MEGA CONGLOMERATE
(PRIVATE) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Directors' Report
Mega Conglomerate (Private) Limited
Consolidated Financial Statements for the ended June 30, 2017

The Board of Directors of Mega Conglomerate (Private) Limited take pleasure in presenting their Annual Report for the year ended June 30, 2017 together with the Audited Accounts of the Company and Auditors' Report for the year ended June 30, 2017.

Financial Results
During the year ended June 30, 2017 your company has a consolidated net profit. The profit is mainly attributed through capital gain arrived on account of property income. The inflow due to acquisition of Mega Corporate Tower by Habib Bank Limited has been invested in short and long term, and availed financing facilities after collateralizing the investment.

For the year ended June 30, 2017, Haleeb Foods Limited subsidiary of your company has shown a profitable operational performance.

Future Outlook
Your company is in the phase of exploring the opportunities for making further investment at new front for business prospects in real estate / construction. As a result a land mark, acquisition has been made through one of its subsidiary. Also your company through one of its subsidiary availing a good financing facility to boost the present business and new venture in future year.

There is huge potential of rural development in Pakistan where your subsidiary company Haleeb Foods Limited (HFL) can add value for improving the quality of life. HFL has identified focus area where it can optimize the creation of shared value, through growth and sustainability, for itself, its stakeholders and community.

We are hopeful that economic prospects of the country will improve in the future. HFL is committed to Pakistan and will continue to enhance the quality of life by emphasizing on its products.

Auditors
The present auditors M/s Muniff Ziauddin & Co., Chartered Accountants, Karachi, retire and being eligible, offer themselves for re-appointment under the requirement of the Companies Ordinance 1984. The Board of Directors has recommended their appointment as auditor of the Company for the year ended June 30, 2018.

Appreciation
The directors record their appreciation of the efforts of the Company officer / staff / worker, financial institutions, vendors / suppliers, customers for their co-operations and support for their zeal and commitment enabling your company to achieve the good results.

On behalf of the Board of
Mega Conglomerate (Private) Limited

M. Habibullah Khan
Chairman

Karachi: 29 SEP 2017

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Mega Conglomerate (Private) Limited** (the Holding Company) and its subsidiary companies VMFG (Private) Limited, G4 Mega Pakistan (Private) Limited, Haleeb Foods Limited, Imperial Developers and Builders (Private) Limited, Karachi Properties Investment Company (Private) Limited and Hotel Metropole (Private) Limited ("the Group") as at June 30, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Mega Conglomerate (Private) Limited, VMFG (Private) Limited, G4 Mega Pakistan (Private) Limited and Imperial Developers and Builders (Private) Limited. The financial statements of other subsidiaries were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such subsidiaries, is based solely on the reports of such other auditors.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances and we report that;

1. The related party transactions disclosure relating to the Imperial Developers and Builders (Private) Limited (subsidiary company) has not been presented as required by IAS 24.

2. As disclosed in Note 38.2 to the consolidated financial statements, during the year, Karachi Properties Investment Company (Private) Limited (subsidiary company) had paid Rs. 19 million to one of its ex-shareholder and written off this amount as bad debt as the same is no more recoverable. In the absence of supporting information available the subsidiary company's auditor have not been able to conclude if this advance was provided to the ex-shareholder for the purpose of subsidiary company's business and whether the cost of writing off represent subsidiary company's business expenditure.

3. As disclosed in Note 6.1 to the consolidated financial statements, the Karachi Properties Investment Company (Private) Limited (subsidiary company) has not carried out fresh valuation to determine the fair market value of the investment property as at June 30, 2017 as required under International Accounting Standard (IAS) 40 – Investment Property. However for the purpose of consolidation, fair market value of this property has been taken as the purchase consideration given by Imperial Developers and Builders (Private) Limited vide agreement dated March 27, 2017 to acquire the shares of Karachi Properties Investment Company (Private) Limited.

4. The subsidiary company, VMFG (Private) Limited has not charged impairment, if any, on the investment in shares of M/s Dynasel Limited due to the fact that the said matter is under litigation as disclosed in note 8 to the consolidated financial statement.

In our opinion, except for the effects of the matter described in above paragraphs, the consolidated financial statements present fairly the financial position of Mega Conglomerate (Private) Limited and its subsidiary companies as at June 30, 2017 and the results of their operations for the year then ended.

We draw attention to Note 1.5.1 in the consolidated financial statement, which indicates that Karachi Properties Investment Company (Private) Limited (subsidiary company) incurred a net loss Rs. 22,468,796 during the year ended June 30, 2017 and, as of that date, the subsidiary company's current liabilities which includes due to holding company, exceeded its current assets by Rs. 215,678,364. These events that may cast significant doubt on the subsidiary company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The consolidated financial statements of the Holding Company for the year ended June 30, 2016 were audited by another firm of Chartered Accountants whose report dated October 08, 2016 expressed a qualified opinion thereon.

KARACHI: 29 SEP 2017

MUNIFF ZIAUDDIN & CO.
CHARTERED ACCOUNTANTS
(MUHAMMAD MOIN KHAN)

MEGA CONGLOMERATE (PRIVATE) LIMITED
CONSOLIDATED BALANCE SHEET
As at June 30, 2017

	Note	2017	2016
		Rupees in thousand	
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,016,641	8,960,362
Investment properties	6	4,029,634	-
Intangible assets	7	661,831	655,069
Long term investment	8	200,433	200,433
Long term loan	9	8,348	11,744
Long term deposits	10	5,834	6,163
		8,922,721	9,833,771
Current assets			
Stores, spares and loose tools	11	191,205	233,837
Stock-in-trade	12	1,495,512	1,060,044
Trade debts	13	28,874	23,562
Loan and advances	14	118,947	85,628
Rent receivable	15	2,337	-
Advances, deposits, & prepayments	16	65,195	132,644
Other receivables	17	6,813	94,083
Tax refunds due from the Government	18	1,327,242	1,766,875
Short term investments	19	18,683,054	1,180,772
Cash and bank balances	20	1,004,446	218,509
		22,923,625	4,795,954
Total Assets		31,846,346	14,629,725
EQUITY AND LIABILITIES			
Equity			
Share capital	21	1,170,162	1,170,162
Unappropriated profit		9,347,991	2,380,206
Equity attributable to the shareholders of the holding company		10,518,153	3,550,368
Surplus on revaluation of fixed assets	22	1,018,502	1,109,113
Non-controlling interest		1,917,707	1,534,917
Non current liabilities			
Long term finance	23	1,919,275	1,500,000
Retention money		68,815	-
Long term deposits	24	660	-
Due to associated undertakings		-	3,334,979
Deferred taxation	25	421,674	412,134
		2,410,424	5,247,113
Current liabilities			
Trade and other payables	26	1,821,108	2,214,422
Profit payable	29	21,140	20,872
Due to associated undertaking	30	4,604,569	-
Provision for taxation	31	98,137	95,037
Accrued expenses and other liabilities	32	2,802	-
Short term borrowings	33	9,364,079	798,910
Current portion of long term liabilities		69,725	58,973
		15,981,560	3,188,214
Contingencies and commitments	34		
Total equity and liabilities		31,846,346	14,629,725

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

CHAIRMAN / CHIEF EXECUTIVE

DIRECTOR

MEGA CONGLOMERATE (PRIVATE) LIMITED
CONSOLIDATED PROFIT & LOSS ACCOUNT
For the year ended June 30, 2017

	Note	2017	2016
		Rupees in thousand	
Rental income		**7,037**	-
Income from property		**1,988**	-
Income from services		**3,951**	-
Net sales	35	**12,321,650**	15,470,400
		12,334,626	15,470,400
Cost of sale	36	**(9,811,357)**	(11,700,224)
Gross profit		**2,523,269**	3,770,176
Distribution & marketing expenses	37	**(1,201,267)**	(995,096)
Administrative expenses	38	**(184,029)**	(143,356)
Other operating expenses	39	**(146,817)**	(520,107)
Unrealised loss on investment		**(439,477)**	(4,779)
Finance cost	40	**(77,649)**	(193,708)
Operating profit		**474,029**	1,913,130
Other operating income	41	**7,066,834**	93,160
Profit before taxation		**7,540,863**	2,006,290
Provision for taxation	42	**(267,165)**	(556,178)
Profit after taxation		**7,273,697**	1,450,112
Attributable to:			
- Shareholders of the Holding Company		**6,924,734**	803,593
- Non - controlling interest		**348,964**	646,519
		7,273,697	1,450,112
Basic and diluted earnings per share	44	**62.16**	12.39

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

CHAIRMAN / CHIEF EXECUTIVE

DIRECTOR

MEGA CONGLOMERATE (PRIVATE) LIMITED
CONSOLIDATED OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		Rupees in thousand	
Profit for the year		**7,273,697**	1,450,112
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent period (net of tax):			
- Remeasurement of post defined benefits obligation		**(2,228)**	(6,182)
Total comprehensive income for the year		**7,271,469**	1,443,930
Attributable to:			
- Shareholders of the Holder Company		**6,923,486**	800,131
- Non - controlling interest		**347,984**	643,799
		7,271,469	1,443,930

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

CHAIRMAN / CHIEF EXECUTIVE

DIRECTOR

MEGA CONGLOMERATE (PRIVATE) LIMITED
CONSOLIDATED CASH FLOW STATEMENT
For the year ended June 30, 2017

