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

Directors' Report
VMFG (Private) Limited
Consolidated Financial Statement for year ended June 30, 2017

The Board of Directors of VMFG (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

For the year ended June 30, 2017, your company had a consolidated net profit as the Haleeb Foods Limited (HFL) subsidiary of your company has recorded a profit in its books.

Your company is in litigation with Dynasel Limited. This has also been reflected in note 6.1 of financial statements as well as in audit report of the auditor. It is anticipated a favourable outcome of the said petition therefore no provision has been made.

Future Outlook

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 result.

On behalf of the Board of
VMFG (Private) Limited

M. Habibullah Khan
Chairman

Karachi: 29 SEP 2017

Muniff Ziauddin & Co.
Chartered Accountants
An independent member firm of BKR International

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AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of VMFG (Private) Limited (the Holding Company) and its subsidiary company Haleeb Foods 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 opinion on the financial statements of VMFG (Private) Limited. The financial statements of Haleeb Foods Limited were audited by another firm of auditor whose report have been furnished to us and our opinion, in so far as it relates to the amounts included for such subsidiary, is based solely on the report of such other auditor.

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 holding company 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 6.1 to the consolidated financial statement.

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

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)

VMFG (PRIVATE) LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017

	Note	2017	2016
		Rupees in thousand	
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,004,716	3,987,054
Intangible assets	7	662,102	655,191
Long term investment	6	200,433	200,433
Long term loan	9	8,348	11,744
Long term deposits	8	5,054	6,163
		4,880,653	4,860,585
Current assets			
Stores, spares and loose tools	10	191,108	175,976
Stock-in-trade	11	1,495,512	1,060,044
Trade debts	12	28,874	23,562
Loan and advances	13	118,947	85,628
Trade deposits and short term prepayments	14	22,120	15,783
Other receivables	15	6,813	91,950
Financial assets at fair value through profit and loss	16	1,212,226	712,782
Tax refunds due from the government	17	1,327,211	1,766,875
Cash and bank balances	18	273,175	212,249
		4,675,986	4,144,849
Total Assets		9,556,639	9,005,434
EQUITY AND LIABILITIES			
Equity			
Share capital	19	898,817	898,817
Unappropriated profit		2,461,053	1,973,499
Attributable to the equity holders of the holding company		3,359,870	2,872,316
Surplus on revaluation of fixed assets	20	1,018,502	1,109,113
Non Controlling Interest		1,917,707	1,534,917
Non current liabilities			
Deferred taxation	21	421,674	412,134
Current liabilities			
Trade and other payables	22	1,454,123	2,109,377
Profit payable	23	21,140	14,657
Short term borrowings	24	1,291,866	798,910
Provision for taxation	25	71,757	95,037
Current portion of long term liabilities		-	58,973
		2,838,886	3,076,954
Contingencies and commitments	26		
Total equity and liabilities		9,556,639	9,005,434

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

Chief Executive

Director

VMFG (PRIVATE) LIMITED
CONSOLIDATED PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		Rupees in thousand	
Net Sales	27	**12,321,650**	15,470,400
Cost of goods sold	28	**(9,811,357)**	(11,700,224)
Gross profit		**2,510,293**	3,770,176
Distribution, marketing & selling expenses	29	**(1,201,267)**	(995,096)
Administrative expenses	30	**(149,666)**	(138,902)
Other operating expenses	31	**(146,817)**	(520,107)
Finance cost	33	**(75,504)**	(193,559)
Operating profit		**937,039**	1,922,512
Other operating income	32	**109,635**	93,160
Profit before taxation		**1,046,674**	2,015,672
Provision for taxation	34	**(253,208)**	(556,178)
Profit after taxation		**793,466**	1,459,495
Attributable to:			
- Shareholders of the Holder Company		**444,502**	812,976
- Non - controlling interest		**348,964**	646,519
		793,466	1,459,495
Basic and diluted earnings per share	35	**4.95**	9.04

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

Chief Executive

Director

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

	2017	2016
	Rupees in thousand	
Profit for the year	**793,466**	1,459,495
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	**791,238**	1,453,313
Attributable to:		
- Shareholders of the Holder Company	**443,254**	809,514
- Non - controlling interest	**347,984**	643,799
	791,238	1,453,313

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

Chief Executive

Director

VMFG (PRIVATE) LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Rupees in thousand	
Cash flow from operating activities		
Profit / (loss) before taxation	**1,046,674**	2,093,685
Adjustment for non cash charges and other items		
Less: Interest income		-
Adjustment for:		
Depreciation & amortization	**388,972**	415,779
Dividend receipt of associated company	-	(78,012)
Impairment of fixed assets	-	46,135
Finance cost	**71,839**	193,559
Provision for gratuity	**35,604**	34,707
Gain on sale of operating fixed assets - net	**(15,072)**	(3,126)
Provision for short term trade deposits	-	2,147
- long term loan	**(1,570)**	(1,570)
- mutual funds	-	(858)
	479,774	608,761
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 advances	-	15,321
Doubtfull trade debts write off / (reversal) made	**(242,081)**	(203)
doubtful sales tax refunds	-	225,529
	(262,589)	256,903
	1,263,859	2,959,348
Working capital changes		
Increase / (decrease) in current liabilities		
Stores, spares and loose tools	**(15,229)**	(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)**	38
Other receivables	**16,876**	(76,121)
Sales tax and special excise duty refundable	**449,477**	(378,176)
Due to associated undertaking	-	(271,429)
Trade and other payables	**(684,904)**	(79,929)
	(451,530)	(140,224)
Net cash generated from operations	812,329	2,819,124
Taxes paid	**(275,261)**	(329,097)
Gratuity paid	**(9,684)**	(18,056)
Net cash generated from operating activities	527,384	2,471,972
Cash flow from investing activities		
Increase in Capital Work in Progress	**(472,932)**	(145,400)
Sales Proceeds from disposal of operating fixed assets	**62,955**	5,934
Long term deposits	**1,109**	10,331
Long term loan - unsecured	**4,966**	4,966
Investment in mutual fund	**(499,444)**	(712,782)
Dividend receipt of associated company	-	78,012
Net cash used in investing activities	(903,346)	(758,939)
Cash flow from financing activities		
Long term financing - net	-	(1,843,705)
Liabilities against subject to finance lease-net	-	(325,714)
Supplier's credit	**(58,973)**	(451,039)
Short term borrowing-net	**492,956**	798,910
Loan from associated undertaking	**2,905**	(153,443)
Dividend transferred to shareholders	-	(139,308)
Net cash generated from / (used in) investing activities	436,888	(2,114,299)
Net increase in cash and bank balances	**60,926**	(401,267)
Cash and bank balances at beginning of the year	**212,249**	613,516
Cash and bank balances at end of the year	**273,175**	212,249

