles & Ceramics Limited		-	43
METRO Habib Cash & Carry Pakistan (Private) Limited		893	-
		907	272
19. SHORT-TERM INVESTMENTS			
Held-to-maturity - at amortised cost			
Term Deposit Receipts	19.1	2,998,409	1,658,809
Accrued profit thereon		1,404	14,403
		2,999,813	1,673,212
Musharika Certificates	19.2	121,000	5,000
Accrued profit thereon		810	113
		121,810	5,113
		3,121,623	1,678,325
Designated investments at fair value through profit and loss account			
Open end mutual funds		-	1,003,732
Available-for-sale investments			
Open end mutual funds		-	30,871
		3,121,623	2,712,928

19.1 Represents three months Term Deposit Receipts of Habib Metropolitan Bank Limited, a related party. These deposits carry profit rate of 6.5% to 9.75% (2013: 8% to 8.75%) per annum and having maturity ranging from July 28, 2014 to December 31, 2014 out of which Rs. 0.909 million (2013: Rs. 0.809 million) is under lien against a letter of guarantee issued by the Bank on behalf of the Group.

19.2 This represents Musharika Certificates for six months with a Modaraba Company carrying mark-up rate 9.00% to 9.25% (2013: 8.75%) per annum having maturity ranging from September 18, 2014 to November 27, 2014.

	Note		
20. INCOME TAX - net			
Group Tax Relief adjustments	20.1	593,466	593,466
Income tax provision less tax payments – net		(297,439)	(508,751)
		296,027	84,715

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 Income Tax Appellate Tribunal against the Commissioner Inland Revenue (Appeal) (CIR) Order. The Appellate Tribunal has passed an order in favour of the Holding Company for the above tax years; the CIR filed an appeal against the order of ITAT before the High Court of Sindh and with the Chairman ITAT for the tax year 2008 which is pending adjudication.

	Note	2014	2013
		(Rupees in '000)	

21. CASH AND BANK BALANCES

With banks in:			
Current accounts		33,166	95,515
Deposit accounts	21.1	377,927	670,545
Saving accounts	21.2	104,645	30,156
		515,738	796,216
In hand		5,233	17,239
		520,971	813,455

21.1 These represent deposits with Habib Metropolitan Bank Limited, a related party. These carry markup at the rates ranging from 7% to 8% (2013: 6% to 10.25%) per annum.

21.2 These carry markup at the rates ranging from 6% to 8% (2013: 6% to 8%) per annum.

22. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
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	57,274,035	Opening balance	323,202	286,370
-	7,366,355	Issued during the year	-	36,832
64,640,390	64,640,390	Closing balance	323,202	323,202
11,239,669	11,239,669	Shares issued under the Scheme of Arrangements for Amalgamation	56,198	56,198
81,029,909	81,029,909		405,150	405,150

22.1 As at 30 June 2014, 7,874,443 (2013: 8,084,641) ordinary shares of Rs. 5/- each are held by related parties.

23. RESERVES

Capital reserves		
Reserve on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited	13,240	13,240
Premium on issue of share capital	12,225	12,225
Reserve on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited	42,464	42,464
	67,929	67,929
Revenue reserves		
General reserve	7,948,874	7,134,874
Unappropriated profit	2,429,917	2,988,785
	10,378,791	10,123,659
Net loss on foreign exchange contracts	-	(1,448)
Gain on change in fair value of available for sale investments - net	95,321	71,920
	10,542,041	10,262,060