	Note	2017	2016
		Rupees in thousand	
Cash flow from operating activities			
Profit before taxation		7,540,862	2,084,302
Adjustment for non cash charges and other items			
Less: Interest income		-	-
Adjustment for:			
Depreciation & amortization		399,140	415,794
Impairment on investment property		104	-
Bad debt written off		19,000	-
Dividend receipt of associated company		-	(78,012)
Unrealised Loss on Investment		-	4,779
Finance cost		73,984	193,559
Other income		(6,953,857)	
Provision for gratuity		35,877	34,707
Gain on sale of operating fixed assets - net		(15,072)	(3,126)
Provision for short term trade deposit		-	2,147
Unrealised loss on investment		439,477	
Impairment on fixed assets		-	46,135
- long term loan		(1,570)	(1,570)
- mutual funds		-	(858)
		(6,002,916)	613,555
Provision for			
Obsolete/slow moving stores, spares and loose tools made-net		97	25,868
Obsolete/slow moving stock in trade / (write off)-net		(20,605)	(9,612)
doubtful debts		(109)	-
doubtful advances		-	15,321
Doubtful sales tax refunds		-	225,529
Doubtful trade debts write off / (reversal) made		(242,081)	(203)
		(262,698)	256,903
		1,275,248	2,954,760
Working capital changes			
Increase / (decrease) in current liabilities			
Stores, spares and loose tools		42,535	(14,531)
Stock in trade		(414,863)	637,345
Trade debts		236,769	47,230
Loan and advances		(33,319)	(4,652)
Trade deposits and short term prepayments		(6,337)	47,627
Prepayments, loans and advances		89,462	-
Rent Receivable		(2,337)	-
Other receivables		85,137	(144,382)
Sales tax and special excise duty refundable		449,477	(378,176)
Due to associated undertaking		-	(203,168)
Accrued expense and other liabilities		-	-
Trade and other payables		(364,413)	(51,977)
		82,110	(64,683)
Net cash generated from operations		1,357,358	2,890,077
Taxes paid		(288,801)	(329,097)
Financial charges		(657)	-
Gratuity paid		(10,373)	(18,056)
Net cash generated from operating activities		1,057,528	2,542,925
Cash flow from investing activities			
Property, plant and equipment acquired		62,955	(1,524,119)
Investment properties		2,892	-
Sales Proceeds from disposal of operating fixed assets		-	5,934
Proceeds from sale of asset		12,750,000	
Short Term Investment		-	(472,769)
Long term deposits		1,109	10,331
Long term loan - unsecured		4,966	4,966
Short Term Investment		(17,431,512)	-
Investment in subsidiary / Goodwill		(4,031,843)	-
Capital-work-in-progress		(1,427,331)	-
Investment in mutual fund		(499,444)	(712,782)
Dividend receipt		99,639	78,012
Long term investment		-	(49,730)
Net cash used in investing activities		(10,468,569)	(2,660,157)
Cash flow from financing activities			
Long term financing - net		-	(843,705)
Loan from Financial institutions		489,000	-
Liabilities against subject to finance lease-net		-	(325,714)
Supplier's credit		(58,973)	(451,039)
Short term borrowing-net		-	-
Loan from associated undertaking		1,204,235	557,667
Due to associated undertaking		-	13,744
Dividend transferred to shareholders		-	(139,308)
Retention money		(2,453)	59,025
Net cash generated / (used) from financing activities		1,631,809	(1,129,330)
Net decrease in cash and cash equivalents		(7,779,233)	(1,246,562)
Cash and cash equivalents at beginning of the year		(580,401)	666,162
Cash and cash equivalents at the end of the year	43	(8,359,633)	(580,401)

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

CHAIRMAN / CHIEF EXECUTIVE

DIRECTOR

MEGA CONGLOMERATE (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended June 30, 2017

Rupees in thousand

	Share Capital	Reserve			Total equity attributable to the shareholders of Holding Company	Non - controlling interest
		Capital Reserve	Revenue Reserve			
		Share Premium	General Reserve	Accumulated Profit/(Loss)		
Balance as at July 01, 2015	1,170,162	-	-	1,524,707	2,694,869	908,910
Dividend paid to non controlling interest of Haleeb Foods Limited						(61,296)
Profit/(loss) for the year	-	-	-	803,593	803,593	646,519
Other comprehensive loss for the year	-	-	-	(3,462)	(3,462)	(2,720)
Total comprehensive income for the year	-	-	-	800,131	800,131	643,799
Surplus on revaluation of operating fixed assets - incremental depreciation charge for the year (net of tax)	-	-	-	55,368	55,368	43,504
Balance at June 30, 2016	**1,170,162**	**-**	**-**	**2,380,206**	**3,550,368**	**1,534,917**
Profit/(loss) for the year	-	-	-	6,924,734	6,924,734	348,964
Other comprehensive loss for the year	-	-	-	(1,248)	(1,248)	(980)
Total comprehensive income for the year	-	-	-	6,923,486	6,923,486	347,984
...lus on revaluation of operating fixed assets - incremental depreciation charge for the year (net of tax)	-	-	-	44,299	44,299	34,807
Balance at June 30, 2017	**1,170,162**	**-**	**-**	**9,347,991**	**10,518,153**	**1,917,707**

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

CHAIRMAN / CHIEF EXECUTIVE

DIRECTOR

MEGA CONGLOMERATE (PRIVATE) LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1 THE GROUP AND ITS OPERATIONS

The Group consist of Mega Conglomerate (the holding company) and its subsidiary companies, VMFG (Private) Limited, G4 Mega Pakistan (Private) Limited, Haleeb Foods Limited, Imperial Developers and Builders (Private) Limited, Karachi Properties Investment Company (Private) Limited and Hotel Metropole (Private) Limited. Brief profiles of the holding company and its subsidiary companies are as follows:

1.1 VMFG (Private) Limited (VMFG):

The holding company was incorporated in Pakistan as a private limited on 17th June, 2010 under the Companies Ordinance, 1984 with registered office at GF 7-10, KDLB Building West Wharf Road 58, Karachi, Sindh. The principal activity of the Company is wholesaler, retailer and trading business including investing in other companies.

The Company is a wholly owned subsidiary of Mega Conglomerate (Private) Limited.

1.2 G4 Mega Pakistan (Private) Limited (G4):

G4 Mega Pakistan (Private) Limited was incorporated in Pakistan as a private limited company on 30th September, 2005 under the Companies Ordinance, 1984 with registered office GF 7-10, KDLB Building West Wharf Road 58, Karachi, Sindh. The principal activity of the Company is construction, handling of containers & transportation business in Pakistan.

The Company is a wholly owned subsidiary of Mega Conglomerate (Private) Limited.

1.3 Haleeb Foods Limited (HFL):

Haleeb Foods Limited is a limited liability company incorporated in Pakistan. The company is engaged in processing and sale of toned milk, milk powder, fruit juices, allied dairy and food products. The Company's plants are located at Bhai Pheru and Rahim Yar Khan and its Head Office at Lahore. The total shareholding of VMFG (Private) Limited in Haleeb Foods Limited is 56 % (2016: 56 %) which forms the basis of consolidation.

1.4 Imperial Developers and Builders (Private) Limited (IDBL):

The Company was incorporated on January 31, 2006 as a Private Limited Company under the Companies Ordinance, 1984. The Company is engaged in the business of construction including the present Building primarily intended for self-occupancy for the group of the Companies. The registered office of the Company is situated at GF 7-10, KDLB 58, Building West Wharf Road, Karachi.

The Company is a wholly owned subsidiary of G4 Mega Pakistan (Private) Limited, whereas its ultimate parent company is Mega Conglomerate (Private) Limited.

1.5 Karachi Properties Investment Company (Private) Limited (KPI):

The company was incorporated in Pakistan on May 17, 1951 as a Private Limited Company under the Companies Act, 1913 (now Companies Act, 2017). The Company is a wholly owned subsidiary company of Imperial Developers and Builders (Private) Limited (the Holding Company). The registered office of the Company is situated at 115-116, Hotel Metropole Building, Club Road, Karachi. The company owns a property known as Hotel Metropole at Club Road, Karachi. The Company is engaged in purchase, acquisition, development and letting out of properties.

On March 27, 2017, IDBL acquired the entire shareholding of the Company from its previous shareholders and Board of directors of previous owners replaced with the Board of directors representing IDBL. Whereas its ultimate parent company is Mega Conglomerate (Private) Limited.

The Company intends to construct a commercial complex at the leasehold land measuring 13,111 square yards which is situated at Plot # 20, 21 and 23/1, CL-5, Club Road, Karachi currently classified as Investment Property as disclosed in note 6 to the consolidated financial statement.

1.5.1 During the year, the Company incurred a net loss of Rs. 22,468,796 (2016: Rs. 9,461,803) and its current liabilities which includes due to holding company, exceeded its current assets by Rs.215,678,364 (2016: Rs. 131,707,280) as of the reporting date. The management plans to construct a commercial complex on the company property as stated above. Further, the sponsors of the Company have been providing financial support and the holding company has also committed to continue its support for the company's operations in the foreseeable future and therefore, the management considers that the going concern assumption is appropriate in the preparation of these financial statements.

1.6 Hotel Metropole (Private) Limited (HM):

The Company was incorporated on May 23, 1951 as a Private Limited Company under the Companies Act, 1913 (now Companies Act, 2017). The Company is a wholly owned subsidiary company of Imperial Developers and Builders (Private) Limited (the Holding Company). The registered office of the Company is situated at 115-116, Hotel Metropole Building, Club Road, Karachi.

On March 27, 2017, IDBL acquired the entire shareholding of the Company from its previous shareholders and Board of directors of previous owners replaced with the Board of directors representing IDBL. Whereas its ultimate parent company is Mega Conglomerate (Private) Limited.

2 BASIS OF PREPARATION

2.1 Statement of compliance

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

2.2 Basis of consolidation

Subsidiary

Subsidiary is an entity controlled by the Group. The financial information of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. The assets and liabilities and the profit and loss accounts transactions of the subsidiary have been consolidation on a line by line basis.

The accounting policies of a subsidiary company are changed, when necessary, to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated, but only to the extent that there is no evidence of impairment.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

2.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

Standard or interpretation or Amendment		Effective date (Accounting period beginning on or after)
IFRS 1	First time adoption of International Financial Reporting Standards (Amendments)	January 1, 2018
IFRS 2	Share-based Payment (Amendments)	January 1, 2018
IFRS 9	Financial instruments (Amendments)	January 1, 2018
IFRS 12	Disclosure of interest in other entities (Amendments)	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 7	Statement of Cash Flows (Amendments)	January 1, 2017
IAS 12	Income Taxes (Amendments)	January 1, 2017
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 1, 2018
IAS 40	Investment Property (Amendments)	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The group expects that the adoption of the above amendments and interpretations will not affect its financial statements in the period of initial application.

In addition to the above amendments and interpretations, improvements to the following accounting standards have also been issued by IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2016.

Standard, Interpretation or Amendment		Effective date (annual periods beginning on or after)
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 01, 2016
IAS 16	Property, Plant and Equipment (Amendments bringing bearer plants into the scope of IAS 16)	January 01, 2016
IAS 16	Property, Plant and Equipment (Amendments regarding the clarification of acceptable methods of depreciation and amortisation)	January 01, 2016
IAS 38	Intangible Assets (Amendments)	January 01, 2016

3 USE OF ESTIMATES AND JUDGEMENTS

Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management of subsidiary considers critical because of their complexity. Judgment of estimation involved in their application and their impact on these consolidated financial statements.

Estimates and judgments by management of the Group are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events where the actual results may differ from these estimates.

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

(a). **Employees retirement benefits**

The cost of defined benefit retirement plans is determined in subsidiary using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date.

(b). **Useful life, residual value, pattern of flow of economics benefits and impairment**

Estimate with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Group. Further, the Group reviews the value of the assets for possible impairments on an annual basis may change in the estimates in the future might affect the carrying amount of the respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

(c). **Taxation**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Thus, in the group, provisions are based on reasonable estimates taking into account the applicable tax laws and the decision by appellate authorities on certain issues in the past, wherever applicable.