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

Chief Executive

Director

VMFG (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

		Capital Reserves	Revenue Reserves			
	Share Capital	Share Premium	General Reserve	Accumulated Profits	Total equity attributable to the shareholders of Holding Company	Non - controling interest
	--------------------------------	----------------	--Rupees in thousand--	----------------	----------------	----------------
As at 01 July 2015	898,817	-	-	1,108,616	2,007,434	908,910
Dividend paid to non controlling interest of Haleeb Foods Limited	-	-	-	-	-	(61,296)
Profit for the year	-	-	-	812,976	812,976	646,519
Other comprehensive loss for the year	-	-	-	(3,462)	(3,462)	(2,720)
Total comprehensive income for the year	-	-	-	809,514	809,514	643,799
Surplus on revaluation of operating fixed assets - incremental depreciation charge for the year (net of tax)	-	-	-	55,369	55,369	43,504
As at 30 June 2016	898,817	-	-	1,973,499	2,872,317	1,534,916
Profit for the year	-	-	-	444,502	444,502	348,964
Other comprehensive loss for the year	-	-	-	(1,248)	(1,248)	(980)
Total comprehensive income for the year	-	-	-	443,254	443,254	347,984
Surplus on revaluation of operating fixed assets - incremental depreciation charge for the year (net of tax)	-	-	-	44,299	44,299	34,807
As at 30 June 2017	898,817	-	-	2,461,053	3,359,870	1,917,707

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

Chief Executive

Director

VMFG (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 VMFG (Private) Limited (the holding company) and its subsidiary company, Haleeb Foods Limited. Brief profiles of the holding company and its subsidiary company are as follows:

1.1 VMFG (Private) Limited :

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.

1.2 Haleeb Foods Limited :

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.

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 judgements or estimates. The following is intended to provide an understanding of the policies the management of subsidiary considers critical because of their complexity. Judgement of estimation involved in their application and their impact on these consolidated financial statements.

Estimates and judgements by management of subsidiary are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgements 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 judgements 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 subsidiary, 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. The group has been obtained certificate under section 59AA for relief in taxation.

Deferred tax assets are recognised by subsidiary 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 judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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

Provisionfor absolescence of inventories, including stores, spares and loose tools and stock in trade is made on the basis of managemnt's estimate of net realizable value and ageing analysis prepared on an item-by-item basis by subsidiary.

(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, judgement by management of subsidiary 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. Actaul cash flows may differ resulting in subsequent changes to be provisions.

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

The Company 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 judgements 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 Company 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 statements are set out below. These policies have been consistently applied to all the years presented.

(i). **Operating fixed assets**

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any except freehold land, road and pavements, buildings on freehold, plant and machinery, plant equipment, communication installations and electric installations. Freehold land is stated at revalued amount, whereas roads and pavement, building on freehold land, plant and machinery, plant equipment, communication installation and electric installations are revalued amount less accumulated depreciation and any identified impairmaent loss.

Depreciation is charged to income applying the reducing balance method whereby cost of an asset less its residual value is written off over its estimated useful life, except vehicles which are depreciated by applying the straignt line method. Estimated useful life of an asset is reviewed periodically taking into account commercial and techinical obsolescence as well as normal wear and tear. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the assets are disposed off.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Up on disposal, any revaluation reserve relationg to the particular asset being sold is transferred to reatined earnings.

Residual values and estimated useful lives are reviewed at each balance sheet date, with the effect of changes in estimate accounted for on prospective basis.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expenses.

The Group assesses at each balance sheet date whether ther is any indication that property, plant and machinery may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is charged to income statement. The recoverable amount is higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Particulars	Rate in Subsidiary
Road and pavements	10%
Building on freehold land	10%
Plant and machinery	10%
Office equipment	33%
Plant equipment	10%
Communication installations	10%
Furniture and fixtures	10%
Electric installation	10%
Vehicles	20%

(ii). Assets subject to finance lease

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

(iii). Capital work in progress

Capital work in progress and stores held for capital expenditure are stated at cost less any recognised impairment loss. All expenditure connected with specific assets incurred during processing period are carried under capital work in progress. These are transferred to specific assets as and when these assets are available for use.

(iv). Intangible assets

Computer software license acquired by the Comapany are stated at cost less accumulated amortization. Cost represents the cost incurred to acquire the software license. The cost of computer software is amortised over the estimated useful life in subsidiary company i.e., 2 years.

(v). Goodwill

Goodwill is initially measured as at the acquisition date, being the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree; and (b) the net of the acquisition date amount of the identifiable assets acquired and the liabilities assumed.

In case the fair value attributable to the Group's interest in the identifiable net assets exceeds the fair value of consideration, the Group recognises the resulting gain in the profit and loss account on the acquisition date.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment losses, if any.

(vi). Leases

Leases for which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the leased assets at the commencement of lease, less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance costs are classified as current and long term deepending upon the timing of the payment. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to income over the lease term.

(vii). Inventories

Stocks, stores, spares and loose tools are valued at lower of cost or net reliazable value expect those in transit, which are valued at invoice including other charges, if any, incurred thereon. Basis of determinining costis as follow:

Store, spares and loose tools	- At periodic moving average cost
Raw material	- At periodic moving average cost
Packing material	- At periodic moving average cost
Work in process	- At raw material periodic moving average cost

Cost in relation to finished goods represents annual average cost, which consists of prime cost and appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary cource of business less costs necessarily to be incurred to make the sale. Provision is made in the consolidated financial statements for obsolete and slow moving items based on management's estimate.