	Note	2014	2013
		(Rupees in '000)	
24. NON-CONTROLLING INTEREST			
Habib METRO Pakistan (Private) Limited		5,586,835	5,501,071
Thal Boshoku Pakistan (Private) Limited		77,962	-
		5,664,797	5,501,071
25. LONG TERM SECURITY DEPOSITS			
Security deposits	25.1	308,119	307,962
25.1 Represents deposits in respect of investment properties rented out by a subsidiary company and includes amounts due to the following related parties:			
- Habib Metropolitan Bank Limited		1,403	2,350
- Indus Motor Company Limited		2,005	2,005
- METRO Habib Cash and Carry Pakistan (Private) Limited		289,506	289,506
		292,914	293,861
26. TRADE AND OTHER PAYABLES			
Creditors	26.1	510,763	532,076
Accrued liabilities	26.2	544,402	517,803
Custom duty payable		81,981	12,886
Unclaimed salaries		7,878	8,313
Warranty obligations	26.3	117,642	94,904
Royalty payable	26.4	60,799	74,228
Workers' profit participation fund	18.1.1	-	3,495
Workers' welfare fund		85,119	47,345
Security deposits	26.5	101,986	28,033
Unclaimed and unpaid dividend		43,413	28,925
Consideration payable against acquisition of shares of Makro-Habib Pakistan Limited	26.6	429,821	429,821
Other liabilities	26.7	50,387	56,471
		2,034,191	1,834,300
26.1 This includes amounts due to related parties:			
Habib Insurance Company Limited		-	426
Shabbir Tiles & Ceramics Limited		153	602
Indus Motor Company Limited		147	42
Auvitronics Limited		30	6,674
METRO Habib Cash and Carry Pakistan (Private) Limited		7	27,015
Agriauto Industries Limited		-	3,542
		337	38,301
26.2 This includes amounts due to related party:			
Habib Insurance Company Limited		758	1,498
26.3 Warranty obligations			
Balance at the beginning of the year		94,904	84,879
Charge for the year - net	32	47,143	37,705
		142,047	122,584
Claims paid during the year		(24,405)	(27,680)
Balance at end of the year		117,642	94,904

		Note	2014	2013
			(Rupees in '000)	
26.4	Royalty payable			
	Balance at the beginning of the year		74,228	90,470
	Charge for the year - net	31	87,951	102,479
	Paid during the year		(101,380)	(118,721)
	Balance at the end of the year		60,799	74,228
26.5	This includes amounts due to related party:			
	METRO Habib Cash and Carry Pakistan (Private) Limited		100,878	27,015

26.6 Consideration payable against acquisition of shares of MHPL

During the year 2010, the Holding Company acquired additional shares of MHPL at an aggregate purchase consideration of Rs. 1,376 million.

Under the terms of share purchase agreement, the Holding Company has paid an amount of Rs. 946 million towards the purchase consideration of the shares. However, the balance consideration amounting to Rs. 430 million shall only be payable by the Holding Company on the occurrence of the following events:

a) The Holding Company determines that the Group tax relief for the years 2008 to 2010, as claimed by the Holding Company, can be fully sustained or is unable to make such determination by June 2014; and

b) The Holding Company determines that MHPL will not incur an impairment loss in case of closure of its Saddar store or is unable to make such determination about the impairment by June 2014.

Accordingly, the above contingent balance payment on account of Group Tax Relief and impairment of Saddar Store of MHPL as referred above amounting to Rs. 251 million and Rs. 179 million respectively has been recognized fully as a liability in these consolidated financial statements (including Rs. 49.253 million payable to Agriauto Industries Limited and Rs. 0.995 milion payable to Auvitronics Limited - both related parties).

As per the share purchase agreement, the payment is due as on June 30, 2014.

26.7	Other liabilities			
	Staff salaries		3,064	1,755
	Tax deducted at source		1,117	827
	Employees Old-Age Benefits Institution (EOBI)		22	-
	Advances from customers		27,374	32,061
	Payable to retirement benefit fund		4,353	4,699
	Payable to provident fund		7	-
	Others		14,450	17,129
			50,387	56,471
27.	SHORT-TERM BORROWINGS - Secured			
	Short-term running finance - Banks			
	Related party		73,693	6,948
	Others		366	420
		27.1	74,059	7,368

27.1 Available limits of the running finance facilities amount to Rs 2,553 million (2013: Rs. 2,453 million). The facilities carry mark-up rates ranging from one month to three months' KIBOR plus spreads of 0.75% to 0.90% (2013: 0.75% to 1%) 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 from September 30, 2014 to October 02, 2017.