Deferred tax assets are recognized by the group for all the deductible temporary differences to the extent that it is probable that taxable profit will be available against which the assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(d). **Provision for obsolescence of inventories**

Provision for obsolescence of inventories, including stores, spares and loose tools and stock in trade is made on the basis of management's estimate of net realizable value and ageing analysis prepared on an item-by-item basis by the group.

(e). **Provision for doubtful debts**

Trade and other receivables at each reporting date are assessed whether provision should be recorded in profit and loss account for any doubtful receivables. Especially, judgment by management of the group is required in the estimation of the amount and timing of future cash flows while determining the extent of provision required. Such estimates are based on assumption about a number of factors including credit history of counter party. Actual cash flows may differ resulting in subsequent changes to be provisions.

(f). **Trade receivables and impairment**

The Group reviews its trade and other receivables at each reporting date to assess whether provision should be recorded in profit and loss account for any doubtful receivables. Especially, judgment by management is required in the estimation of the amount and timing of future cash flows while determining the extent of provision required. Such estimates are based on assumption about a number of factors including credit history of counter party. Actual cash flows may differ resulting in subsequent changes to the provisions.

Other areas where estimates and judgments are involved have been disclosed in respective notes to the consolidated financial statements.

(g). **Impairment of financial assets**

The Group assesses whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(h). **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable. For assets which can generally be sold in the market, the prevailing market price is used as an indicator of current recoverable amount. Technical analysis and market data is used to arrive at recoverable amount for specialized assets.

(i). **Stock in trade**

Provision for obsolescence of inventories including stores, spares and loose tools and stock in trade is made on the basis of management's estimate of net realizable value and ageing analysis prepared on an item-by-item basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statement are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Revenue

Service charges are recognised in the accounting period in which services are rendered.

Dividend income is recognized when the dividend is actually received.

Interest income is recognized on accrual basis in the profit and loss account using the effective interest method.

Rental and other income are recorded when significant risk and rewards are transferred. Rental income and other income are recorded on accrual basis.

4.2 Borrowing costs

Borrowing costs are profit or other costs incurred by the group in connection with the borrowing of funds. Borrowing cost that is directly attributable to a qualifying assets is capitalized as part of cost of that asset. All other borrowing costs are charged to profit and loss account in the period in which they are incurred.

4.3 Foreign currency transactions and translations

Monetary assets and liabilities in foreign currencies are translated into Pakistani rupees at the rate of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into Pakistani rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to income when incurred.

Non-monetary items that are measured in term of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.4 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credit and rebate, if any. Income for the purpose of computing current taxation is determined under the provision of tax laws.

Deferred

Deferred tax is provided for, using the balance sheet liability method, providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax asset is recognized only to the extent that it is probable that the future taxable profits will be available and credits can be utilized.

Deferred tax is calculated at the rate that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. The group takes into account the current income tax law and decisions taken by the taxation authorities.

Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income / equity.

4.5 Property and equipment

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to profit and loss account and capital-work-in-progress applying the straight line method. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of deletion.

Maintenance and normal repairs are charged-off as and when these are incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets are included in profit & loss account.

4.6 Capital work-in-progress

Offices available in the project for self occupancy for future use and are classified as capital-work-in-progress. It comprises offices in the process of construction. Cost of capital work-in-progress comprises of cost of land, cost of direct material and appropriate overheads.

4.7 Investment property

Investment property are stated at cost less accumulated depreciation and impairment, if any, except leasehold land, which is stated at cost less impairment losses, if any.

Depreciation is charged to profit and loss account using the diminishing balance method at rates specified in note 6 to the financial statements. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

4.8 Intangible assets

Costs that are directly associated with identifiable software products controlled by the group and have probable economic benefit beyond one year are recognized as an intangible assets.

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. These are amortized using the straight line method reflecting the pattern in which the economic benefits of the assets are consumed by the group.

Amortization is charged from the month of addition to the month preceding the month of retirement / disposal.

The amortization period for software is three years.

4.90 Financial instruments

4.9.1 Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) **Financial assets at fair value through profit or loss**

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised as "Other comprehensive income" are included in the profit and loss account as gains and losses on disposal of short term investments. Interest on available for sale securities calculated using effective interest method is recognised in the profit and loss account. Dividends on available for sale equity instruments are recognised in the profit and loss account when the group's right to receive payments is established.

All financial assets are recognised at the time when the group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date i.e. the date on which the group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

4.9.2 Financial Liabilities

All financial liabilities are recognised at the time when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

4.9.3 Off-Setting Of Financial Assets And Financial Liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the group has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.10 Investments

These include investments held-for-trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. They are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

4.11 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.

4.12 Trade debts and other receivables

Trade debts and other receivables are stated at cost less impairment losses, if any which equals to the fair value of the consideration to be received in future.

4.13 Provisions, Contingent assets & Contingent liabilities

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent assets are not recognized and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.14 Stores & Spares

Stores & Spares are stated at the lower of cost and net realizable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated up to the balance sheet date. The group reviews the carrying amount of stores and spares on a regular basis and provision is made for identified obsolete and slow moving items.

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet date at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and balance with banks on current and deposit accounts and short term running finance.

4.16 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5	PROPERTY, PLANT AND EQUIPMENT	Note	2017	2016
			Rupees in thousand	
	Operating fixed assets	5.1	3,997,312	3,982,554
	Capital work in progress	5.2	19,329	4,977,808
			4,016,641	8,960,362

5.1 OPERATING FIXED ASSETS

2017

Rupees in thousand

Particulars	Cost / revalued amount						Depreciation							Net Book alue at June 30, 2017
	As at July 01, 2016	Addition / Acquired through Business Combination	Transfer from CWIP / Leased Assets	Addition/ (Deletion)	Adjustments	As at June 30, 2017	As at July 01, 2016	Impairment Charge for the year	Adjustment / Acquired through Business Combination	Depreciation Charge for the Year	Addition/ (Deletion)	Adjustments	As at June 30, 2017	
Owned Assets														
Freehold land	297,660	-	-	-	-	297,660	-	-	-	-	-	-	-	297,660
Roads and pavements	19,055	-	-	-	-	19,055	7,124	-	-	4,028	-	-	11,152	7,903
Buildings on freehold land	449,516	-	-	5,264	-	454,780	165,600	-	-	10,968	-	-	176,568	278,212
Plant and machinery	4,712,282	-	-	405,717	(73,309)	5,044,690	1,633,667	-	-	349,082	(23,130)	-	1,959,619	3,085,071
Office equipment	53,270	566	-	1,039 (208)	-	54,667	42,401	-	160	6,141	(124)	-	48,578	6,089
Plant equipment	390,309	-	-	56,361 (103,487)	-	343,183	188,363	-	-	11,227	(94,484)	-	105,106	238,077
Communication installations	1,416	-	-	-	-	1,416	467	-	-	30	-	-	497	919
Furniture and fixtures	59,285	454	-	1,545 (632)	-	60,652	31,932	-	412	1,462	(512)	-	33,294	27,358
Electric installations	55,261	673	-	84	-	56,018	19,892	-	345	1,790	-	-	22,027	33,991
Vehicles	34,501					34,501	16,363	-	-	3,111	-	-	19,474	15,027
Generator	4,266	49	-	-	-	4,315	3,296	-	49	640	-		3,985	330
Concrete Pump	6,751	-	-	-	-	6,751	5,697	-	-	1,013	-		6,710	41
Tower Crane	35,074	-	-	-	-	35,074	27,237	-	-	5,261	-		32,498	2,576
Concrete Boom	3,191	-	-	-	-	3,191	2,515	-	-	479	-		2,994	197
Hoist Lift	9,381	-	-	-	-	9,381	4,110	-	-	1,407	-		5,517	3,864
Total	6,131,218	1,742	-	365,683	(73,309)	6,425,334	2,148,664	-	965	396,639	(118,250)	-	2,428,019	3,997,312

2016													
	Cost / revalued amount						Depreciation						
Particulars	As at July 01, 2015	Revaluation Adjustment	Transfer from CWIP / Leased Assets	Addition/ (Deletion)	Adjustments	As at June 30, 2016	As at July 01, 2015	Impairment Charge for the year	Transfer from CWIP / Leased Assets	Depreciation Charge for the Year	Addition/ (Deletion)	Adjustments	As at June 30, 2016	Net Book alue at June 30, 2016
Owned Assets														
Freehold land	297,660	-	-	-	-	297,660	-	-	-	-	-	-	-	297,660
Roads and pavements	19,055	-	-	-	-	19,055	6,040	-	-	1,301	-	(217)	7,124	11,931
Buildings on freehold land	444,852	-	-	4,663	1	449,516	139,884	-	-	30,876	-	(5,160)	165,600	283,916
Plant and machinery	3,231,243	(23,726)	1,219,143	215,594	70,028	4,712,282	804,126	19,820	471,381	257,132	-	81,208	1,633,667	3,078,615
Office equipment	48,258	-	-	4,573 (424)	863	53,270	36,236	-	-	4,723	(265)	1,707	42,401	10,869
Plant equipment	316,328	(53,366)	79,798	29,960	17,589	390,309	95,909	26,022	30,751	23,106	-	12,575	188,363	201,946
Communication installations	1,416	-	-	-	-	1,416	382	-	-	102	-	(17)	467	949
Furniture and fixtures	58,113	-	-	1,147	25	59,285	29,218	293	-	2,909	-	(488)	31,932	27,353
Electric installations	55,261	-	-	-	-	55,261	16,677	-	-	3,858	-	(643)	19,892	35,369
Vehicles	24,807	-	1,833	6,614 (6,447)	1	26,808	13,162	-	1,833	3,252	(3,798)	(472)	13,977	12,831
Vehicles-CWIP	4,428	-	-	3,265	-	7,693	1,436	-	-	950	-		2,386	5,307
Generator	4,266	-	-	-	-	4,266	2,656	-	-	640	-		3,296	970
Concrete Pump	6,751	-	-	-	-	6,751	4,684	-	-	1,013	-		5,697	1,054
Tower Crane	35,074	-	-	-	-	35,074	21,976	-	-	5,261	-		27,237	7,837
Concrete Boom	3,191	-	-	-	-	3,191	2,036	-	-	479	-		2,515	676
Hoist Lift	9,076	-	-	305	-	9,381	2,722	-	-	1,388	-		4,110	5,271
Sub-Total	4,559,779	(77,092)	1,300,774	259,250		6,131,218	1,177,144	46,135		336,990	(4,063)		2,148,664	3,982,554
Leased Assets														
Plant and machinery	1,219,143	-	(1,219,143)	-	-	-	388,292	-	(471,380)	83,088	-	-	-	-
Plant equipment	79,798	-	(79,798)	-	-	-	25,305	-	(30,752)	5,447	-	-	-	-
Vehicles	4,055	-	(1,833)	(2,222)	-	-	4,055	-	(1,833)	-	(2,222)	-	-	-
Sub-Total	1,302,996	-	(1,300,774)	(2,222)		-	417,652	-		88,535	(2,222)		-	-
Total	5,862,773	(77,092)	-	257,028	-	6,131,218	1,594,796	46,135		425,525	(6,285)		2,148,664	3,982,554