(viii). Loans, advances and other receivables

Loans, advances and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the amount will not be able to collect all or any amounts due, according to the original terms of receivables. Loans, advances and other receivables considered irrecoverable are written off.

a) **Held-to-maturity**
These are investments with fixed maturity and has the positive intent and ability to hold to maturity. Held to maturity investments are initially measured at fair value plus transaction costs.

b) **Loans & receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and Receivables comprise "Trade Debts", "Advances, Deposits and Other receivables" and "Cash and Bank balances" in the balance sheet. Loans and Receivables are carried at amortized cost using the effective interest method.

c) **Available-for-sale**
Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in the market conditions.

At initial recognition, available-for-sale investments are measured at fair value plus directly attributable transaction costs. For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each balance sheet date.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until (i) the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognised in the profit and loss account and removed from the available-for-sale reserve.

(ix). **Other assets**
Other assets are stated at cost less impairment losses, if any.

(x). **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.

(xi). **Borrowing**
Borrowings are initially rocorded at the value of proceeds received. In subsequent periods the borrowings are carried at cost. Finance costs are accounted for on an accrual basis and are included in accrued profit to the extent of the amount remaining unpaid.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of fund.

(xii). **Taxation**
Current
Provision of current tax is based on the taxable income or minimum tax provision for tax year in accordance with Income Tax Ordinance, 2001. The change for current tax is calculated using prevailing tax rates expected to apply to the profit for the year if enacted after taking account tax credits and rebates available, if any, and taxes paid under the final tax regime.

Deferred
Deferred tax is accounted for using the balance sheet liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax assets is generally recognised for all deductible temporary difference only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax asset is reduced to the extent that is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

(xiii). Trade and Other Payables

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

(xiv). Provision

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

(xv). Revenue recognition

Sales of goods

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customers, usually on delivery or shipment of the goods to the customers.

Interest income

Revenue is recognized as interest/profit accrues on savings accounts with reference to the principal outstanding and the applicable rate of return.

(xvi). Foreign Currency transaction

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are transalated into rupees at the spot rate. All non-monetary items are transalated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Excahnge differences are included in profit and loss account.

(xvii). Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are measured to be finite. Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite life is reviewed at each financial year end. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

(xviii). Impairment

Financial assets

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

Non-financial assets

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there should be any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account as incurred.

When conditions giving rise to impairment loss subsequently reverse, impairment loss is reversed and carrying amount of the asset is increased to the revised recoverable amount. Revised carrying amount is limited to carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss is recognized in profit and loss account.

(xix). Financial instruments

Financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expires. Any gain or losses on de-recognition of financial assets and financial liabilities are included in the income.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be.

Financial instruments carried on the balance sheet include trade debts, loans and advances, other receivables, cash and bank balances, long term finances, short term borrowings and trade and other payables.

(xx). Offsetting of financial assets and financial liabilities

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

	2016															
	COST / REVALUED AMOUNT							DEPRECIATION AND IMPAIRMENT							NET BOOK VALUE	
	As at 01 July 2015	Revaluation Surplus	Additions	Transfers from leased assets	Disposals	Adjustments	As at 30 June 2016	Accumulated as at 01 July 2015	Charge for the year	Impairment Charge for the year	Transfers from leased assets	Disposals	Adjustments	Accumulated as at 30 June 2016	As at 30 June 2016	Depreciation Rate
	(Rupees in thousand)															%
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	10
Buildings on freehold land	444,852	-	4,663	-	-	1	449,516	139,884	30,876	-	-	-	(5,160)	165,600	283,916	10
Plant and machinery	3,231,243	(23,726)	215,594	1,219,143	-	70,028	4,712,282	804,126	257,132	19,820	471,381	-	81,208	1,633,667	3,078,615	10
Office equipment	48,180	-	4,573	-	(424)	863	53,192	36,168	4,720	-	-	(265)	1,707	42,330	10,862	33
Plant equipment	316,328	(53,366)	29,960	79,798	-	17,589	390,309	95,909	23,106	26,022	30,751	-	12,575	188,363	201,946	10
Communication installation	1,416	-	-	-	-	-	1,416	382	102	-	-	-	(17)	467	949	10
Furniture and fittings	58,113	-	1,147	-	-	25	59,285	29,218	2,909	293	-	-	(488)	31,932	27,353	10
Electric installations	55,261	-	-	-	-	-	55,261	16,677	3,858	-	-	-	(643)	19,892	35,369	10
Vehicles	24,725	-	6,614	1,833	(6,447)	1	26,726	13,092	3,240	-	1,833	(3,798)	(472)	13,895	12,831	20
	4,496,833	(77,092)	262,551	1,300,774	(6,871)	88,507	6,064,702	1,141,496	327,244	46,135	503,965	(4,063)	88,493	2,103,270	3,961,432	
Leased assets																
Plant and machinery	1,219,143	-	-	(1,219,143)	-	-	-	388,292	83,087	-	(471,381)	-	-	-	-	10
Plant equipment	79,798	-	-	(79,798)	-	-	-	25,305	5,447	-	(30,751)	-	-	-	-	10
Vehicles	4,055	-	-	(1,833)	(2,222)	-	-	4,055	-	-	(1,833)	(2,222)	-	-	-	20
	1,302,996	-	-	(1,300,774)	(2,222)	-	-	417,652	88,534	-	(503,965)	(2,222)	-	-	-	
	5,799,829	(77,092)	262,551	-	(9,093)	88,507	6,064,702	1,559,148	415,778	46,135	-	(6,285)	88,493	2,103,270	3,961,432	

5.1.1 Assets were revalued on 30 June 2015 by Asif Associates (Private) Limited. Class wise carrying value had there been no revaluation is mentioned below:

Asset Class	2017	2016
	(Rupees in thousand)	
Owned assets		
Freehold land	**30,171**	30,171
Roads and pavements	**6,066**	6,740
Buildings on freehold land	**100,934**	112,149
Plant and machinery	**1,953,135**	2,170,150
Plant equipment	**101,614**	112,904
Communication installations	**663**	737
Electric installations	**14,332**	15,924
Office equipment	**7,278**	10,862
	2,214,193	2,459,637

5.1.2 These inlcude fully depreciated assets having cost of Rs. ('000) 7,167 (2016: Rs. ('000) 8,195)

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2017	2016
		(Rupees in thousand)	
Operating property, plant and equipment	5.1	3,985,387	3,961,432
Capital work in progress	5.2	19,329	25,622
		4,004,716	3,987,054

5.1 Operating property, plant and equipment

	2017															
	COST / REVALUED AMOUNT							DEPRECIATION AND IMPAIRMENT							NET BOOK VALUE	
	As at 01 July 2016	Revaluation Surplus	Additions	Transfers from leased assets	Disposals (Note 5.1.2)	Adjustments	As at 30 June 2017	Accumulated as at 01 July 2016	Depreciation Charge for the year	Impairment Charge for the year	Transfers from leased assets	Disposals	Adjustments	Accumulated as at 30 June 2017	As at 30 June 2017	Depreciation Rate
			(Rupees in thousand)													%
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	10
Buildings on freehold land	449,516	-	5,264	-	-	-	454,780	165,600	10,968	-	-	-	-	176,568	278,212	10
Plant and machinery	4,712,282	-	405,717	-	(73,309)	-	5,044,690	1,633,667	349,082	-	-	(23,130)	-	1,959,619	3,085,070	10
Office equipment	53,192	-	1,039	-	(209)	-	54,022	42,330	6,141	-	-	(124)	-	48,347	5,675	33
Plant equipment	390,309	-	56,361	-	(103,487)	-	343,183	188,363	11,227	-	-	(94,484)	-	105,106	238,077	10
Communication installation	1,416	-	-	-	-	-	1,416	467	30	-	-	-	-	497	919	10
Furniture and fittings	59,285	-	1,545	-	(632)	-	60,198	31,932	1,445	-	-	(512)	-	32,865	27,333	10
Electric installations	55,261	-	84	-	-	-	55,345	19,892	1,790	-	-	-	-	21,682	33,663	10
Vehicles	26,726	-	-	-	-	-	26,726	13,895	1,957	-	-	-	-	15,852	10,874	20
	6,064,702	-	470,010	-	(177,637)	-	6,357,075	2,103,270	386,668	-	-	(118,250)	-	2,371,688	3,985,386	

	Note	2017	2016
		(Rupees in thousand)	

5.1.3 Depreciation charge for the year has been allocated as follows

	Note	2017	2016
Cost of sales	29	**327,283**	353,249
Administrative expenses	31	**9,571**	10,000
Other operating expenses - RYK plant	32	**49,814**	52,530
		386,668	415,779

5.2 CAPITAL WORK IN PROGRESS

	2017			
	Opening	Additions	Transfers	Closing
	(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)**	**-**
	25,622	**472,932**	**(479,225)**	**19,329**

	2016			
	Opening	Additions	Transfers	Closing
	(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 installation	-	-	-	-
Furniture and fittings	-	1,147	(1,147)	-
Electric installations	-	-	-	-
Vehicles	-	6,614	(6,614)	-
Software	2,550	5,100	-	7,650
	142,773	145,400	(262,551)	25,622

6 LONG TERM INVESTMENT

Long term investment - at cost

	Note	2017	2016
Dynasel Limited	6.1	200,433	200,433
		200,433	200,433

6.1 The holding company has made investment in M/s. Dynasel Limited upto the extent of amount mentioned as above. The investment is measured at cost. At present investment in this category is under letigation in Honourable Lahore High Court Lahore. The management anticipates a favourable outcome of this petition. Hence, no provision has been made.

7 INTANGIBLES

Software and licenses

	2017	2016
Cost:		
As at 1 July 2016	**255**	-
Additions during the year	**9,215**	255
As at 30 June 2017	**9,470**	255
Accumulated amortization:		
As at 1 July 2016	**255**	-
Additions during the year	**2,304**	255
As at 30 June 2017	**2,559**	255
Net book value:		
As at 30 June 2017	**6,911**	-
Rate of amortization - %	**50%**	**50%**

Goodwill

	2017	2016
As at 1 July	**655,191**	655,191
Additions during the year	**-**	-
Impairment during the year	**-**	-
As at 30 June	**655,191**	655,191
Total intangibles	**662,102**	655,191

8 LONG TERM DEPOSITS

Security deposits	8.1	**6,299**	18,061
Less: current maturity		**(880)**	(11,533)
Less: provision for doubtful deposits	8.2	**(365)**	(365)
		5,054	6,163

8.1 These include lease security deposit for head office and security deposits paid to utility and shipping companies.

8.2 Provision for doubtful deposits	2017	2016
	(Rupees in thousand)	
As at 01 July	**365**	-
Charge for the year	**-**	365
Reversal of provision during the year	**-**	-
As at 30 June	**365**	365

9 LONG TERM LOAN - UNSECURED CONSIDERED GOOD	Note	2017	2016
		(Rupees in thousand)	
As at 01 July		**16,710**	20,106
Fair value adjustment during the period		**1,570**	1,570
		18,280	21,676
Received during the year		**(4,966)**	(4,966)
		13,314	16,710
Less: Current portion	13	**(4,966)**	(4,966)
As at 30 June		**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 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 instalments 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.