28. DEFERRED INCOME

Represents license fee received in advance in respect of portion of its stores leased out and advertisement income.

		2014	2013
		(Rupees in '000)	
29.	**CONTINGENCIES AND COMMITMENTS**		
29.1	Contingencies		
29.1.1	Letter of guarantees issued by banks on behalf of the Group.	29,859	73,428
29.1.2	Post dated cheques have been issued to Collector of Custom in respect of differential duty between commercial and concessional rate of duty, duty and tax remission on exports and safe transport requirement under various SROs.	218,276	196,942
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 petition on January 22, 2010. The matter has not been definitively decided up till now. The legal counsel representing MHPL in the review petition is of the view that MHPL has a reasonable case, however he is unable to comment on the likelihood of the success of the review petition. However, even in case the Supreme Court upholds its original decision, the legal counsel representing MHPL believes the MHPL can pursue a claim for damages against AWT for any loss suffered on account of this case. 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 Holding Company has agreed that it will make the payment of the same to MHCCP. The Group expects a favorable outcome of the Review Petition pending in the Supreme Court of Pakistan and hence, no provision for any loss has been made in these consolidated financial statements.	792,000	792,000
29.2	Commitments		
29.2.1	Letters of credit outstanding for raw material and spares.	1,028,488	882,288
29.2.2	Commitments in respect of capital expenditure	18,532	61,809
29.2.3	Commitments for rentals under Ijarah finance agreements		
	Within one year	8,662	13,876
	Later than one year but not later than five years	2,643	9,495
		11,305	23,371

29.2.4 Represent Ijarah Finance Facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement is Rs. 11.305 million (2013: Rs. 23.371 million) and are payable in monthly installments latest by March 2016. These commitments are secured by on-demand promissory notes of Rs. 41.313 million. (2013: Rs. 52.420 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:

Not later than one year	65,384	64,188
Later than one year but not later than five years	421,277	392,747
Later than five years	2,641,905	2,735,819
	3,128,566	3,192,754

		Note	2014	2013
			(Rupees in '000)	
30.	**REVENUE - net**			
	Export sales	30.1	1,075,530	1,326,458
	Local sales	30.2	14,974,227	15,963,726
			16,049,757	17,290,184
	Less: Sales tax		1,817,408	1,830,151
	Sales discount		1,968	7,131
	Sales returns		49,421	53,581
			1,868,797	1,890,863
			14,180,960	15,399,321
	Add: Service income		94,519	134,506
			14,275,479	15,533,827
	Add: Duty drawback		5,974	10,398
			14,281,453	15,544,225

30.1 Export sales are stated net of export related freight and other expenses of Rs. 47.535 million (2013: Rs. 65.445 million).

30.2 Local sales are stated net of freight and other expenses of Rs. 51.951 million (2013: Rs. 57.023 million).

31.	**COST OF SALES**			
	Raw material consumed	31.1	8,257,018	8,510,563
	Salaries, wages and benefits		971,581	906,148
	Stores and spares consumed		132,534	122,823
	Repairs and maintenance		77,658	78,145
	Power and fuel		312,439	277,190
	Rent, rates and taxes		1,828	1,936
	Vehicle running and maintenance		10,349	10,701
	Insurance		9,889	10,951
	Communication		3,954	3,491
	Travelling and conveyance		8,593	8,477
	Entertainment		926	436
	Printing and stationery		3,882	3,775
	Legal and professional		1,293	703
	Computer accessories		3,285	5,067
	Provision for royalty	26.4	87,951	102,479
	Depreciation	8.2	105,606	103,452
	Research and development		3,521	3,111
	Ijarah rentals		5,240	7,025
	Technical assistance fee		17,226	-
	Others		15,310	14,128
			10,030,083	10,170,601
	Work-in-process			
	Opening		176,847	168,264
	Closing		(171,239)	(176,847)
			5,608	(8,583)
	Cost of goods manufactured		10,035,691	10,162,018
	Finished goods			
	Opening stock		457,049	651,681
	Purchases	31.2	2,391,471	2,526,840
	Sharing of cost under arrangement	1.2.3(b)	(15,879)	(47,417)
	Provision for obsolescence and shrinkage		1,932	(3,441)
	Closing stock		(707,923)	(457,049)
			2,126,650	2,670,614
			12,162,341	12,832,632
	31.1 Raw material consumed			
	Opening stock		1,653,805	1,809,286
	Purchases		8,785,823	8,355,082
	Closing stock		(2,182,610)	(1,653,805)
			8,257,018	8,510,563