5.2 CAPITAL WORK IN PROGRESS

2017

Particulars	As at July 01, 2016	Additions during the year / Transferred	Transferred to fixed assets	Transferred to other category / expensed out	As at June 30, 2017
	Rupees in thousand				
Buildings on freehold land	-	6,734	(5,264)	-	**1,470**
Plant and machinery owned	17,972	405,604	(405,717)	-	**17,859**
Office equipment	-	1,039	(1,039)	-	-
Plant equipment	-	56,361	(56,361)	-	-
Furniture and fittings	-	1,545	(1,545)	-	-
Electric installations	-	84	(84)	-	-
Software	7,650	1,565	(9,215)	-	-
G4 Tower	4,952,186	954,399	-	(5,906,585)	-
	4,977,808	1,427,331	(479,225)	(5,906,585)	**19,329**

2016

Particulars	As at July 01, 2015	Additions during the year / Transferred from other category	Transferred to fixed assets	Transferred to other category / expensed out	As at June 30, 2016
	Rupees in thousand				
Buildings on freehold land	1,208	3,455	(4,663)	-	-
Plant and machinery owned	138,098	95,468	(215,594)	-	**17,972**
Office equipment	264	4,309	(4,573)	-	-
Plant equipment	653	29,307	(29,960)	-	-
Communication and installation	-	-	-	-	-
Furniture and fixtures	-	1,147	(1,147)	-	-
Electric installations	-	-	-	-	-
Vehicles	-	6,614	(6,614)	-	-
Software	2,550	5,100	-	-	**7,650**
G4 Tower	3,567,233	1,384,953	-	-	**4,952,186**
	3,710,006	1,530,353	(262,551)	-	**4,977,808**

6 Investment property

	Cost at July 01, 2016	Addition /Acquired through Business Combination	Cost at June 30, 2017	Accumulated depreciation at July 01, 2016	Adjustment/ Acquired through Business Combination	Depreciation / (impairment) for the year	Accumulated depreciation at June 30, 2017	Carrying value at June 30, 2017	Dep. rate
	----------(Rupees)----------								%
Leasehold land	-	4,028,381	**4,028,381**	-	-	-	-	**4,028,381**	-
Building on leasehold land	-	7,974	**7,974**	-	6,779	46 (104)	**6,722**	**1,253**	10
	-	4,036,355	**4,036,355**	-	6,675	46	**6,722**	**4,029,634**	

6.1 Leasehold land and the building on leaseholc land together represents a property on which Hotel Metropole is situated. The last valuation of the property was carried out in 2014 by an independent valuer at Rs. 2,016,650,000. However, for the purpose of consolidation, fair market value of this property has been taken as the purchase consideration given by Imperial Developers and Builders (Private) Limited vide agreement dated March 27, 2017 to acquire the shares of Karachi Properties Investment Company (Private) Limited

During 2011, the Government of Sindh through Cultural and Heritage Department (the Department) served a public notice which included the name of the Karachi Properties Investment Company (Private) Limited (KPI) restricting the demolition work on account of destruction of Protected Heritage under Sindh Cultural Heritage (Preservation) Act, 1994. Accordingly, the Company could not continue with the process of demolishing the structure in order to construct a plaza on the lease hold land.

During the year of 2016, Cultural, Tourism and Antiquities Department of Government of Sindh (CTAD) approved the redevelopment proposal submitted by the KPI subject to strict adherence to the undertakings given by the KPI including three major conditions which are i) construction of new project in accordance with applicable building regulations; ii) accessibility of general public to onsite museum, proposed to be established by the KPI, that will be located on the ground floor; iii) creating parking area for at least 1400 cars. On October 14, 2016, the Advisory Committee of CTAD also granted permission in principle to submit the development plan to Technical Committee of Sindh Cultural Heritage that will be submitted by the Company in due course.

On July 27, 2017, the judgment of Sindh High Court passed in favor of the KPI and the court has set aside the notice of CTAD and granted status-quo in respect of the property, further the court also highlighted that the notice of CTAD was in clear conflict with the Heritage Act, 1994.

	Note	2017	2016
		Rupees in thousand	
7 INTANGIBLE ASSETS			
Software and licenses			
Cost			
Opening balance		222	222
Addition during the year		9,215	-
Closing balance		9,437	222
Accumulated Amortization			
Opening balance		(73)	-
Amortization for the year		(2,453)	(73)
Closing balance		(2,526)	(73)
Net book value as on June 30, 2013		6,911	149
Goodwill			
As at 1 July		654,919	654,919
Additions during the year		-	-
Impairment during the year		-	-
As at 30 June		654,919	654,919
Total		661,831	655,069
8 LONG TERM INVESTMENT			
Long term investment - at cost			
Dynasel Limited		200,433	200,433
		200,433	200,433

8.1 The subsidiary company (VMFG) has made investment in M/s. Dynasel Limited up to the extent of amount mentioned as above. The investment is measured at cost. At present investment in this category is under litigation in Honourable Lahore High Court Lahore. The management anticipates a favourable outcome of this petition. Hence, no provision has been made.

	Note	2017	2016
9 LONG TERM LOAN - UNSECURED			
Opening balance		16,710	20,106
Fair value adjustment - current year		1,570	1,570
		18,280	21,676
Received during the year		(4,966)	(4,966)
		13,314	16,710
Receivable within one year	9.1	(4,966)	(4,966)
Closing balance		8,348	11,744

9.1 This unsecured loan has been given to Sui Northern Gas Pipelines Limited on soft term basis for the development of infrastructure for supply of natural gas to the subsidiary company's (HFL) Rahim Yar Khan Plant. Markup is charged at the rate of 1.5% per annum (2015: 1.5% per annum). This amount is receivable in 10 equal annual installments which commenced from February 2011.

In compliance with IFRS, this loan, initially amounting to Rs. 49.659 million has been recorded at fair value on initial recognition calculated using a rate of 10.48% per annum. Loss on initial recognition was Rs. 22.850 million which is being amortized over the period of loan.

	Note	2017	2016
10 LONG TERM DEPOSITS			
Lease security deposits		6,299	11,533
Other deposits		780	6,528
		7,079	18,061
Current Maturity		(880)	(11,533)
Provision for doubtful deposits	10.1	(365)	(365)
		5,834	6,163

10.1 Provision for doubtful deposits

	2017	2016
Opening balance	(365)	-
Charge for the year	-	(365)
Write off during the year	-	-
Closing Balance	(365)	(365)

		Note	2017	2016
			Rupees in thousand	
11	**STORES, SPARES AND LOOSE TOOLS**			
	General store		52,364	89,836
	Chemical	11.1	4,973	9,374
	Spares	11.2	191,113	191,588
	Loose Tools		323	510
			248,773	291,308
	Provision for slow moving/ obsolete items	11.3	(57,568)	(57,471)
			191,205	233,837

11.1 This includes chemicals in transit amounting to Rs. 9,483 (2016: 3.833 million).

11.2 This includes spares in transit amounting to Rs. 7.808 million (2016: Rs. 6.117 million).

11.3 **Provision for slow moving / obsolete items**

	2017	2016
Opening balance	57,471	31,603
Charge for the year	193	25,868
Reversal during the year	(96)	-
Write off during the year	-	-
	97	25,868
Closing balance	57,568	57,471

		Note	2017	2016
12	**STOCK IN TRADE**			
	Raw Material	12.1	1,155,810	756,757
	Provision for obsolete stock	12.2	(14)	(1,638)
			1,155,796	755,119
	Packing Material	12.3	162,502	180,007
	Provision for slow moving / obsolete stock	12.4	(3,607)	(22,588)
			158,895	157,419
	Work in Process		6,878	10,886
	Finished Goods		173,943	136,620
			1,495,512	1,060,044

12.1 This includes raw materials in transit amounting to Rs. 29.755 million (2016: Rs. 248 million).

12.2 **Provision for obsolete stock**

	2017	2016
Opening balance	1,638	3,061
Charge for the year	-	795
Reversal during the year	(1,599)	(2,218)
Write off during the year	(25)	-
	(1,624)	(1,423)
Closing balance	14	1,638

12.3 Packing material include material in transit valuing Rs.Nil (2014: Rs.0.128 million).

12.4 **Provision for slow moving / obsolete stock**

	2017	2016
Opening balance	22,588	22,612
Charge for the year	5,569	-
Reversal during the year	-	(24)
Write off during the year	(24,550)	-
	(18,981)	(24)
Closing balance	3,607	22,588

Provision represents raw and packaging materials which are either obsolete or used in products which the subsidiary company (HFL) has discontinued. There is no likelihood of future production or consumption, accordingly these raw and packaging materials have been provided for in the current year.

		Note	2017	2016
13	**TRADE DEBTS - UNSECURED**			
	Considered			
	- Good		28,874	23,562
	- Doubtful		21,542	263,623
			50,416	287,185
	Provision for doubtful debts	13.1 & 13.2	(21,542)	(263,623)
			28,874	23,562

13.1 These represent amounts due from institutions, accounts with international chain and direct distribution to retailers of the subsidiary company (HFL) (comprising large number of individual retail shops) outstanding since long.

	Note	2017	2016
		Rupees in thousand	
13.2 Provision for doubtful debts			
Opening balance		263,623	263,826
Charge for the year		933	-
Reversal during the year		(243,014)	(203)
		(242,081)	(203)
Closing balance	13.3	21,542	263,623

13.3 Aggregate amount due from Directors, Chief Executive, Executives and other related parties of the Company is Rs. Nil.

14 LOAN AND ADVANCES

	Note	2017	2016
Due from associated companies, considered good		-	435
Less: Write off during the year		-	(435)
		-	-
Current portion of:			
- long term loan, considered good	9.1	4,966	4,966
Advance payments - unsecured, considered good			
- Suppliers and contractors	14.1	91,616	61,727
- Employees	14.2	22,365	18,935
		113,981	80,662
Considered doubtful			
- Suppliers and contractors		29,515	29,515
- Employees		1,039	1,039
		30,554	30,554
		149,501	116,182
Provision for doubtful advances	14.3	(30,554)	(30,554)
		118,947	85,628

14.1 These advances are in the normal course of business, unsecured and interest free.

14.2 Aggregate amount due from Directors, Chief Executive, Executives and other related parties of the Group are Rs. Nil.

14.3 Provision for doubtful advances

	Note	2017	2016
As at 01 July		30,554	15,233
Charge for the year		-	15,321
Reversal of provision during the year		-	-
As at 30 June	14.3.1	30,554	30,554

14.3.1 These represent amounts given as an advance to suppliers, contractors and employees of the company under the normal course of business. These are long outstanding balances.