10 STORES, SPARE PARTS AND LOOSE TOOLS

General store		**52,267**	31,975
Chemicals	10.1	**4,973**	9,374
Spares	10.2	**191,113**	191,588
Tools		**323**	510
		248,676	233,447
Less: Provision for obsolete / slow moving stores	10.3	**(57,568)**	(57,471)
		191,108	175,976

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

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

10.3 Provision for obsolete / slow moving stores, spare parts and loose tools

As at 01 July	**57,471**	31,603
Charge for the year	**193**	25,868
Reversal of provision during the year	**(96)**	-
As at 30 June	**57,568**	57,471

11 STOCK-IN-TRADE

Raw materials	11.1	**1,155,810**	756,757
Less: Provision for obsolete / slow moving raw materials	11.2	**(14)**	(1,638)
		1,155,796	755,119
Packing materials	11.3	**162,502**	180,007
Less: Provision for obsolete / slow moving packing materials	11.4	**(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

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

11.2 Provision for obsolete / slow moving raw materials

	Note	2017	2016
		(Rupees in thousand)	
As at 01 July		1,638	3,061
Charge for the year		-	795
Reversal of provision during the year		(1,599)	(2,218)
Raw material written off		(25)	-
As at 30 June		14	1,638

11.3 This includes packing materials in transit amounting to Rs. 0.128 million (2016: Rs. Nil)

11.4 Provision for obsolete / slow moving packing material

	2017	2016
As at 01 July	22,588	22,612
Charge for the year	5,569	-
Reversal of provision during the year	-	(24)
Packing material written off	(24,550)	-
As at 30 June	3,607	22,588

Provision represents raw and packaging materials which are either obsolete or used in products which the subsidiary company 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.

12 TRADE DEBTS - UNSECURED

	Note	2017	2016
		(Rupees in thousand)	
Considered			
- good		28,874	23,562
- doubtful		21,542	263,623
		50,416	287,185
Less: Provision for doubtful debts	12.1, 12.2	(21,542)	(263,623)
		28,874	23,562

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

		Note	2017	2016
			(Rupees in thousand)	
12.2	As at 01 July		263,623	263,826
	Charge for the year		933	-
	Reversal of provision during the year		-	(203)
	Bad debts written off		(243,014)	-
			(242,081)	(203)
	As at 30 June		21,542	263,623

12.3 Aggregate amount due from Directors, Chief Executive, Executives and other related parties of the Group is Rs. Nil (2016: Rs. Nil)

13 LOANS AND ADVANCES

	Note	2017	2016
		(Rupees in thousand)	
Due from Associated Companies		-	435
Less: Write off during the year		-	(435)
		-	-
Considered good			
Advances to suppliers and contractors	13.1	91,616	61,727
Advances to employees	13.2	22,365	18,935
Current portion of long term loan	9	4,966	4,966
		118,947	85,628
Considered doubtful			
Advances to suppliers, contractors and employees		30,554	30,554
Less: Provision for doubtful advances	13.3	(30,554)	(30,554)
		-	-
		118,947	85,628

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

13.2 Aggregate amount due from Directors, Chief Executive, Executives and other related parties of the Group is Rs. Nil (2016: Nil)

13.3 Provision for doubtful advances	Note	2017	2016
		(Rupees in thousand)	
As at 01 July		30,554	15,233
Charge for the year		-	15,321
As at 30 June	13.3.1	30,554	30,554

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

14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	Note	2017	2016
		(Rupees in thousand)	
Considered good			
Deposits		10,166	12,778
Prepayments		11,714	3,005
Margins against letter of credit		240	-
		22,120	15,783
Considered doubtful			
Deposits		4,941	4,941
Less: provision for doubtful deposits	14.1	(4,941)	(4,941)
		-	-
		22,120	15,783

14.1 Provision for doubtful deposits			
As at 01 July		4,941	2,794
Charge for the year		-	2,147
As at 30 June		4,941	4,941

15 OTHER RECEIVABLES			
Considered good			
Custom duty receivable		2,951	2,951
Interest accrued		86	114
Insurance claims receivable		2,864	9,059
Transfer from long term security deposits	8	880	11,533
Excise duty of Candia Bottle		32	32
Due from associated undertaking		-	68,261
		6,813	91,950
Considered doubtful			
Others	15.1	362	-
Less: provision for others		(362)	-
		-	-
		6,813	91,950

15.1 Provision for doubtful other receivables			
As at 01 July		-	-
Charge for the year		362	-
Write off		(362)	-
As at 30 June		-	-

16 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS			
Mutual funds	16.1	1,212,226	712,782

16.1 The amount relates to 119,919,126.97 units of ABL Cash Fund (2016: 71,082,920.82 of ABL Government Securities Fund-B) managed by Allied Bank Asset Management Limited.

17 TAX REFUNDS DUE FROM THE GOVERNMENT	Note	2017	2016
		(Rupees in thousand)	
Considered good			
Sales tax refundable	17.1	1,327,200	1,766,875
Considered doubtful			
Sales tax refundable		334,732	334,732
Less: provision for doubtful refunds	17.2	(334,732)	(334,732)
		-	-
Advance income tax		11	-
		1,327,211	1,766,875

		Note	2017	2016
17.1	This relates to zero rated dairy products vide SRO 549(1)/2008 dated 11 June 2008.		(Rupees in thousand)	

17.2 Provision for doubtful refunds

	Note	2017	2016
As at 01 July		334,732	109,203
Charge for the year		-	225,529
As at 30 June	17.2.1	334,732	334,732

17.2.1 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 and the balances recovered thereon, these balances have been considered doubtful and are fully provided.

18 CASH AND BANK BALANCES

	Note	2017	2016
		(Rupees in thousand)	
Cash in hand		-	-
Cash at banks			
- Current accounts	18.1	130,412	151,688
- Savings accounts	18.2	142,763	60,561
		273,175	212,249
		273,175	212,249

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

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

19 SHARE CAPITAL

	Note	2017	2016
		(Rupees in thousand)	
Authorized capital			
100,000,000 (2016: 100,000,000) ordinary shares of Rs.10/- each		1,000,000	1,000,000
Issued, subscribed and paid up share capital			
89,881,734 (2016: 89,881,734) ordinary shares of Rs.10 each fully paid in cash		898,817	898,817
		898,817	898,817

20 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

	2017	2016
As at 01 July	1,461,553	1,679,891
Revaluation surplus during the year	-	-
Transferred to unappropriated profit on account of:		
- incremental depreciation for the period	(113,009)	(141,246)
- realized on impairment of revalued fixed assets	-	(77,092)
- realized on disposal of revalued fixed assets	(16,442)	-
	(129,451)	(218,338)
	1,332,102	1,461,553
Less: Related deferred tax on		
- surplus on revaluation of opening fixed assets	(352,440)	(417,942)
- surplus on revaluation of fixed assets during the period	-	-
- 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)
As at 30 June	1,018,502	1,109,113