31.2 Rebate on inventory amounting to Rs. 147.495 million (2013: Rs. 125.879 million) has been net off from purchases.

	Note	2014	2013
		(Rupees in '000)	
32. DISTRIBUTION COSTS			
Salaries and benefits		50,622	46,518
Vehicle running expense		4,941	4,496
Utilities		1,660	1,479
Insurance		2,618	2,441
Rent, rates and taxes		9,003	8,556
Communication		1,759	1,835
Advertisement and publicity		10,156	16,020
Travelling and conveyance		7,005	6,692
Entertainment		280	413
Printing and stationery		369	328
Legal and professional		-	13
Computer accessories		235	1,230
Research and development		440	268
Depreciation	8.2	794	933
Provision for impairment of debts	17.2	6,072	28,271
Repairs and maintenance		498	4,144
Export expenses		24,793	28,129
Provision for warranty claims	26.3	47,143	37,705
Ijarah rentals		2,984	3,015
Others		13,652	4,552
		185,024	197,038
33. ADMINISTRATIVE EXPENSES			
Salaries and benefits		399,238	439,734
Vehicle running expense		18,896	18,450
Printing and stationery		8,086	8,774
Rent, rates and taxes		101,143	90,439
Utilities		68,412	80,500
Insurance		11,677	6,681
Entertainment		3,504	3,669
Subscription		2,572	2,384
Communication		8,377	9,081
Advertisement and publicity		1,288	2,506
Repairs and maintenance		51,454	24,254
Travelling and conveyance		29,082	23,814
Legal and professional		37,824	70,739
Computer accessories		5,376	12,603
Auditors' remuneration	33.1	4,356	4,801
Depreciation	8.2	46,772	48,681
Amortization	9.1	577	437
Depreciation on investment property	10	268,584	270,644
Ijarah rentals		5,850	8,428
Charity and donations	33.2	28,275	30,807
Directors' fee & meeting expenses		2,199	880
Others		43,028	16,102
Sharing of cost under arrangement	1.2.3(b)	(28,362)	(25,314)
		1,118,208	1,149,094
33.1 Auditors' remuneration			
Audit fee	33.1.1	2,777	2,570
Half-yearly review		234	330
Taxation services		510	1,076
Other certifications		329	304
Out of pocket expenses		506	521
		4,356	4,801

33.1.1 This includes Rs. 182,000 (2013: Rs. 175,000) on account of special audit for tax purposes.

	Note	2014	2013
		(Rupees in '000)	

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		
Mohammed Ali Habib Welfare Trust	2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharae Faisal, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee	6,582	7,301
Habib Education Trust	4th floor, United Bank building, I.I. Chundrigar Road, Karachi.	Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee	3,000	5,250
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	5,250	4,250
Anjuman -e-Behbood-Samat -e-Itefal	ABSA School 26-C National Highway, Korangi Road, Karachi.	Mrs. Rafiq M. Habib - Vice President	36	36

34. OTHER INCOME

	Note	2014	2013
		(Rupees in '000)	
Income from financial assets			
Dividend income		6,714	5,898
Profit on call deposit accounts and short term investments		178,070	155,124
Gain on redemption (2013: revaluation) of investments at fair value through profit and loss		81,707	35,589
Liabilities / provisions no longer payable / required written back		19,224	2,349
Reversal of provision for impairment of debt		19,133	824
Exchange Gain - Net		74	-
		304,922	199,784
Income from non financial assets			
Gain on disposal of property, plant and equipment	8.4	16,693	4,750
Rental income from investment properties	34.1	1,296,196	1,288,535
Claim from supplier / customers		12,735	32,995
Licence fee, signage and others		54,919	83,028
Sharing of cost under arrangement	1.2.3(b)	(8,425)	(8,859)
Others		5,937	20,289
		1,378,055	1,420,738
		1,682,977	1,620,522