15 RENT RECEIVABLE

	2017	2016
Unsecured - Considered good	2,337	-
Unsecured - Considered doubtful	314	-
	2,651	-
Provision for doubtful debts	(314)	-
	2,337	-

Movement of provision for doubtful debts is as follows:

	2017	2016
Opening balance		
Provision (reversed) during the year	752	-
Closing balance	(438)	-
	314	-

		Note	2017	2016
			Rupees in thousand	
16	ADVANCE, DEPOSITS, AND PREPAYMENTS			
	Advance & Deposits		58,182	134,580
	Prepayments		11,714	3,005
	Other receivables		240	-
			70,136	137,585
	Less: provision for doubtful deposits	16.1	(4,941)	(4,941)
			65,195	132,644
16.1	Provision for doubtful deposits			
	Opening balance		4,941	2,794
	Charge for the year		-	2,147
	Reversal for the year		-	-
	Closing balance		4,941	4,941
17	OTHER RECEIVABLES			
	Insurance claim receivable		2,864	9,059
	Excise Duty of Candia Bottle		32	32
	Custom Duty receivable		2,951	2,951
	Mark-up receivable		86	114
	Transfer from long term security deposits		880	11,533
	Receivables from directors		-	68,261
	Others		-	2,133
			6,813	94,083
18	TAX REFUNDS DUE FROM THE GOVERNMENT			
	Considered good			
	Sales tax refundable	18.1	1,327,200	1,766,875
	Considered doubtful			
	Sales tax refundable		334,732	334,732
	Less: provision for doubtful refunds	18.2	(334,732)	(334,732)
			-	-
	Advance income tax		42	-
			1,327,242	1,766,875

18.1 This relates to zero rated dairy products of the subsidiary company (HFL) vide SRO 549(1)/2008 dated 11 June 2008.

		Note	2017	2016
18.2	Provision for doubtful refunds			
	As at 01 July		334,732	109,203
	Charge for the year		-	225,529
	As at 30 June	18.2.1	334,732	334,732

18.2.1 These represent sales tax refunds on account of input tax adjustment, which have been deferred by the tax department due to various objections. Considering the past practice of the department in allowing the refunds of the subsidiary company (HFL) and the balances recovered thereon, these balances have been considered doubtful and are fully provided.

		Note	2017	2016
19	SHORT TERM INVESTMENT			
	Listed equity shares - At Fair Value Through Profit or Loss	19.1	926,636	467,990
	Investment in Mutual Funds - At Fair Value Through Profit or Loss	19.2	5,633,918	712,782
	Investment in Term Deposit Receipts - Held-to-Maturity	19.3	12,122,500	-
			18,683,054	1,180,772

19.1 Listed Equity Shares - At Fair Value Through Profit Or Loss

	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
	Shares/Certificates		*(Rupees in thousand)*	
Automobile Assembler	7,750	-	6,725	-
Cable and electrical goods	156,000	-	17,210	-
Cement	2,195,500	-	301,276	-
Chemicals	3,742,800	4,942,800	206,752	318,712
Commercial Banks	58,000	-	9,162	-
Enggeering	25,000	-	3,197	-
Fertilizers	268,000	-	35,284	-
Food and personal care products	45,000	-	5,467	-
Oil and gas exploration	165,800	265,800	23,326	36,699
Oil and gas marketing	863,000	-	114,384	-
Paper & board	63,150	30,150	43,926	19,182
Pharmaceuticals	64,200	1,550	33,524	1,169
Power Generation	17,269,000	11,269,000	120,538	92,228
Refinery	12,000	-	4,591	-
Transport	55,000	-	1,274	-
	24,990,200	16,509,300	926,636	467,990

19.2 Investment in Mutual Funds

	Units		Net assets value as at 30th June 2017 (Rupees In thousands)	
	2017	2016	2017	2016
Meezan islamic fund	19,075,869	-	1,457,587	-
Meezan energy	3,623,845	-	182,026	-
Meezan index	9,725,888	-	773,792	-
HBL-IFPF-strategic allocation plan	20,055,600	-	2,008,288	-
ABL Cash Fund	119,919,127	-	1,212,226	-
ABL Government Securities Fund-B		71,082,921		712,782
	172,400,329	71,082,921	5,633,918	712,782

19.3 The subsidiary company (IDBL) has invested in TDR of (Rs. 12.1225 billion) last year (Nil) with Habib Bank Limited which carry markup @ 5.90% per annum.

	Note	2017	2016
		Rupees in thousand	

20 CASH AND BANK BALANCES

Cash in Hand		420	369
Cash at Bank			
- Current account		130,833	151,723
- Saving account		873,193	66,417
		1,004,026	218,140
		1,004,446	218,509

20.1 This includes foreign currency bank balances amounting to Rs. 61,803 (2016: Rs. 61,803)

20.2 Savings accounts carry mark-up at the rates varying from 4% to 5% per annum (2016: 5% to 5.5% per annum).

21 SHARE CAPITAL

2016	2015			
No of shares				
Authorised capital				
130,000,000	130,000,000	Ordinary shares of Rs 10/- each	1,300,000	1,300,000
Issued, subscribed & paid up capital				
117,016,160	117,016,160	Ordinary shares of Rs 10/- each	1,170,162	1,170,162

22 SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance	1,461,553	1,679,891
Surplus arisen on revaluation carries out during the year	-	-
transferred to accumulated loss on account of:		
- incremental depreciation for the year	(113,009)	(141,246)
- realized on impairment of revalued fixed assets	-	(77,092)
- realized on deposal of revalued fixed assets	(16,442)	-
	(129,451)	(218,338)
	1,332,102	1,461,553
Less: Related deferred tax liability		
- surplus on revaluation of fixed assets - opening	(352,440)	(417,942)
- surplus on revaluation of fixed assets - during the year	-	-
- impairment of revalued fixed assets	-	-
- incremental depreciation	33,903	42,374
- realized on impairment of revalued fixed assets	-	23,128
- realized on disposal of revalued fixed assets	4,937	-
	(313,601)	(352,440)
Closing Balance	1,018,502	1,109,113

23 LONG TERM FINANCE

	Note	2017	2016
Meezan bank limited	24.1 & 24.2	1,989,000	1,000,000
Dubai Islamic bank limited	23.3	-	500,000
		1,989,000	1,500,000
less: current maturity of long term loan		(69,725)	-
		1,919,275	1,500,000

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23.1 The subsidiary company (IDBL) had obtained Rs. 1,489,000,000 of Diminishing Musharka Finance from Meezan Bank Limited. The finance carries mark up rate of 3 months KIBOR + 0.50%. The finance is secured by pledged of Al-Meezan Investments mutual funds, shares of public listed companies and cash collateral.

23.2 The subsidiary company (IDBL) had obtained Rs. 500,000,000 of Diminishing Musharka Finance from Meezan Bank Limited. The finance carries mark up rate of 3 months KIBOR + 0.75%. The finance is secured by One pari passu hypothecation charge over stores and spares of Rs. 66 million on 14 October 2013, as well as properties and personal guarantees of directors.

23.3 During the financial year, IDBL has settle its dues / loan with Dubai Islamic Bank.

	Note	2017	2016
		Rupees in thousand	
24 LONG TERM DEPOSITS			
Security deposits from tenants	24.1	660	-

24.1 These represent interest free security deposits received from the tenants of the subsidiary company (KPI), repayable on the cancellation or expiry of rental agreements entered into with the tenants.

		2017	2016
25 DEFERRED TAXATION			
As at 01 July		412,134	417,094
Charged to profit and loss for the year		10,495	20,946
Charged to Equity		-	(23,128)
Charged to OCI		(955)	(2,778)
As at 30 June		421,674	412,134
The deferred tax liability / (asset) comprises of :			
Taxable temporary differences arising in respect of:			
- Accelerated tax depreciation		351,427	282,096
- Deferred tax liability on revaluation surplus		313,601	352,440
		665,028	634,536
Deductible temporary differences arising in respect of:			
- Others		(239,617)	(218,586)
- Actuarial loss		(3,733)	(3,816)
		(243,350)	(222,402)
		421,678	412,134
26 TRADE AND OTHER PAYABLES			
Creditors		627,033	1,039,250
Bills Payable		946	946
Retention money		1,780	73,811
Due to associated undertakings	26.1	5,404	5,404
Accrued expenses		556,970	711,174
Advance payments		88,105	102,375
Payable to Gratuity Fund	27	129,611	94,009
Due to provident fund		89	56
Income tax deducted at source		-	9,256
Sales Tax suppliers deducted at source		19,006	9,204
Workers' (Profit Participation Fund		60,524	96,706
Workers' Welfare Fund		17,866	62,326
Payable to Ex-Shareholders of Subsidiary (KPI)		81,614	-
Advance received from Customers		126,910	-
Payable to Financial Institutions		103,586	6,215
Others		1,663	3,690
		1,821,107	2,214,422

26.1 This represent the balance arisen due to normal trading transactions carried in the ordinary course of business.

27 PAYABLE TO GRATUITY FUND

27.1 The amount included in respect of defined benefit retirement plan is as follows:

27.2 The subsidiary companies (HFL and KPI) operates a funded gratuity scheme for all of its employees who have completed the qualifying period as defined under the scheme. Contributions are made to the scheme based on actuarial recommendations. The actuarial valuation was carried out as at June 30, 2017 using the Projected unit Credit Method.

27.3 Amounts recognized in the balance sheet:	Note	2017	2016
		Rupees in thousand	
Present value of the defined benefit obligation		154,404	117,832
Fair value of the plan assets		(24,793)	(23,823)
Net liability recognized in the balance sheet		129,611	94,009

	Note	2017	2016
		Rupees in thousand	
27.4 Movement in the present value of the defined benefit obligation:			
Present value of define benefit obligation at the beginning of the year		117,832	90,984
Acquisition of subsidiary - KPI		6,914	-
Current service cost		29,286	28,918
Interest cost		8,318	7,991
Benefits paid during the year		(10,373)	(18,056)
Actuarial loss during the year		2,427	7,995
Present value of defined benefit obligation at the end of the year		154,404	117,832
27.5 Movement in the fair value of plan assets:			
Fair value at the beginning of the year		23,823	22,586
Interest income on plan assets		1,726	2,202
Contributions		9,684	18,056
Benefits paid during the year		(9,684)	(18,056)
Return on plan assets, excluding interest income		(756)	(965)
Fair value at the end of the year		24,793	23,823
27.6 Movement in liability:			
Staff gratuity fund at the beginning of the year		94,009	68,398
Acquisition of subsidiary - KPI		6,914	-
Expense chargeable to P&L		35,877	34,707
Remeasurements chargeable in other comprehensive income		3,183	8,960
Contributions		(10,373)	(18,056)
Net liability		129,611	94,009
27.7 Amount recognized in profit and loss:			
Current service cost		29,286	28,918
Interest cost		8,318	7,991
Expected return on plan assets		(1,726)	(2,202)
		35,877	34,707
27.8 Actual return on plan assets		970	1,237
27.9 Plan assets (HFL) consist of the following:			
Habib Islamic Investment Certificate		5,000	5,000
Meezan Amdan Certificate		11,000	11,000
Cash at bank on current and saving accounts		8,793	7,823
		24,793	23,823

27.10 Principal actuarial assumptions used were as follows:	2017	2016
Discount rate per annum	7.25%	7.25%
Expected return on plan assets per annum	7.25%	7.25%
Future salary increase per annum	5.25%	5.25%
Average expected remaining working lifetime of employees	9 years	10 years

27.11 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is

	2017	2016
	(Rupees in thousand)	
Discount rate + 100 bps	134,768	108,694
Discount rate - 100 bps	163,324	128,469
Salary increase + 100 bps	163,482	128,947
Salary increase - 100 bps	134,420	108,111

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the statement of financial position.

	Note	2017	2016
		Rupees in thousand	

28 PROVIDENT FUND DISCLOSURE:

Details in respect of provident fund of the subsidiary company (HFL) are as follows:

		2017	2016
Size of the provident fund		12,532	10,607
Cost of investments		30,214	30,656
Percentage of investments to provident fund size		295%	374%
FV of investments (All investments are held to maturity and are carried at cost)		36,973	39,679
Breakup of investments:			
National savings scheme		18,289	16,023
Islamic certificates		16,668	14,000
Mutual funds		-	3,000
Bank deposits		2,016	6,656
		36,973	39,679

28.1 The figures for 2017 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the (repealed) Companies Ordinance,1984 and the rules formulated for this purpose.

29 PROFIT PAYABLE

	Note	2017	2016
Accrued profit			
Lease finance charges		-	-
Profit accrued on			
- long term finances		-	-
- supplier's credit		-	9,259
- short term borrowings		21,140	11,613
		21,140	20,872
		21,140	20,872
Overdue profit		-	-
		21,140	20,872
30 LOAN FROM ASSOCIATED UNDERTAKINGS	30.1	4,604,569	3,321,235

30.1 It is the interest free loan which has been provided by the associated undertakings for the purpose of meeting the working capital requirements & project related costs of the Group. The repayment of this loan will be payable on demand.

31 PROVISION FOR TAXATION

		2017	2016
Closing balance		98,137	95,037

The income tax assessments of subsidiary company (KPI) have been assessed including tax year 2013, however, KPI has filed various appeals with the appellate authorities in respect of assessment years 1991 – 1992 to 2001 – 2002 which are pending.

These appeals relate mainly to:

(a) the reopening of the original assessment by the Inspecting Additional Commissioner (IAS) in respect of assessment year 1991-92 to 1993–94 and 1996–1997 to 2000–2001 on the grounds that the income of the Company is subject to determination on the basis of Annual Letting Value of the property, resulting in additional tax liability of Rs.19,771,007. The Company filed appeals with the Income Tax Appellate Tribunal (ITAT) and the honourable High Court of Sindh, which were decided against the Company. The subsidiary company has, thereafter, filed an appeal with the Honourable Supreme Court of Pakistan which is currently pending adjudication.

(b) disallowance of various expenses in respect of assessment year 1994–95, 1995–96 and 2001–2002 resulting in additional tax liability of Rs.11,911,912. The subsidiary company has filed appeals with the Commissioner of Income Tax therewith.

Although the subsidiary company is contesting the above mentioned issues at various levels, the management of the Company has made full provision there against. From the total demand of Rs. 31,682,919, the Company has paid Rs. 17,029,636 to Income Tax Authorities.

	Note	2017	2016
		Rupees in thousand	
32 ACCRUED CHARGES AND OTHER LIABILITIES			
Accrued liabilities		1,450	-
Workers' Welfare Fund	32.1	759	-
Sales tax payable		401	-
Advance rent		192	-
		2,802	-

32.1 Workers' Welfare Fund

Balance at the beginning of the year	599	-
Allocation for the year	160	-
	759	-

	2017	2016
33 SHORT TERM BORROWINGS - RUNING FINANCE FACILITY	9,364,079	798,910

33.1 The subsidiary company (IDBL) had obtained Rs. 8,072,213,165 (2016 Nil) of running finance facility from Habib Bank Limited. The finance carries mark up rate of 3 months KIBOR - 0.10%. This facility is secured against liquid assets i.e. deposit and / or units of money market / capital protected mutual funds in favour of HBL with NIL margin.

33.2 The subsidiary company (HFL) had obtained Rs. 1,291,886 (2016: Rs. 798,910) of running finance facility. Short term finance facilities are available from commercial banks aggregating to Rs. 1,000 million (2016: Rs. 1,000 million). Furthermore, the company can also avail short term finance or letter of credit facility up to Rs. 1,500 million (2016: Rs. 1,000 million) which is wholly backed by mutual fund investment in minimal risk funds (Cash Fund/ Government Securities Fund) with 5% margin. Short term finance facilities carry mark-up ranging from 3 months KIBOR + 15 bps per annum to 3 months KIBOR + 100 bps per annum (2016: 3 months KIBOR + 25 bps per annum to 3 months KIBOR + 100 bps per annum) with no floor and no cap, payable quarterly for utilized portion of the facility.

In addition, non funded facilities of letter of credit amounting to Rs. 1,500 million (2016: Rs. 1,500 million) and for letter of guarantee amounting to Rs. 100 million (2016: Rs. 100 million) were also provided by these banks. The letter of guarantee (100 million) and the above referred short term finance facilities (1,000 million) are a sub-limit of letter of credit.

The running finance facility and letter of credit are secured by charge over all present and future current and fixed assets with 25 % margin and pledge/lien on Mutual Fund investment in Cash fund of Reputable Asset Management Company (AMC) with 5 % margin. Letter of credit is also secured by pari passu charge over all present and future current and fixed assets of Haleeb Foods limited with 25 % margin and lien over import documents/accepted bill of exchange. Letter of guarantee is secured by 100% cash collateral to the extent of Rs. 63 million (2016: Rs. 63 million) and remaining through charge over plant and machinery of the Company.

As at 30 June 2017, the unutilized facility under letter of credit amounted to Rs. 1,289 million (2016: Rs. 1,049 million).

34 CONTINGENCIES AND COMMITMENTS

34.1 Contingencies

The Group, based on opinion of legal advisors, is hopeful of favorable outcome in the following cases. Accordingly no provision has been recorded in these financial statements.

34.1.1 Cases in respect of certain shops / offices

Cases in respect of certain shops / offices are pending in Courts of law. Based on the advice of its legal counsel, the management is confident that the ultimate outcome of these cases will be in its favour and the subsidiary company (KPI) is not exposed to any liability.

34.1.2 Custom's cases

The Collectorate of Customs, Sales Tax and Central Excise Duty has issued an order against the subsidiary company (HFL) dated April 23, 2004 in which the HFL was accused of allegedly evading sales tax amounting to Rs. 5.770 million on Candia Tea Max milk by treating them as exempt supplies. The Collectorate directed the HFL to deposit the evaded amount along with the additional tax and penalty. The Collectorate of Customs, Sales Tax and Central Excise Duty noted in its order that Candia Tea Max is neither fresh nor dried milk as exempted by 6th Schedule of Sales Tax Act 1990 and therefore liable to pay sales tax on its supply. HFL filed an appeal against this order in Appellate Tribunal who vide its order dated August 31, 2006, had set-aside the order of the Additional Collectorate and has remanded back the case to the Collector for de novo consideration.

34.1.3 Sales tax cases

In respect of tax periods from January 2011 to February 2012, the subsidiary company (HFL) has filed writ petition in the Lahore High Court (LHC), Lahore against the show cause notice dated August 27, 2012 issued by the Deputy Commissioner Inland Revenue, Large Taxpayers Unit, Lahore for recovery of sales tax amounting to Rs.158.879 million. The issue involved is that PCT Heading 1901.9090 of the prime product of the subsidiary company - HFL Tea Max is appearing in both the zero rating SRO 549 and in the sixth schedule of the sales tax act, 1990.The case is sub-judice in the Lahore High Court. The subsidiary company - HFL has obtained stay order from the Lahore High Court.

The DCIR has issued Order in Original No.01/2013 & Order in Original No.02/2013 both dated May 27, 2013 while rejecting the input tax claim amounting to Rs. 7.652 million and Rs.0.563 million for the tax periods of December 2011 and January 2012 respectively, in terms of section 7 and 10 of the Sales Tax Act, 1990 read with Sales Tax Rules, 2006 notified vide S.R.O 555(I)/2006 dated June 05, 2006. The subsidiary company - HFL has filed an appeal before the Commissioner Inland Revenue (Appeals) who have declared both the orders illegal vide orders dated September 27, 2013. Tax department have filed appeals in the Appellate Tribunal Inland Revenue against the orders of the Commissioner Inland Revenue (Appeals).

The Deputy Commissioner Inland Revenue has issued an Order in Original No.A-02/2013 while making certain demand amounting to Rs.59.418 million under section 25 of the Sales Tax Act, 1990 for the tax period from July 2009 to June 2010. The subsidiary company - HFL filed an appeal before the Commissioner Inland Revenue (Appeals) against this order on June 25, 2013 and the Commissioner Inland Revenue (Appeals) vide order dated August 30, 2013 decided the case in favor of the subsidiary company - HFL and has set aside the demand of PKR 59.418 million. Tax department have filed appeal in the Appellate Tribunal Inland Revenue against the order of the Commissioner Inland Revenue (Appeals).

In respect of tax period from July 2013 to June 2014, the subsidiary company - HFL has filed writ petition in the Lahore High Court (LHC) against the show cause notice dated February 11, 2015, issued by the Deputy Commissioner Inland Revenue, Large Tax Payer Unit, Lahore for recovery of Sales Tax amounting to Rs. 4.707 million. The issue involved is that department is of the opinion that flavored milk falls under PCT heading No. 2202.90 and is not zero rated under SRO 670 (I)/2013. Lahore High Court, Lahore has decided the writ petition vide order dated March 16, 2017 and has referred the matter to Federal Board of Revenue, Islamabad for classification of flavored milk. Hearing in Federal Board of Revenue, Islamabad is in process.

In respect of tax periods July 2014 to December 2014, the subsidiary company - HFL has filed writ petition in the Lahore High Court (LHC) against the show cause notice dated March 2, 2015, issued by the Deputy Commissioner Inland Revenue, Large Tax Payer Unit, Lahore, for recovery of Sales Tax amounting to Rs. 2.328 million from July 2014 to December 2014. The issue involved is that department is of the opinion that flavored milk falls under PCT heading No. 2202.90 and is not zero rated under SRO 608 (I)/2014. Lahore High Court, Lahore has decided the writ petition vide order dated 16 March 2017 and has referred the matter to Federal Board of Revenue, Islamabad for classification of flavored milk. Hearing in Federal Board of Revenue, Islamabad is in process.

In respect of February 2013, the Deputy Commissioner Inland Revenue has issued an Order in Original No.05/2015 dated May 23, 2015, while making demand amounting to Rs.3.034 million under the Sales Tax Act, 1990 on account of input claimed on advertisement services for the tax period February 2013. The subsidiary company - HFL filed an appeal before the Commissioner Inland Revenue (Appeals) against this order which has been decided in favor of the subsidiary company - HFL. Department has filed an appeal before Income Tax Appellate Tribunal which is pending.

Deputy Commissioner Inland Revenue (DCIR) vide order dated December 03, 2015 created a demand of Rs. 6.7 million for non withholding of sales tax on advertisement and sales promotion expenses during the tax periods from July 2009 to June 2012. The subsidiary company - HFL had filed an appeal before Commissioner Inland Revenue (Appeals), who after hearing the case, decided the appeal in favor of the subsidiary company - HFL. Being aggrieved with the order, tax department has filed appeal in the Appellate Tribunal Inland Revenue. Hearing of the appeal is pending.

Deputy Commissioner Inland Revenue (DCIR) issued the subsidiary company - HFL a notice dated January 27, 2015 whereas he is of the view that zero rating appearing in SRO 549 of 2008 is only restricted to import and supplies thereof. The subsidiary company - HFL has filed writ petition in the Lahore High Court (LHC) and have obtained stay. The proceedings are in process.

Deputy Commissioner Inland Revenue (DCIR) vide order dated August 13, 2015 rejected subsidiary company - HFL's deferred sales tax refund claims amounting to Rs. 45 Million. The subsidiary company - HFL has filed an appeal before Commissioner Income Tax (Appeals) who has remanded the case back to Deputy Commissioner Inland Revenue (DCIR).

Deputy Commissioner Inland Revenue (DCIR) had issued the subsidiary company - HFL a notice dated August 19, 2015 demanding Rs. 2.8 Million on account of proration of input tax associated with exempt sales. subsidiary company - HFL has challenged the notice before Lahore High Court and have obtained stay. Proceedings are pending.

Deputy Commissioner Inland Revenue (DCIR) vide order dated December, 28 2015 had determined the demand of Rs. 1 Million on account of default surcharge due to excess sanction of refund amount of Rs. 3.6 Million. Commissioner Income Tax (Appeals), vide order dated February 9, 2016 has confirmed the order of DCIR. The subsidiary company - HFL has filed an appeal before Appellate Tribunal which is pending.

DCIR vide Order No. 24/2015-16 dated May 31, 2016 has created a demand of Rs. 201 million for tax periods from 01 July 2013 to 30 June 2014. The subsidiary company - HFL had filed an appeal before Commissioner Inland Revenue (Appeals), who after hearing the case, decided the appeal in favor of the subsidiary company - HFL. Being aggrieved with the order, tax department has filed appeal in the Appellate Tribunal Inland Revenue. Hearing of the appeal is pending.

DCIR has issued an Order dated August 16, 2017 while making demand amounting to Rs. 76.452 million under section 7, 8(1)(a) to 8(1)(1) of the Sales Tax Act, 1990 for inadmissibility of input tax claimed for the sales tax periods from July 2015 to June 2016. Being aggrieved with the order, the subsidiary company - HFL had filed an appeal before the Commissioner Inland Revenue (Appeals) on the grounds that the goods and services were used in the manufacturing premises. Proceedings are still pending.

34.1.4 Income tax cases

The Taxation Officer had made certain additions/disallowances in the assessment and created a demand of Rs. 9.174 million under section 122(5) of the Ordinance for the Tax Year 2006. The subsidiary company (HFL) had filed an appeal before the Commissioner Inland Revenue (Appeals) and the Commissioner Inland Revenue (Appeals) vide order dated August 19, 2013 decided the case by deleting the additions related to proration of WWF between NTR and FTR, Provisional exchange loss and gain on sale of fixed assets and decided the case in favor of the subsidiary company - HFL other then Rejecting of calculation of percentage for proration of expenses between NTR and FTR and addition on account of gratuity and maintained the order of the DCIT on other above matters. However, a rectification application was filed before the CIR (A) by the subsidiary company - HFL. Moreover, the department has preferred an appeal against the order passed by CIA (Appeals) on the issues settled in favor of the subsidiary company (HFL). Proceedings are still pending.

The Taxation Officer has passed order u/s 161/205 of the Ordinance for Tax Year 2009 on account of non-deduction of tax on payments and created a demand of Rs. 10.633 million. The subsidiary company (HFL) had filed an appeal before the Commissioner Inland Revenue (Appeals) who had decided the appeal in favor of the subsidiary company - HFL. Tax department has filed appeal in the Appellate Tribunal Inland Revenue against the order of the CIR (Appeals). Proceedings are pending.

The Taxation Officer had made certain additions/disallowances in the assessment and created a demand of Rs. 5.702 million for the Tax Year 2011. The subsidiary company (HFL) had filed an appeal before the Commissioner Inland Revenue (Appeals) which is pending for hearing.

The Taxation Officer had issued audit report to the subsidiary company (HFL) after conducting audit of the subsidiary company - HFL under section 214 (c) and 177 of the Ordinance for the Tax Year 2014. subsidiary company (HFL) has filed its reply to the audit report issued by the tax department. No further correspondence has been made by the tax department in this regard.

DCIR had made certain additions/disallowances in the assessment completed u/s 122(5)(A) of the Ordinance for Tax Year 2007 and created a demand of Rs. 42.423 million. The subsidiary company (HFL) had filed an appeal before Commissioner Inland Revenue (Appeals), who after hearing the case, decided the appeal in favor of the subsidiary company (HFL) in case of certain matters and maintained the order of the DCIR on other matters. Both Department and the subsidiary company (HFL) have filed the appeals in front of the Appellate Tribunal Inland Revenue against the aforesaid order. Proceedings are still pending.

Income tax return for tax year 2010 was filed on January 15, 2011 which is deemed to be an assessment order in terms of section 120 of the Ordinance. The Federal Board of Revenue (FBR) selected the case under section 214C of the Ordinance for audit under section 177 of the Ordinance. The proceedings were finalized by the DCIR by creating tax demand of Rs. 127.559 million vide order dated October 30, 2013 under section 122(1)/122(5) of the Ordinance while making various additions. However, during the perusal of the order, it was revealed to the subsidiary company (HFL) that the concerned DCIR failed to adjust the available losses and also added various expenses twice in computing the taxable income for the year. Therefore, the subsidiary company (HFL) filed rectification application, to rectify the said matters, under section 221 of the Ordinance. The concerned DCIR has rectified the said order and reduced the demand to Rs. 5.618 million. The subsidiary company (HFL) preferred appeal against the aforementioned order before the CIR (Appeals) who vide Order No. 23 dated March 30, 2015, deleted the additions at Sr. No. 3, 6, 9, 11, 14and 15 and reduced addition stated at Sr. No. 12 from Rs. 31.023 million to Rs. 3.959 million. The subsidiary company - HFL has filed an appeal before the ATIR against the said order of the CIR (Appeals),which is pending adjudication.

34.1.5 Other

In addition, various consumers and ex-employees have lodged petitions at various appellate forums and consumer courts. Because of their nature it is not possible to quantify their financial impact at present. However, the management and the subsidiary company (HFL)'s legal advisors expect the outcome of these cases to be favorable and a liability, if any, arising on settlement is not likely to be material. Accordingly, no provision has been recorded.

34.1.6 The suit is filed by Faysal Bank Limited against Dynasel Limited vide suit C.O.S No. 28 of 2014 where the subsidiary company (VMFG) is a respondent No. 9 on the basis of Corporate Guarantee provided. VMFG has provided the corporate guarantee to Faysal Bank Limited amounting to Rs. 385,000,000/-. As per the Corporate Guarantee, the obligations of VMFG (Private) Limited will be 50% of the amount of Corporate Guarantee due and payable by Dynasel Limited. Moreover, the bank has also not complied with the requirement of clause 4 of the Corporate Guarantee according to which the bank should have invoked guarantee prior to filing of the suit. The Company also has counter guarantee from Dynasel Limited's Shareholders for all the amount in its favour to mitigate any adverse outcome of the suit.

34.2 Commitments

34.2.1 Counter guarantees given by the subsidiary company (HFL) to its bankers outstanding as at June 30, 2017 were for Rs. 92.6 million (2016: Rs. 103.3 million).

34.2.2 Commitments for irrevocable letters of credit outstanding at the year-end of HFL were Rs. 211 million (2016: Rs. 451 million) and represents sight LCs opened for the purchase of raw material, stores and packing machine.

34.2.3 Habib Metropolitan Bank Limited has issued bank guarantee amounting to Rs. 6.497 million to subsidiary company (IDBL) (2016: Rs. 6.497 million) in favour of Karachi Building Control Authority as at the balance sheet date.

	Note	2017	2016
		Rupees in thousand	
35 SALES - NET			
Gross Revenue		12,491,771	15,631,571
Discounts		(50)	(49)
Replacements		(61,552)	(76,865)
Discounting charges		-	-
Sales tax		(108,888)	(102,802)
		(170,490)	(179,716)
Processing Income		369	18,545
		12,321,650	15,470,400

	Note	2017	2016
36 COST OF SALES			
Raw material consumed		4,864,609	5,682,868
Packing material consumed		3,360,390	3,877,444
Salaries, wages and benefits	36.1	438,148	375,711
Stores consumed		265,949	327,351
Fuel and Power		376,985	434,195
Repair and maintenance		77,009	99,333
Insurance		16,060	9,208
Technical fees		1,686	439
Depreciation		327,283	353,249
Travelling, conveyance and vehicles' running		29,251	34,180
Communication		2,281	2,125
Provision for slow moving / obsoletes stores, spares and loose tools		193	25,868
Provision for slow moving / obsolete stock in trade		-	795
Others		84,828	67,698
		9,844,672	11,290,464
Work in Process			
Opening		10,886	13,989
Closing		(6,878)	(10,886)
		4,008	3,103
Cost of goods manufactured		9,848,680	11,293,567
Finished goods			
Opening		136,620	543,277
Closing		(173,943)	(136,620)
		(37,323)	406,657
		9,811,357	11,700,224

36.1 Salaries, wages and benefits include Rs. 0.710 million (2016: Rs. 0.715 million) in respect of provident fund contribution and Rs. 26.1 million (2016: Rs. 22.7 million) in respect of staff retirement benefits - gratuity.

	Note	2017	2016
37 DISTRIBUTION AND MARKETING EXPENSES			
Salaries and benefits	36.1	218,558	171,532
Travelling and conveyance		27,919	36,003
Rent, rates and taxes		5,172	4,615
Communication		4,376	4,006
Freight and handling		493,133	554,786
Advertisement and sales promotion - net		422,046	207,431
Abnormal Replacements and truck Damages		18,926	8,910
Others		11,137	7,813
		1,201,267	995,096

36.1 Salaries, wages and benefits include Rs. 0.252 million (2016: Rs. 0.289 million) in respect of provident fund contribution and Rs. 5.6 million (2016: Rs. 4.8 million) in respect of staff retirement benefits - gratuity.

	Note	2017	2016
		Rupees in thousand	

38 ADMINISTRATIVE EXPENSES

	Note	2017	2016
Directors' meeting fee		438	425
Salaries and benefits	38.1	86,191	64,832
Travelling and conveyance		2,627	3,770
Rent, rates and taxes		11,899	10,968
Entertainment		2,887	4,948
Communication		4,363	4,281
Printing and stationery		740	1,455
Utilities		3,908	4,544
Insurance		2,883	8,428
Repair and maintenance		6,115	12,055
Vehicle running		4,345	3,530
Subscription and fees		411	217
Training and seminars		430	1,066
Auditors' remuneration		1,665	1,256
Legal and professional		15,822	7,959
Depreciation		9,637	10,015
Amortization of intangible assets		2,304	-
Provision for Doubtful Debts		-	-
(Reversal) of provision for doubtful debts		(109)	-
Impairment on investment properties		104	-
Donations		137	-
Property tax		363	-
Bad debt written off	38.2	19,000	-
Others		7,871	3,608
		184,029	143,356

38.1 Salaries, wages and benefits include Rs. 0.014 million (2016: Rs. 0.021 million) in respect of provident fund contribution and Rs. 3.88 million (2016: Rs. 4.93 million) in respect of staff retirement benefits - gratuity.

38.2 This represents a loan provided by subsidiary company (KPI) to one of its ex-shareholder Mrs. Natasha Brutsch D. on January 31, 2017. This loan has been written-off during the year as bad debt as same is no more recoverable.

39 OTHER OPERATING EXPENSES

	Note	2017	2016
Depreciation - RYK Plant		49,814	52,530
Rahim Yar Khan Plant operating expenses		60	-
Workers' profit participation fund		60,524	105,573
Workers' welfare fund		17,046	62,178
Provision for trade debts, doubtful advances and deposits		1,295	17,468
Stock in trade written off		8,509	-
Stores and chemicals written off		9,512	-
Donations	39.1	57	10,259
Provision for doubtful refunds sales tax refund		-	225,529
Due from associated company written off		-	435
Impairment of operating fixed assets		-	46,135
		146,817	520,107

39.1 The Directors, Chief Executive and their spouses have no interest in the donees.

	Note	2017	2016
		Rupees in thousand	
40 FINANCE COST			
Profit on employees provident fund		-	20,949
Lease finance charges		-	-
Profit on:			
- Long term finances		544	165,890
- Short term borrowings		72,590	5,659
Bank charges		3,770	1,210
Other finance charges		744	-
		77,649	193,708

	Note	2017	2016
41 OTHER OPERATING INCOME			
Income from financial assets			
Profit on:			
- long term loan		1,840	1,915
- PLS accounts		5,426	52,133
Capital gain on disposal of financial assets at fair value through profit and loss			
- realized		66,897	-
- unrealized		2,487	18,230
Income from Dividend		99,639	-
Income from non-financial assets			
Gain on sale of operating fixed assets		15,072	3,126
Reversal of provision for doubtful trade debts		-	203
Other balances written back		-	-
Reversal of provision for slow moving / obsolete stock in trade		1,599	2,242
Reversal of provision for finished goods			
Sale of scrap - net of sales tax		13,814	9,744
Rahim Yar Khan Plant farm income		2,807	5,567
Parking income		1,054	-
Lawn income		1,050	-
Electricity charges recovered - net of expenses		769	-
Signboards / advertisement income		-	-
Other income		-	-
Other income		163	-
Capital Gain	41.1	6,843,414	-
Gain on Sale of Marketable Securities		10,804	-
		7,066,834	93,160

41.1 Capital gain on sale of property has been claimed exempt from income tax

	2017	2016
42 TAXATION		
For the year		
- Current	275,289	773,019
- Prior Year	(18,619)	(237,787)
	256,670	535,232
Deferred Tax		
- Related to origination and reversal of temporary difference	2,797	(16,972)
- Due to reduction in tax rate	(13,294)	37,918
	10,495	20,946
	267,165	556,178

	2017	2016
43 CASH AND CASH EQUIVALENTS		
Short term running finance	(9,364,079)	(798,910)
Cash and bank balances	1,004,446	218,509
	(8,359,633)	(580,401)

44 EARNING PER SHARE - BASIC AND DILUTED		2017	2016
Profit after taxation for the year	Rupees (in thousands)	7,273,697	1,450,112
Weighted average number of ordinary shares	Number of shares	117,016,160	117,016,160
Earning per share - basic and diluted	Rupees	62.16	12.39

45 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES OF THE HOLDING COMPANY

	2017		2016	
	Chief Executive	Directors	Chief Executive	Directors
	Rupees in thousand		Rupees in thousand	
Managerial remuneration	-	-	-	-
Bonus	-	-	-	-
Retirement benefits	-	-	-	-
Contribution to Gratuity and PF	-	-	-	-
Fee	-	-	-	-
	-	-	-	-
	1	1	1	1

46 RELATED PARTY TRANSACTIONS

The related parties of the subsidiary comprises of shareholders, associated companies, key management personnel and staff retirement benefit plan. Transactions with related parties are in the ordinary course of business. Remuneration of Director including Chief Executive is included in note 45. Other significant transactions with related parties are as follows:

Related party	Nature of balance	2017	2016
		Rupees in thousand	
Chaudhary Foundation	Rent paid	10,773	9,162
Provident fund	Contributions	962	1,004
Gratuity Fund	Contributions	9,684	18,056
The F.J.H Minwalla Trust (A shareholder)	Donations	548	2,878
A.R.O (Private) Limited (An associate)	Rental income	675	541
Receivables from Directors	Received during the year	68,261	-
Megatrans (Private) Limited	Expense paid by associate	827	-
Inshipping (Private) Limited	Expense paid by associate	660	-

47 FINANCIAL INSTRUMENTS BY CATEGORY

FINANCIAL ASSETS

	2017	2016
Loans and receivables		
Long term investment	200,433	200,433
Long term loan	8,348	11,744
Long term deposits	5,834	6,163
Trade debts	28,874	23,562
Loan and advances	118,947	85,628
Rent receivable	2,337	-
Other receivables	6,813	94,083
Cash and bank balances	1,004,446	218,509
	1,376,032	640,122
Held to maturity		
Short term investments	12,122,500	-
Fair value through profit or loss		
Short term investments	6,560,554	1,180,772
	20,059,086	1,820,894

FINANCIAL LIABILITIES

	2017	2016
Financial liabilities at amortised cost		
Long term finance	1,989,000	1,558,973
Retention money	68,815	-
Long term deposits	660	-
Trade and other payables	1,821,108	2,214,422
Profit payable	21,140	20,872
Due to associated undertaking	4,604,569	3,334,979
Accrued expenses and other liabilities	2,802	-
Short term borrowings	9,364,079	798,910
	17,872,173	7,928,156

48 Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The Group's overall risk management programme focuses on minimizing potential adverse effects on the Company's financial performance. The overall risk management of the Group is carried out by the Board of Directors of the Group. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

48.1 Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risk from its operational activities (primarily for trade receivables) and from its financing activities, including long term deposits, loans and advances, deposits with banks and financial institutions.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

The Group's gross maximum exposure to credit risk at the balance sheet date is as follows:

	2017	2016
	Rupees in thousand	
FINANCIAL ASSETS		
Long term investment	**200,433**	200,433
Long term loan	**8,348**	11,744
Long term deposits	**5,834**	6,163
Trade debts	**28,874**	23,562
Loan and advances	**118,947**	85,628
Rent receivable	**2,337**	-
Other receivables	**6,813**	94,083
Cash and bank balances	**1,004,446**	218,509
	1,376,032	640,122

48.2 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses. The Company's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

FINANCIAL LIABILITIES

	Carrying amount	Less than one year	Beyond one year
		30-Jun-17	
		Rupees in thousands	
Long term finance	1,989,000	69,725	1,919,275
Retention money	68,815	-	68,815
Long term deposits	660	-	660
Trade and other payables	1,821,108	1,821,108	-
Profit payable	21,140	21,140	-
Due to associated undertaking	4,604,569	4,604,569	-
Accrued expenses and other liabilities	2,802	2,802	-
Short term borrowings	9,364,079	9,364,079	-
	17,872,173	15,883,423	1,988,750

	Carrying amount	Less than one year	Beyond one year
		30-Jun-16	
		Rupees in thousands	
Long term finance	1,558,973	58,973	1,500,000
Retention money	-	-	-
Long term deposits	-	-	-
Trade and other payables	2,214,422	2,214,422	-
Profit payable	20,872	20,872	-
Due to associated undertaking	3,334,979	-	3,334,979
Accrued expenses and other liabilities	-	-	-
Short term borrowings	798,910	798,910	-
	7,928,156	3,093,177	4,834,979

48.3 **Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. The Group is not exposed to commodity price risk and equity price risk. Financial instruments affected by market risk include loans and borrowings and deposits with banks. The exposure to other two risks and their management is explained below.

48.4 **Foreign Exchange Risk**

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. At year end date the Group's exposure to foreign currency risk is limited since there are no significant balances receivable or payable in foreign currency.

48.5 **Interest Rate Risk**

Interest rate risk is the risk that the fair value or 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 long-term debt obligations, short term borrowing and finance leases with floating interest rates.

48.6 **Capital Risk Management**

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. The Group monitors its capital by using the debt equity ratio. The Group includes within debt its long term loan, liabilities against assets subject to finance lease and short term finances and within equity its share capital and reserves.

Gearing ratio

		2017	2016
Debt	Rupees in thousand	**11,374,219**	2,378,755
Equity	Rupees in thousand	**11,536,654**	4,659,481
Gearing ratio	% age	**99%**	51%

49 **Fair value of financial instruments**

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at each reporting date.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

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

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

	2017			
Financial assets	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial instrument: fair value through profit and loss	6,560,554	-	-	6,560,554

	2016			
Financial assets	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
Financial instrument: fair value through profit and loss	1,180,772	-	-	1,180,772

50 NUMBER OF EMPLOYEES

As at year end	**646**	708
Average employees	**677**	659

51 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorised for issue on 29 SEP 2017 by the Board of Directors of the holding company.

52 GENERAL

52.1 For better presentation certain prior year's figures have been reclassified consequent to certain changes in the current year's presentation.

52.2 Figures have been rounded off to the nearest thousand, unless otherwise stated.

CHAIRMAN / CHIEF EXECUTIVE

DIRECTOR