21 DEFERRED TAXATION

	Note	2017	2016
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	20	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

		Note	2017	2016
22	**TRADE AND OTHER PAYABLES**		**(Rupees in thousand)**	
	Creditors	22.3	**582,262**	1,015,587
	Bills Payable		**946**	946
	Retention money		**1,780**	2,546
	Due to associated undertakings	22.1	**5,404**	5,404
	Accrued expenses		**554,911**	710,750
	Advance payments		**88,105**	102,375
	Payable to Gratuity Fund	22.2	**123,112**	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
	Worrkers' Profit Participation Fund		**60,524**	96,706
	Workers' Welfare Fund		**17,866**	62,326
	Others		**118**	212
			1,454,123	2,109,377

22.1 The holding company had obtained interest free loan payable on demand from an associated company Inshipping (Private) Limited.

22.2 The subsidiary company operates a funded gratuity scheme for all of its employees who have completed the qualifying period of 3 years as defined under the scheme. Contributions are made to the scheme based on actuarial recommendations. The actuarial valuation was carried out as at 30 June 2017 using the Projected Unit Credit Method.

22.3 This includes Rs. 5,703,614 (2016: Rs. 5,403,614) pertains to an associated company M/s Inshipping (Private) Limited and Rs. 773,192 (2016; Rs. Nil) to another associated company M/s Mega Trans Pakistan (Private) Limited.

		2017	2016
23	**ACCRUED MARKUP**	**(Rupees in thousand)**	
	Profit accrued on:		
	- Supplier credit	**-**	9,259
	- short term borrowings	**21,140**	5,398
		21,140	14,657

		2017	2016
24	**SHORT TERM BORROWINGS**		
	Running finance facility - secured	**1,291,866**	798,910

Short term finance facilities are available from commercial banks aggregating to Rs. 1,000 million (2016: Rs. 1,000 million). Furthermore, the subsidiary 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 financé 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 subsidiary 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 subsidiary company.

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

		2017	2016
25	**PROVISION FOR TAXATION**	**(Rupees in thousand)**	
	As at 01 July	**104,293**	(104,251)
	Add: Advance tax, tax deducted at source and adjustments made during the year	**(275,085)**	(326,192)
	Add: Prior period effect	**(18,586)**	(237,787)
		(189,378)	(668,230)
	Less: Provision for taxation	**261,135**	763,267
	As at 30 June	**71,757**	95,037

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26 CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

The subsidiary company, 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.

Custom's cases

26.1.1 The Collectorate of Customs, Sales Tax and Central Excise Duty has issued an order against the subsidiary company dated April 23, 2004 in which the subsidiary company 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 subsidiary company 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. The subsidiary company 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.

Sales tax cases

26.1.2 In respect of tax periods from January 2011 to February 2012, the subsidiary company 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 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 has obtained stay order from the Lahore High Court.

26.1.3 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 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).

26.1.4 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 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 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).

26.1.5 In respect of tax period from July 2013 to June 2014, the subsidiary company 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.

26.1.6 In respect of tax periods July 2014 to December 2014, the subsidiary company 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.

26.1.7 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 filed an appeal before the Commissioner Inland Revenue (Appeals) against this order which has been decided in favor of the subsidiary company. Department has filed an appeal before Income Tax Appellate Tribunal which is pending.

26.1.8 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 had filed an appeal before Commissioner Inland Revenue (Appeals), who after hearing the case, decided the appeal in favor of the subsidiary company. Being aggrieved with the order, tax department has filed appeal in the Appellate Tribunal Inland Revenue. Hearing of the appeal is pending.

26.1.9 Deputy Commissioner Inland Revenue (DCIR) issued the subsidiary company 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 has filed writ petition in the Lahore High Court (LHC) and have obtained stay. The proceedings are in process.

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

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

26.1.12 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 has filed an appeal before Appellate Tribunal which is pending.

26.1.13 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 had filed an appeal before Commissioner Inland Revenue (Appeals), who after hearing the case, decided the appeal in favor of the subsidiary company. Being aggrieved with the order, tax department has filed appeal in the Appellate Tribunal Inland Revenue. Hearing of the appeal is pending.

26.1.14 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 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.

Income tax cases

26.1.15 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 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 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. Moreover, the department has preferred an appeal against the order passed by CIA (Appeals) on the issues settled in favor of the subsidiary company. Proceedings are still pending.

26.1.16 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 had filed an appeal before the Commissioner Inland Revenue (Appeals) who had decided the appeal in favor of the subsidiary company. Tax department has filed appeal in the Appellate Tribunal Inland Revenue against the order of the CIR (Appeals). Proceedings are pending.

26.1.17 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 had filed an appeal before the Commissioner Inland Revenue (Appeals) which is pending for hearing.

26.1.18 The Taxation Officer had issued audit report to the subsidiary company after conducting audit of the subsidiary company under section 214 (c) and 177 of the Ordinance for the Tax Year 2014. subsidiary company 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.

26.1.19 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 had filed an appeal before Commissioner Inland Revenue (Appeals), who after hearing the case, decided the appeal in favor of the subsidiary company in case of certain matters and maintained the order of the DCIR on other matters. Both Department and the subsidiary company have filed the appeals in front of the Appellate Tribunal Inland Revenue against the aforesaid order. Proceedings are still pending.

26.1.20 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 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 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 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 has filed an appeal before the ATIR against the said order of the CIR (Appeals),which is pending adjudication.

Others

26.1.21 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'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.

26.1.22 The suit is filed by Faysal Bank Limited against Dynasel Limited vide suit C.O.S No. 28 of 2014 where the holding company is a respondent No. 9 on the basis of Corporate Guarantee provided. The holding company has provided the corporate guarantee to Faysal Bank Limited amounting to Rs. 385,000,000/-. As per the Corporate Guarantee, the obligations of the holding company will be 50% of the amount of Corporate Guarantee due and payable by Dynasel Limited. Moreover, the bank has also not complied with the requirment 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.

26.2 **Commitments**

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

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

			2017	2016
27	SALES - NET		(Rupees in thousand)	
	Gross sales		**12,491,771**	15,631,571
	Less:			
	Discounts		**50**	49
	Fixed market replacement discounts		**61,552**	76,865
	Sales tax		**108,888**	102,802
			170,490	179,716
	Processing Income		**369**	18,545
			12,321,650	15,470,400

			2017	2016
28	COST OF SALES			
	Raw materials consumed		**4,864,609**	5,682,868
	Packing materials consumed		**3,360,390**	3,877,444
	Salaries, wages and benefits	**28.1**	**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	**5.1.3**	**327,283**	353,249
	Travelling and conveyance		**29,251**	34,180
	Communication		**2,281**	2,125
	Provision for slow moving/obsolete store, spare parts and loose tools	**10.3**	**193**	25,868
	Provision for slow moving/obsolete stock in trade	**11.2**	**-**	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

28.1 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.

29	SELLING AND DISTRIBUTION EXPENSES	Note	2017	2016
			(Rupees in thousand)	
	Salaries, wages and benefits	29.1	218,558	171,532
	Travelling and conveyance		27,919	36,003
	Rent, rates and taxes		5,172	4,615
	Communication		4,376	4,006
	Abnormal Replacements and Truck Damages		18,926	8,910
	Freight and handling		493,133	554,786
	Advertisement and sales promotion - net		422,046	207,431
	Royalty and fees		-	-
	Printing and stationary		1,251	640
	Utilities		778	854
	Repair and maintenance		968	1,022
	Subscription and fee		487	14
	Training and seminars		232	-
	Insurance		3,082	-
	Others		4,339	5,283
			1,201,267	995,096

29.1 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.

30	ADMINISTRATIVE AND GENERAL EXPENSES	Note	2017	2016
			(Rupees in thousand)	
	Salaries, wages and benefits	30.1	76,949	61,267
	Directors' meeting fee		438	425
	Travelling and conveyance		2,272	3,541
	Rent, rates and taxes		11,899	10,968
	Entertainment		2,887	4,948
	Communication		4,358	4,281
	Printing and stationery		667	1,449
	Utilities		3,404	4,441
	Insurance		2,760	8,428
	Repair and maintenance		5,787	11,725
	IT Services		332	330
	Vehicles' running		4,212	3,499
	Subscription and fees		411	217
	Training and seminars		430	1,066
	Auditors' remuneration	30.2	1,205	1,045
	Legal and professional		12,395	7,709
	Depreciation	5.1.3	9,571	10,000
	Amortization of intangible assets	7	2,304	-
	General		7,385	3,563
			149,666	138,902

30.1 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.

30.2	Auditors' remuneration	Note	2017	2016
			(Rupees in thousand)	
	Statutory audit fee		1,095	950
	Out of pocket expenses		110	95
			1,205	1,045

31 OTHER OPERATING EXPENSES

Depreciation - RYK Plant	5.1.3	49,814	52,530
Rahim Yar Khan Plant operating expenses		60	-
Workers' profit participation fund	22	60,524	105,573
Workers' welfare fund		17,046	62,178
Provision for trade debts, doubtful advances and deposits	12.2, 15.1	1,295	17,468
Stock in trade written off		8,509	-
Stores and chemicals written off		9,512	-
Donations	32.1	57	10,259
Provision for doubtful refunds sales tax refund	17.2	-	225,529
Due from associated company written off	13	-	435
Impairment of operating fixed assets		-	46,135
		146,817	520,107

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

32 OTHER OPERATING INCOME

Income from financial assets			
Profit on:			
- long term loan		1,840	1,915
- PLS accounts		5,119	52,133
Capital gain on disposal of financial assets at fair value through profit and loss			
- realized		66,897	-
- unrealized		2,487	18,230
		76,343	18,230
Income from non-financial assets			
Gain on sale of operating fixed assets		15,072	3,126
Reversal of provision for doubtful trade debts	12	-	203
Other balances written back		-	-
Reversal of provision for slow moving / obsolete stock in trade	11	1,599	2,242
Reversal of provision for finished goods	11.5		
Sale of scrap - net of sales tax	32.1	13,814	9,744
Rahim Yar Khan Plant farm income		2,807	5,567
		109,635	93,160

32.1 Sales tax on sales of scrap is Rs. 2.73 million (2016: Rs. 1.86 million).

33 FINANCE COST

	2017	2016
	(Rupees in thousand)	
Lease finance charges	-	20,949
Profit on:		
- long term finances	282	165,890
- short term borrowings	71,557	5,659
Bank charges	3,665	1,061
	75,504	193,559

34 TAXATION

Current tax expense		
For the year	261,299	773,019
Prior year	(18,586)	(237,787)
	242,713	535,232
Deferred tax		
Relating 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
	253,208	556,178

Numerical reconciliation between the average effective tax rate and the applicable tax rate is as follows:

	2017	2016
Applicable tax rates	31%	32%
Tax effect of expenses that are not deductible for tax purpose	6%	15%
Tax effect due to prior year reversal-net	(2%)	(10%)
Tax effects due to change of tax rate	1%	1%
Tax effects due to others	(13%)	(11%)
Effective tax rate	23%	27%

35 **EARNING PER SHARE - BASIC AND DILUTED**

There is no dilutive effect on earning per share of the Group, which is based on:

		2017	2016
Profit for the year	Rupees in thousand	444,502	812,976
Weighted average number of ordinary shares	Number of shares	89,881,734	89,881,734
Earning per share	Rupees	4.95	9.04

35.1 There is no dilutive effect on the basic earnings per share of the group.

36 **REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits to the chief executive officer and director of the holding company were as follows:

	2017		
	Chief Executive	**Directors**	**Total**
Number of person(s)	1	3	3
	------------------(Rupees in thousand)------------------		
Remuneration	-	-	-
	-	-	-

	2016		
	Chief Executive	Directors	Total
Number of person(s)	1	3	3
	------------------(Rupees in thousand)------------------		
Remuneration	-	-	-
	-	-	-

36.1 No Company maintained car has been provided to the Chief Executive and any other directors.

37 RELATED PARTY TRANSACTIONS

Related party transactions represent transactions with the Parent Company, associated undertakings and key management personnel. Transactions with related parties are in the ordinary course of business. Remuneration of Chief Executive and Director is included in note 37. Key transactions with other related parties during the year are as follows:

Name	Nature of Related Party Transactions	2017	2016
		(Rupees in thousand)	
Chaudhary Foundation	Rent paid	**10,773**	9,162
Provident fund	Contributions	**962**	1,004
Gratuity Fund		**9,684**	18,056
Mega Conglomerate (Private) Limited	Repayment of loan	**68,261**	-
Inshipping (Private) Limited	Expense paid by associate	**300**	-
Mega Trans Pakistan (Private) Limited	Expense paid by associate	**773**	-

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial liabilities comprise of long term loan, short term finances, finance leases and creditors and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

38.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

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

The Group is exposed to credit risk on long-term deposits, trade debts, advances, deposits, other receivables and bank balances. The Group seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Carrying Values	
	2017	2016
	(Rupees in thousand)	
Long term loan	**8,348**	11,744
Long term deposit	**5,054**	6,163
Trade debt	**28,874**	23,562
Loans and advances	**118,947**	85,628
Trade deposits	**10,166**	12,778
Other receivables	**6,813**	91,950
Bank balance	**273,175**	212,249
	451,376	444,074

38.1.1 Quality of Financial Assets

The credit quality of balances with banks can be assessed by reference to external credit ratings as shown below:

Bank	Rating Agency	Short Term	Long Term	2017	2016
				(Rupees in thousand)	
Allied Bank Limited	PACRA	A1+	AA+	**36,857**	64,895
Al Baraka Bank Limited	JCR-VIS	A-1	A+	**17**	17
Bank Alfalah Limited	PACRA	A1+	AA+	**208**	208
Bank Islami Pakistan Limited	PACRA	A-1	A+	**12**	12
Burj Bank Limited		Not available		**2**	2
Citi Bank Limited		Not available		**-**	2,225
Dubai Islamic Bank	JCR-VIS	A-1	AA-	**16**	22
Habib Bank Limited	JCR-VIS	A-1+	AAA	**9,437**	40,604
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	**11,149**	11,626
Muslim Commercial Bank	PACRA	A1+	AAA	**18,002**	16,356
MCB Islamic Bank	PACRA	A1	A	**-**	48
Meezan Bank Limited	JCR-VIS	A-1+	AA	**140,511**	52,086
National Bank Limited	PACRA	A1+	AAA	**36,439**	11,661
Standard Chartered Bank	PACRA	A1+	AAA	**4,796**	4,796
United Bank Limited	JCR-VIS	A-1+	AAA	**15,729**	7,691
				273,175	212,249

38.2 **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 applies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Group's financial liabilities at the following reporting dates:

2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	(Rupees in thousand)					
Trade and other payables	-	584,053	-	-	-	584,053
Payable to gratuity fund	123,113	-	-	-	-	123,113
Accrued markup	-	21,140	-	-	-	21,140
Short term	1,291,866	-	-	-	-	1,291,866
	1,414,979	605,193	-	-	-	2,020,172

2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	(Rupees in thousand)					
Supplier credit	-	60,736	-	-	-	60,736
Trade and other	-	1,832,459	-	-	-	1,832,459
Payable to gratuity fund	94,009	-	-	-	-	94,009
Accrued markup	-	14,657	-	-	-	14,657
Short term	798,910	-	-	-	-	798,910
	892,919	1,907,852	-	-	-	2,800,771

38.3 **Foreign Currency 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.

38.4 **Interest Rate Risk**

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rate. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term loans, short term finances and liability under finance lease with floating interest rates.

Sensitivity Analysis:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit / loss before tax (through the impact on floating rate borrowings) and the Group's equity. The sensitivity analysis is based on the assumption that net debt remains constant in the period.

	Effect on profit before tax		Effect on equity	
decrease in	2017	2016	2017	2016
	(Rupees in thousand)		(Rupees in thousand)	
+15	193,780	128,682	133,708	88,791
+20	258,373	171,577	178,278	118,388
-15	(193,780)	(128,682)	(133,708)	(88,791)
-20	(258,373)	(171,577)	(178,278)	(118,388)

38.5 **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	**1,313,006**	872,540
Equity	Rupees in thousand	**6,296,078**	5,516,346
Gearing ratio	% age	**20.85%**	15.82%

38.6 **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

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

At 30 June, the Group had following financial instruments with respect to their level of fair value modelling:

	2017 (Rupees in thousand)		
	Level 1	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss	**1,212,226**	-	-
Long term loan	-	-	**8,348**

	2016 (Rupees in thousand)		
	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	712,782	-	-
Long term loan	-	-	11,744

38.7 **Classification of financial instruments**

	2017	2016
	(Rupees in thousand)	
ASSETS AS PER BALANCE SHEET	Loans and receivables	
NON CURRENT ASSETS		
Loans and advances	**13,314**	16,710
Deposits	**5,054**	6,163
CURRENT ASSETS		
Trade debts	**28,874**	23,562
Deposits and other receivables	**5,323**	7,935
Financial asset at fair value through profit and loss	**1,212,226**	712,782
Cash and bank balances	**273,175**	212,249
	1,467,901	979,080
LIABILITIES AS PER BALANCE SHEET	Financial liabilities at amortized cost	
CURRENT LIABILITIES		
Current portion of long term borrowing	-	58,973
Accrued interest	**21,140**	14,657
Short term borrowings	**1,291,866**	798,910
Trade and other payables	**1,454,123**	2,109,377
	2,451,970	2,602,624

39 NUMBER OF EMPLOYEES

	2017	2016
Number of employees as at 30 June	608	660
Average number of employees during the year	634	611

40 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company on 29 SEP 2017

Chief Executive

Director