34.1 Includes an amount of Rs. 1,159 million (2013: Rs. 1,158 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.

	Note	2014	2013
		(Rupees in '000)	
35. FINANCE COSTS			
Mark-up / interest on:			
Long term finance			
- Related party		-	950
- Others		-	17,780
Short-term borrowings			
- Related party		146	634
- Others		791	147
Workers' profit participation fund		348	211
Finance lease		-	5
Bank charges and commission		4,258	4,730
		5,543	24,457
36. OTHER CHARGES			
Workers' profit participation fund	18.1.1	94,495	118,495
Workers' welfare fund		82,725	47,692
Exchange loss - net		-	6,893
		177,220	173,080
37. TAXATION			
Current		759,273	760,452
Prior		(7,828)	24,965
Deferred		(34,944)	(24,883)
	37.1	716,501	760,534
37.1 Relationship between income tax expense and accounting profit			
Profit before tax and share of profit of associates		2,316,094	2,788,446
Tax at the rate of 25% - 34% (2013: 25% - 35%)		787,269	955,953
Tax effects of:			
Income taxed at reduced rates, exempt or taxed under final tax regime		(62,959)	(225,137)
Tax effect of inadmissible items		19	4,753
Prior years		(7,828)	24,965
		716,501	760,534
38. BASIC AND DILUTED EARNINGS PER SHARE			
There is no dilutive effect on the basic earnings per share of the Holding Company, which is based on:			
Profit for the year after taxation attributable to the equity holders of the Holding Company		1,268,114	1,585,378
		Number of shares in thousands	
Weighted average number of ordinary shares of Rs. 5/- each in issue		81,030	81,030
		(Rupees)	
Basic and diluted earnings per share		15.65	19.57

	Note	2014	2013
		(Rupees in '000)	
39. CASH GENERATED FROM OPERATIONS			
Profit before taxation		2,215,472	2,635,679
Adjustments for non-cash charges and other items:			
Depreciation and amortizaton		422,333	424,147
Amortization of long term prepayments		-	5,275
Share in profit of associates - after taxation		100,622	152,767
Finance costs		5,453	12,642
Profit earned on call deposit and short term investments		(178,070)	(155,559)
Liabilities / provisions no longer payable / required written back		(186)	(2,349)
Gain on revaluation of investments at fair value through profit and loss		(67,456)	(35,154)
Dividend income		(6,714)	(5,898)
Provision for impairment of debts		(19,133)	24,404
Provision for retirement benefits		2,985	2,764
Gain on disposal of property, plant and equipment		(16,693)	(4,750)
		243,141	418,289
		2,458,613	3,053,968
(Increase) / decrease in current assets			
Stores, spares and loose tools		(5,172)	14,585
Stock-in-trade		(662,937)	438,220
Trade debts		163,149	(228,139)
Loans, advances, deposits, prepayments and other receivables		(22,640)	121,850
Increase / (decrease) in current liabilities			
Trade and other payables		168,936	(23,291)
Deferred income		857	(7,254)
Sales tax payable		(29,633)	(3,039)
		(387,440)	312,932
		2,071,173	3,366,900
40. CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	520,971	813,455
Short-term investments		3,038,500	1,638,000
Running Finance	27	(74,059)	(7,368)
		3,485,412	2,444,087

41. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise 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 42 and 19 to the consolidated financial statements. are as follows:

Sales	4,510,943	5,339,119
Professional services rendered	116,470	127,883
Rental income	1,192,610	1,194,107
Insurance premium	34,660	36,576
Professional Services acquired	13,500	-
Purchase of assets	158,164	4,460
Purchase of goods	151,646	90,235
Insurance claim received	3,313	5,273
Mark-up and bank charges paid	5,524	8,022
Profit received	157,619	148,495
Licence fee, signage and others	4,022	5,380
Operational fee	35,815	63,872
Group's contribution to provident fund	48,321	41,857
Rent Paid	1,033	396
Group's contribution to retirement benefit fund	2,902	2,998

There are no transactions with key management personnel other than under the terms of employment as disclosed in note 42 to the consolidated financial statements.

The receivable / payable balances with related parties as at June 30, 2014 are disclosed in the respective notes to the consolidated financial statements.

42. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

	2014			2013		
	Chief executive	Director	Executives	Chief executive	Director	Executives
	(Rupees in '000)					
Managerial remuneration	27,172	-	257,426	19,824	-	260,999
Group's contribution to provident fund	603	-	8,275	553	-	6,582
Group's contribution to retirement fund	-	-	2,786	-	-	3,817
Other perquisites	-	-	5,670	-	-	27,334
	27,775	-	274,157	20,377	-	298,732
Number of persons	1	-	91	1	-	91

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

42.2 Five non executive directors (2013: four) have been paid fees of Rs. 1,070,000 (2013: Rs. 275,000) for attending board meetings.

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

43. PLANT CAPACITY AND ACTUAL PRODUCTION

	2014	2013
Annual Capacity		
Jute (Metric Tons)	33,800	33,800
Auto air conditioners (Units)	90,000	90,000
Paper bags (Nos. 000s)	140,000	140,000
Alternator (Units)	90,000	-
Starter (Units)	90,000	-
Actual Production		
Jute (Metric Tons)	27,260	31,233
Auto air conditioners (Units)	46,531	49,508
Wire harness (Units)	63,253	60,354
Paper bags (Nos. 000s)	81,924	83,319
Alternator (Units)	781	-
Starter (Units)	777	-
Reason for shortfall / excess	Low demand	Low demand

43.1 The capacity of wire harness could not be determined as it is dependent on product mix.

43.2 The production capacity of Laminates Operations cannot be determined as this depends on the relative proportion of various types of products.

44. PROVIDENT FUND

	2014	2013
	(Rupees in '000)	
Size of the fund	621,087	519,655
Percentage of investments made	90.71%	98.39%
Fair value of investments	563,360	511,275
Cost of investments made	500,688	505,356

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

	2014		2013	
	Investments (Rs '000)	% of investment as size of the fund	Investments (Rs '000)	% of investment as size of the fund
Government securities	240,292	38.69%	109,812	21.13%
Term finance certificates and Sukuks	87,578	14.10%	47,384	9.12%
Term deposit receipts, call deposits and musharika certificates	35,133	5.66%	257,250	49.50%
Listed securities and mutual fund units	200,357	32.26%	96,829	18.63%

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.

44.3 The above information is based on unaudited financial statements of the provident funds of the Group.

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:

	2014	2013
	(Rupees in '000)	
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired [includes Rs. 27.429 million (2013: Rs. 88.625 million) receivable from related parties.]	609,677	725,107
Past due but not impaired		
- Less than 90 days [includes Rs. 26.190 million (2013: Rs. 86.364 million) receivable from related parties.]	306,552	223,249
- 91 to 180 days [includes Rs. 0.171 million (2013: Rs. 2.520 million) receivable from related parties.]	26,532	135,808
- 181 to 360 days [includes Rs. 0.535 million (2013: Rs. 1.158 million) receivable from related parties.]	214	2,827
	942,975	1,086,991
Bank balances		
Ratings		
A1+	498,466	754,113
A-1+	16,687	42,011
A-1	26	-
A2	-	18
P-1 *	559	74
	515,738	796,216
* This reflects rating assigned by an international rating agency to foreign banks.		
Short term investments		
Ratings		
A1+	3,121,623	1,678,325
AA(+)	-	285,673
AA(f)	-	512,994
AAA(f)	-	235,936
	3,121,623	2,712,928

45.2 LIQUIDITY RISK

Liquidity risk is the risk that the 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, 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	1,635,404	-	-	-	1,635,404
Accrued markup	34	-	-	-	34
	1,640,776	-	68,721	308,119	2,017,616

Year ended June 30, 2013	On demand	Less than 3 months	3 to 12 months	More than 1 year	Total
			(Rupees in '000)		
Long term security deposit	-	-	-	307,962	307,962
Short-term borrowing	7,368	-	-	-	7,368
Trade and other payables	1,586,371	-	-	-	1,586,371
Accrued markup	7	-	-	-	7
	1,593,746	-	-	307,962	1,901,708

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:

	2014	2013
Trade receivables (US Dollars)	317,894	263,667
Trade receivables (Euros)	-	171,160
Trade receivables (AED)	1,270,306	1,340,877
Trade receivables (SAR)	1,114,489	-
Trade and other payables (US Dollars)	1,138,002	1,631,230
Total Euros - receivable	-	171,160
Total US Dollars - payable	820,108	1,367,563
Total AED - receivable	1,270,306	1,340,877
Total SAR - receivable	1,114,489	-
The following significant exchange rates have been applied at the reporting dates:		
US Dollars	98.75	98.80
Euros	134.46	128.85
AED	26.83	26.85
SAR	26.28	-

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, Euro, AED and SAR'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, Euros, AED & SAR's rate	Effect on profit or (loss) before tax	Effect on equity
	%	(Rupees in '000)	
2014	+ 10	(1,761)	(1,191)
	- 10	1,761	1,191
2013	+ 10	(7,706)	(5,482)
	- 10	7,706	5,482

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.

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
2014		
KIBOR	+ 100	4,085
KIBOR	- 100	(4,085)
2013		
KIBOR	+ 100	6,330
KIBOR	- 100	(6,330)

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. The carrying values of financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

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 2014, the Group has available-for-sale investments measured at fair value using level 1 valuation techniques.

48. SEGMENT ANALYSIS FOR THE YEAR ENDED JUNE 30

	2014					2013				
	Engineering	Building Material and Allied Products	Real estate management & others	Elimination	Total	Engineering	Building Materials and Allied Products	Real estate management & others	Elimination	Total
	(Rupees in '000)					(Rupees in '000)				
Sales revenue	6,240,203	5,385,586	2,792,318	(136,654)	14,281,453	6,974,416	5,791,822	2,897,073	(119,086)	15,544,225
Segment result	1,283,591	357,396	900,101	-	2,541,088	1,709,306	518,935	911,534	-	3,139,775
Unallocated (expenses) / income:										
Administrative and distribution costs					(378,801)					(404,034)
Other income					336,570					250,242
Operating profit					2,498,857					2,985,983
Finance cost					(5,543)					(24,457)
Other charges					(177,220)					(173,080)
					(100,622)					(152,767)
Taxation					(716,501)					(760,534)
					1,498,971					1,875,145
Operating assets	1,785,775	3,392,893	9,950,636	15,674	15,144,978	1,902,310	2,610,161	9,659,772	11,269	14,183,512
Corporate assets					2,009,592					2,325,609
Unallocated assets					1,887,825					1,841,808
					19,042,395					18,350,929
Operating liabilities	570,369	498,162	830,300	-	1,898,831	435,747	488,524	725,296	-	1,649,567
Corporate liabilities					531,564					524,878
Unallocated liabilities					-					8,191
					2,430,395					2,182,636

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

The Building material and allied products segment include jute, papersack and laminates 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 26, 2014 has approved the following:

(i) transfer of Rs. 754 million from unappropriated profit to general reserve; and

(ii) payment of cash dividend of Rs. 2.50 per share for the year ended June 30, 2014 for approval of the members at the Annual General Meeting to be held on September 29, 2014.

50. GENERAL

50.1 The number of employees as at June 30, 2014 was 5,282 (2013: 6,437) and average number of employees during the year was 6,150 (2013: 6,386).

50.2 Corresponding figures have been re-arranged and reclassified, wherever necessary. No significant reclassifications / re-arrangements were made during the current year except as follows:

Reclassification from	Reclassification to	Rupees in '000
Stores, spares and loose tools	Property, plant and equipments	32,049

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 26, 2014 by the Board of Directors of the Holding Company.

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN