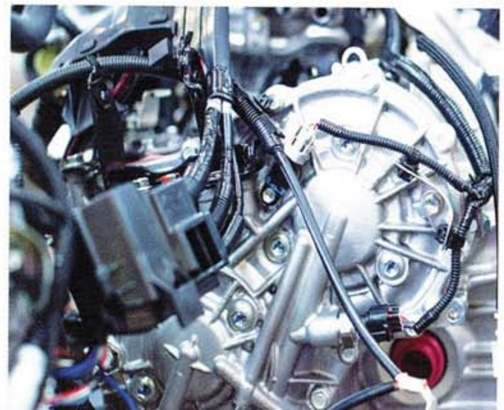
Thal Limited

2014

annual report

House of Habib

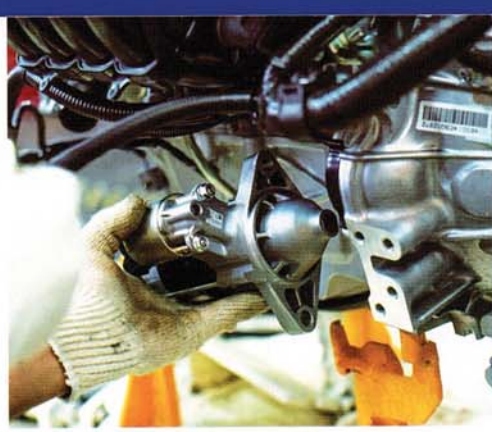


OUR CUSTOMERS

At Thal Limited we pride ourselves in providing products that help people lead a better life. Our achievements are connect with our customers in a way that create a lasting relationship. We believe that our customers are our This year's annual report is a testimony to our customers. Because of them we remain focused to succeed.

OUR STRENGTH

realized by the broad base of customers that believe in our products. We at Thal are committed to strength. They provide us motivation and inspiration that keeps us geared for the challenges ahead.



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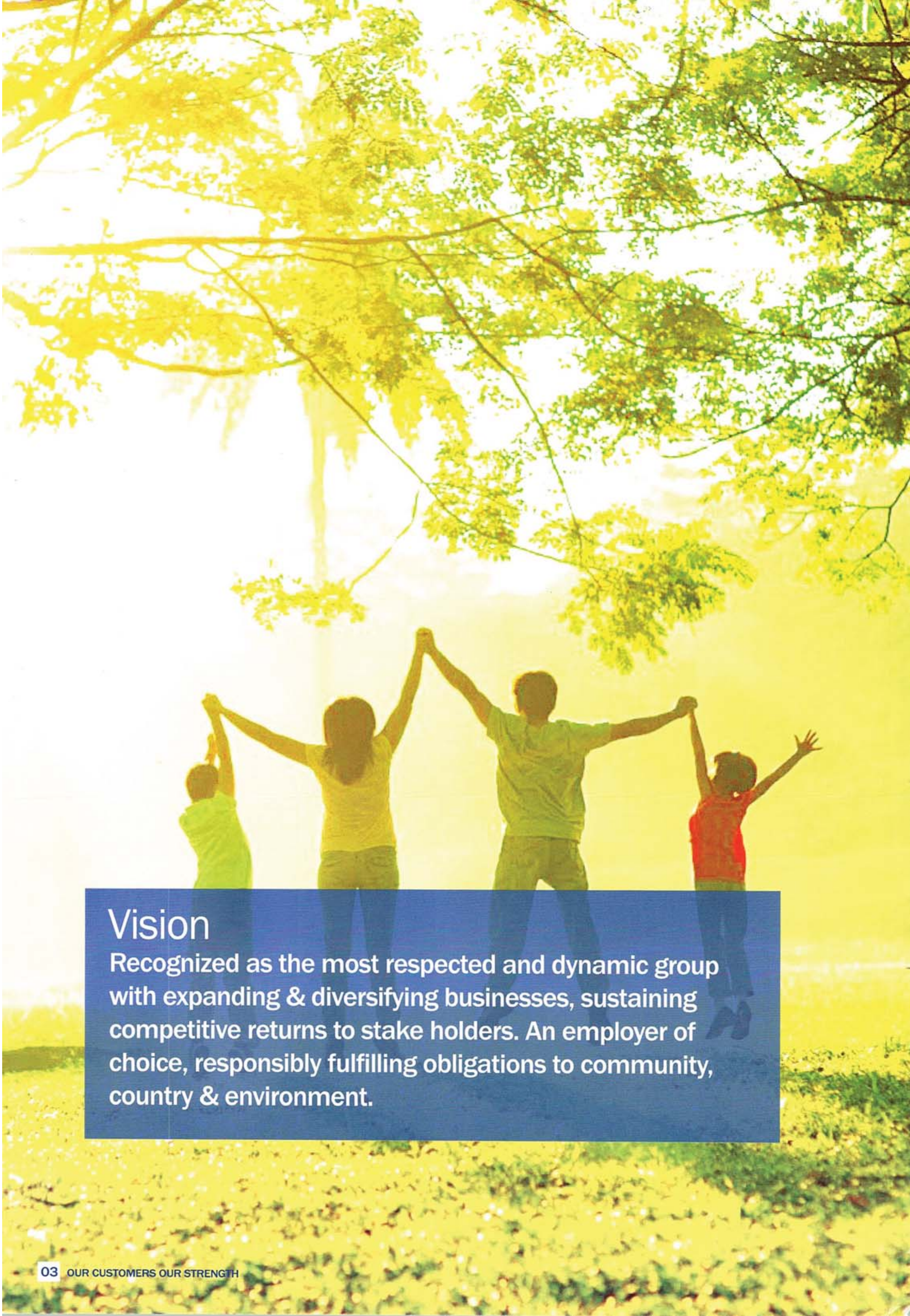


Vision

Recognized as the most respected and dynamic group with expanding & diversifying businesses, sustaining competitive returns to stake holders. An employer of choice, responsibly fulfilling obligations to community, country & environment.

Core Values

Humility & Respect

"Responsibility of tolerance lies in those who have the wider vision."

Be a good listener
Foster fair play
Allow open critique
Encourage communication with subordinates
Walk the talk
Not egotistic

Justice & Integrity

"Success on any major scale requires you to accept responsibility... in the final analysis, the one quality that all successful people have... is the ability to take on responsibility"

Report facts correctly
Transparency in actions
Accept mistakes
Be fair & impartial
High sense of responsibility

Enterpreneurship

"Some men see things as they are and say "Why?" He dreamed things that never were and said "Why not?"

Be wired (knowledgeable)
Be creative
Convert visions into reality
Take calculated risks

Team Work

"No one can whistle a symphony. It takes an orchestra to play it."

Be a good listener
Meaningful participation
Show mutual respect
Own collective decisions
Support inter-dependencies
Believe in candor
"We" not "I"

Cleanliness

"The body is the shell of the soul, and dress the husk of that shell; but the husk often tells what the kernel is."

Practice personal cleanliness and hygiene
Practice cleanliness and 5S for All areas & resources:
SEIRI (Arrangement)
SEITON (Orderliness)
SEISO (Cleanliness)
SEIKETSU (Neatness)
SHUKAN (Habits)

Optimum Use of Resources

"You get the best out of others when you give the best of yourself."

Minimize wastage
Procure at an optimal price
Practice 5 R:
RECYCLE
RE-USE
RETRIEVE
REFINE
REDUCE

Company Profile

Thal Limited enjoys the distinction of being the pioneer industrial project of the House of Habib. The Company was incorporated in 1966, under the name of Thal Jute Mills Limited. It commenced commercial production in 1969. In 1994, another Jute manufacturing company, Pakistan Jute & Synthetics Limited (part of House of Habib) was merged into Thal Jute Mills Limited and thus became the largest Jute factory in Pakistan. In 2004, Thal Jute Mills Limited changed its name to Thal Limited. The consolidation process continued and then in 2006, Pakistan Papersack Corporation Limited and Khyber Papers (Pvt.) Limited merged into Thal Limited. The then, Thal Jute Mills Limited became listed on the Karachi and Lahore Stock Exchanges in April 1967 and January 2001 respectively.

Thal Boshoku Line off Ceremony

Left to right: Rafiq M. Habib (House of Habib), Hiroshi Ioki (Toyota Boshoku Asia) & Asif Rizvi (Thal Limited)

The Company is divided in two major market segments, namely the Engineering Segment and Building Material and Allied Products Segment. The two segments further consist of six businesses offering a variety of product lines.

The Engineering Segment consists of the Electric Systems Business, the Thermal Systems Business and the newly established Engine Components Business. The Electric Systems Business manufactures vehicle wire harnesses and battery cable, while the Thermal Systems Business manufactures the car air conditioning system, radiator, condenser and reserve tank. The Engine Components Business manufactures the car starters and alternators.

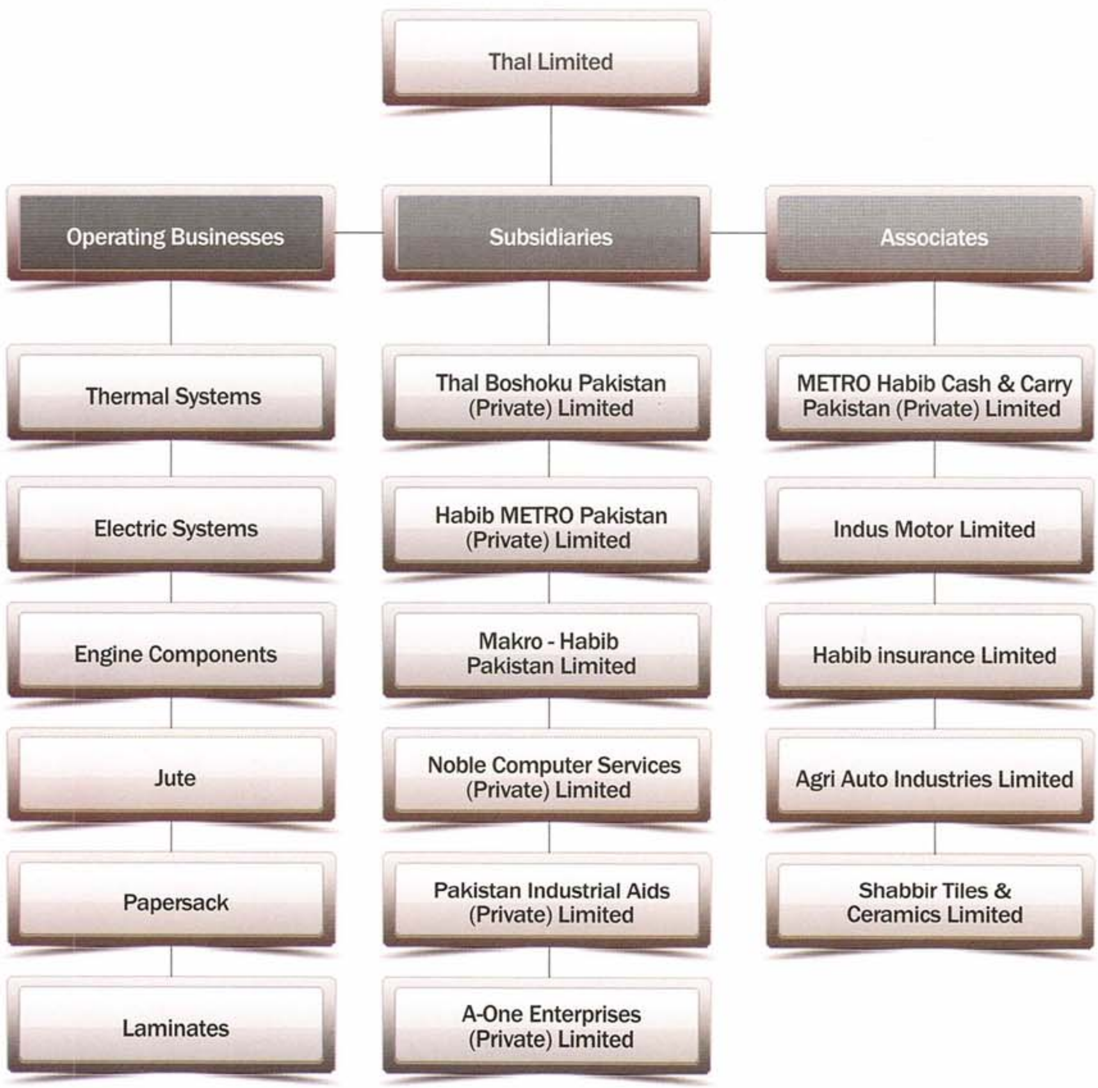
The Building Material and Allied Products Segment consists of the Jute Business, Laminates Business and Papersack Business. The Jute Business manufactures sacking and hessian cloth, yarn and twine. The Laminates Business manufactures high pressure laminates, melamite and laminated boards and the Papersack Business manufactures cement and industrial sack, fast food and grocery bags.

The company continues to seek export markets for its products. The exports of the company during the current financial year were at US$ 8.3 million.

The company believes in growth through unrelated diversification and therefore it has investments in subsidiaries like Makro-Habib Pakistan Limited, Noble Computer Services (Private) Limited, Pakistan Industrial Aids (Private) Limited, Habib METRO Pakistan (Private) Limited and A-One Enterprises (Private) Limited. It also has investments in associates like Indus Motor Company Limited, Habib Insurance Company Limited, Agriauto Industries Limited, Shabbir Tiles and Ceramics Limited and METRO Habib Cash & Carry Pakistan (Private) Limited.

The Company during the year has established a Joint Venture with Toyota Boshoku Corporation, Japan and Toyota Tsusho Corporation, Japan under the name of Thal Boshoku Pakistan (Pvt.) Ltd., for the manufacturing of car air cleaner assembly, seat track sub assembly and the seat side frame sub assembly. The Company's share in the joint venture is 55%. Commercial production commenced in July 2014.

Thal Structure



Corporate information

Board of Directors

Rafiq M. Habib - Chairman
Sohail P. Ahmed - Vice Chairman
Asif Rizvi - Chief Executive
Ali S. Habib - Non-Executive Director
Mohamedali R. Habib - Non-Executive Director
Mazhar Valjee - Non-Executive Director
Asif Qadir - Independent Director

Chief Financial Officer

Shahid Saleem

Company Secretary

Ali Asghar Moten

Internal Auditors

Noble Computer Services (Private) Limited

External Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisers

A. K. Brohi & Co., Karachi.
K. A. Wahab & Co., Karachi.
Fazl-e-Ghani Associates, Karachi.

Tax Advisers

Ernst & Young Ford Rhodes Sidat Hyder

Bankers

Albaraka Islamic Bank
Bank Al - Habib Limited
Barclays Bank, PLC Pakistan
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
Habib Metropolitan Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Registered Office

4th Floor, House of Habib,
3-Jinnah Cooperative Housing Society, Block 7/8
Shahra-e-Faisal, Karachi - Pakistan.
Tel : 92(21) 3431-2030, 3431-2185
E-mail : tl@hoh.net
Web : www.thallimited.com

Share Registrar

Noble Computer Services (Private) Limited
First Floor, House of Habib,
3-Jinnah Cooperative Housing Society, Block 7/8
Shahra-e-Faisal, Karachi - Pakistan.
Tel : 92(21) 3432-5482-7, 3432-5442

Code of Conduct & Ethics

Applicability of the Code:

- The Directors and Management are required to enforce the Code and ensure that none of the elements are breached at any time.
- Employees are required to familiarize themselves with the Code, understand the Code, abide by the Code and live the spirit of the Code.

Company Ethics

- All Company activities are to be conducted with honesty, integrity and respect within and outside the company.
- The Company does not support or oppose any political or religious party / group, and does not contribute funds to any individual or group that promotes or opposes such activities.
- The Company promotes a non-discriminatory working environment, which is safe, free from racial or sexual harassment and conducive to being an equal opportunity employer.
- The Company is committed to delivering the quality and quantity of products and services promised to its customers, within the agreed timeframe.
- The Company is dedicated to protecting the environment, conserving precious energy and promoting sustainable resources.
- The Company is committed to abide by the Competition Laws of Pakistan.
- The Company is dedicated to enforcing the spirit of the Code of Corporate Governance.
- The Company is committed to the development of the community it operates in and recognizes its social responsibilities to the community and country.

Code of Conduct for Directors:

Conflict of Interest

i. Any conflicts of interest with the Company must be disclosed by the concerned Director in the ensuing Board meeting.

ii. The Directors must ensure that all their actions and decisions are transparent and in the interest of the Company.

Regulatory Compliances, Financial Information and Controls

i. The Directors are committed toward the spirit of Code of Corporate Governance and also ensure the compliance of laws, rules and regulations.

ii. Any material information and disclosures will be made public within the required / specified time frame, as per SECP requirements.

iii. The Directors in the knowledge of confidential information, by nature of their position, are required to ensure secrecy and safeguard the same, till such time that it is made public, and avoid any chance of "insider trading".

Compliances

i. The Directors will ensure that the Company meets all its compliances as required to conduct the business.

Personal Conduct

i. The Directors shall intimate those matters to the Company as are required to be disclosed according to the statutory provisions.

Code of Conduct for Employees:

Conflict of Interest

i. Any employee who becomes aware of a conflict of interest, for any reason and in any context, irrespective of whether it pertains to his/her immediate department, area or jurisdiction, is required to immediately report the matter to management for consideration and information, in a complete and honest manner.

ii. Accepting gifts, favors or any other form of obligation, that may compromise decision making, from other employees, suppliers, customers or any other stakeholder is strictly forbidden. Employees are required to inform their superior of any such activity and should politely decline to accept the same.

iii. Employees must not engage in any activity or transaction which may give rise, or which may be seen to have given rise, to conflict of interest.

Regulatory Compliances, Financial Information and Controls

i. Employees in knowledge of confidential information, by nature of their position or job description, are required to ensure secrecy and safeguard the same, till such time that it is made public, and avoid any chance of "insider trading".

ii. Employees are required to ensure compliance to applicable laws, rules and regulations.

iii. Any material information and disclosures will be made public within the required / specified time frame, as per SECP requirements.

Health, Safety & Environment

i. Employees should be aware of and conform to Health & Safety Standards of the Company at all times, throughout all the operations and offices of the Company, and encourage suppliers and customers to adopt the same.

ii. Employees are responsible to use Protective Gears, wherever applicable, and should not indulge in any hazardous activities that may jeopardize their lives, lives of others and / or company assets.

iii. Employees are encouraged to abide by all applicable environmental laws, and ensure all wastes and outflow of affluent are properly treated to avoid any degradation of the environment.

Personal Conduct

i. Employees, are required to conduct themselves in a professional manner, whereby no employee is allowed to harass, discriminate, intimidate, humiliate, disturb, restrict or interfere in another employee's work, or create a hostile work environment for their fellow colleagues.

ii. Employees are responsible for their behavior and must ensure that all their actions are executed in a transparent and fair manner.

iii. Any form of substance abuse – unless under medical advice – will not be tolerated within the work environment. Additionally, employees being representatives of the Company, are required to conduct themselves in an acceptable manner even outside the work place.

iv. Employees, in particular those that operate machinery and other equipment, are required to disclose any medical conditions, medication or treatment that may impair their ability to perform their task.

v. Employees must record and report all transactions – receipts, payments, consumptions, assets & liabilities – of the Company in an accurate and timely manner.

Commitment Of Continued Support

The Purpose of joining the UN Global Compact is to share good practices and learning by accessing UN's Broad knowledge in development issues and its practical reach worldwide.

On completion of five years of signing, Thal Limited continues its commitment to embrace the ten underlying principles which form the basis of improving its corporate practices. The positive message to the outside world has been given by our commitment that we are determined to playing our due role in the social sector, as we make business plan to grow and expand economically.

The company gives due weightage to improving the quality of work life of its employees and other stakeholders, which is ensured through fair and equitable treatment to all, so that they are in a position to contribute their best to the advantage of the business and their own well being.

I have firm belief that the adoption of these ten principles, which serve as the guidelines in improving the image of the Company in both the corporate world and amongst the stake holders, would go a long way in sustenance and growth of the business and society.

The Company therefore takes pride in being a signatory of UNGC and stands fully committed in its resolve to promote the good practices that have been inspired by these ten principles.

Asif Rizvi
Chief Executive Officer

United Nations Global Compact

Thal Limited is a signatory to the UN Global Compact since 2007.

The ten principles of the UN Global Compact are:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: Make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,
Principle 4: The elimination of all forms of forced and compulsory labor,
Principle 5: The effective abolition of child labor; and
Principle 6: The elimination of discrimination in respect of employment and occupation.

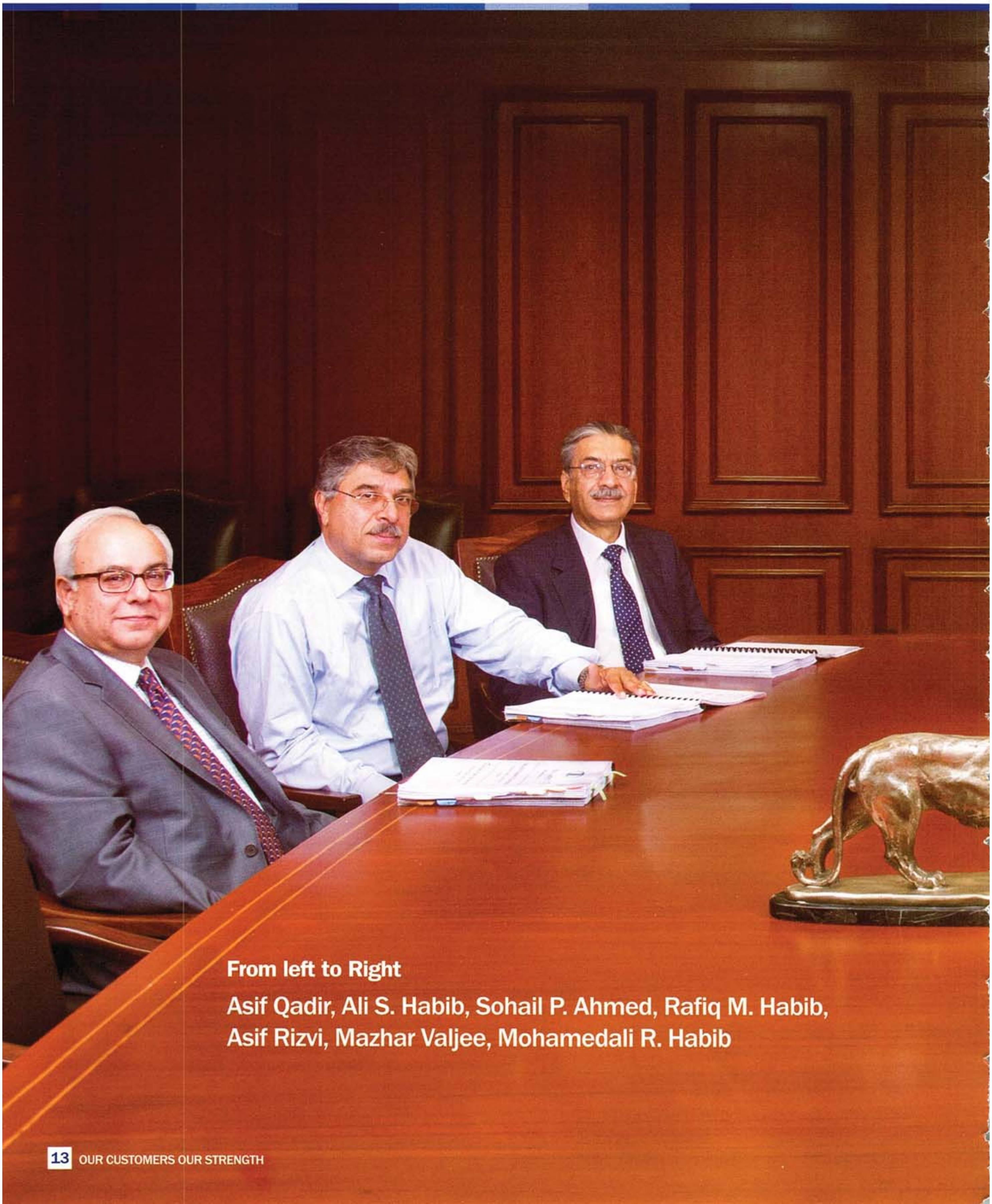
Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges,
Principle 8: Undertake initiatives to promote greater environmental responsibility; and
Principle 9: Encourage the development and diffusion of environment friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

Board of Directors



From left to Right

Asif Qadir, Ali S. Habib, Sohail P. Ahmed, Rafiq M. Habib, Asif Rizvi, Mazhar Valjee, Mohamedali R. Habib

Board of Directors' Profile

RAFIQ M. HABIB
Chairman

Mr. Rafiq M. Habib is one the founding members and Chairman of Thal Ltd. He also serves as the Group Chairman of the renowned 'House of Habib'. He has served on the Board of Governors of 'Pakistan Institute of Management'. Having a wide business experience in a variety of Industries, he leads the team towards prosperity as the Chairman of Habib Insurance Company Ltd. and Shabbir Tiles & Ceramics Ltd.

He has promoted many Public Limited Companies including the iconic Toyota - Indus Motors Company Ltd. and served as a consultant to Habib Bank AG Zurich.

SOHAIL P. AHMED
Vice Chairman

Mr. Sohail P. Ahmed joined the Board in July 1997. He has been the Chief Executive of Naya Daur Motors and Mack Trucks under the Ministry of Production as well as leading several private sector enterprises including Allwin Engineering and Agriauto Industries Ltd.

Currently he is the Vice Chairman of Thal Limited and also Advisor to Chairman House of Habib. Mr. Ahmed also serves as the Chairman of the Pakistan Auto Sector Skill Development Company and of the Vocational Training Centre for Women Korangi. He has served as director on many boards in public and private sectors including that of PIDC and Pakistan Steel. He is also the Founder Chairman of Pakistan Association of Automotive Parts & Accessories Manufacturers.

He has been a member of the Senate of Dawood College of Engineering & Technology as well as the Syndicate of NED University Karachi. He did AMP from INSEAD, France and is also a certified Director from Pakistan Institute of Corporate Governance.

ASIF RIZVI
Chief Executive Officer

Mr. Asif Rizvi joined the House of Habib in 1990 at Indus Motor Company, as Head of Production and Engineering and was Director Marketing in his last assignment there. Subsequently, as President, he headed different businesses in North America for over ten years. Prior to joining the House of Habib, he had served with the British Oxygen Company where he headed their Welding Business.

He took over as Chief Executive Officer of Thal Limited on January 1, 2011 and is a Director on the Boards of Agriauto Industries Limited and Makro-Habib Pakistan Limited.

Asif is an MBA from the University of Minnesota and also holds a Masters in Mechanical Engineering from the University of Kentucky, USA. He is the recipient of a Fellowship under the Fulbright Program for the development of mid-career professionals.

ALI S. HABIB
Non-Executive Director

Mr. Ali S. Habib was appointed as the Director of Thal Limited in February 1980. He also serves as the Chairman of Indus Motor Company Ltd., and as a member of the Board of Directors of Shabbir Tiles & Ceramics Ltd., METRO Habib Cash & Carry Pakistan (Pvt.) Ltd., and Habib Metropolitan Bank Ltd.

He is a graduate in Mechanical Engineering from the University of Minnesota, USA. He has also attended the PMD Program at Harvard University.

MOHAMEDALI R. HABIB
Non-Executive Director

Mr. Mohamedali R. Habib was appointed as the Director of Thal Limited in December 1990. He has been an Executive Director of Habib Metropolitan Bank Ltd. since 2004 and also serves as a member on the Board of Indus Motors Company Ltd. and Habib Insurance Company Ltd. He was appointed as Joint-President & Division Head (Asia) & Member of General Management of Habib Bank AG Zurich in 2011.

He is a graduate in Business Management - Finance from Clark University, USA.

MAZHAR VALJEE
Non-Executive Director

Mr. Mazhar Valjee joined the Board in October 1994. He has served as the CEO of Pakistan Jute and Synthetics Limited, Thal Limited., Indus Motors Company Limited and Schneider Electric Pakistan (Private) Limited. His total experience in business and industry spans 35 years in leadership roles.

He has been an active member of professional bodies including the Indigenization Committee of the Engineering Development Board, Government of Pakistan and has served as the Chairman and Vice Chairman of the Pakistan Jute Mills Association.

Mazhar also heads the Vocational Committee of the Pakistan German Business Forum and is on the board of the Pakistan France Business Alliance.

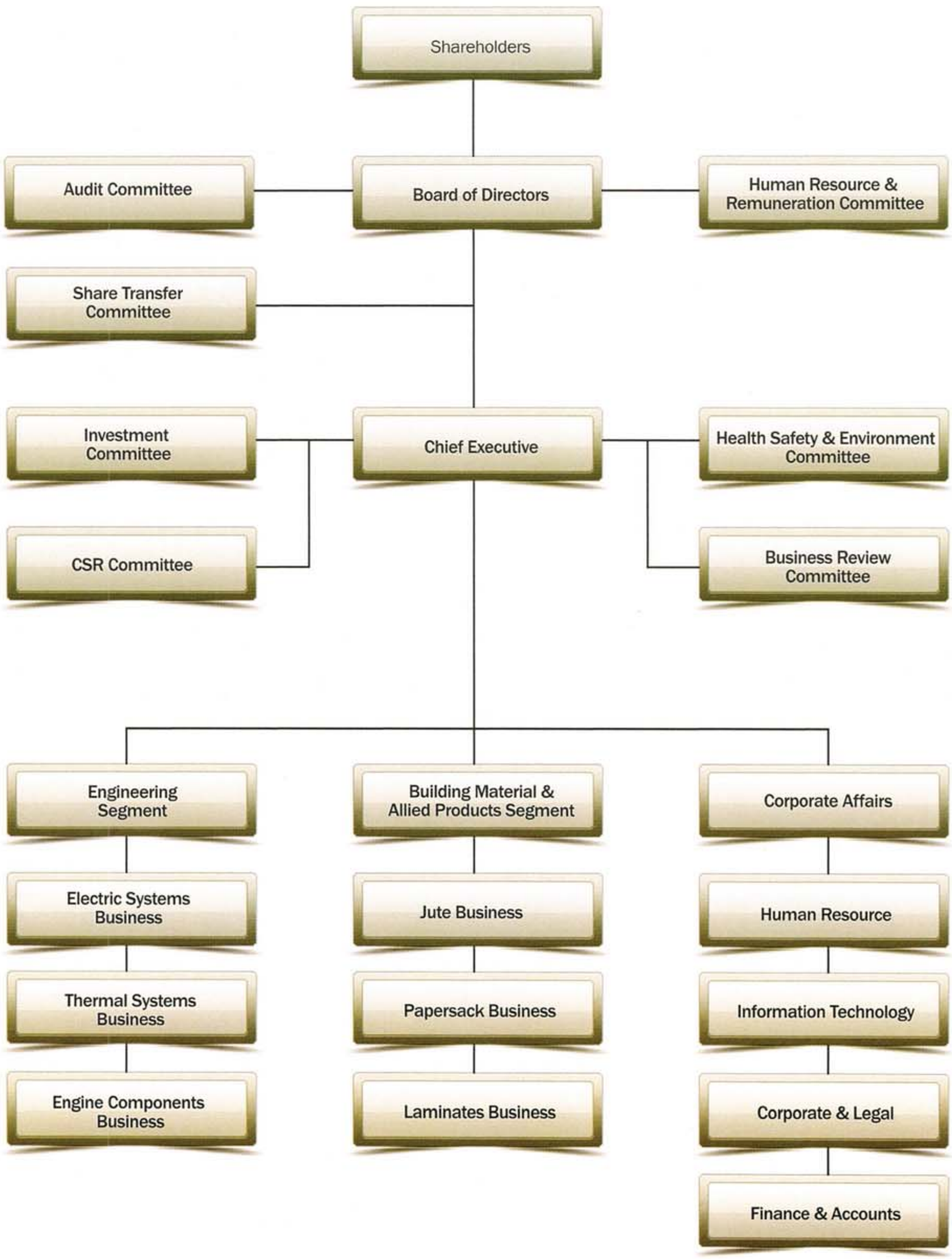
In addition to IBA Karachi, he has exposure to executive education from The Yale School of Management and from Stanford-NUS program.

ASIF QADIR
Independent Non-Executive Director

Mr. Asif Qadir joined the Board in March 2013 as an Independent Non-Executive Director. He has over 30 years of experience with Exxon and Engro and held positions as varied as Worldwide Business Advisor Exxon Chemicals, CEO Engro Polymer & Chemicals, Senior Vice President - Engro and part of the key management team in Engro Corporation. He has also been President of the Management Association of Pakistan, and a member of the Executive Committee of the OICCI.

He also serves as Director on the boards of Karachi Stock Exchange, Tripack Films, Descon Oxychem, Unicol Limited, Inbox Technologies and National Industrial Parks.

Organization Structure



Management Team

Sitting left to Right

Shahid Saleem, Asif Rizvi, Ali Asghar Moten

Standing left to Right

Ali Sajjad Dharamsey, Mohammad Asim Aqil, Noor-us-Samad, Umar Ahsan Khan, Mohammad Saqlain Akhter

Board Committees & their Terms of References

Committees of the Board:

The Board is assisted by the following two Committees to support its decision making:

Audit Committee:

Members:

Mr. Asif Qadir – Chairman (Independent)
Mr. Mohamedali R. Habib – Member
Mr. Mazhar Valjee – Member
Mr. Sohail P. Ahmed - Member

Terms of Reference:

- Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.
- Recommending to the Board for appointment of internal and external auditors.
- Discussion of major observations arising from interim and final audits with the external auditors.
- Review of management letter issued by the external auditors and management's response thereto.
- Review the scope and extent of internal audit and ensuring that the internal audit function has adequate resources.
- Ensuring coordination between the internal and external auditors of the company.
- Determination of compliance with relevant statutory requirements.
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.
- Consideration of any other matter as may be assigned by the Board.

Human Resource & Remuneration Committee:

Members:

Mr. Mazhar Valjee – Chairman
Mr. Ali S. Habib – Member
Mr. Asif Rizvi – Member

Terms of Reference:

- Recommending Human Resource Management Policies to the board.
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit.
- Consideration and approval on recommendations of the CEO on such matters for key management positions who report directly to CEO or COO.

Investors' Information

FINANCIAL CALENDAR

RESULTS

Period Ended	Announced on
First quarter - September 30, 2013	October 29, 2013
Half year - December 31, 2013	February 14, 2014
Third quarter - March 31, 2014	April 18, 2014
Annual - June 30, 2014	August 26, 2014

PLAN

A tentative schedule of the Board of Directors meetings to be held during the financial year 2014-15 is as follows:

Period Ending	Meeting Schedule
First quarter - September 2014	Fourth week of October 2014
Half year - December 2014	Fourth week of February 2015
Third quarter - March 2015	Fifth week of April 2015
Annual - June 2015	Fourth week of August 2015

LAST ANNUAL REPORT ISSUED ON

October 8, 2013

48TH ANNUAL GENERAL MEETING TO BE HELD ON

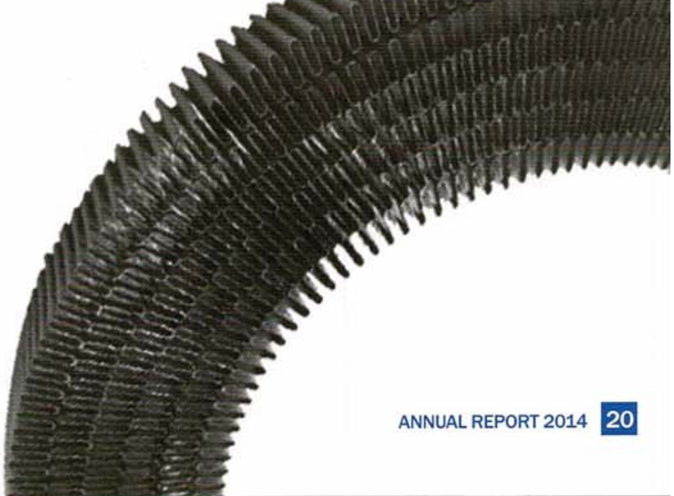
September 29, 2014

INVESTORS' BRIEFING

In addition to the Annual General Meeting, the Company also holds the Investors' Briefing in which investors are made aware of the current performance and future outlook of the Company. This meeting was held on February 27, 2014.

INVESTOR RELATIONS CONTACT

Ali Asghar Moten (Company Secretary)
Email: tl@hoh.net, asghar@hoh.net
Phone: 92(21) 3431-2030 Ext: 129



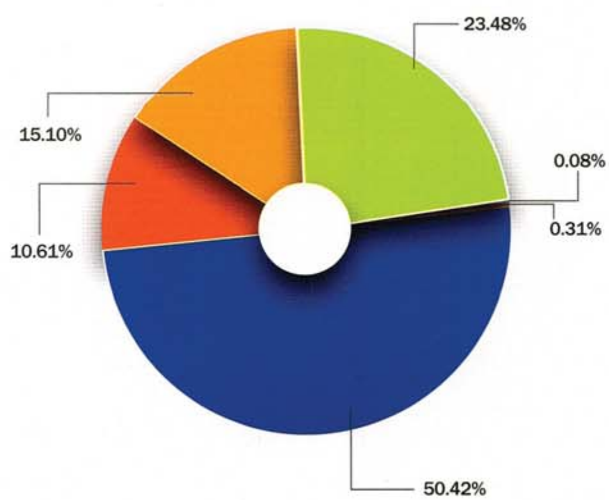
Six years at a Glance

Rupees 000'		2014	2013	2012	2011	2010	2009
ASSETS EMPLOYEED							
Property, plant and equipment		608,630	612,471	590,508	543,609	486,705	539,208
Investment property		1,025	1,032	1,040	1,048	1,056	1,064
Long-term investments		3,653,907	3,520,969	3,501,536	3,502,751	3,480,829	2,101,027
Long-term loans and deposits		13,316	10,485	6,600	6,705	5,414	4,192
Long-term prepayments		3,780	7,560	11,340	15,120	-	3,600
Deferred tax asset		45,555	22,024	-	-	-	-
Net current assets		5,094,240	4,867,256	3,916,480	3,058,242	2,403,720	2,059,681
		9,420,453	9,041,797	8,027,504	7,127,475	6,377,724	4,708,772
Less: Non-current liabilities							
Long-term deposits		1,714	-	-	-	-	-
Long-term loans		-	-	-	442,500	657,500	247,500
Liabilities under finance lease		-	-	157	260	4,781	7,826
Deferred tax liability		-	-	3,138	70,310	51,405	65,859
		1,714	-	3,295	513,070	713,686	321,185
Net Assets Employed		**9,418,739**	**9,041,797**	**8,024,209**	**6,614,405**	**5,664,038**	**4,387,587**
FINANCED BY							
Issued , subscribed and paid-up capital		405,150	405,150	368,318	306,932	255,777	213,147
Reserves		9,013,589	8,636,647	7,655,891	6,307,473	5,408,261	4,174,440
Shareholders' Equity		**9,418,739**	**9,041,797**	**8,024,209**	**7,127,475**	**6,377,724**	**4,708,772**
SALES & PROFITS							
Sales		11,625,789	12,766,238	13,678,881	11,484,157	11,253,047	8,262,982
Gross Profit		1,810,010	2,341,484	2,685,550	2,035,400	2,452,051	1,427,443
Profit before taxation		1,775,855	2,226,771	2,395,796	1,621,505	2,028,875	988,680
Profit after taxation		1,361,379	1,624,295	1,656,652	1,090,078	1,366,290	654,095
CASH FLOW SUMMARY							
Operating activites		221,904	1,270,158	1,378,781	457,637	1,056,569	1,087,362
Investing activities		1,385,696	(308,035)	(185,299)	(81,806)	(1,283,081)	(167,683)
Financing activities		(998,387)	(1,059,045)	(407,161)	(141,559)	467,679	(105,797)
Cash and cash equivalents at year end		2,129,337	1,520,124	1,617,046	830,725	596,453	355,286
Profitability Ratios							
Gross Profit ratio	%	15.57	18.34	19.63	17.72	21.79	17.28
EBITDA margin to sales	%	16.24	18.26	19.09	16.26	19.78	15.49
Net Profit margin	%	11.71	12.72	12.11	9.49	12.14	7.92
ROE	%	14.45	17.96	20.65	16.48	24.12	14.91
ROCE	%	18.85	24.63	29.84	22.75	31.81	21.00
Operating leverage ratio	times	0.47	0.62	0.48	-0.13	0.49	1.25
Liquidity Ratios							
Current ratio	times	4.42	4.36	2.96	2.68	2.21	2.80
Quick ratio	times	2.29	2.61	1.46	1.11	1.10	1.11
Cash to Current Liabilities	times	1.43	1.05	0.81	0.46	0.35	0.33
Cash flow from operations to Sales	times	0.02	0.10	0.10	0.04	0.09	0.13
Activity/Turnover Ratios							
Inventory turnover	times	3.54	3.89	3.86	3.83	4.39	3.52
Inventory turnover	days	103.15	93.81	94.49	95.23	83.11	103.58
Inventory turnover - finished goods	times	30.42	36.13	31.37	37.25	47.95	41.17
Inventory turnover - finished goods	days	12.00	10.10	11.64	9.80	7.61	8.87
Inventory turnover - raw material	times	3.64	3.85	4.12	4.02	4.55	3.43
Inventory turnover - raw material	days	100.31	94.73	88.51	90.90	80.22	106.44
Debtors turnover	times	14.03	15.67	21.62	17.72	20.52	18.31
Average collection period	days	26.02	23.30	16.89	20.60	17.79	19.93
Creditors turnover	times	31.51	25.35	31.14	40.70	57.27	33.55
Payable turnover in days	days	12.27	14.13	11.51	9.48	6.37	10.88
Operating Cycle	days	116.89	102.97	99.86	106.34	94.53	112.63
Total assets turnover	times	1.07	1.22	1.36	1.28	1.35	1.41
Fixed assets turnover	times	19.10	20.84	23.16	21.13	23.12	15.32
Investment/Market Ratios							
Earnings per share	Rs.	16.80	20.05	20.44	14.80	18.55	8.88
Price earnings ratio	times	12.34	6.36	4.14	5.69	4.27	6.06
Cash dividend per share	Rs.	7.50	10.00	7.00	2.50	4.00	1.00
Bonus shares	%	0.00	0.00	10.00	20.00	20.00	20.00
Dividend yield ratio	%	3.62	7.84	7.53	2.97	2.11	0.00
Dividend payout ratio	%	44.64	49.89	34.24	16.89	21.57	11.26
Dividend cover ratio	times	2.24	2.00	2.92	5.92	11.13	0.00
Breakup value per share	Rs.	116.24	111.59	108.93	107.75	110.72	102.92
Market value per share - June 30	Rs.	207.39	127.49	93.00	101.04	94.94	77.45
Market value per share - High	Rs	218.00	141.01	108.00	132.00	114.99	125.99
Market value per share - Low	Rs	107.15	92.01	75.25	86.50	75.00	40.55
Market capitalization	Rs. 000	16,804,793	10,330,503	6,850,711	6,202,471	4,856,679	3,301,645
Capital Structure Ratios							
Debt equity ratio	%	0.02	0.00	0.04	7.76	12.60	7.32
Financial leverage ratio	%	15.83	16.04	24.96	35.20	42.55	31.88
Interest cover	times	3,496.78	280.50	21.86	12.29	23.43	6.29

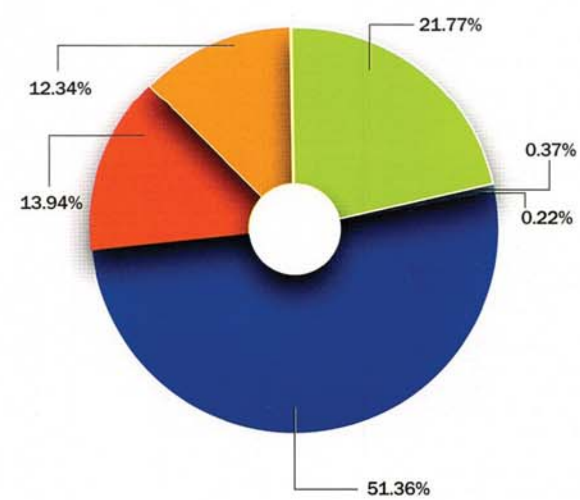
Statement of Value Addition

	2014		2013	
WEALTH GENERATED	**Rs 000**	%	**Rs 000**	%
Gross revenue	13,196,724	95.48%	14,356,545	96.07%
Other income	624,826	4.52%	587,822	3.93%
	13,821,550	100.00%	14,944,367	100.00%
Bought in material, services and other expenses	8,093,631	58.56%	9,132,773	61.11%
	5,727,919	41.44%	5,811,594	38.89%
WEALTH DISTRIBUTED	Rs 000	%	**Rs 000**	%
Employees Salaries, wages & other benefits and WPPF	1,344,649	23.48%	1,265,292	21.77%
Society Donations towards education, health and environment	17,988	0.31%	21,666	0.37%
Providers of finance Finance costs	4,611	0.08%	12,573	0.22%
Government Contribution to national exchequer	2,887,896	50.42%	2,984,580	51.36%
Shareholders Dividend	607,725	10.61%	810,300	13.94%
Retained within the business for future growth Retained earnings, depreciation and amortisation	865,050	15.10%	717,183	12.34%
	5,727,919		5,811,594	

Wealth Distribution - 2014



Wealth Distribution - 2013



- Employees
- Providers of finance
- Shareholders
- Society
- Government
- Profit retained

Horizontal Analysis

	2014 Rs' 000	%	2013 Rs' 000	%	2012 Rs' 000	%
BALANCE SHEET						
SHAREHOLDERS' EQUITY						
Issued, subscribed and paid-up capital	405,150	0.0%	405,150	10.0%	368,318	20.0%
Reserves	9,013,589	4.4%	8,636,647	12.8%	7,655,891	21.4%
TOTAL SHAREHOLDERS' EQUITY	9,418,739	4.2%	9,041,797	12.7%	8,024,209	21.3%
NON-CURRENT LIABILITIES						
Long term deposits	1,714	0.0%	-	0.0%	-	0.0%
Liabilities against assets subject to finance lease	-	0.0%	-	-100.0%	157	-39.6%
Deferred tax liability	-	0.0%	-	-100.0%	3,138	-95.5%
TOTAL NON-CURRENT LIABILITIES	1,714	0.0%	-	-100.0%	3,295	-99.4%
CURRENT LIABILITIES						
Trade and other payables	1,483,932	2.9%	1,441,774	-3.7%	1,496,787	13.1%
Short term borrowings	5,338	-27.6%	7,368	-85.9%	52,403	-78.9%
Current portion of long term finance	-	0.0%	-	-100.0%	442,500	105.8%
Current portion of liabilities under finace lease	-	0.0%	-	-100.0%	102	-96.8%
Accrued mark-up	34	390.7%	7	-99.8%	4,203	-74.3%
Sales tax payable	-	-100.0%	839	-78.4%	3,878	-57.5%
TOTAL CURRENT LIABILITIES	1,489,304	2.7%	1,449,988	-27.5%	1,999,873	10.2%
TOTAL EQUITY & LIABILITIES	10,909,757	4.0%	10,491,785	4.6%	10,027,377	12.1%
NON-CURRENT ASSETS						
Property, plant and equipment	608,630	-0.6%	612,471	3.7%	590,508	8.6%
Investment property	1,025	-0.7%	1,032	-0.8%	1,040	-0.8%
Long term investments	3,653,907	3.8%	3,520,969	0.6%	3,501,536	0.0%
Long term loans and deposits	13,316	27.0%	10,485	58.9%	6,600	-1.6%
Long term prepayments	3,780	-50.0%	7,560	-33.3%	11,340	-25.0%
Deferred tax asset	45,555	106.8%	22,024	0.0%	-	0.0%
TOTAL NON-CURRENT ASSETS	4,326,213	3.6%	4,174,541	1.5%	4,111,024	1.0%
CURRENT ASSETS						
Stores, spares and loose tools	84,270	4.6%	80,584	-15.3%	95,169	45.9%
Stock-in-trade	3,091,257	25.8%	2,456,436	-15.4%	2,902,257	4.0%
Trade debts	873,476	-13.3%	1,007,691	19.7%	841,530	39.4%
Loans, advances, deposits, prepayments and other receivables	77,611	-38.5%	126,256	25.3%	100,742	18.3%
Short Term investments	1,751,523	-2.9%	1,804,641	103.5%	886,910	1225.9%
Accrued profit on bank deposits	2,845	-33.4%	4,271	-67.5%	13,136	55.5%
Income tax - net	293,468	167.1%	109,873	1434.5%	7,160	-97.9%
Sales tax refundable	24,419	0.0%	-	0.0%	-	-100.0%
Cash and bank balances	384,675	-47.1%	727,492	-32.0%	1,069,449	20.2%
TOTAL CURRENT ASSETS	6,583,544	4.2%	6,317,244	6.8%	5,916,353	21.4%
TOTAL ASSETS	10,909,757	4.0%	10,491,785	4.6%	10,027,377	12.1%
PROFIT AND LOSS ACCOUNT						
Turnover - net	11,625,789	-8.9%	12,766,238	-6.7%	13,678,881	19.1%
Cost of Sales	9,815,779	-5.8%	10,424,754	-5.2%	10,993,331	16.3%
Gross Profit	1,810,010	-22.7%	2,341,484	-12.8%	2,685,550	31.9%
Distribution Costs	157,757	-10.4%	176,038	50.0%	117,320	10.4%
Administrative Expenses	368,319	7.9%	341,239	0.1%	340,898	24.3%
Other Income	(624,826)	6.3%	(587,822)	29.3%	(454,777)	93.8%
Operating Profit	1,908,760	-20.9%	2,412,029	-10.1%	2,682,109	41.9%
Finance Costs	4,611	-63.3%	12,573	-89.4%	118,865	-19.6%
Other Charges	128,294	-25.7%	172,685	3.1%	167,448	39.1%
Profit before taxation	1,775,855	-20.2%	2,226,771	-7.1%	2,395,796	47.8%
Taxation	414,476	-31.2%	602,476	-18.5%	739,144	39.1%
Profit after taxation	1,361,379	-16.2%	1,624,295	-2.0%	1,656,652	52.0%

Vertical Analysis

	2014 Rs' 000	%	2013 Rs' 000	%	2012 Rs' 000	%
BALANCE SHEET						
SHAREHOLDERS' EQUITY						
Issued , subscribed and paid-up capital	405,150	3.7%	405,150	3.9%	368,318	3.7%
Reserves	9,013,589	82.6%	8,636,647	82.3%	7,655,891	76.3%
TOTAL SHAREHOLDERS' EQUITY	**9,418,739**	**86.3%**	**9,041,797**	**86.2%**	**8,024,209**	**80.0%**
NON-CURRENT LIABILITIES						
Long term deposits	1,714	0.0%	-	0.0%	-	0.0%
Long term finance	-	0.0%	-	0.0%	-	0.0%
Liabilities against assets subject to finance lease	-	0.0%	-	0.0%	157	0.0%
Deferred tax liability	-	0.0%	-	0.0%	3,138	0.0%
TOTAL NON-CURRENT LIABILITIES	**1,714**	**0.0%**	**-**	**0.0%**	**3,295**	**0.0%**
CURRENT LIABILITIES						
Trade and other payables	1,483,932	13.6%	1,441,774	13.7%	1,496,787	14.9%
Short term borrowings	5,338	0.0%	7,368	0.1%	52,403	0.5%
Current portion of long term finance	-	0.0%	-	0.0%	442,500	4.4%
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Sales tax payable	-	0.0%	839	0.0%	3,878	0.0%
TOTAL CURRENT LIABILITIES	**1,489,304**	**13.7%**	**1,449,988**	**13.8%**	**1,999,873**	**19.9%**
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TOTAL CURRENT ASSETS	**6,583,544**	**60.3%**	**6,317,244**	**60.2%**	**5,916,353**	**59.0%**
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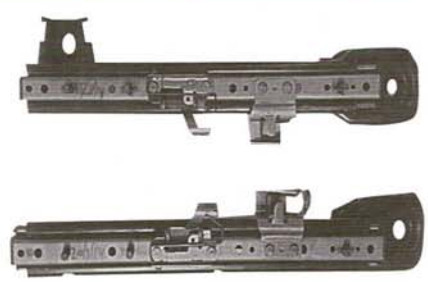
Profit after taxation	**1,361,379**	**11.7%**	**1,624,295**	**12.7%**	**1,656,652**	**12.1%**

Strategic Objectives

1. Be a leader in all our core businesses.
2. Maintain a constant focus on the health and safety of our employees, while seeking way to conserve and preserve the environment.
3. Develop our people through talent building, succession planning and organization development.
4. Focus on growth in export business.
5. Introduce new products that meet the requirements and expectations of our customers.
6. Foster a value driven culture within the organization.
7. Promote a spirit of employee participation through Kaizen, 5S and communication.
8. Contribute to the uplift of the Communities in which we operate.

New Initiatives

Air Cleaner



Seat Track

Alternator

SOS Bag

Seat Side Frame

Starter

Directors' Report to the Shareholders

Dear Shareholders,

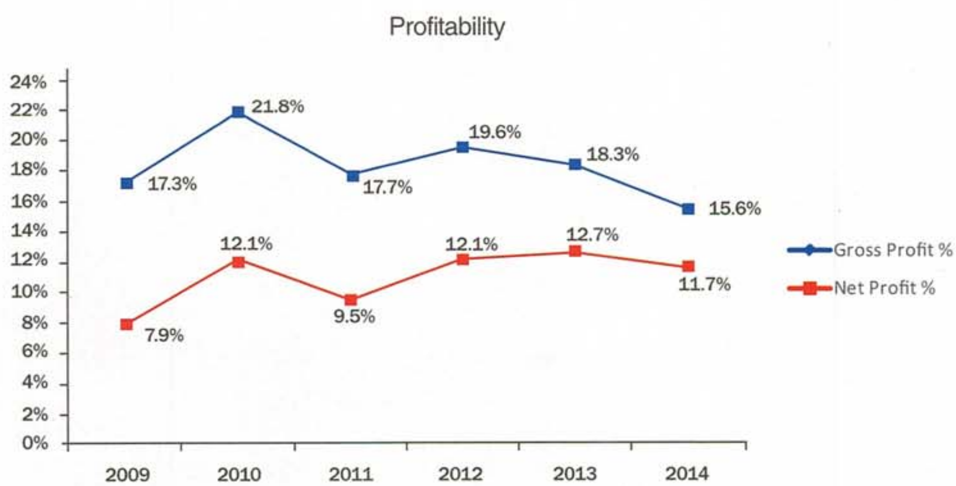
The Company is pleased to present its performance review as part of the Forty Eighth Annual Report along with the Audited Financial Statements of the Company for the year ended June 30, 2014.

DOMESTIC ECONOMY

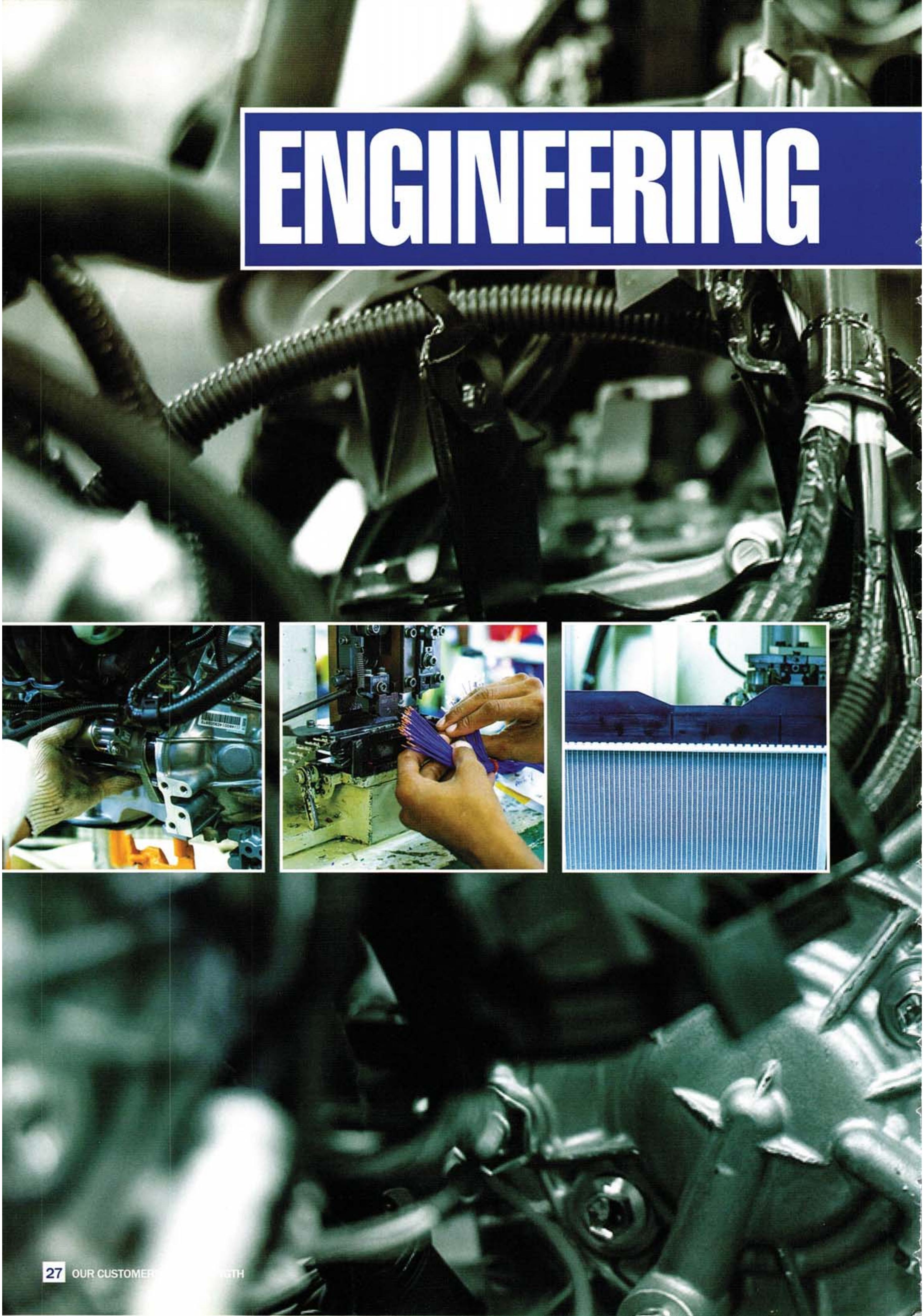
Pakistan's GDP grew by 4.1% against the target of 4.4% and compared to 3.7% last year. The industrial sector registered a growth of 5.8% against 4.3% last year.

COMPANY OPERATIONS

The sales revenue for the year registered a decline to Rs. 11.7 billion from Rs. 12.8 billion last year. The profit before tax reduced from Rs. 2.2 billion to Rs. 1.8 billion in 2013-14. The impact of a model change year for the vehicle of our largest customer and the increased use of plastic bags in the country coupled with decline in exports for jute products, resulting from a glut in India due the relaxation in its Mandatory Packaging Act, were the main factors that adversely contributed to the decline in revenue & profitability.



ENGINEERING



SEGMENT

With the introduction of new car models and a considerable decline in the import of used cars, the Company expects the local auto industry to achieve the much needed growth in volumes in the next year, thereby having a positive impact on the operating results of the Engineering Segment.

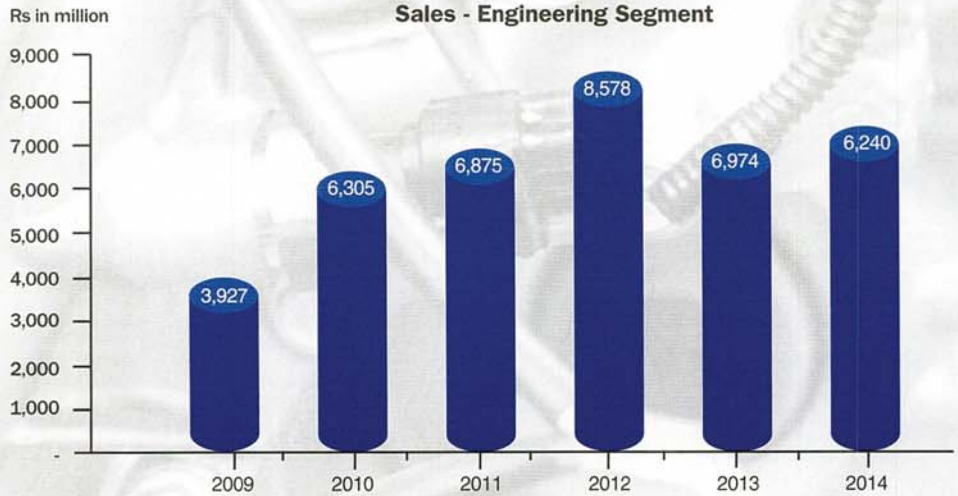
The turnover of the Engineering Segment at Rs. 6.2 billion registered a decline of 11.4% compared with Rs. 7.0 billion in the previous year.

The Auto Sector is a reflection of the sentiment about the economy of the country and showed a very marginal increase of 1.2% during the year, hovering around 137,000 units as against 135,000 units in the previous year. In addition to the adverse macroeconomic factors, persistent political instability and the poor law and order situation in the country, the results were also adversly impacted by an impending model change at our largest automotive customer, regularization of smuggled vehicles and an increase in car prices resulting from new tax slabs based on engine capacities. However, these negative impacts were partially mitigated by a substantial decline in the import of used cars, despite a continued liberal used car import policy. This negligible growth in the auto industry, coupled with cost pressures resulting from persistent inflation, adversely impacted the profitability of the Engineering Segment.

Future Outlook

With the introduction of new car models and a considerable decline in the import of used cars, the Company expects the local auto industry to achieve the much needed growth in volumes in the next year, thereby having a positive impact on the operating results of the Engineering Segment. The macroeconomic challenges are expected to continue, however in order to mitigate the impact of these challenges, the Engineering Segment shall put in every effort to further enhance its customer base and increase the product portfolio through a very focused approach whilst continuously remaining committed to achieving operational efficiencies.

The economy continues to remain sluggish with weak macroeconomic fundamentals, including a very low per capita income, high inflation, an underdeveloped infrastructure, a worsening law & order situation and political instability. This coupled with uncertain and shortsighted Government policies is creating big challenges for the auto and its allied industries in achieving its full potential. Your Company, being a major automotive parts supplier to the auto industry in Pakistan, shall continue to pursue the Government to formulate a stable and long term policy and to finalize the much delayed Auto Industry Plan that would create favourable conditions to encourage growth and investment in the domestic industry.

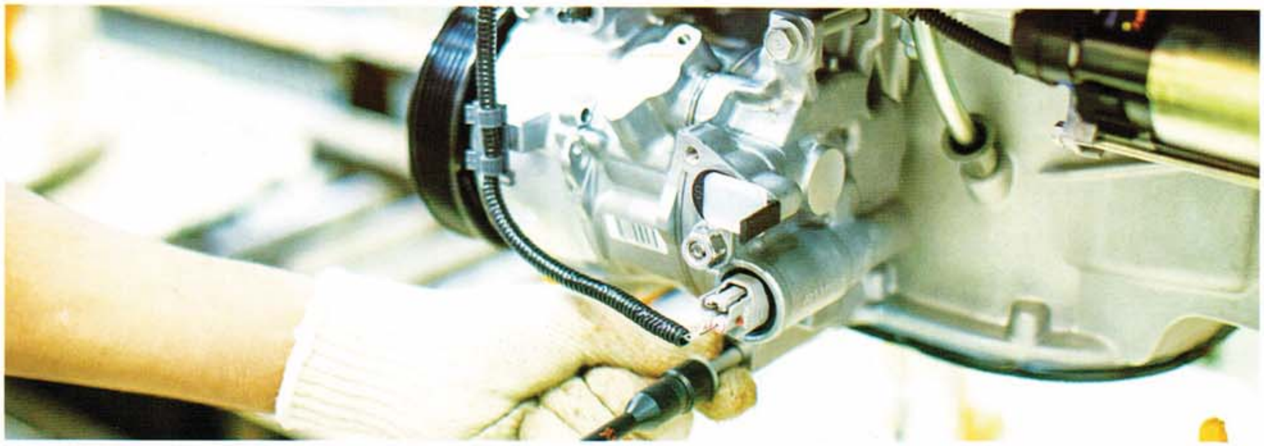


Thermal

The key thrust for the Thermal Business during the year was on developing new products for our customers and further expanding the aftermarket segment. Resultantly, the Business has been able to successfully develop and localize parts of AirCon and Radiator for the full model change at its largest automotive customer.

The Thermal Systems Business was adversely impacted due to the challenges faced by the Engineering Segment mentioned above, and registered a decline in sales volumes by 8% and turnover by 10% compared with the previous year. The Business, however, continued its focus on efficiency improvement and cost management in order to partially mitigate the impact of this volume reduction.

The key thrust for the Business during the year was on developing new products for our customers and further expanding the aftermarket segment. Resultantly, the Business has been able to successfully develop and localize parts of AirCon and Radiator for the full model change at its largest automotive customer.



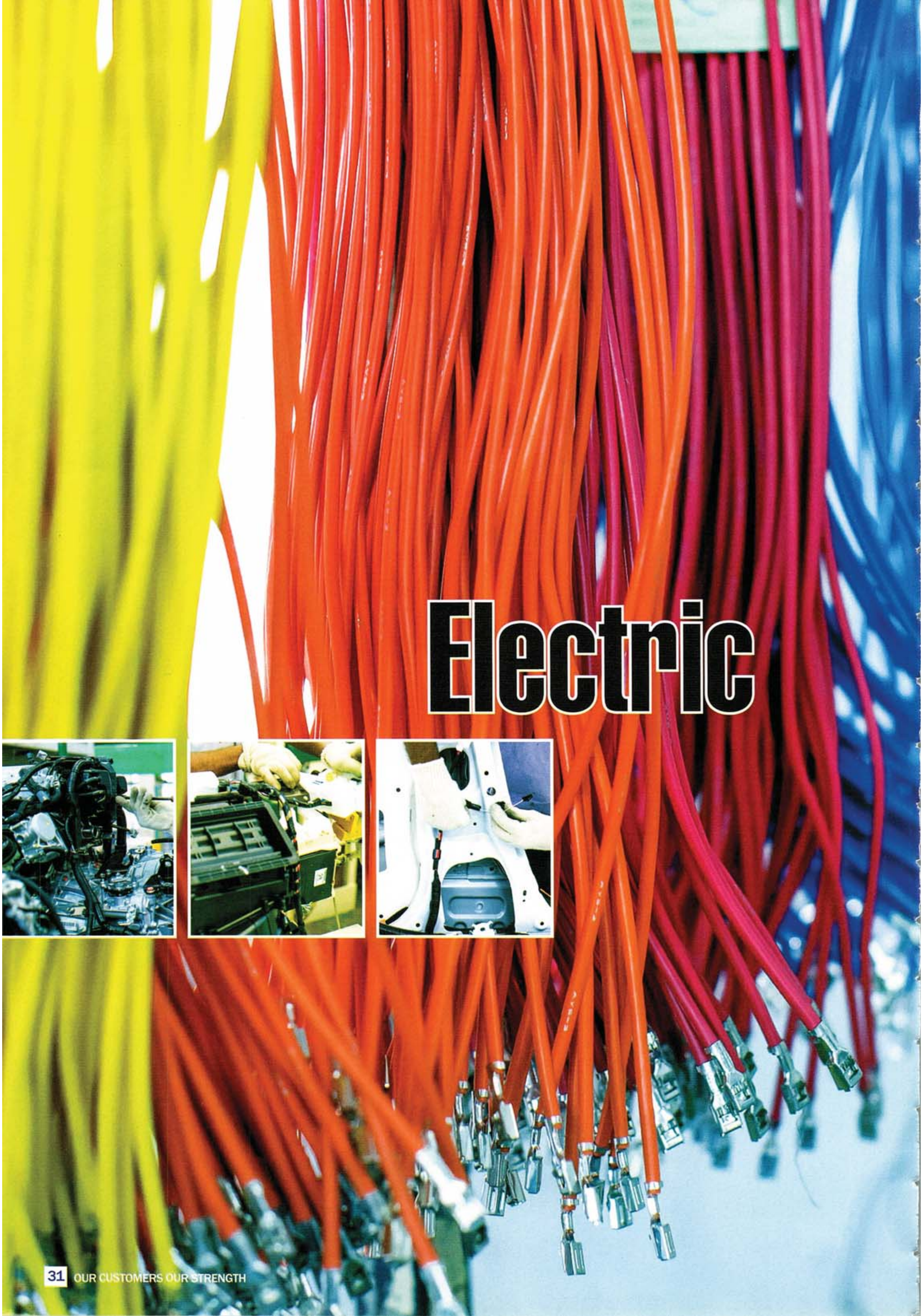
AC Compressor

Systems Business

Additionally, the Business has been able to expand its product portfolio by developing a new AirCon system and a Radiator for two other customers in the automotive segment, which shall augment the business in the next year. In the aftermarket segment, the Business continued to grow and has been able to achieve a very healthy 20% growth over the last year, although the aftermarket is currently only 10% of the total business. The focus was on introducing new competitively priced high quality products and entering into new segments. The Denso Bus AirCon was launched in Pakistan and achieved good success. The aftermarket Business continues to offer a substantial growth opportunity in the coming years and the Business is focused on identifying new opportunities through a customer and product portfolio expansion.

Condenser

Heater Blower



Electric

There have been consistent efforts by the company on business development as a result of which a new motor cycle customer is expected to be added to the portfolio in the near future. Our focus on improving quality and creating cost efficiencies through resourcing and process improvements continue.

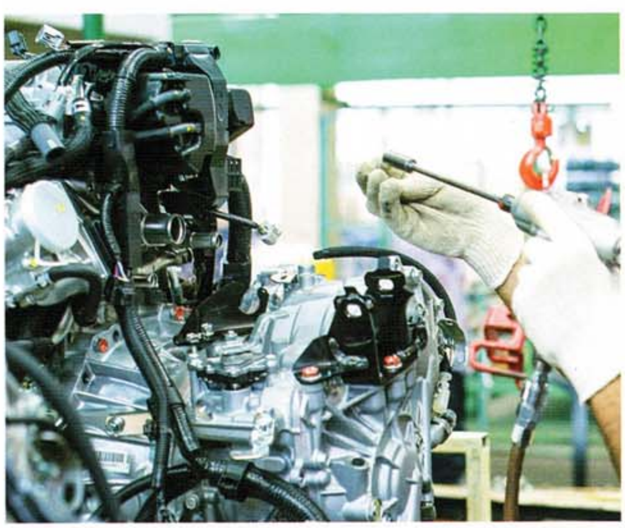
The turnover of the Electric Systems Business for the year showed a decline of 11% which was mainly attributable to a lower JPY: PKR parity resulting in registering a lower revenue and reduced sale due to model change. However, the sales volume registered a growth of 5% versus same period last year due to addition of a product for a new customer.

Pak Suzuki team inagurating production line

Systems Business

A continuous inflationary impact has increased the manufacturing costs and kept margins under pressure. There have been consistent efforts by the company on business development as a result of which a new motor cycle customer is expected to be added to the portfolio in the near future. Our focus on improving quality and creating cost efficiencies through resourcing and process improvements continue.

Continuous efforts on product quality & delivery have been acknowledged by our customers through various Awards during the year.


Engine Harness


Room Harness

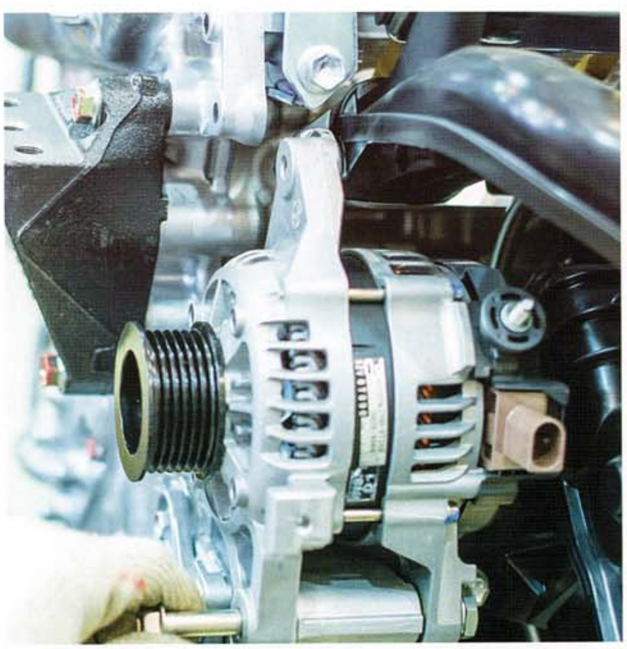
Engine

The Engine Components Business, established under a Technical Assistance Agreement with Denso Corporation, Japan has added a new capability in the Company, through the startup of a new assembly line for the production of two high-tech products, the Starter and the Alternator.

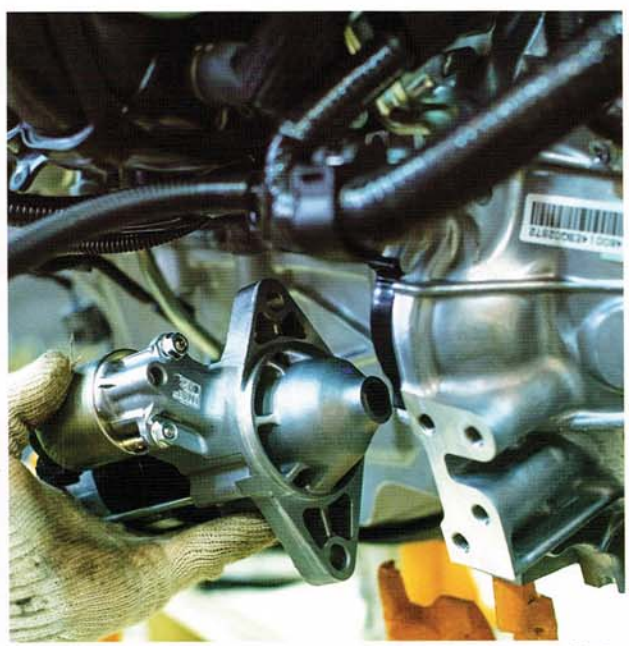
Starter and Altenator Line off Ceremony

Components Business

The Engine Components Business successfully completed its trial production phase and has commenced mass production in July 2014. The Engineering Segment of your Company now has become the first manufacturer of Engine Starter and Alternator for passenger cars in Pakistan.

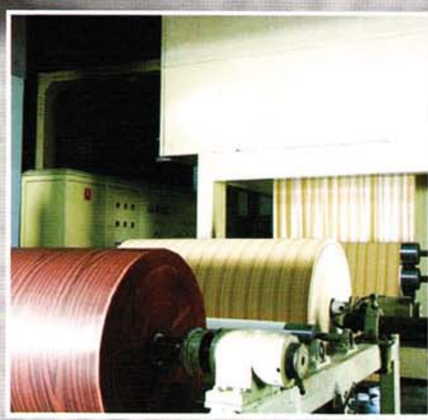


Alternator



Starter

Building Material and



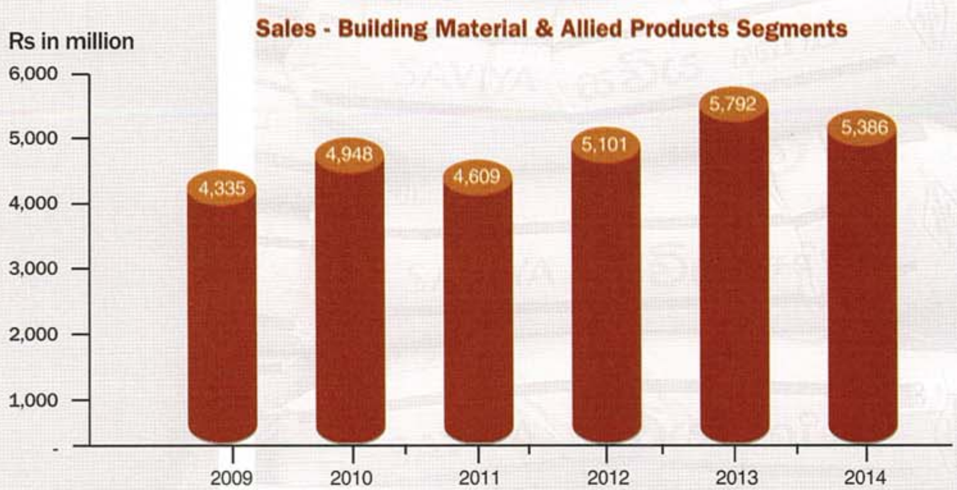
Allied Products Segment

The competition in the local market has become very challenging while the Businesses continue to explore new export markets. This segment of the Company envisions continuous growth through product development, cost reduction and systematic supply chain optimization.

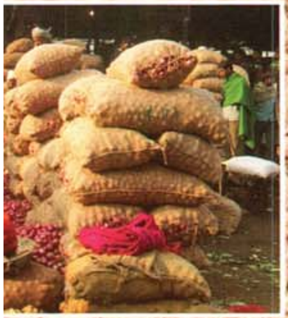
Sale revenue of the Building Material & Allied Products Segment for the year under review was Rs 5.4 billion as against Rs 5.8 billion during the last year.

Future Outlook

The competition in the local market has become very challenging while the Businesses continue to explore new export markets. This segment of the Company envisions continuous growth through product development, cost reduction and systematic supply chain optimization. The Business is exposed to economic uncertainty, law & order conditions and market competition that will continue to throw up challenges and obstacles. However, the segment does have the opportunity to grow in export markets and to diversify its customer base, which will allow for future profitability and sustainability.



Jute



The increase in raw jute cost was the single largest factor adversely impacting the profitability of the business. The continuously increasing labor wage cost is another major factor that is driving up costs on an annual basis since the jute industry is heavily labor intensive.

The year 2013-14 was the most challenging year for the jute industry both in the domestic as well as the international market. The production & sales volumes were less than the previous year, due to low market demand coupled with lower volume purchased by Public Procurement Agencies (for wheat crop). The export of jute products remained under pressure due to political and economic issues prevailing in the importing countries.

Besides, the cost of major inputs like raw jute, power, wage and consumables increased significantly during the year. The increase in raw jute cost was the single largest factor adversely impacting the profitability of the business. The continuously increasing labor wage cost is another major factor that is driving up costs on an annual basis since the jute industry is heavily labor intensive.

Business

The dilution of the Mandatory Packaging Act in India, which had previously offered protection to the jute industry in that country against the use of plastic bags, resulted in a glut of products in India and these were dumped in the export markets. This had a severe impact on the exports which are already handicapped due to Pakistan not being a jute growing country.

The Jute Business achieved another landmark by acquiring the OHSAS 18001:2007 certification which would further enhance the image as a responsible and conscientious manufacturer and supplier of jute products.

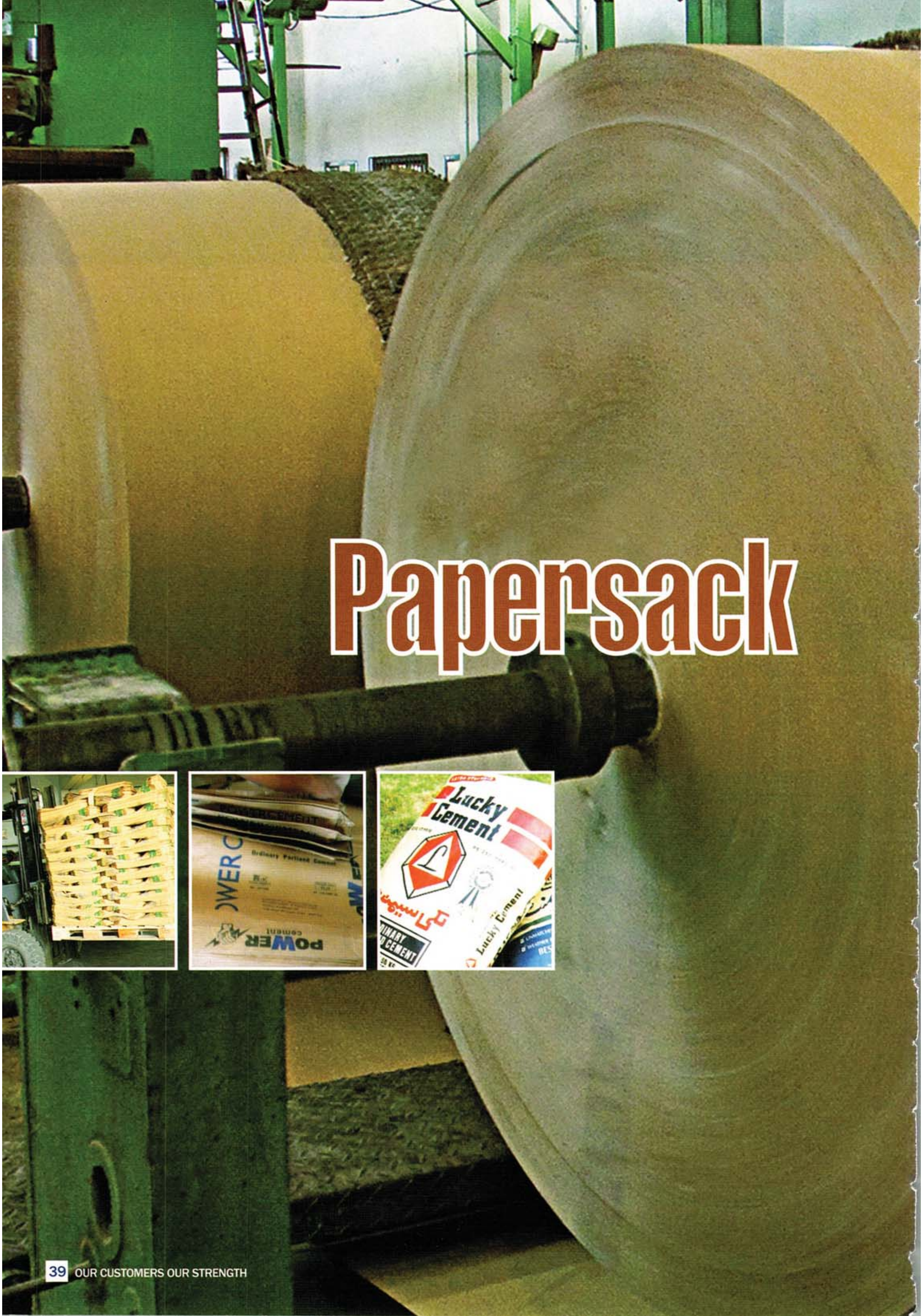
SGS

Thal Limited (Jute Division)

D.G.Khan Road Muzaffargarh - Pakistan

OHSAS 18001:2007

Manufacturing and Sales (Local/Export) of Jute Products

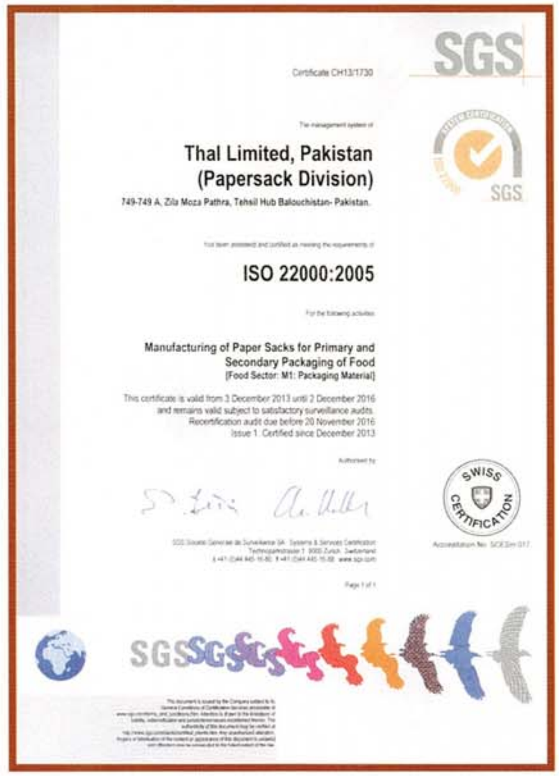

Ordinary Portland Cement
POWER
cement
Lucky Cement
Lucky Cement

Papersack

ISO 22000:2005 Food Grade Management System Certification was acquired, which is a primary requirement of the global fast food franchises, and resultantly, the business is now the preferred supplier of SOS (Self Opening Sachet) bags to most of the global players operating in Pakistan.

Market indicators remained positive for the Papersack Business, with the cement sector reporting improved capacity utilization of 76.8% and cement dispatches growing overall by 2.5% YoY. The unit remained one of the main suppliers of packaging materials to the cement sector, while competition amongst the sack players (both paper & woven polypropylene) kept selling prices under pressure. The business is positive for further growth in the demand for cement sacks, and is fully geared to take advantage of the opportunities.

The focus remained on diversifying the product & customer base and on adding premium local & global brands to its customer portfolio, while the drive to nourish and expand the export markets remained on track.


SGS

Certificate CH13/1730

Thal Limited, Pakistan
(Papersack Division)

749-749 A, Zila Moza Pathra, Tehsil Hub Balouchistan- Pakistan.

ISO 22000:2005

Manufacturing of Paper Sacks for Primary and Secondary Packaging of Food
(Food Sector: M1: Packaging Material)

This certificate is valid from 3 December 2013 until 2 December 2016 and remains valid subject to satisfactory surveillance audits. Recertification audit due before 20 November 2016. Issue 1. Certified since December 2013

Business

To ensure consistent and quality supplies in the coming year, the business will be adding additional machinery that would allow ease of customization of papersacks for the industrial customers.

ISO 22000:2005 Food Grade Management System Certification was acquired, which is a primary requirement of the global fast food franchises, and resultantly, the business is now the preferred supplier of SOS (Self Opening Sachet) bags to most of the global players operating in Pakistan. Going forward, the focus remains towards the global markets for SOS bags, which will provide the impetus for future expansion and growth.

Laminates

"FORMITE" remained the premium brand for High Pressure Laminates (Formica) and for laminated boards - living up to its vision of enhancing customer's lifestyles by offering the largest color and design palate in Pakistan.

The corporate segments of switchgear and transformer manufacturers have recognized the international standards guaranteed by our products and patronize our brand.

By and large, the market remains unorganized and undocumented, while the Business has to bear the cost impacts of being fully documented and tax compliant, which results in challenging conditions for further market penetration. The Government's attention has been drawn towards the issue of improving the documentation of the industry and to provide a level playing field for all players, while also benefiting from additional revenues.

Business

The concentration on developing export markets has continued unabated and this has borne positive results, showing a growth of 23.7% YoY. The expansion to new markets and increase in product line offers the growth opportunities and diversification that will ensure the long term sustainability of the operations.

The business plans to improve the aesthetics of its products by induction of new surface textures, while continuously adding new complementary products to further enhance the customer's experience.

Awards & Recognition

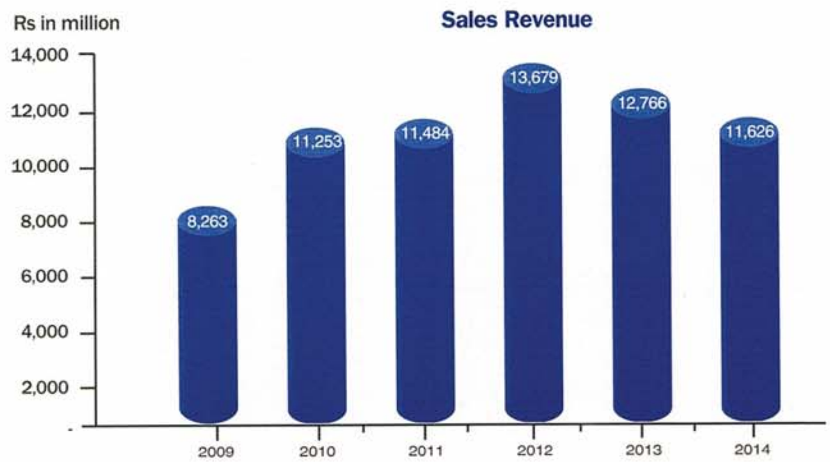
- Winners of the Indus Motor Vendor QCC Competition
- Suppliability award from Honda Atlas Cars Pakistan Limited
- Best Quality award from Pak Suzuki Motor Company
- Best Quality award from Hinopak Motors
- Delivery award from Indus Motor Company
- ISO 22000 Certification
- OHSAS 18001 Certification

Financial Performance

The summarized results for the year under review are as follows:

(Rupees '000')

	2014	2013
Sales Revenue	11,625,789	12,766,238
Gross Profit	1,810,010	2,341,484
Profit before Tax	1,775,855	2,226,771
Provision for Tax	414,476	602,476
Profit after Tax	1,361,379	1,624,295
Basic & Diluted Earnings per Share	16.80	20.05

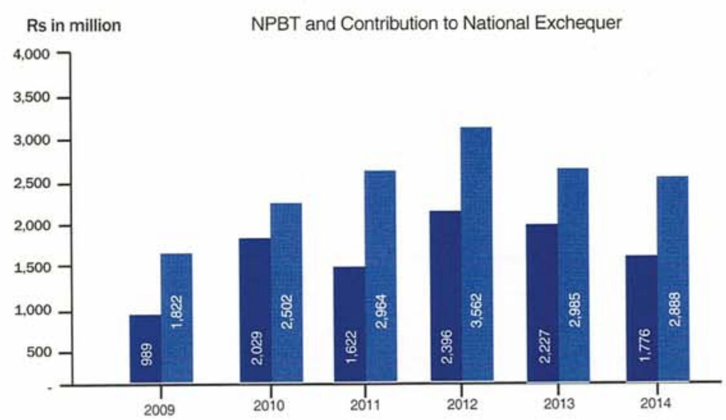


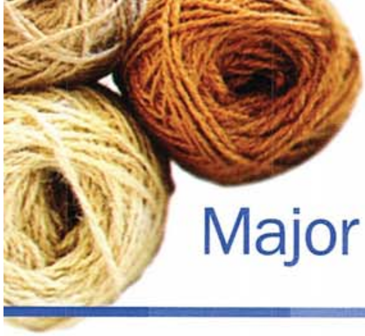
CASH FLOW & LIQUIDITY MANAGEMENT

The company has an effective cash flow management system whereby working capital requirements are fulfilled through generation of cash from inside the business. Cash flow projections are prepared regularly to monitor the cash inflow and outflow requirements.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the Company contributed Rs. 2.8 billion to the National Exchequer by way of taxation, custom duties, levies, excise duty and WWF.





Major Business Risks

ENTERPRISE RISK MANAGEMENT

The company faces various types of risks both internal and external to the operations. While the risks expose the company to threats that may adversely affect the businesses yet they also offer the realization of opportunities. Therefore, there is a need to strike a balance between the two.

Risk management is a primary responsibility of the management of the company. It is overseen and assisted by the Board of Directors, Internal Audit Function and Policies & Procedures that are in place to counter these risks.

The company faces the following types of risks:

- Strategic Risks
- Operational Risks/Commercial Risks
- Financial Risks
- Internal Control Risk

Strategic Risks

These risks emerge from operating in a particular industry and these are beyond the control of the entity. However, the company mitigates these risks by operating in diversified businesses namely Jute, Thermal, Electric, Engine Components, Laminates and Papersack, each of which have their own opportunities and risks.

Moreover, the company has also made investment in subsidiaries and associates operating in different business segments to spread its risk.

Operational Risk/Commercial Risks

These risks arise from events that are internal and external to the company and are directly related to the businesses and the industry in which the company operates.

The business wise major risks faced by the company and ways to mitigate them are as follows:

Engineering Segment

The engineering segment faces risk of low demand on account of a liberal policy of the import of used cars, duty relief on import of Hybrid cars and non-implementation of new Auto Industry Plan (AIP).

The company has mitigated the risk by exploring new avenues of sales. The finalization of Technical Assistance Agreement with Denso Engine Electrical Business and Signing of a Joint Venture Agreement with Toyota Boshoku Japan are several steps in the direction of risk mitigation.

Jute Business

The Jute business depends on the imports of raw jute from Bangladesh. The changes in pattern of internal consumption of Bangladesh and import policies of GoP affect the smooth continuation of the business. The business also faces stiff competition from the polypropylene bag manufacturers.

The dilution of the Mandatory Packaging Act in India which had previously offered protection to the jute industry in that country against the use of plastic bags resulted in a glut of products in India and these were dumped in the export markets. This had a severe impact on the exports of our products which are already handicapped due to Pakistan not being a jute growing country.

The raw material is mainly sourced from Bangladesh but India and Myanmar raw jute markets are constantly monitored and purchases made where viable.

The increasing emphasis on the use of environmentally safe and healthy products has made jute products favored internationally. The company is focusing on exports and also carries out campaigns in this regard to make people aware of the hazards of using polythene bags for food applications.

Papersack Business

The papersack business faces strong competition from polypropylene sack manufacturers. In-house manufacturing of papersack by cement units has also resulted in lower demand.

An increase in budget allocation for development projects is a good sign that would enable the papersack industry to grow along with cement industry.

The business has also made investment in Self Opening Satchels (SOS) to mitigate risks. These products are aimed at the packaging needs of the fast food industry, grocery stores, etc.

Laminates Business

The major risk faced by the Laminates Business is from the undocumented sector of the local market. The company is strongly in favor of a documented economy and steps are being taken in collaboration with the GoP to bring this segment into the ambit of tax.

Financial Risks

The company faces financial risks such as fluctuation in the exchange rates, rise in KIBOR, adverse stock market conditions affecting the profitability of and valuation of investments and default by customers in payments. The company has in place sound financial management systems to mitigate the above risks.

Exchange Rate Fluctuation

The Company uses various natural hedging measures to counter currency fluctuations. In the Engineering Segment the customers compensate for any fluctuation in forex.

Movement in KIBOR

The fluctuation in interest rates is managed by a close watch on macro-economic indicators. A good information network of bankers and financial market analysts enables the company to configure and implement mitigating strategies.

Default by customers

The exposure to credit risk is managed thorough credit review of the customers by taking into account the factors such as customer's solvency, past experience and other market dynamics. Credit limits have been assigned to customers and the collection department frequently follows up for the payments. The Company practices a prudent Bad Debt Provisioning Policy.

Internal Control Risk

Internal Control Risk arises due to lack of internal control procedures and sound control environment. The Company's compliance to internal controls is monitored by an Internal Audit Department which ensures that the company and its employees are compliant with policies and procedures. The internal audit department directly reports to the Audit Committee on the effectiveness of governance, risk management and control processes. The Company has a Whistleblowing Policy in place.

Human Resources

Our Most Valuable Assets

The Company aims to provide a happy and healthy workplace for its employees by ensuring a clean, safe, fair, diverse and respectful working environment so that all employees add value to the organization.

Development & Engagement

The Company believes in raising the bar continuously through entrepreneurship, optimum resource utilization, respect, and justice.

People at Thal pursue these values in many ways: by helping clients, developing themselves to have the best knowledge, creativity and innovation and open communication. We are committed to provide employment to our youth, train and develop our people to give their best. We aspire to give exposure to our leaders to realize their full potential.

During the year, various employees were sent on training programs and various in-house training courses were held as well making a total training man hours count to approx. 17,000. Due to the addition of new product lines several of our employees with required background were sent on related foreign trainings. During slow production periods employees were engaged in trainings, Talent Hunt and in games which were linked with Company's values.

Apart from training and development, employees were actively involved in activities including 5S Championship, Best Kaizen, and Skill Competition where a number of awards were presented.

Employee Engagement Survey (EES)

In 2013, the company conducted an Employee Engagement Survey, a practice that is conducted periodically, to determine how satisfied the workforce is with the firm and its policies. The survey enabled the Company to determine the impact of its policies, infrastructure, communication, career growth opportunities, training & development. The resultant gaps were critically analyzed and are embedded into the HR objectives.

Remuneration Survey

The Company regularly participates in an independent industry Remuneration Survey to stay aligned with the current market compensation and benefit trends.

Management Trainee Program

In our continuous efforts to expand our talent pool we look for graduates that seek a rewarding corporate experience. Our Management Trainee (MT) Program is an intensive 12-months immersion in every aspect of our business and is formulated to match the expectations and skills set of the aspiring graduates with our business needs. The Thal MT program aims to develop competitive leaders with the skills and experience to perform well in various positions.

Papersack team celebrating ISO 22000 Certification

Vision & Mission Exercise

Our employees play an important role in achieving the Company's vision of a sustainable future. Each Business revisits its Mission statement every 3-5 years with the aim of realigning it with the changing environment, resulting in re-defining its Strategic Objectives through wide spread participation of employees. Subsequently a comprehensive 5 year Plan was prepared, which was then broken down into a Mid- Term Plan and annual objectives for each Business and function.

Employee Benefits

The Company through the efforts of its Administration team was successful in deriving the following benefits from Sind Workers Welfare Board.

Employee Education and Medical Benefits:

- 17 education scholarships for team members worth Rs. 453,000
- School uniforms for the children of 95 team members worth Rs. 4,000 each
- School curriculum for the children of 95 team members worth Rs. 3,000 each
- Computer Courses for the children of 10 team members worth Rs. 4,500 each
- Medical reimbursement of Rs. 330,000 for two surgeries at National Institute of Cardiovascular
- Total reimbursement of Rs 5.9 Million from SWWB/-SESSI for the above and for routine medical treatment and other benefits throughout the year.

Medical Camp for Team Members:

- General Medicines
- E. N. T.
- Oral & Dental
- Eye

Annual Sports Activities FY 2013-14

Sports activities were conducted throughout the year with games like Cricket, Football, Volley ball, Kabadi, Tug of War and Badminton being the most popular.

Industrial Relations

The Company has good industrial relations with the labor and is maintaining industrial harmony and peace in all its business units.

Health, Safety & Enviroment (HSE)

Visible, Caring and Felt HSE Leadership

The Company's HSE Steering Committee sets the direction for an effective health and safety management through projects which are becoming an integral part of Thal's culture, values and performance standards.

The HSE Steering Committee takes the lead in ensuring the communication of health and safety objectives and projects throughout the organization. Businesswise Steering Committees then develop procedures to implement health and safety guidelines within specific work environments.

Road safety is very critical during operations. Safe Journey Management and improving Safe Driving Behavior is being managed at Thal through Driver Training and Road Safety Shows.

Although contractor's staff are not the employees of Thal, the HSE Steering Committee still requires the Businesses to adhere to all safety standards for these workers while they work on Company premises. It is further the responsibility of the Business Heads to ensure that all external contractors are made aware of the Company's HSE requirements, safety standards and procedures, and any known hazards around the property to avoid HSE incidents.

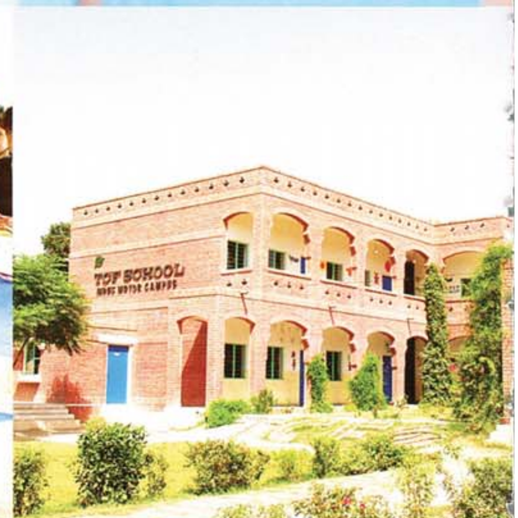
Process Safety through Poka Yoke (Error Proofing) to improve HSE Performance is a vital part of operations. Plant Engineering Teams are ensuring effective Preventive Maintenance of Safety Critical Elements of Processes through regular Process Safety Reviews.

To ensure that team members can recognize the hazards, an HSE Risk Assessment of all businesses is carried out to evaluate and reduce the risk levels. Behavior Based Safety Initiatives are being deployed to improve HSE Performance.

Waste reduction is being managed by Businesses through 5S (Seiri, Seiton, Seiso, Seiketsu and Shitsuke) and the 3R (Reduce, Reuse and Recycle) concepts.

At Thal, we believe in preserving LAW – Land, Air and Water for long-term sustainability. Adhering to the UNGC Global Compact implementation plan is another hall mark of our commitment.

TBP Plant Area



Corporate Social Responsibility (CSR)

It is an objective of the Company to strive for the uplift of the communities in which the Businesses operate. To realize this goal the Company allocates each year approximately 1% of its pre-tax profit towards CSR activities. It is the Company's philosophy to contribute to projects, long and short term, which are aimed at improving the life of the people.

Education

TCF School

The TCF Primary School Campus located in Baseera Muzaffargarh has been functional for the last 10 years. It operates in two shifts and has an enrolment of 278 students with 48% female attendance. The School is confident of producing "the leaders of tomorrow" through providing good education and promoting its students to participate in extracurricular activities. Thal contributed a sum of Rs 3.3 million to this TCF school towards the cause of "Education".

Habib University Foundation

The Habib University Foundation is building a unique liberal arts & sciences university, offering interdisciplinary education in science, engineering, arts, humanities and social sciences. The University has formal partnerships with Carnegie Mellon University and Texas A&M University at Qatar. It is well on track to commence operations in the fall of 2014. The Company has contributed a sum of Rs 4.25 million to the Habib University Foundation.

Student Sponsorship

The Company has sponsored the fees of some students of the Kaghan Memorial Trust, which runs a school for children affected by the 2008 earthquake in Kaghan.

Health

The Indus Hospital is a unique institution, run by a group of dedicated and selfless doctors, providing free medical treatment. Rs 2.025 million was contributed to the Indus Hospital in Korangi which is located close to the Engineering Business operations. In addition the Company also supports the Sir Syed Hospital.

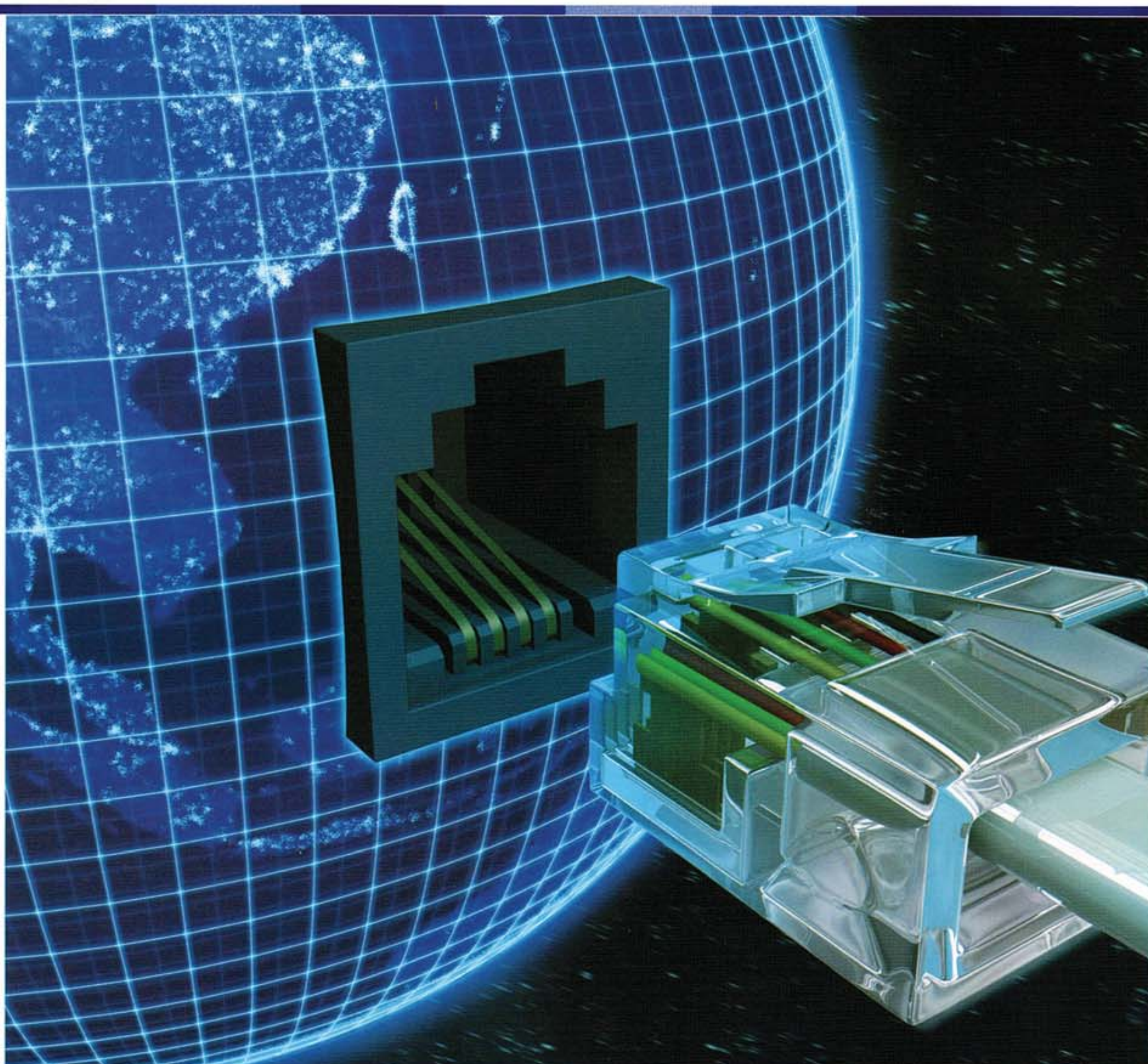
Community

To create awareness among people of surrounding communities about the menace of DENGUE, a Health Show and Walk was conducted on D.G Khan Road in Muzaffargarh. This Health Show and Dengue Awareness Walk were arranged in coordination with a doctors' team from Social Security Hospital, Muzaffargarh.

Energy Conservation

The Jute Business further replaced 109 old and inefficient motors with energy efficient ones under the US Aid Energy Conservation Project and registered a saving of 10% in these motors. This was in addition to the 97 motors replaced last year under the same program. The Jute Business also replaced 232 tube lights with efficient LED light.

Information Technology

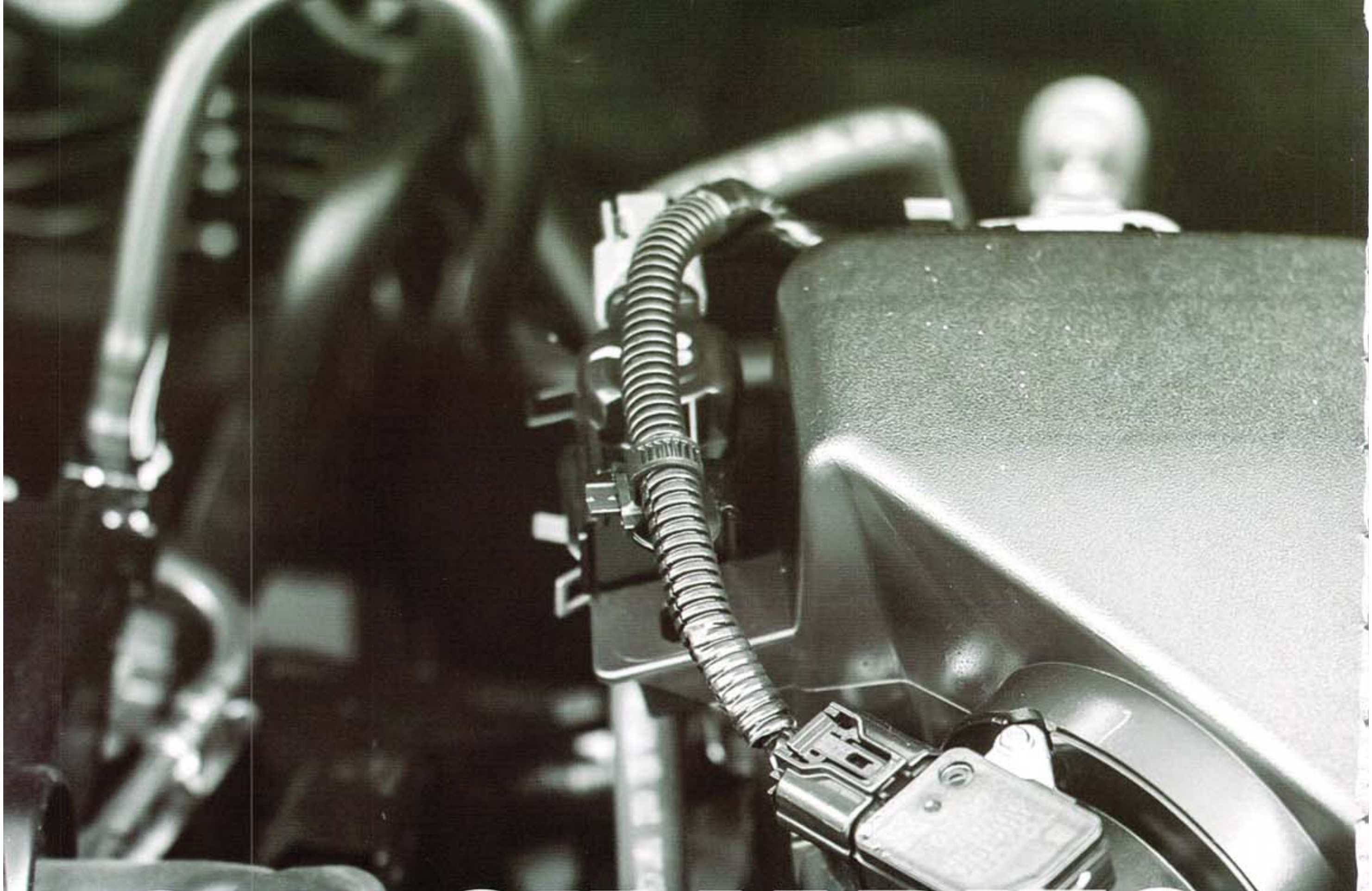


The company is focused on improving its ERP utilization. The IT department has aligned its objectives to meet this strategic need of the organization.

During the year a new subsidiary Thal Boshoku Pakistan started its operation to manufacture car seat components and air cleaner. Along with this, two more product lines, the Starter and the Alternator were added to the Engineering Segment. The IT department took the challenge to enable both teams to monitor the project progress by implementing the SAP Project System. Both new businesses chose SAP ERP to manage their business operations and the IT team configured the required modules for their use.

The IT team in order to strengthen its control over the deployed network and servers and to minimize downtime, implemented the Nagios Network Monitoring Solution. This open source solution has the capability to monitor the entire IT infrastructure, spot problems before they occur, know immediately when problems arise, detect security breaches and reduce network downtime.

Going forward the IT team will focus on the expanding needs of the business operations through upgrading the hardware and implementing additional software modules to optimize operational integration.



SUBSIDIARIES

Thal Boshoku Pakistan (Private) Limited

Thal Boshoku Pakistan (Private) Limited was established in September 2013 as a joint venture between Thal Limited, Toyota Boshoku Corporation, Japan and Toyota Tsusho Corporation, Japan for the purpose of manufacturing seat components and air cleaner for cars.

Thal Boshoku enjoys full technical support of Toyota Boshoku Japan. Toyota Boshoku is a multinational company having production facilities in more than 25 countries and is engaged in the manufacture of automotive interiors systems, automotive filters and powertrain components beside textile goods, and is a supplier to all renowned automakers of the world.

Soon after establishing the company physical work on the project was started and equipment installation was completed in March 2014. Thal Boshoku's state of the art facilities include fully automatic robotic welding for seat side frame recliner assembly and electronic load testing for the automobile seat track assembly. Structured on the world renowned Toyota Production System, Thal Boshoku produces high quality products meeting the customer's required safety and quality standards.

Thal Boshoku, under the supervision and guidance of its TAA partner, Toyota Boshoku, has satisfactorily started commercial production and supplies to its customer from July 2014 and is meeting their expectations.

Makro-Habib Pakistan Limited (MHPL)

Consequent to the Agreement between Thal Limited and METRO Cash & Carry International Holding B.V. and subsequent approval of Scheme of Arrangement by Sindh High Court which became effective on June 26, 2012, the cash & carry business of Makro Habib Pakistan Limited (other than as being carried on at the Saddar Store) has been vested in METRO Habib Cash & Carry Pakistan (Private) Limited in which the Company's holding is 25%.

Immoveable properties of Makro Habib Pakistan Limited (other than Multan Road Land and Saddar Store) and METRO Cash & Carry Pakistan (Private) Limited have been vested in Habib METRO Pakistan (Private) Limited in which the Company has a holding of 60%.

Makro Habib Pakistan Limited has entered into an Arrangement with Metro Habib Cash & Carry Pakistan (Private) Limited (MHCCP) to operate its AWT Saddar store. MHCCP has agreed to operate the Store safely and efficiently and in accordance with the standards of a reasonable and prudent Operator and to perform the services under the Agreement. The Company's holding is 100%.

The AWT Store of Makro Habib Pakistan Limited is subject to a legal case pending adjudication in the Supreme Court of Pakistan. If the legal case is decided in favour of Makro Habib Pakistan Limited its property would vest in Habib METRO Pakistan (Private) Limited and the cash and carry business would vest in METRO Habib Cash & Carry Pakistan (Private) Limited.

The Board of Directors in their meeting for the fourth quarter held on August 19, 2014 approved a final cash dividend of Rs. 49.7 million subject to approval of shareholders.

Habib METRO Pakistan (Private) Limited (HMPL)

The main business of HMPL is to own and manage properties and accordingly over 90% of its revenue is generated from rental income. The Company's holding is 60%.

HMPL paid interim dividends for the year 2013-14 amounting to Rs. 276 million over three quarters. The Board of Directors in their meeting for the fourth quarter held on August 19, 2014 approved a final cash dividend of Rs. 49.4 million subject to approval of shareholders.

Noble Computer Services (Private) Limited

The Company continues to provide Share / Fund / TFC Registrar Services, Share Accounting Services and Share / TFC Floatation Services. The company also continues to provide Internal Audit Services, I. T. Related Services, Advisory Services, HR Services and Management Related Services to our group companies.

Pakistan Industrial Aids (Private) Limited

The Company is focused on providing quality equipment, spares & after sales services to automotive companies. Sales of refinish painting equipment & spares through a Japanese based manufacturers has commenced from this year. We are committed to expand our business with new customers. The Company paid dividend for the 4th consecutive year to the Holding Company.

Proposed Investment in Sindh Engro Coal Mining Company (SECMC)

The Board of Directors of Thal limited has approved an investment of Rs 360 million in SECMC and also agreed to make a further investment of upto a total of Rs 3 Billion subject to conditions interalia that SECMC achieves financial closing of its Thar Coal Mining Project by December 31, 2015 and subject to regulatory approvals.

Auditors

The current auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible offered themselves for re-appointment as auditors for the year 2014-15. The reappointment has also been recommended by the Audit Committee.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2014 is attached to this report.

Board of Directors & Committees

The Board Audit Committee was reconstituted and its members are as follows:

Mr. Asif Qadir	- Chairman	Mr. Sohail P. Ahmed	- Member
Mr. Mohamedali R. Habib	- Member	Mr. Mazhar Valjee	- Member

Directors training program

Mr. Mohamedali R. Habib and Mr. Sohail P. Ahmed stand qualified in the Directors Training Program, in accordance with the requirements of the Code of Corporate Governance 2012.

Mr. Rafiq M. Habib, Mr. Ali S. Habib, Mr. Mazhar Valjee and Mr. Asif Qadir are exempted from the Directors Training Program as each has over 15 years of experience in serving on the Boards.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements prepared by the Management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements.
5. The Board has outsourced the internal audit function to M/s. Noble Computer Services (Pvt.) Ltd, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
6. The system of internal control is sound in design and has been effectively implemented and monitored.
7. All members of the Audit Committee are independent/non-executive Directors.
8. There are no significant doubts upon the Company's ability to continue as a going concern.
9. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
10. The value of investment of provident fund and retirement benefit fund stands at Rs. 530 million and Rs. 43 million respectively as at June 30, 2014.
11. The key operating & finance data for the last 6 years are annexed to the report.
12. Transactions were carried out by a Director, Mr. Sohail P. Ahmed and CEO, Mr. Asif Rizvi in the shares of the Company. No other Director, CEO, CFO and Company Secretary, their spouses and minor children carried out any transaction in the share of the Company.
13. (I) The Board convened 7 times during the year and attendance of the respective Directors was as under :

S#	Names of Directors	Meeting Attended
1	Mr. Rafiq M. Habib (Chairman)	6/7
2	Mr. Sohail P. Ahmed	7/7
3	Mr. Asif Rizvi	7/7
4	Mr. Ali S. Habib	7/7
5	Mr. Mohamedali R. Habib	4/7
6	Mr. Mazhar Valjee	5/7
7	Mr. Asif Qadir	7/7

(II) During the year the Audit Committee met 4 times and attendance of the Directors was as follows:

S#	Names of Directors	Meeting Attended
1	Mr. Asif Qadir (Chairman)	4/4
2	Mr. Mohamedali R. Habib	3/4
3	Mr. Ali S. Habib	2/4
4	Mr. Sohail P. Ahmed	3/4

(III) The Human Resource and Remuneration Committee convened twice during the year and attendance of the respective Directors was as under:

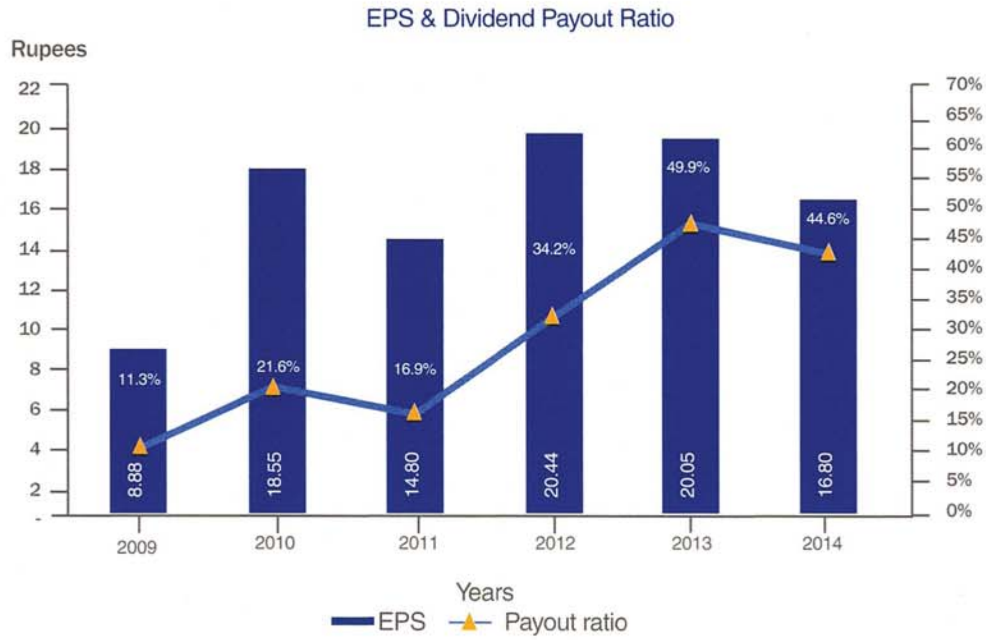
S#	Names of Directors	Meeting Attended
1	Mr. Mazhar Valjee (Chairman)	2/2
2	Mr. Ali S. Habib	1/2
3	Mr. Asif Rizvi	2/2

Dividend and Appropriations

DIVIDEND AND APPROPRIATIONS

The Directors propose following appropriations out of the profit for the current year:

- Final cash Dividend of Rs 2.50 per share i.e. 50% in addition to interim dividends of Rs 5.00 per share i.e. 100%.
- Recommends appropriating a sum of Rs 754 million from un-appropriated profits to General Reserve.



ACKNOWLEDGEMENT:

On behalf of the Board of Directors I would like to thank our Customers, Dealers, Business Partners, Employees and Bankers for their unwavering support and confidence in us.

In particular, I would like to thank our JVA partners Toyota Boshoku Corporation and Toyota Tsusho Corporation of Japan and our TAA partners Denso Corporation and Furukawa Electric Company of Japan for their strong support and assistance.
We thank and bow our heads in humility to the Almighty for all of His blessings and pray for His guidance, peace and mercy.

Asif Rizvi
Chief Executive Officer

Karachi.
Dated: August 26, 2014.

Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes:

Category	Name	
Non-Executive Directors	Mr. Rafiq M. Habib	- Chairman
	Mr. Sohail P. Ahmed	- Vice Chairman
	Mr. Ali S. Habib	- Director
	Mr. Mohamedali R. Habib	- Director
	Mr. Mazhar Valjee	- Director
Executive Director	Mr. Asif Rizvi	- Chief Executive Officer
Independent Director	Mr. Asif Qadir	- Director

   The independent director meets the criteria of independence under clause i(b) of the CCG.

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year.

5. The Company has in place a 'Code of Conduct' duly approved by the Board and has ensured that appropriate steps have been taken to disseminate it throughout the company and has placed it on Company's Website.

6. The Board has developed a Vision/Mission Statement, overall corporate strategy and significant policies of the Company are in place. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Two Directors of the company are certified directors and four directors are exempted from the requirement by virtue of their experience as prescribed by SECP in clause xi of CCG. In all 6 out of 7 Directors stand qualified for the Director Training Program. The remaining 1 Director would attain qualification within the prescribed time frame.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit was made during the year. The terms of remuneration of CFO, Company Secretary and Head of Internal Audit have been approved by the Board.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises four members - one of them is independent, three are Non-Executive Directors and the Chairman of the Committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three members - two of them being Non-Executive Directors.

18. The Board has outsourced the internal audit function to M/s. Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the Code have been complied with.

Karachi:
Dated: August 26, 2014

Asif Rizvi
Chief Executive

Sohail P. Ahmed
Vice Chairman

EY
Building a better working world

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2014 prepared by the Board of Directors of Thal Limited (the Company) to comply with the Listing Regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of respective Stock Exchanges, where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 30 June 2014.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Date: 26 August 2014

Karachi

Standalone Financials

Building a better working world

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Thal Limited as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, the comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 26 August 2014

Karachi

Balance Sheet

As at June 30, 2014

	Note	2014	2013
ASSETS		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	7	608,630	612,471
Investment property	8	1,025	1,032
Long-term investments	9	3,653,907	3,520,969
Long-term loans and deposits	10	13,316	10,485
Long-term prepayment	11	3,780	7,560
Deferred tax asset - net	12	45,555	22,024
		4,326,213	4,174,541
CURRENT ASSETS			
Stores, spares and loose tools	13	84,270	80,584
Stock-in-trade	14	3,091,257	2,456,436
Trade debts - unsecured	15	873,476	1,007,691
Loans, advances, deposits, prepayments and other receivables	16	77,611	126,256
Short-term investments	17	1,751,523	1,804,641
Accrued profit on bank deposits		2,845	4,271
Income tax - net	18	293,468	109,873
Sales tax refundable		24,419	-
Cash and bank balances	19	384,675	727,492
		6,583,544	6,317,244
TOTAL ASSETS		10,909,757	10,491,785
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
100,000,000 (2013: 100,000,000) ordinary shares of Rs.5/- each		500,000	500,000
Issued, subscribed and paid-up capital	20	405,150	405,150
Reserves	21	9,013,589	8,636,647
		9,418,739	9,041,797
NON-CURRENT LIABILITIES			
Long term deposits		1,714	-
CURRENT LIABILITIES			
Trade and other payables	22	1,483,932	1,441,774
Short-term borrowings - secured	23	5,338	7,368
Accrued markup		34	7
Sales tax payable		-	839
		1,489,304	1,449,988
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		10,909,757	10,491,785

The annexed notes from 1 to 45 form an integral part of these financial statements.

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Profit and Loss Account

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
Revenue - net	25	11,625,789	12,766,238
Cost of sales	26	9,815,779	10,424,754
Gross profit		1,810,010	2,341,484
Distribution costs	27	(157,757)	(176,038)
Administrative expenses	28	(368,319)	(341,239)
		(526,076)	(517,277)
Other income	29	624,826	587,822
Operating profit		1,908,760	2,412,029
Finance costs	30	(4,611)	(12,573)
Other charges	31	(128,294)	(172,685)
		(132,905)	(185,258)
Profit before taxation		1,775,855	2,226,771
Taxation	32	(414,476)	(602,476)
Profit after taxation		1,361,379	1,624,295
		(Rupees)	
Basic and diluted earnings per share	33	16.80	20.05

The annexed notes from 1 to 45 form an integral part of these financial statements.

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Statement of Comprehensive Income

For the year ended June 30, 2014

	2014	2013
	(Rupees in '000)	
Profit after taxation	1,361,379	1,624,295
Other comprehensive income		
Item to be reclassified to profit and loss account in subsequent periods:		
Gain on revaluation of available-for-sale investments	28,438	19,433
Total comprehensive income for the year	1,389,817	1,643,728

The annexed notes from 1 to 45 form an integral part of these financial statements.

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	851,422	2,019,288
Finance costs paid		(4,585)	(16,769)
Retirement benefits paid		(3,331)	(2,010)
Income tax paid		(621,602)	(730,351)
Net cash generated from operating activities		221,904	1,270,158
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(106,452)	(133,869)
Long term loans and deposits		3,159	(105)
Dividends received		418,413	396,691
Profit received on bank deposits		98,447	94,634
Proceeds from disposal of property, plant and equipment		20,777	9,584
Investment in a subsidiary		(104,500)	-
Disposal / (Purchase) of short term investments		1,055,852	(674,970)
Net cash generated from / (used in) investing activities		1,385,696	(308,035)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance repaid		-	(442,500)
Dividends paid		(998,387)	(616,286)
Repayment of liabilities against assets subject to finance lease		-	(259)
Net cash used in financing activities		(998,387)	(1,059,045)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		609,213	(96,922)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,520,124	1,617,046
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35	2,129,337	1,520,124

The annexed notes from 1 to 45 form an integral part of these financial statements.

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Statement of Changes in Equity

For the year ended June 30, 2014

	Issued, subscribed and paid-up capital	RESERVES				Total equity
		Capital reserves	General reserve	Unappropriated profit	Gain on changes in fair value of available-for-sale investments	
	(Rupees in '000)					
Balance as at June 30, 2012	368,318	55,704	5,987,999	1,566,073	46,115	8,024,209
Profit for the year	-	-	-	1,624,295	-	1,624,295
Other comprehensive income	-	-	-	-	19,433	19,433
Total comprehensive income	-	-	-	1,624,295	19,433	1,643,728
Issue of bonus shares in the ratio 2:10	36,832	-	-	(36,832)	-	-
Final dividend @ Rs. 5.75/- per share for the year ended June 30, 2012	-	-	-	(423,565)	-	(423,565)
Transfer to general reserve	-	-	1,105,000	(1,105,000)	-	-
Interim dividend @ Rs.2.50/- per share for the period ended December 31, 2012	-	-	-	(202,575)	-	(202,575)
Balance as at June 30, 2013	405,150	55,704	7,092,999	1,422,396	65,548	9,041,797
Profit for the year	-	-	-	1,361,379	-	1,361,379
Other comprehensive income	-	-	-	-	28,438	28,438
Total comprehensive income	-	-	-	1,361,379	28,438	1,389,817
Final dividend @ Rs. 7.5/- per share for the year ended June 30, 2013	-	-	-	(607,725)	-	(607,725)
Transfer to general reserve	-	-	814,000	(814,000)	-	-
Interim dividend @ Rs. 2.5/- per share for the period ended December 31, 2013	-	-	-	(202,575)	-	(202,575)
Interim dividend @ Rs. 2.5/- per share for the period ended March 31, 2014	-	-	-	(202,575)	-	(202,575)
Balance as at June 30, 2014	405,150	55,704	7,906,999	956,900	93,986	9,418,739

The annexed notes from 1 to 45 form an integral part of these financial statements

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

1. THE COMPANY AND ITS OPERATIONS

1.1 Thal Limited

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

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

1.2 These financial statements are separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for certain investments which are measured at fair value as required under IAS – 39 "Financial Instruments: Recognition and Measurement".

3.2 These financial statements are presented in Pak Rupees which is also the Company's functional currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New / Revised Standards, Interpretations and Amendments

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

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

Improvements to Accounting Standards Issued by the IASB

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

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

4.2 Current versus not-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

4.3 Property, plant and equipment

(a) Owned

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

Depreciation is charged to the profit and loss account applying the reducing balance method except for computer equipment and jigs and fixtures which are depreciated on straight line method at the rates specified in note 7 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletion, up to the month preceding the month of disposal.

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

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

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

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

(b) Leased

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

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

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

4.4 Investment property

Investment property is stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged on reducing balance method at the rate specified in note 8 to the financial statements.

4.5 Impairment of non-financial assets

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

4.6 Investments

Subsidiaries and associates

Investment in shares of the Company's subsidiaries and associates is stated at cost. Provision is made for impairment, if any, in the value of investment.

Others

Held-to-maturity

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

Designated investments at fair value through profit or loss

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

Available-for-sale

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

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

4.7 Stores, spares and loose tools

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

4.8 Stock-in-trade

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

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

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

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.9 Trade debts and other receivables

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

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

4.10 Ijarah rentals

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

4.11 Cash and cash equivalents

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

4.12 Taxation

(a) Current

The charge for current taxation in respect of certain income streams of the Company is based on Final Tax Regime at the applicable tax rates and remaining income streams at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, or 1% of turnover whichever is higher. The Company had also availed Group tax relief under the provisions of Section 59AA and 59B of the Income Tax Ordinance, 2001 as explained in note 18 to the financial statements.

(b) Deferred

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

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

4.13 Trade and other payables

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

4.14 Borrowing costs

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

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

4.15 Staff retirement benefits

Defined Contribution plan

Provident fund

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

Retirement benefit fund

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

4.16 Compensated absences

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

4.17 Provisions

General

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

Warranty obligations

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

4.18 Revenue recognition

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually on dispatch of the goods.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on Term Deposit Receipts is recognised on constant rate of return to maturity.
- Profit on bank deposits are recognised on accrual basis.
- Rental income arising from investment property is accounted for on a straight-line basis over the lease terms.

4.19 Foreign currency transactions

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

4.20 Financial instruments

Financial assets and financial liabilities

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

Offsetting

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

4.21 Research and development expenditure

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

4.22 Dividends and appropriation to reserves

The Company recongnises a liability for dividend to equity holder when it is authorized as per corporate laws in Pakistan. The transfer of reserves within the equity are reconized when these are approved as per the applicable laws.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS

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

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

	Notes
determining the residual values, useful lives and impairment of property, plant and equipment	4.2, 4.3 & 7
valuation of inventories	4.7, 4.8, 13 & 14
provision against trade debts	4.9 & 15
provision for tax and deferred tax	4.12, 12, 18 & 32
warranty obligations	4.17 & 22.4
impairment on non financial assets	4.5
contingencies	24

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

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

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

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

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

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

7. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		(Rupees in '000)	
Operating fixed assets	7.1	597,311	611,871
Capital work-in-progress	7.5	11,319	600
		608,630	612,471

7.1 Statement of operating fixed assets

	COST					DEPRECIATION				Written down
	As at July 01, 2013	Additions / transfers*	Disposals / transfers*	As at June 30, 2014	Rate	As at July 01, 2013	Depreciation / transfers*	On disposals / transfers*	As at June 30, 2014	value as at June 30, 2014
	(Rupees in '000)				%	(Rupees in '000)				
Owned:										
Land - Freehold	12,749	-	(650)	5,012	-	-	-	-	-	5,012
		(7,087)*								
- Leasehold	14,742	-	-	21,829	3	3,190	508	-	3,698	18,131
		7,087*								
Building on freehold land										
- Factory building	270,035	-	-	270,035	10	136,455	13,359	-	149,814	120,221
- Non factory building	58,214	-	-	62,486	5-10	15,736	4,466	-	20,631	41,605
		4,272*					679*			
Railway sliding	792	-	-	792	5	708	4	-	712	80
Plant and machinery	958,469	78,780	(12,472)	1,020,324	10-30	641,559	59,601	(11,894)	688,587	331,737
		(4,453)*					(679)*			
Furniture and fittings	22,079	1,617	(24)	23,672	15-20	13,516	1,358	(21)	14,687	8,985
		-					(166)*			
Vehicles	56,161	6,762	(4,273)	58,650	20	34,066	4,875	(1,556)	37,390	21,260
		-					5*			
Office and mills equipment	48,147	3,473	(437)	51,183	10-30	29,233	3,410	(383)	32,260	18,923
Computer equipment	56,243	3,157	(397)	59,003	33.33	45,272	6,683	(314)	51,621	7,382
		-					(20)*			
Jigs and fixtures	143,246	7,125	(6,232)	144,320	33.33	109,271	17,125	(6,232)	120,345	23,975
		181*					181*			
2014	1,640,877	100,914	(24,485)	1,717,306		1,029,006	111,389	(20,400)	1,119,995	597,311
		-					-			

7.1.1 Additions include transfers from capital work-in-progress amounting to Rs. 73.133 million (2013: 58.385 million).

7.1.2 Fixed assets include moulds having book value of Rs. 0.210 million (2013: Rs. 1.467 million) in the possession of sub-contractors.

Notes to the Financial Statements
For the year ended June 30, 2014

	COST					DEPRECIATION				
	As at July 01, 2012	Additions/ transfers *	Disposals / transfers *	As at June 30, 2013	Rate %	As at July 01, 2012	Depreciation/ transfers*	On disposals/ transfers *	As at June 30, 2013	Written down value as at June 30, 2013
	Rupees in thousands					Rupees in thousands				
Owned:										
Land - Freehold	12,749	-	-	12,749	-	-	-	-	-	12,749
- Leasehold	14,742	-	-	14,742	3	2,246	944	-	3,190	11,552
Building on freehold land										
- Factory building	257,832	12,203	-	270,035	10	122,310	14,145	-	136,455	133,580
- Non factory building	25,201	33,013	-	58,214	5-10	13,823	1,913	-	15,736	42,478
Railway sliding	792	-	-	792	5	704	4	-	708	84
Plant and machinery	921,851	39,556	(1,203)	958,469	10-30	585,078	58,968	(1,169)	641,559	316,910
		(1,735)*	-				(1,318)*	-		
Furniture and fittings	19,856	2,223	-	22,079	15-20	12,110	1,406	-	13,516	8,563
Vehicles	51,705	4,908	(7,651)	56,161	20	30,230	5,415	(5,019)	34,066	22,095
		7,199*	-				3,440*			
Office and mills equipment	39,808	5,049	-	48,147	10-30	22,964	3,270	-	29,233	18,914
		3,290*	-				2,999*			
Computer equipment	52,377	5,765	(344)	56,243	33.33	38,002	9,128	(177)	45,272	10,971
		(1,555)*	-				(1,681)*			
Jigs and fixtures	98,454	44,792	-	143,246	33.33	95,430	13,841	-	109,271	33,975
	1,495,367	147,509	(9,198)	1,640,877		922,897	109,034	(6,365)	1,029,006	611,871
		7,199*					3,440*			
Leased:										
Vehicles	7,199	-	-	-	20	3,401	39	-	-	-
		-	(7,199)				-	(3,440)		
	7,199	-	-	-		3,401	39	-	-	-
		-	(7,199)*				-	(3,440)*		
2013	1,502,566	147,509	(9,198)	1,640,877		926,298	109,073	(6,365)	1,029,006	611,871
		7,199*	(7,199)*				3,440*	(3,440)*		

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

	Note	2014	2013
		(Rupees in '000)	
Cost of sales	26	105,606	103,452
Distribution costs	27	776	823
Administrative expenses	28	5,007	4,798
		111,389	109,073

7.3 Fixed assets include fully depreciated assets amounting to Rs. 35.033 million (2013: Rs 131.737 million).

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

Particulars	Original cost	Accumulated depreciation	Written down value	Sales proceeds	Gain Note 29	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Land							
Land - Free hold	650	-	650	5,500	4,850	Negotiation	Dynea Pakistan Limited, Karachi
Plant and machinery							
Electric motors	168	24	144	168	24	Negotiation	Siemens Pakistan Engineering Co.
Looms	8,893	8,663	230	11,250	11,020	Negotiation	Mr. Malik Abdul Hameed
Items having book value upto Rs. 50,000	3,411	3,207	204	265	61	Various	Various
	12,472	11,894	578	11,683	11,105		
Vehicles							
Toyota Corolla	2,212	258	1,954	1,954	-	Negotiation	Habib METRO Pakistan (Private) Limited - related party
Daihatsu Cuore	619	398	221	241	20	Sold under company's car scheme	Mr. Abul Hassan- Employee
Daihatsu Cuore	604	422	182	550	368	Negotiation	Mr. Mohammed Ilyas - Employee
Motor Cycle	69	5	64	64	-	Insurance Claim	Habib Insurance Company Limited - a related party
Items having book value upto Rs. 50,000	769	473	296	431	135	Various	Various
	4,273	1,556	2,717	3,240	523		
Office and mill equipment							
Items having book value upto Rs. 50,000	437	383	54	127	73	Various	Various
Furniture and fittings							
Items having book value upto Rs. 50,000	24	21	3	4	1	Negotiation	Azam Associates
Computer equipment							
Laptop	106	23	83	83	-	Negotiation	Habib METRO Pakistan (Private) Limited - related party
Items having book value upto Rs. 50,000	291	291	-	82	82	Various	Various
	397	314	83	165	82		
Jigs & Fixtures							
Items having book value upto Rs. 50,000	6,232	6,232	-	59	59	Various	Various
2014	24,485	20,400	4,085	20,778	16,693		
2013	9,198	6,365	2,833	9,584	6,751		

	2014	2013
	(Rupees in '000)	
7.5 Capital Work-In-Progress		
Plant and machinery	4,769	-
Office and mills equipment	6,061	600
Vehicles	489	-
	11,319	600

8. INVESTMENT PROPERTY

	COST	DEPRECIATION				
	As at June 30, 2014	As at July 01, 2013	Depreciation for the year (Note 28)	As at June 30, 2013	'Book value as at June 30, 2014	Depreciation Rate %
	(Rupees in '000)					
Freehold land	891	-	-	-	891	-
Building on freehold land	694	553	7	560	134	5
2014	1,585	553	7	560	1,025	
2013	1,585	545	8	553	1,032	

8.1 Investment property comprises of a godown held at Multan which has been let out. The fair value of the property determined on the basis of a valuation carried out by an independent professional valuer, as at June 30, 2014 amounts to Rs.32.073 million (2013: Rs. 28.68 million). The valuation was arrived on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location.

9. LONG-TERM INVESTMENTS

	Note	2014	2013	2014	2013
		Holding %		(Rupees in '000)	
Investments in related parties					
Subsidiaries, unquoted – at cost					
Noble Computer Services (Private) Limited		100	100	1,086	1,086
Pakistan Industrial Aids (Private) Limited		100	100	10,000	10,000
Habib METRO Pakistan (Private) Limited (HMPL)		60	60	2,789,223	2,789,223
A-One Enterprises (Private) Limited		100	100	61,395	61,395
Thal Boshoku Pakistan (Private) Limited	9.1	55	-	104,500	-
Makro-Habib Pakistan Limited (MHPL)		100	100	223,885	223,885
				3,190,089	3,085,589
Associates – at cost	9.2				
Listed					
Indus Motor Company Limited		6.22	6.22	48,900	48,900
Habib Insurance Company Limited		4.63	4.63	561	561
Agriauto Industries Limited		7.35	7.35	9,473	9,473
Shabbir Tiles & Ceramics Limited		1.30	1.30	15,585	15,585
				74,519	74,519
Unlisted					
METRO Habib Cash & Carry Pakistan (Private) Limited (MHCCP)	9.3	25	25	284,105	284,105
Other investments - at fair value					
Available for sale - Quoted					
Habib Sugar Mills Limited				68,142	44,096
GlaxoSmithKline (Pakistan) Limited				279	185
Dynea Pakistan Limited				36,773	32,475
				105,194	76,756
TOTAL				3,653,907	3,520,969

9.1 The investment in subsidiary company has been made pursuant to a Joint Venture Agreement between the Company, Toyota Boshoku Corporation, Japan and Toyota Tsusho Corporation, Japan, for the manufacturing of Air Cleaner set assembly, Seat Track Sub Assembly and the Seat Side Frame Sub Assembly. The Company holds 55% shares in the subsidiary company under the joint venture arrangement.

9.2 Although the Company has less than 20% equity interest in all its associates except MHCCP, the management believes that significant influence over these associates exists by virtue of the Company's representation on the Board of Directors of the respective companies.

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

	Note	2014	2013
		(Rupees in '000)	
10. LONG TERM LOANS AND DEPOSITS			
Loans to employees - unsecured, considered good			
Interest bearing		91	-
Interest free		183	69
Current portion	16	(101)	(69)
		173	-
Long-term deposits			
Security deposits		5,692	3,978
Utilities		2,010	2,001
Others		441	406
		8,143	6,385
Loan to A-One Enterprises (Private) Limited, a subsidiary company	10.1	5,000	4,100
		13,316	10,485

10.1 It represents interest free loan given to subsidiary company for operational requirements. The loan is recoverable after 2015.

	Note	2014	2013
11. LONG TERM PREPAYMENT			
Rent	11.1	7,560	11,340
Current portion	16	(3,780)	(3,780)
		3,780	7,560

11.1 Represents advance rent paid in respect of service centre upto June 2016.

	Note	2014	2013
12. DEFERRED TAX ASSET - net			
Deferred tax comprises temporary differences relating to :			
Provisions		113,521	104,166
Accelerated tax depreciation		(67,966)	(82,142)
		45,555	22,024
13. STORES, SPARES AND LOOSE TOOLS			
Stores		21,440	22,795
Spares		62,689	57,654
Loose tools		141	135
		84,270	80,584
14. STOCK-IN-TRADE			
Raw material			
- In hand	14.1	2,146,446	1,653,805
- In transit		314,131	439,914
Work-in-process		171,239	176,847
Finished goods		459,441	185,870
	14.2	3,091,257	2,456,436

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

14.2 Stock-in-trade includes items amounting to Rs. 793.164 million (2013: Rs. 484.391 million) carried at net realisable value. [Cost Rs. 841.973 million (2013: Rs. 500.872 million)].

	Note	2014	2013
15. TRADE DEBTS - unsecured			
Considered good	15.1	873,476	1,007,691
Considered doubtful		10,001	29,134
Provision for impairment	15.2	(10,001)	(29,134)
		-	-
		873,476	1,007,691

	Note	2014	2013
		(Rupees in '000)	
15.1 This includes amount due from following related parties:			
Indus Motor Company Limited		42,457	155,588
Habib Metropolitan Bank Limited		-	20
Shabbir Tiles & Ceramics Limited		1,768	2,960
Schneider Electric Pakistan (Private) Limited		9	-
		44,234	158,568
15.2 Reconciliation of provision for impairment of trade debts			
Balance at the beginning of the year		29,134	4,730
Charge for the year		-	24,404
Reversal for the year		(19,133)	-
	29	(19,133)	24,404
Balance at the end of the year		10,001	29,134

16. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013
Considered good - unsecured			
Loans			
Current portion of long term loans to employees	10	101	69
Advances			
Suppliers		8,172	9,316
Employees		1,064	2,003
		9,236	11,319
Deposits			
Tender / Performance guarantee		33,257	38,895
Margin against letter of credit		1,775	-
Container deposits		2,012	8,100
		37,044	46,995
Short-term prepayment			
Current portion of long term prepayment	11	3,780	3,780
Insurance		6,755	7,968
Others		4,069	2,944
		14,604	14,692
Other receivables	16.1	16,626	53,181
		77,611	126,256
16.1 Other receivables			
Duty drawback		8,905	9,956
Custom duty refundable		-	38,000
Insurance claims receivable		-	10
Rent		-	100
Workers' profit participation fund	16.1.1	5,505	-
Others	16.1.2	2,216	5,115
		16,626	53,181
16.1.1 Workers' profit participation fund (WPPF)			
Payable to WPPF at the beginning of the year		(3,495)	(12,564)
Allocation for the current year		(94,495)	(118,495)
Interest on funds utilised in the Company's business		(348)	(211)
Liability for WPPF		(98,338)	(131,270)
Paid during the year		103,843	127,775
Net receivable from / (payable to) WPPF		5,505	(3,495)

	Note	2014	2013
		(Rupees in '000)	
16.1.2 This includes receivable from the following related parties:			
Agriautos Industries Limited		-	3
Habib Metropolitan Bank Limited		-	17
Noble Computer Services (Private) Limited		-	3,543
Thal Boshoku Pakistan (Private) Limited		850	-
		850	3,563

17. SHORT-TERM INVESTMENTS

	Note	2014	2013
Held-to-maturity - at amortised cost			
Term deposit receipts	17.1	1,700,909	800,809
Accrued profit thereon		449	8,036
		1,701,358	808,845
Musharika certificate	17.2	50,000	-
Accrued profit thereon		165	-
		50,165	-
Designated at fair value through profit and loss account			
Open end mutual funds		-	995,796
		1,751,523	1,804,641

17.1 These deposits are with Habib Metropolitan Bank Limited, a related party and carry profit rate ranging from 6.50% to 9.75% (2013: 8.25% to 8.75%) per annum and having maturity ranging from July 28, 2014 to December 31, 2014 out of which Rs. 0.909 million (2013: Rs. 0.809 million) is under lien against a letter of guarantee issued by the bank on behalf of the Company.

17.2 These carry profit rate at 9.25% per annum and having maturity upto September 18, 2014.

18. INCOME TAX - net

	Note	2014	2013
Group Tax Relief adjustments	18.1	593,466	593,466
Income tax provision less tax payments – net		(299,998)	(483,593)
		293,468	109,873

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

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

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

19. CASH AND BANK BALANCES

	Note	2014	2013
With banks in:			
Current accounts		30,085	88,026
Deposit accounts	19.1	352,496	637,545
		382,581	725,571
In hand		2,094	1,921
		384,675	727,492

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

20. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		Note	2014	2013
Number of ordinary shares of Rs. 5/- each				(Rupees in '000)	
5,149,850	5,149,850	Fully paid in cash		25,750	25,750
		Issued as fully paid bonus shares:			
64,640,390	57,274,035	Opening balance		323,202	286,370
-	7,366,355	Issued during the year		-	36,832
64,640,390	64,640,390	Closing balance		323,202	323,202
		Shares issued under the Scheme of			
11,239,669	11,239,669	Arrangement for Amalgamation		56,198	56,198
81,029,909	81,029,909			405,150	405,150

20.1 As at June 30, 2014: 7,874,443 (2013: 8,200,839) ordinary shares of Rs. 5/- each are held by related parties.

21. RESERVES

	2014	2013
Capital reserves		
Reserve on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited	13,240	13,240
Reserve on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited	42,464	42,464
	55,704	55,704
Revenue reserves		
General reserve	7,906,999	7,092,999
Unappropriated profit	956,900	1,422,396
	8,863,899	8,515,395
Gain on change in fair value of available for sale investments - net	93,986	65,548
	9,013,589	8,636,647

22. TRADE AND OTHER PAYABLES

	Note	2014	2013
Creditors	22.1	248,373	308,902
Accrued liabilities	22.2	420,311	391,623
Custom duty payable		81,981	12,886
Unclaimed salaries		7,878	8,313
Warranty obligations	22.3	117,642	94,904
Royalty payable	22.4	60,799	74,228
Workers' profit participation fund	16.1.1	-	3,495
Workers' welfare fund		36,193	46,929
Security deposits		1,108	1,018
Unclaimed and unpaid dividend		43,413	28,925
Consideration payable against acquisition of shares of Makro-Habib Pakistan Limited	22.5	429,821	429,821
Other liabilities	22.6	36,413	40,730
		1,483,932	1,441,774

22.1 This includes amounts due to related parties:

	2014	2013
Auvitronics Limited	-	6,071
Makro-Habib Pakistan Limited	1,105	1,469
Pakistan Industrial Aids (Private) Limited	4,166	-
	5,271	7,540

22.2 This includes amounts due to related parties:

	2014	2013
Habib Insurance Company Limited	758	1,498

		Note	2014	2013
			(Rupees in '000)	
22.3	**Warranty obligations**			
	Balance at the beginning of the year		94,904	84,879
	Charge for the year	27	47,143	37,705
			142,047	122,584
	Claims paid during the year		(24,405)	(27,680)
	Balance at end of the year		117,642	94,904
22.4	**Royalty payable**			
	Balance at the beginning of the year		74,228	90,470
	Charge for the year	26	87,951	102,479
	Paid during the year		(101,380)	(118,721)
	Balance at the end of the year		60,799	74,228

22.5 Consideration payable against acquisition of shares of MHPL

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

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

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

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

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

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

		Note	2014	2013
22.7	**Other liabilities**			
	Tax deducted at source		1,114	827
	Employees Old-Age Benefits Institution (EOBI)		22	-
	Advances from customers		24,950	30,395
	Payable to retirement benefit fund		4,353	4,699
	Others		5,974	4,809
			36,413	40,730

23. SHORT TERM BORROWINGS - Secured

	Note	2014	2013
Short-term running finance - Banks			
Related party		4,972	6,948
Others		366	420
	23.1	5,338	7,368

23.1 Available limits of the running finance facilities amount to Rs. 2,453 million (2013: Rs. 2,453 million). The facilities carry mark-up at rates ranging from one month to three months' KIBOR plus spreads of 0.75% to 0.90% (2013: 0.75% to 1%) per annum. The facilities are secured by way of joint pari passu charge against hypothecation of the Company's stock-in-trade and book debts. The facilities have a maturity till February 10, 2017.

	Note	2014	2013
		(Rupees in '000)	
24. CONTINGENCIES AND COMMITMENTS			
24.1 Contingencies			
24.1.1 Letter of guarantees issued by banks on behalf of the Company.		19,349	59,759
24.1.2 Post dated cheques have been issued to Collector of Custom in respect of differential duty between commercial and concessional rate of duty, duty and tax remission on exports and safe transport requirement under various SRO's.		218,276	196,942
24.1.3 The Subsidiary company MHPL owns a retail store in Saddar Karachi. The Supreme Court of Pakistan, in its judgment released on December 18, 2009, cancelled the 90 years lease (for the area where Saddar store is located) granted by the Government of Pakistan (GoP) to the Army Welfare Trust (AWT) dated December 19, 2002 on the basis that it was granted without lawful authority. As a consequence, the Supreme Court of Pakistan also cancelled the sub-lease granted in favour of the MHPL by AWT dated July 31, 2006. MHPL was allowed three months from the date of judgment to remove its structures and installations from the subject land and hand-over the subject land's vacant possession to City District Government Karachi.			
MHPL filed a review petition against the judgment of the Supreme Court of Pakistan and GoP and AWT also filed review petitions on January 22, 2010. The matter has not been definitively decided up till now.			
During the year 2012, MHPL entered into an Operation Agreement with MHCCP whereby MHCCP was engaged to operate MHPL's AWT (Saddar) Store. Under the above referred Operation Agreement, MHPL is required to pay to MHCCP an Operation Fee of up to Rs. 792 million. Under the agreement between Metro BV and the Company, if the Review Petition filed by MHPL in the Supreme Court is definitively and conclusively decided adversely against MHPL prior to the payment of the entire amount of Rs. 792 million by MHPL to MHCCP, then MHPL is required to pay to MHCCP the balance of the Operation Fee (Rs. 792 million less the Operation Fee paid up to date of such decision of Review Petition). If MHPL fails to make such payment, the Company has agreed that it will make the payment of the same to MHCCP.			
However, no provision against the same has been considered necessary in these financial statements as the Company expects a favourable outcome of the review petition.		792,000	792,000
24.2 Commitments			
24.2.1 Letters of credit outstanding for raw material and spares		996,761	882,288
24.2.2 Commitments in respect of capital expenditure		12,294	61,809
24.2.3 Commitments for rentals under Ijarah finance agreements			
Within one year		8,662	13,876
Later than one year but not later than five years		2,643	9,495
		11,305	23,371

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

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			(Rupees in '000)	
25.	**REVENUE - net**			
	Export sales	25.1	1,075,530	1,326,458
	Local sales	25.2	12,117,207	13,026,910
			13,192,737	14,353,368
	Less: Sales tax		1,570,935	1,590,307
	Sales discount		1,968	7,131
	Sales returns		19	90
			1,572,922	1,597,528
	Add: Duty drawback		5,974	10,398
			11,625,789	12,766,238

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

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

		Note	2014	2013
26.	**COST OF SALES**			
	Raw material consumed	26.1	8,286,247	8,547,369
	Salaries, wages and benefits		996,011	926,751
	Stores and spares consumed		132,534	122,823
	Repairs and maintenance		77,658	78,145
	Power and fuel		312,439	277,190
	Rent, rates and taxes		1,828	1,936
	Vehicle running and maintenance		10,349	10,701
	Insurance		9,889	10,951
	Communication		3,954	3,491
	Travelling and conveyance		8,593	8,477
	Entertainment		926	436
	Printing and stationery		3,882	3,775
	Legal and professional		1,293	703
	Computer accessories		3,285	5,067
	Provision for royalty	22.4	87,951	102,479
	Depreciation	7.2	105,606	103,452
	Research and development		3,521	3,111
	Ijarah rentals		5,240	7,025
	Technical assistance fee		17,226	-
	Others		15,310	14,128
			10,083,742	10,228,010
	Work-in-process			
	Opening		176,847	168,264
	Closing		(171,239)	(176,847)
			5,608	(8,583)
	Cost of goods manufactured		10,089,350	10,219,427
	Finished goods			
	Opening		185,870	391,197
	Closing		(459,441)	(185,870)
			(273,571)	205,327
			9,815,779	10,424,754
	26.1 Raw material consumed			
	Opening stock		1,653,805	1,809,286
	Purchases		8,778,888	8,391,888
	Closing stock		(2,146,446)	(1,653,805)
			8,286,247	8,547,369

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			(Rupees in '000)	
27.	**DISTRIBUTION COSTS**			
	Salaries and benefits		49,088	45,524
	Vehicle running expense		4,656	4,365
	Utilities		1,660	1,479
	Insurance		2,594	2,339
	Rent, rates and taxes		8,454	7,907
	Communication		1,733	1,776
	Advertisement and publicity		5,075	1,566
	Travelling and conveyance		6,678	6,679
	Entertainment		260	413
	Printing and stationery		361	326
	Legal and professional		-	13
	Computer accessories		235	1,230
	Research and development		440	268
	Depreciation	7.2	776	823
	Provision for impairment of debts	15.2	-	24,404
	Repairs and maintenance		262	3,991
	Export expenses		24,793	28,129
	Provision for warranty claims	22.3	47,143	37,705
	Ijarah rentals		2,984	3,015
	Others		565	4,086
			157,757	176,038
28.	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits		205,055	174,522
	Vehicle running expense		11,593	11,021
	Printing and stationery		2,799	3,038
	Rent, rates and taxes		3,710	3,032
	Utilities		5,376	4,964
	Insurance		740	867
	Entertainment		1,502	1,855
	Subscription		1,790	1,658
	Communication		3,539	3,364
	Advertisement and publicity		286	316
	Repairs and maintenance		6,046	2,204
	Travelling and conveyance		17,169	13,281
	Legal and professional		70,632	71,177
	Computer accessories		3,128	5,647
	Auditors' remuneration	28.1	3,117	3,683
	Depreciation	7.2	5,007	4,798
	Depreciation on investment property	8	7	8
	Ijarah rentals		5,850	8,428
	Charity and donations	28.2	17,988	21,666
	Directors' fee & meeting expenses		2,199	880
	Others		786	4,830
			368,319	341,239
28.1	**Auditors' remuneration**			
	Audit fee	28.1.1	1,607	1,600
	Half-yearly review		234	225
	Taxation services		510	1,076
	Other certification		304	304
	Out of pocket expenses		462	478
			3,117	3,683

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

28.2 Charity and donations

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

Name of donee	Address of donee	Name of directors/spouse	2014	2013
Mohammed Ali Habib Welfare Trust	2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharae Faisal, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee	6,525	7,217
Habib Education Trust	*4th floor, United Bank building, I.I.* Chundrigar Road, Karachi.	Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee	3,000	5,250
Habib University Foundation	147, Block 7&8, Banglore Cooperative Housing Society, Tipu Sultan Road, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee	4,250	4,250
Anjuman -e- Behbood- -e- Samat -e- Itefal	ABSA School 26-C National Highway, Korangi Road, Karachi.	Mrs. Rafiq M. Habib - Vice President	36	36

Notes to the Financial Statements

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
29. OTHER INCOME			
Income from financial assets			
Dividend income			
- Related parties		411,699	390,793
- Others		6,714	5,898
Profit on call deposit accounts and short term investments		89,654	93,376
Gain on redemption (2013: revaluation) of investments at fair value through profit and loss		60,099	35,154
Reversal of provision for impairment of trade debt	15.2	19,133	-
Liabilities / provisions no longer payable / required written back		186	2,349
Exchange gain - net		73	-
		587,558	527,570
Income from non financial assets			
Gain on disposal of property, plant and equipment	7.4	16,693	6,751
Rental income		4,706	1,283
Claim from suppliers / customers		12,735	32,995
Others		3,134	19,223
		37,268	60,252
		624,826	587,822
30. FINANCE COSTS			
Mark-up / interest on:			
Long term finance			
- Related party		-	950
- Others		-	6,089
Short-term borrowings			
- Related party		53	634
- Others		107	78
Workers' profit participation fund		348	211
Finance lease		-	5
Bank charges and commission		4,103	4,606
		4,611	12,573
31. OTHER CHARGES			
Workers' profits participation fund		94,495	118,495
Workers' welfare fund		33,799	47,276
Exchange loss - net		-	6,914
		128,294	172,685
32. TAXATION			
Current		442,381	603,606
Prior		(4,374)	24,032
Deferred		(23,531)	(25,162)
	32.1	414,476	602,476
32.1 Relationship between income tax expense and accounting profit			
Profit before tax		1,775,855	2,226,771
Tax at the rate of 34% (2013: 35%)		603,791	779,370
Tax effects of:			
Income taxed at reduced rates		(168,346)	(154,827)
Income tax under Final tax regime		(30,563)	(50,818)
Tax effect of inadmissible items		13,968	4,719
Prior years		(4,374)	24,032
		414,476	602,476
33. BASIC AND DILUTED EARNINGS PER SHARE			
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
Profit for the year after taxation		1,361,379	1,624,295
		Number of shares in thousands	
Weighted average number of ordinary shares of Rs. 5/- each in issue		81,030	81,030
		(Rupees)	
Basic and diluted earnings per share		16.80	20.05

Notes to the Financial Statements

For the year ended June 30, 2014

34. CASH GENERATED FROM OPERATIONS

	Note	2014	2013
		(Rupees in '000)	
Profit before taxation		1,775,855	2,226,771
Adjustments for non-cash charges and other items:			
Depreciation		111,396	109,081
Finance costs		4,612	12,573
Profit earned on call deposit and short term investments		(89,654)	(93,376)
Liabilities / provisions no longer payable / required written back		(186)	(2,349)
Gain on revaluation of investments at fair value through profit and loss		(60,099)	(35,154)
Dividend income		(418,413)	(396,691)
Provision / (reversal) for impairment of debts - net		(19,133)	24,404
Provision for retirement benefits		2,985	2,764
Gain on disposal of property, plant and equipment		(16,693)	(6,751)
		(485,185)	(385,499)
		1,290,670	1,841,272
(Increase) / decrease in current assets			
Stores, spares and loose tools		(3,686)	14,585
Stock-in-trade		(634,821)	445,821
Trade debts		153,348	(190,565)
Loans, advances, deposits, prepayments and other receivables		22,016	(25,514)
Increase / (decrease) in current liabilities			
Trade and other payables		24,734	(63,272)
Sales tax payable		(839)	(3,039)
		(439,248)	178,016
		851,422	2,019,288

35. CASH AND CASH EQUIVALENTS

	Note	2014	2013
Cash and bank balances	19	384,675	727,492
Term deposits	17	1,750,000	800,000
Running Finance	23	(5,338)	(7,368)
		2,129,337	1,520,124

36. TRANSACTION WITH RELATED PARTIES

Related parties of the Company comprise of subsidiaries, associates, and companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than those which have been disclosed in notes 37 and 18.1 in these financial statements, are as follows:

	2014	2013
Sales	4,442,763	5,292,917
Professional Services acquired	73,135	61,677
Insurance premium	33,197	35,502
Purchase of assets	175	-
Purchase of goods	92,257	111,466
Insurance claim received	2,513	3,718
Mark-up and bank charges paid	5,281	6,717
Profit received	89,340	97,509
Supplies purchased	24,430	20,603
Contribution to provident fund	39,785	33,473
Contribution to retirement benefit fund	2,902	2,998
Sales of assets	43	-
Rent paid	400	396
Rent received	3,351	-
Investment in a subsidiary	104,500	-

There are no transactions with key management personnel other than under the terms of employment as disclosed in note 37 to the financial statements.

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

37. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

	2014			2013		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	27,172	-	151,305	19,824	-	144,293
Company's contribution to provident fund	603	-	5,699	553	-	4,776
Company's contribution to retirement benefit fund	-	-	2,786	-	-	3,023
Other perquisites	-	-	26	-	-	208
	27,775	-	159,816	20,377	-	152,300
Number of persons	1	-	68	1	-	64

37.1 The chief executive, directors and certain executive of the company are provided with free use of company maintained cars.

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

38. PLANT CAPACITY AND ACTUAL PRODUCTION

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

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

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

39. PROVIDENT FUND

	2014	2013
	(Rupees in '000)	
Size of the fund	582,822	475,528
Percentage of investments made	90.89%	99.00%
Fair value of investments	529,734	470,796
Cost of investments made	468,137	465,503

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

	2014		2013	
	Investments (Rs '000)	Investment as a % of size of the fund	Investments (Rs '000)	Investment as a % of size of the fund
Government securities	232,660	39.92%	105,752	22.24%
Term finance certificates and Sukuks	85,064	14.60%	43,728	9.20%
Term deposit receipts and call deposits	18,696	3.21%	224,487	47.21%
Listed securities and mutual fund units	193,314	33.17%	96,829	20.36%

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

39.3 The above information is based on unaudited financial statements of the provident fund.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

40.1 Credit risk

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

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

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

Quality of financial assets
The credit quality of financial assets is analyzed as under:

	2014	2013
	(Rupees in '000)	
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired [includes Rs. 21.137 million (2013: Rs. 70.794 million) receivable from related parties.]	564,281	658,531
Past due but not impaired		
- Less than 90 days [includes Rs. 22.926 million (2013: Rs. 86.364 million) receivable from related parties.]	284,810	211,962
- 91 to 180 days [includes Rs. 0.171 million (2013: Rs. 0.252 million) receivable from related parties.]	24,171	134,371
- 181 to 360 days [includes Rs. Nil (2013: Rs. 1.158) receivable from related parties.]	214	2,827
	873,476	1,007,691
Bank balances and deposits		
Ratings		
A1+	365,309	683,467
A-1+	16,686	42,012
A-1	27	-
A2	-	18
P-1 *	559	74
	382,581	725,571
* This reflects rating assigned by an international rating agency to foreign banks.		
Short term investments		
Ratings		
A1+	1,751,523	808,845
AA(+)	-	285,673
AA(f)	-	496,085
AAA(f)	-	214,038
	1,751,523	1,804,641

40.2 LIQUIDITY RISK

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

Year ended June 30, 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	(Rupees in '000)				
Short-term borrowing - secured	5,338	-	-	-	5,338
Trade and other payables	1,120,080	-	-	-	1,120,080
Accrued markup	34	-	-	-	34
	1,125,452	-	-	-	1,125,452

Year ended June 30, 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	(Rupees in '000)				
Short-term borrowing - secured	7,368	-	-	-	7,368
Trade and other payables	1,169,454	-	-	-	1,169,454
Accrued markup	7	-	-	-	7
	1,176,829	-	-	-	1,176,829

40.3 Foreign Currency risk

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

	2014	2013
Trade receivables (US Dollars)	317,894	263,667
Trade receivables (Euros)	-	171,160
Trade receivables (AED)	1,270,306	1,340,877
Trade receivables (SAR)	1,114,489	-
Trade and other payables (US Dollars)	1,138,002	1,631,230
Total (Euros) - receivables	-	171,160
Total (US Dollars) - payables	820,108	1,367,563
Total (AED) - receivables	1,270,306	1,340,877
Total (SAR) - receivables	1,114,489	-

The following significant exchange rates have been applied at the balance sheet date:

	2014	2013
US Dollars	98.75	98.80
Euros	134.46	128.85
AED	26.83	26.85
SAR	26.28	-

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, Euro, AED and SAR's exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in US dollars, Euros, AED & SAR's rate	Effect on profit or (loss) before tax	Effect on equity
	%	(Rupees in '000)	
2014	+ 10	(1,761)	(1,350)
	- 10	1,761	1,350
2013	+ 10	(7,706)	(5,621)
	- 10	7,706	5,621

40.4 Interest rate risk

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

Sensitivity Analysis:

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

	Increase / decrease in basis points	Effect on profit before tax
2014		
KIBOR	+ 100	3,472
KIBOR	- 100	(3,472)
2013		
KIBOR	+ 100	6,302
KIBOR	- 100	(6,302)

40.5 Equity price risks

Equity price risk is the risk that the fair value of future cashflows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

Notes to the Financial Statements

For the year ended June 30, 2014

41. CAPITAL RISK MANAGEMENT

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

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

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

Level 1: Quoted prices in active markets for identical assets.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2014, the Company has only available-for-sale investments measured at fair value using level 1 valuation techniques.

43. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 26, 2014 has approved the following:

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

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

44. GENERAL

44.1 The number of employees as at June 30, 2014 was 5,061 (2013: 6,181) and average number of employees during the year was 5,897 (2013: 6,094) .

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

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

44.3 Figures have been rounded off to the nearest thousands.

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 26, 2014 by the Board of Directors of the Company.

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Consolidated Financials

Building a better
working world

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ey.com/pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Thal Limited (the Holding Company) and its subsidiary companies (the Group) as at 30 June 2014 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 the Holding Company and its subsidiary companies namely Noble Computer Services (Private) Limited, Habib METRO Pakistan (Private) Limited, Pakistan Industrial Aids (Private) Limited, A-One Enterprises (Private) Limited and Thal Boshoku Pakistan (Private) Limited, except for Makro-Habib Pakistan Limited (MHPL) which were audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these 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.

As referred to in note 11.1 to the consolidated financial statements, the Group's share of net loss from investments in associated companies accounted for under equity method of Rs. 100.622 million include loss of Rs. 378.458 million, representing Group's share of loss of an associate, based on unaudited financial statement of the associate.

In our opinion, except for the possible effects of the matter described in the preceding paragraph, the consolidated financial statements present fairly the financial position of the Thal Limited and its subsidiary companies as at 30 June 2014 and the results of their operations for the year then ended.

We draw attention to the fact that the auditors' report dated 19 August 2014 on the financial statements of MHPL for the year ended 30 June 2014 contains an emphasis of matter paragraph with respect to the matter stated in note 29.1.3 to the consolidated financial statements. The said note describes uncertainty related to the judgement of the Supreme Court of Pakistan requiring MHPL to remove its structures and installations of its Army Welfare Trust (AWT) store and the consequent review petition filed by MHPL with the Supreme Court of Pakistan. Our opinion is not qualified in respect of this matter.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 26 August 2014

Karachi

Consolidated Balance Sheet

As at June 30, 2014

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

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

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Consolidated Profit and Loss Account

For the year ended June 30, 2014

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

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

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2014

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

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

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Consolidated Cash Flow Statement

For the year ended June 30, 2014

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

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

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Consolidated Statement of Changes in Equity

For the year ended June 30, 2014

	Issued, subscribed and paid-up capital	Share deposit money	RESERVES: Capital reserves	RESERVES: General reserve	RESERVES: Unappropriated profit	RESERVES: Unrealised gain / (loss) on hedging instruments	RESERVES: Gain on changes in fair value of available for sale investments	Non-controlling interest	Total equity
	(Rupees in '000)								
Balance as at June 30, 2012	**368,318**	**12**	**67,929**	**5,989,874**	**3,211,379**	**(3,353)**	**53,263**	**5,346,797**	**15,034,219**
Share issuance costs								(3,402)	(3,402)
Profit for the year	-	-	-	-	1,585,378	-	-	289,767	1,875,145
Other comprehensive income	-	-	-	-	-	1,905	18,657	-	20,562
Total comprehensive income	-	-	-	-	1,585,378	1,905	18,657	289,767	1,895,707
Issue of bonus shares in the ratio 1:10	36,832	-	-	-	(36,832)	-	-	-	-
Final dividend @ Rs. 5.75/- per share for the year ended June 30, 2012	-	-	-	-	(423,565)	-	-	-	(423,565)
Transfer to general reserve	-	-	-	1,145,000	(1,145,000)	-	-	-	-
Interim dividend @ Rs. 2.50/- per share for the period ended December 31, 2012	-	-	-	-	(202,575)	-	-	-	(202,575)
Subsidiary company									
Interim dividend @ Rs. 0.97/- per share for the year ended June 30, 2013	-	-	-	-	-	-	-	(132,091)	(132,091)
Balance as at June 30, 2013	**405,150**	**12**	**67,929**	**7,134,874**	**2,988,785**	**(1,448)**	**71,920**	**5,501,071**	**16,168,293**
Profit for the year	-	-	-	-	1,268,114	-	-	230,857	1,498,971
Other comprehensive income	-	-	-	-	(107)	1,448	23,401	-	24,742
Total comprehensive income	-	-	-	-	1,268,007	1,448	23,401	230,857	1,523,713
Transfer to general reserve	-	-	-	814,000	(814,000)	-	-	-	-
Final dividend @ Rs. 7.50/- per share for the year ended June 30, 2013	-	-	-	-	(607,725)	-	-	-	(607,725)
Interim dividend @ Rs. 2.5/- per share for the period ended December 31, 2013	-	-	-	-	(202,575)	-	-	-	(202,575)
Interim dividend @ Rs. 2.5/- per share for the period ended March 31, 2014	-	-	-	-	(202,575)	-	-	-	(202,575)
Subsidiary companies									
Final dividend @ Rs. 0.31/- per share for the year ended June 30, 2013	-	-	-	-	-	-	-	(42,171)	(42,171)
Interim dividend @ Rs. 0.812/= per share for the year ended June 30, 2014	-	-	-	-	-	-	-	(110,460)	(110,460)
Shares issued by a subsidiary to non-conrolling interest holders	-	-	-	-	-	-	-	85,500	85,500
Balance as at June 30, 2014	**405,150**	**12**	**67,929**	**7,948,874**	**2,429,917**	**-**	**95,321**	**5,664,797**	**16,612,000**

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

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

1. THE HOLDING COMPANY AND ITS OPERATIONS

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

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

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

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

1.2.1 Noble Computer Services (Private) Limited

Noble Computer Services (Private) Limited was incorporated in Pakistan on May 08, 1983 as a private limited company. The subsidiary is engaged in providing share registrar and related accounting services, share floatation services, data entry services and internal audit services.

1.2.2 Pakistan Industrial Aids (Private) Limited

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

1.2.3 Makro-Habib Pakistan Limited (MHPL)

(a) MHPL was incorporated in Pakistan on June 29, 2005 as a Public Limited (Unlisted) Company. The MHPL was an associated undertaking of the Holding Company until April 30, 2008 and became a subsidiary company with effect from May 01, 2008. The subsidiary is engaged in wholesale / retail cash and carry business.

(b) The MHPL has entered into Arrangement with Metro Habib Cash & Carry Pakistan (Private) Limited (MHCCP) (then a wholly owned subsidiary of Metro Cash and Carry International Holding BV) (the Operator) whereby the Operator has been engaged to operate the AWT Saddar Store (the Store) for an operations fee determined under the agreed mechanism. The Operator has agreed to operate the Store safely and efficiently and in accordance with the standards of a reasonable and prudent Operator; and to perform the servicers under the Agreement (the Services) entirely at its own cost and expense ensuring that in performing the Services it shall not cause MHPL to be in breach of any of the obligations under the lease deed relating to the Store and those obligations which relate to or are affected by the Services under any of the applicable laws.

1.2.4 A-One Enterprises (Private) Limited

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

1.2.5 Habib METRO Pakistan (Private) Limited

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

1.2.6 Thal Boshoku Pakistan (Private) Limited

(a) Thal Boshoku Pakistan (Private) Limited was incorporated on September 03, 2013 as a private company limited by shares under the Companies Ordinance, 1984. The principle activity of the Company is to manufacture automobile seats, seat parts, air cleaner and other automobile parts. The Company has started commercial production subsequent to the balance sheet date. The registered office of the Company is situated at 4th Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharah-e-Faisal, Karachi.

(b) The Company was formed pursuant to a Joint Venture Agreement between the Holding Company, Toyota Boshoku Corporation, Japan and Toyota Tsusho Corporation, Japan.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention, except for available for sale financial assets and financial assets designated as fair value through profit or loss account which are stated at fair value as required under IAS - 39 "Financial Instruments: Recognition and Measurement".

3.2 These consolidated financial statements are presented in Pak Rupees which is also the Group's functional currency.

4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Holding Company and its subsidiaries as at 30 June 2014.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New and amended standards and interpretations

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

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

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

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

Improvements to Accounting Standards Issued by the IASB

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

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

5.2 Current versus not-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

5.3 Property, plant and equipment

(a) Owned

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

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

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

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

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

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

(b) Leased

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

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

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

5.4 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment loss. Cost in relation to intangible assets presently held by the Group includes cost of computer software and other expenses incidental to the purchase of computer software. Intangible assets are amortised when assets are available for use on the straight line method whereby cost of intangible assets are written off over the period, which reflects the pattern in which the economic benefits associated with the assets are likely to be consumed by the Group, at the rate specified in note 9.

5.5 Investment properties

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

5.6 Impairment of non-financial assets

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

5.7 Leases and licenses

The Group is the lessee (operating leases)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

The Group is the licensor

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

5.8 Investments

Associates

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

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

Others

Held-to-maturity

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

Designated investments at fair value through profit or loss

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

Available-for-sale

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

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

5.9 Stores, spares and loose tools

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

5.10 Stock-in-trade

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

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

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

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.11 Trade debts and other receivables

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

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

5.12 Ijarah rentals

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

5.13 Cash and cash equivalents

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

5.14 Taxation

(a) Current

The charge for current taxation in respect of certain income streams of the Group is based on Final Tax Regime at the applicable tax rates and remaining income streams at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, or 1% of turnover whichever is higher. The Group had also availed Group tax relief under the provisions of Section 59AA and 59B of the Income Tax Ordinance, 2001 as explained in note 19 to the consolidated financial statements.

(b) Deferred

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

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

5.15 Trade and other payables

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

5.16 Borrowing costs

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

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

5.17 Staff retirement benefits

Defined Contribution plan

Provident fund

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

Retirement benefit fund

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

5.18 Compensated absences

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

5.19 Provisions

General

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

Warranty obligations

The Group recognizes the estimated liability to repair or replace products under warranty at the balance sheet date. These are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

5.20 Revenue recognition

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually on dispatch of the goods.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on Term Deposit Receipts is recognised on constant rate of return to maturity.
- Profit on bank deposits are recognised on accrual basis.
- Rental income arising from investment properties is accounted for on a straight basis over the lease term.

5.21 Foreign currency transactions

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

5.22 Financial instruments

Financial assets and financial liabilities

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

Offsetting

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

5.23 Research and development expenditure

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

5.24 Dividends and appropriation to reserves

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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

	Notes
- determining the residual values, useful lives and impairment of property, plant and equipment	5.3 & 8
- valuation of inventories	5.9, 5.10, 15 &16
- provision against trade debts	5.11 & 17
- provision for tax and deferred tax	5.14, 14 & 37
- warranty obligations	5.19 & 26.4
- impairment on non financial assets	5.6
- contingencies	29

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

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

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

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

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Group expects that such improvements to the standards will not have any impact on the Group's financial statements in the period of initial application.

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

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

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

8.1 Statement of operating fixed assets

	COST					DEPRECIATION				
	As at July 01, 2013	Additions / transfers*	Disposals / transfers*	As at June 30, 2014	Rate %	As at July 01, 2013	Depreciation / adjustments for the year	On disposals / transfers*	As at June 30, 2014	Written down Value as at June 30, 2014
	(Rupees in '000)					(Rupees in '000)				
Owned:										
Land - Freehold	211,490	-	(650)	210,840	-	-	-	-	-	210,840
- Leasehold	38,294	-	-	38,294	1.69-3.33	3,807	1,784	-	5,591	32,703
Building on freehold land										
- Factory building	270,035	-	-	270,035	10	136,455	13,359	-	149,814	120,221
- Non factory building	467,707	-	-	471,979	5-10	137,441	25,330	-	163,450	308,529
		4,272 *					679 *			
Railway sliding	792	-	-	792	5	708	4	-	712	80
Plant and machinery	1,172,190	78,820	(14,015)	1,232,542	10-30	771,225	72,494	(12,641)	830,399	402,143
		(4,453) *					(679) *	-		
Furniture and fittings	28,612	1,617	(233)	29,996	15-20	16,902	2,076	(152)	18,660	11,336
							(166) *			
Vehicles	85,416	10,307	(7,718)	88,005	20	42,477	8,835	(2,610)	48,707	39,298
							5 *			
Office and mills equipment	57,181	5,513	(591)	62,103	10-30	34,482	4,312	(512)	38,282	23,821
Computer equipment	65,644	4,443	(1,001)	69,086	33	53,077	7,854	(915)	59,996	9,090
							(20) *			
Jigs and fixtures	143,246	7,125	(6,232)	144,320	33	109,271	17,125	(6,232)	120,345	23,975
		181 *					181 *			
2014	**2,540,607**	**107,825**	**(30,440)**	**2,617,992**		**1,305,845**	**153,173**	**(23,062)**	**1,435,956**	**1,182,036**

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

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

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

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

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

9. INTANGIBLE ASSETS

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

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

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

10. INVESTMENT PROPERTIES

	2014	2013
Land and building	7,428,950	7,585,244
Capital work-in-progress - Civil works	3,500	6,500
	7,432,450	7,591,744

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

10.1 Investment property comprises of various properties across Pakistan which have been let out. The fair value of such properties is determined on the basis of a valuation carried out by an independent professional valuer and amount to Rs. 13,452.073 million (2013: Rs. 13,448.68 million). The valuation was arrived on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location.

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

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

11.2 The summarised financial information of the associated companies where there is a significant influence, based on the un-audited financial statements for the twelve months period ended March 31, 2014 except for MHCCP which is twelve months period ended June 30, 2014 is as follows:

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

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

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

11.4 The financial year end of all the associates is June 30 except for Habib Insurance Company Limited where the financial year end is December 31, and MHCCP where financial year end is September 30. As the financial statements of all the associates may not necessarily be available at each reporting period of the Group, therefore the Group uses the financial statements of the associates with a lag of three months for applying the equity method of accounting except MHCCP where the Group has used financial statements for the same period end as that of the Holding Company.

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

	2014	2013
11.6 Share in contingent liabilities of associated companies	184,688	95,107
Share in commitments of associated companies	4,125,317	4,138,441

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

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

14. DEFERRED TAX ASSET - net

	Note	2014	2013
Deferred tax comprises temporary differences relating to :			
Accelerated tax depreciation		(144,815)	(165,125)
Provisions		120,036	105,760
Unabsorbed tax losses	14.1	161,655	164,387
Investment in associates		(110,122)	(113,213)
		26,754	(8,191)

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

	Note	2014	2013
15. STORES, SPARES AND LOOSE TOOLS			
Stores		22,826	22,795
Spares		62,789	57,654
Loose tools		141	135
		85,756	80,584
16. STOCK-IN-TRADE			
Raw material			
- In hand	16.1	2,182,610	1,653,805
- In transit		330,713	439,914
		2,513,323	2,093,719
Work-in-process		171,239	176,847
Finished goods	16.2	707,923	457,049
Provision for obsolescence and shrinkage		(5,926)	(3,993)
		701,997	453,056
		3,386,559	2,723,622

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

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

17. TRADE DEBTS - unsecured

	Note	2014	2013
Considered good	17.1	942,975	1,086,991
Considered doubtful		20,627	33,688
Provision for impairment	17.2	(20,627)	(33,688)
		-	-
		942,975	1,086,991

		Note	2014	2013
			(Rupees in '000)	
17.1	This includes amount due from following related parties:			
	Indus Motor Company Limited		43,164	159,442
	Habib Metropolitan Bank Limited		4,047	6,392
	Agriauto Industries Limited		64	1,586
	Shabbir Tiles & Ceramics Limited		1,902	3,651
	METRO Habib Cash & Carry Pakistan (Private) Limited		2,271	2,451
	Schneider Electric Pakistan (Private) Limited		9	-
	Habib Insurance Company Limited		-	30
			51,457	173,552
17.2	Reconciliation of provision for impairment of trade debts			
	Balance at the beginning of the year		33,688	6,241
	Charge for the year	32	6,072	28,271
	Reversal for the year		(19,133)	(824)
			(13,061)	27,447
	Balance at the end of the year		20,627	33,688

18. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013
Considered good – unsecured			
Loans			
Current portion of long-term loans to employees	12	101	69
Advances			
Suppliers		13,361	10,328
Employees		2,552	2,417
		15,913	12,745
Deposits			
Tender / Performance guarantee		33,257	38,895
Margin against letter of credit		1,775	-
Security deposits		406	205
Container deposits		2,052	8,110
Others		2,763	2,990
		40,253	50,200
Short-term prepayments			
Current portion of long-term prepayment	13	9,055	9,055
Rent		4,305	4,188
Insurance		9,888	8,418
Others		5,092	5,991
		28,340	27,652
Other receivables	18.1	55,853	74,477
		140,460	165,143

		Note	2014	2013
18.1	**Other receivables**			
	Duty drawback		8,905	9,956
	Custom duty refundable		-	38,000
	Workers' profit participation fund	18.1.1	5,505	-
	Insurance claims receivable	18.1.2	-	10
	Rent		-	100
	Receivable against test production		17,300	-
	Others	18.1.3	24,143	26,411
			55,853	74,477
18.1.1	**Workers' profit participation fund (WPPF)**			
	Payable to WPPF at the beginning of the year		(3,495)	(12,564)
	Allocation for the current year	36	(94,495)	(118,495)
	Interest on funds utilised in the Company's business		(348)	(211)
	Liability for WPPF		(98,338)	(131,270)
	Paid during the year		103,843	127,775
	Net receivables from / (payable to) WPPF		5,505	(3,495)

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

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

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

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

20. INCOME TAX - net

	Note	2014	2013
Group Tax Relief adjustments	20.1	593,466	593,466
Income tax provision less tax payments - net		(297,439)	(508,751)
		296,027	84,715

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

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

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

	Note	2014	2013
		(Rupees in '000)	

21. CASH AND BANK BALANCES

	Note	2014	2013
With banks in:			
Current accounts		33,166	95,515
Deposit accounts	21.1	377,927	670,545
Saving accounts	21.2	104,645	30,156
		515,738	796,216
In hand		5,233	17,239
		520,971	813,455

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

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

22. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
Number of ordinary shares of Rs. 5/- each			(Rupees in '000)	
5,149,850	5,149,850	Fully paid in cash	25,750	25,750
		Issued as fully paid bonus shares:		
64,640,390	57,274,035	Opening balance	323,202	286,370
-	7,366,355	Issued during the year	-	36,832
64,640,390	64,640,390	Closing balance	323,202	323,202
11,239,669	11,239,669	Shares issued under the Scheme of Arrangements for Amalgamation	56,198	56,198
81,029,909	81,029,909		405,150	405,150

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

23. RESERVES

	2014	2013
Capital reserves		
Reserve on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited	13,240	13,240
Premium on issue of share capital	12,225	12,225
Reserve on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited	42,464	42,464
	67,929	67,929
Revenue reserves		
General reserve	7,948,874	7,134,874
Unappropriated profit	2,429,917	2,988,785
	10,378,791	10,123,659
Net loss on foreign exchange contracts	-	(1,448)
Gain on change in fair value of available for sale investments - net	95,321	71,920
	10,542,041	10,262,060

	Note	2014	2013
		(Rupees in '000)	
24. NON-CONTROLLING INTEREST			
Habib METRO Pakistan (Private) Limited		5,586,835	5,501,071
Thal Boshoku Pakistan (Private) Limited		77,962	-
		5,664,797	5,501,071
25. LONG TERM SECURITY DEPOSITS			
Security deposits	25.1	308,119	307,962

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

	2014	2013
- Habib Metropolitan Bank Limited	1,403	2,350
- Indus Motor Company Limited	2,005	2,005
- METRO Habib Cash and Carry Pakistan (Private) Limited	289,506	289,506
	292,914	293,861

26. TRADE AND OTHER PAYABLES

	Note	2014	2013
Creditors	26.1	510,763	532,076
Accrued liabilities	26.2	544,402	517,803
Custom duty payable		81,981	12,886
Unclaimed salaries		7,878	8,313
Warranty obligations	26.3	117,642	94,904
Royalty payable	26.4	60,799	74,228
Workers' profit participation fund	18.1.1	-	3,495
Workers' welfare fund		85,119	47,345
Security deposits	26.5	101,986	28,033
Unclaimed and unpaid dividend		43,413	28,925
Consideration payable against acquisition of shares of Makro-Habib Pakistan Limited	26.6	429,821	429,821
Other liabilities	26.7	50,387	56,471
		2,034,191	1,834,300

26.1 This includes amounts due to related parties:

	2014	2013
Habib Insurance Company Limited	-	426
Shabbir Tiles & Ceramics Limited	153	602
Indus Motor Company Limited	147	42
Auvitronics Limited	30	6,674
METRO Habib Cash and Carry Pakistan (Private) Limited	7	27,015
Agriauto Industries Limited	-	3,542
	337	38,301

26.2 This includes amounts due to related party:

	2014	2013
Habib Insurance Company Limited	758	1,498

26.3 **Warranty obligations**

	Note	2014	2013
Balance at the beginning of the year		94,904	84,879
Charge for the year - net	32	47,143	37,705
		142,047	122,584
Claims paid during the year		(24,405)	(27,680)
Balance at end of the year		117,642	94,904

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

26.6 Consideration payable against acquisition of shares of MHPL

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

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

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

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

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

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

		Note	2014	2013
26.7	**Other liabilities**			
	Staff salaries		3,064	1,755
	Tax deducted at source		1,117	827
	Employees Old-Age Benefits Institution (EOBI)		22	-
	Advances from customers		27,374	32,061
	Payable to retirement benefit fund		4,353	4,699
	Payable to provident fund		7	-
	Others		14,450	17,129
			50,387	56,471

27. SHORT-TERM BORROWINGS - Secured

	Note	2014	2013
Short-term running finance - Banks			
Related party		73,693	6,948
Others		366	420
	27.1	74,059	7,368

27.1 Available limits of the running finance facilities amount to Rs 2,553 million (2013: Rs. 2,453 million). The facilities carry mark-up rates ranging from one month to three months' KIBOR plus spreads of 0.75% to 0.90% (2013: 0.75% to 1%) per annum. The facilities are secured by way of joint pari passu charge against hypothecation of the Group's stock-in-trade and book debts. The facilities have a maturity from September 30, 2014 to October 02, 2017.

28. DEFERRED INCOME

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

	2014	2013
29. CONTINGENCIES AND COMMITMENTS	(Rupees in '000)	
29.1 Contingencies		
29.1.1 Letter of guarantees issued by banks on behalf of the Group.	29,859	73,428
29.1.2 Post dated cheques have been issued to Collector of Custom in respect of differential duty between commercial and concessional rate of duty, duty and tax remission on exports and safe transport requirement under various SROs.	218,276	196,942

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

MHPL filed a review petition against the judgment of the Supreme Court of Pakistan and GoP and AWT also filed review petition on January 22, 2010. The matter has not been definitively decided up till now. The legal counsel representing MHPL in the review petition is of the view that MHPL has a reasonable case, however he is unable to comment on the likelihood of the success of the review petition. However, even in case the Supreme Court upholds its original decision, the legal counsel representing MHPL believes the MHPL can pursue a claim for damages against AWT for any loss suffered on account of this case.

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

	2014	2013
The Group expects a favorable outcome of the Review Petition pending in the Supreme Court of Pakistan and hence, no provision for any loss has been made in these consolidated financial statements.	792,000	792,000
29.2 Commitments		
29.2.1 Letters of credit outstanding for raw material and spares.	1,028,488	882,288
29.2.2 Commitments in respect of capital expenditure	18,532	61,809
29.2.3 Commitments for rentals under Ijarah finance agreements		
Within one year	8,662	13,876
Later than one year but not later than five years	2,643	9,495
	11,305	23,371

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

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

	2014	2013
Not later than one year	65,384	64,188
Later than one year but not later than five years	421,277	392,747
Later than five years	2,641,905	2,735,819
	3,128,566	3,192,754

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

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

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

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

	Note	2014	2013
31. COST OF SALES			
Raw material consumed	31.1	8,257,018	8,510,563
Salaries, wages and benefits		971,581	906,148
Stores and spares consumed		132,534	122,823
Repairs and maintenance		77,658	78,145
Power and fuel		312,439	277,190
Rent, rates and taxes		1,828	1,936
Vehicle running and maintenance		10,349	10,701
Insurance		9,889	10,951
Communication		3,954	3,491
Travelling and conveyance		8,593	8,477
Entertainment		926	436
Printing and stationery		3,882	3,775
Legal and professional		1,293	703
Computer accessories		3,285	5,067
Provision for royalty	26.4	87,951	102,479
Depreciation	8.2	105,606	103,452
Research and development		3,521	3,111
Ijarah rentals		5,240	7,025
Technical assistance fee		17,226	-
Others		15,310	14,128
		10,030,083	10,170,601
Work-in-process			
Opening		176,847	168,264
Closing		(171,239)	(176,847)
		5,608	(8,583)
Cost of goods manufactured		10,035,691	10,162,018
Finished goods			
Opening stock		457,049	651,681
Purchases	31.2	2,391,471	2,526,840
Sharing of cost under arrangement	1.2.3(b)	(15,879)	(47,417)
Provision for obsolescence and shrinkage		1,932	(3,441)
Closing stock		(707,923)	(457,049)
		2,126,650	2,670,614
		12,162,341	12,832,632
31.1 Raw material consumed			
Opening stock		1,653,805	1,809,286
Purchases		8,785,823	8,355,082
Closing stock		(2,182,610)	(1,653,805)
		8,257,018	8,510,563

31 2 Rebate on inventory amounting to Rs. 147.495 million (2013: Rs. 125.879 million) has been net off from purchases.

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

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

			Note	2014	2013
				(Rupees in '000)	

33.2 Charity and donations

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

Name of donee	Address of donee	Name of directors/spouse	2014	2013
Mohammed Ali Habib Welfare Trust	2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharae Faisal, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee	6,582	7,301
Habib Education Trust	4th floor, United Bank building, I.I. Chundrigar Road, Karachi.	Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee	3,000	5,250
Habib University Foundation	147, Block 7&8, Banglore Cooperative Housing Society, Tipu Sultan Road, Karachi.	Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee	5,250	4,250
Anjuman -e- Behbood-Samat -e- Itefal	ABSA School 26-C National Highway, Korangi Road, Karachi.	Mrs. Rafiq M. Habib - Vice President	36	36

34. OTHER INCOME

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

34.1 Includes an amount of Rs. 1,159 million (2013: Rs. 1,158 million) under long term agreements with MHCCP, whereby the immovable properties owned by the Group have been rented out to MHCCP for its cash & carry store operations at fixed annual rent.

	Note	2014	2013
		(Rupees in '000)	

35. FINANCE COSTS

Mark-up / interest on:			
Long term finance			
- Related party		-	950
- Others		-	17,780
Short-term borrowings			
- Related party		146	634
- Others		791	147
Workers' profit participation fund		348	211
Finance lease		-	5
Bank charges and commission		4,258	4,730
		5,543	24,457

36. OTHER CHARGES

Workers' profit participation fund	18.1.1	94,495	118,495
Workers' welfare fund		82,725	47,692
Exchange loss - net		-	6,893
		177,220	173,080

37. TAXATION

Current		759,273	760,452
Prior		(7,828)	24,965
Deferred		(34,944)	(24,883)
	37.1	716,501	760,534

37.1 Relationship between income tax expense and accounting profit

Profit before tax and share of profit of associates	2,316,094	2,788,446
Tax at the rate of 25% - 34% (2013: 25% - 35%)	787,269	955,953
Tax effects of:		
Income taxed at reduced rates, exempt or taxed under final tax regime	(62,959)	(225,137)
Tax effect of inadmissible items	19	4,753
Prior years	(7,828)	24,965
	716,501	760,534

38. BASIC AND DILUTED EARNINGS PER SHARE

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

Profit for the year after taxation attributable to the equity holders of the Holding Company	1,268,114	1,585,378
	Number of shares in thousands	
Weighted average number of ordinary shares of Rs. 5/- each in issue	81,030	81,030
	(Rupees)	
Basic and diluted earnings per share	15.65	19.57

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

41. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise subsidiaries, associates, and companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than those which have been disclosed in notes 42 and 19 to the consolidated financial statements. are as follows:

	2014	2013
Sales	4,510,943	5,339,119
Professional services rendered	116,470	127,883
Rental income	1,192,610	1,194,107
Insurance premium	34,660	36,576
Professional Services acquired	13,500	-
Purchase of assets	158,164	4,460
Purchase of goods	151,646	90,235
Insurance claim received	3,313	5,273
Mark-up and bank charges paid	5,524	8,022
Profit received	157,619	148,495
Licence fee, signage and others	4,022	5,380
Operational fee	35,815	63,872
Group's contribution to provident fund	48,321	41,857
Rent Paid	1,033	396
Group's contribution to retirement benefit fund	2,902	2,998

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

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

42. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

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

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

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

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

43. PLANT CAPACITY AND ACTUAL PRODUCTION

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

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

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

44. PROVIDENT FUND

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

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

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

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

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

45.1 Credit risk

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

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

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

Quality of financial assets
The credit quality of financial assets is analyzed as under:

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

45.2 LIQUIDITY RISK

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

Year ended June 30, 2014	On demand	Less than 3 months	3 to 12 months	More than 1 year	Total
	(Rupees in '000)				
Long term security deposit		-	-	308,119	308,119
Short-term borrowing	5,338	-	68,721	-	74,059
Trade and other payables	1,635,404	-	-	-	1,635,404
Accrued markup	34	-	-	-	34
	1,640,776	-	68,721	308,119	2,017,616

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

45.3 Foreign Currency risk

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

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

Sensitivity analysis:

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

	Change in US dollars, Euros, AED & SAR's rate	Effect on profit or (loss) before tax	Effect on equity
	%	(Rupees in '000)	
2014	+ 10	(1,761)	(1,191)
	- 10	1,761	1,191
2013	+ 10	(7,706)	(5,482)
	- 10	7,706	5,482

45.4 Interest rate risk

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

Sensitivity Analysis:

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

	Increase / decrease in basis points	Effect on profit before tax
2014		
KIBOR	+ 100	4,085
KIBOR	- 100	(4,085)
2013		
KIBOR	+ 100	6,330
KIBOR	- 100	(6,330)

45.5 Equity price risks

Equity price risk is the risk that the fair value of future cashflows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

46. CAPITAL RISK MANAGEMENT

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

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

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

As at 30 June 2014, the Group has available-for-sale investments measured at fair value using level 1 valuation techniques.

48. SEGMENT ANALYSIS FOR THE YEAR ENDED JUNE 30

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

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

The Building material and allied products segment include jute, papersack and laminates operations.

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

Notes to the Consolidated Financial Statements
For the year ended June 30, 2014

49. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 26, 2014 has approved the following:

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

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

50. GENERAL

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

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

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

50.3 Figures have been rounded off to the nearest thousands.

51. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 26, 2014 by the Board of Directors of the Holding Company.

ASIF RIZVI
CHIEF EXECUTIVE

SOHAIL P. AHMED
VICE CHAIRMAN

Combined Pattern of CDC and Physical Shareholding

As at June 30, 2014

Number of Shareholders	Size of Shareholding		Total Shares Held
	From	To	
1,345	1	100	46,806
1,366	101	500	352,449
629	501	1,000	452,287
955	1,001	5,000	2,013,202
191	5,001	10,000	1,369,236
71	10,001	15,000	899,527
33	15,001	20,000	584,264
18	20,001	25,000	393,579
16	25,001	30,000	442,083
12	30,001	35,000	392,836
12	35,001	40,000	457,404
5	40,001	45,000	209,824
8	45,001	50,000	373,968
6	50,001	55,000	319,622
4	55,001	60,000	232,495
2	60,001	65,000	126,121
2	65,001	70,000	139,500
2	70,001	75,000	143,000
2	80,001	85,000	168,971
2	85,001	90,000	175,196
1	90,001	95,000	93,432
3	100,001	105,000	305,204
7	115,001	120,000	821,142
1	120,001	125,000	124,583
1	125,001	130,000	126,307
2	130,001	135,000	265,059
3	135,001	140,000	409,389
1	140,001	145,000	141,900
1	145,001	150,000	145,400
3	150,001	155,000	461,429
2	155,001	160,000	314,636
1	165,001	170,000	168,715
1	175,001	180,000	176,000
1	185,001	190,000	189,700
1	195,001	200,000	200,000
1	200,001	205,000	200,530
1	205,001	210,000	206,089
3	220,001	225,000	667,248
2	225,001	230,000	454,620
2	235,001	240,000	478,990
2	255,001	260,000	513,583
1	275,001	280,000	277,000
2	280,001	285,000	561,430
1	285,001	290,000	289,800
2	295,001	300,000	600,000
1	300,001	305,000	304,386
1	305,001	310,000	305,416
3	310,001	315,000	933,839
2	315,001	320,000	634,480
1	325,001	330,000	328,585
6	330,001	335,000	1,987,887

Combined Pattern of CDC and Physical Shareholding

As at June 30, 2014

Number of Shareholders	Size of Shareholding		Total Shares Held
	From	To	
1	345,001	350,000	350,000
1	350,001	355,000	350,896
2	365,001	370,000	737,174
1	375,001	380,000	376,000
1	380,001	385,000	382,035
1	385,001	390,000	388,231
1	390,001	395,000	393,098
1	395,001	400,000	399,168
1	400,001	405,000	400,300
5	420,001	425,000	2,108,547
1	440,001	445,000	440,393
3	495,001	500,000	1,495,629
1	540,001	545,000	543,500
1	560,001	565,000	564,500
1	580,001	585,000	582,000
1	585,001	590,000	585,007
1	600,001	605,000	601,052
2	605,001	610,000	1,214,735
1	635,001	640,000	639,900
1	710,001	715,000	711,503
1	725,001	730,000	726,392
1	800,001	805,000	800,400
1	830,001	835,000	830,269
1	840,001	845,000	843,547
1	845,001	850,000	846,000
1	850,001	855,000	851,137
1	1,035,001	1,040,000	1,035,500
2	1,095,001	1,100,000	2,198,016
1	1,145,001	1,150,000	1,145,133
1	1,150,001	1,155,000	1,153,170
1	1,185,001	1,190,000	1,189,452
1	1,245,001	1,250,000	1,245,403
1	1,340,001	1,345,000	1,340,202
1	1,345,001	1,350,000	1,350,000
1	1,405,001	1,410,000	1,405,639
1	1,815,001	1,820,000	1,818,017
1	2,745,001	2,750,000	2,746,908
1	2,890,001	2,895,000	2,894,306
4	3,790,001	3,795,000	15,170,103
1	6,195,001	6,200,000	6,197,498
4,793			**81,029,909**

Combined Pattern of CDC and Physical Shareholding

As at June 30, 2014

S. No.	Categories of Shareholders	No. of Shares held	Category-wise No. of Folios / CDC Accounts	Category-wise Shares held	Percentage
1	INDIVIDUALS		4,606	19,225,586	23.73%
2	INVESTMENT COMPANIES		4	73,528	0.09%
3	JOINT STOCK COMPANIES		37	1,172,118	1.45%
4	DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		19	6,524,443	8.05%
	RAFIQ M. HABIB	1,340,202			
	JAMILA RAFIQ HABIB	961,231			
	ALI S. HABIB	2,091,099			
	MUNIZEH ALI HABIB	200,530			
	MOHAMEDALI R. HABIB	1,566,834			
	SAYYEDA MOHAMEDALI HABIB	280,715			
	SOHAIL P. AHMED	34,334			
	RUBINA SOHAIL	2,500			
	ASIF RIZVI	21,244			
	MAZHAR VALJEE	20,754			
	ASIF QADIR	5,000			
5	EXECUTIVES		2	10,137	0.01%
6	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		1	1,350,000	1.67%
	HABIB INSURANCE CO. LIMITED	1,350,000			
7	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-	
8	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUNDS		30	8,889,792	10.97%
	FINANCIAL INSTITUTIONS	6,624,322			
	LEASING COMPANIES	-			
	INSURANCE COMPANIES	2,205,882			
	MODARABA	20,288			
	PENSION FUNDS	39,300			
	Holding 5% or more voting interest				
	NATIONAL BANK OF PAKISTAN	6,197,498			
9	MUTUAL FUNDS		26	5,634,477	6.95%
	GOLDEN ARROW SELECTED STOCKS FUND	4,149			
	CDC - TRUSTEE AKD INDEX TRACKER FUND	6,721			
	TRUSTEE - PAKISTAN ISLAMIC PENSION FUND	20,000			
	CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	23,300			
	CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC AS	34,000			
	CDC - TRUSTEE MEEZAN BALANCED FUND	41,000			
	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	59,000			
	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	87,196			
	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	141,900			
	CDC - TRUSTEE NAFA MULTI ASSET FUND	157,136			
	CDC - TRUSTEE NAFA STOCK FUND	206,089			
	CDC - TRUSTEE AKD OPPORTUNITY FUND	310,100			
	CDC - TRUSTEE ASIAN STOCKS FUND	440,393			
	CDC - TRUSTEE APIF - EQUITY SUB FUND	5,000			
	TRUSTEE - PAKISTAN PENSION FUND - EQUITY	11,900			
	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND	22,780			
	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND	28,645			
	CDC - TRUSTEE FIRST HABIB STOCK FUND	40,000			
	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	55,613			
	CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED	71,600			
	CDC - TRUSTEE MEEZAN ISLAMIC FUND	126,307			
	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PRO	145,400			
	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	189,700			
	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	289,800			
	CDC - TRUSTEE SAFEWAY MUTUAL FUND	369,840			
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT)	2,746,908			
10	FOREIGN INVESTORS		36	36,488,308	45.03%
	Holding 5% or more voting interest				
	ASAD LIMITED	7,517,613			
	SHAKIR LIMITED	5,397,558			
	ALI REZA LIMITED	7,561,504			
	MUSTAFA LIMITED	8,282,214			
11	CO-OPERATIVE SOCIETIES		5	10,681	0.01%
12	CHARITABLE TRUST		9	1,078,347	1.33%
13	OTHERS		18	572,492	0.71%
	TOTAL		4,793	81,029,909	100.00%

SHARE-HOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY		
TOTAL PAID-UP CAPITAL OF THE COMPANY	81,029,909	SHARES
5% OF THE PAID-UP CAPITAL OF THE COMPANY	4,051,495	SHARES

Notice of the Annual General Meeting

NOTICE is hereby given that the Forty-Eighth Annual General Meeting of the Members of the Company will be held on Monday, September 29, 2014 at 10:00 AM at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2014 together with the Reports of the Directors' and Auditors' thereon.

2. To approve a final cash dividend of 50% (i.e. Rs 2.50 per share) for the year 2013-14 as recommended by the Board of Directors. This is in addition to the Interim Dividends of 100% i.e. Rs 5.00 per share already paid. The total dividend for 2013-14 will thus amount to 150% i.e. Rs 7.50 per share.

3. To appoint Auditors for the year 2014-15 and to fix their remuneration. The present auditors - Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible offer themselves for reappointment.

By Order of the Board

Ali Asghar Moten
Company Secretary

Karachi.
Dated: August 26, 2014

NOTES:

(i) The Share Transfer Books of the Company will remain closed from Monday, September 22, 2014 to Monday, September 29, 2014 (both days inclusive) and the final dividend will be paid to the Members whose names will appear in the Register of Members on September 20, 2014. Members (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non–deduction of Zakat Form CZ-50 with the Registrar of the Company M/S. Noble Computer Services (Pvt) Ltd., 1st Floor, House of Habib, 3 Jinnah C.H. Society, Sharea Faisal Karachi. All the Members holding the shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.

(ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote for him / her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.

Notice of the Annual General Meeting

CDC Accounts Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated the January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original national identity card (CNIC), or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original CNIC or original passport at the time of meeting.

v) In case of Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (Unless it has been provided earlier) along with proxy form to the Company.

Submission of copies of CNIC:

It is hereby reiterated that the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 779(I)/2011 dated August 18, 2011 and Notification S.R.O. 831 (1)/2012 dated July 5, 2012 has directed all the listed companies to to issue dividend warrant only crossed as "A/c Payee only" and ensure that the Dividend Warrant should bear the Computerized National Identity Card (CNIC) Numbers of the registered members except in the case of minor(s) and corporate shareholder(s). The Company has already requested for the same vide its letters dated May 21, 2014, March 18, 2014, November 04, 2013, March 27, 2013 , October 4, 2012 and March 26, 2012 sent to its members.

All those members (**holding physical shares**) who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC / NTN along with the Folio number(s) to the Company's Share Registrar.

In case of non-availability of a valid copy of the CNIC in the records of the Company, the Company will be constrained to withhold the Dividend Warrant in terms of section 251(2)(a) of the Companies Ordinance 1984, which will be released by the Share Registrar only upon compliance with the aforesaid notifications.

Notice of the Annual General Meeting

Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001

Pursuant to the provisions of the Finance Act 2014 effective July 1, 2014, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

(a) Rate of tax deduction for filer of income tax returns	10%
(b) Rate of tax deduction for non-filers of income tax returns	15%

All members of the Company who hold shares in physical form are therefore requested to send a valid copy of their CNIC and NTN Certificate, to the Company's Shares Registrar, M/s. Noble Computer Services (Pvt.) Limited at the above mentioned address, to allow the Company to ascertain the status of the member.

Members of the Company who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC) are requested to send valid copies of their CNIC and NTN Certificate to their CDC Participants / CDC Investor Account Services.

Where the required documents are not submitted, the Company will be constrained to treat the non-complying member as a non-filer thereby attracting a higher rate of withholding tax.

Dividend Mandate (Optional):

The Company wishes to inform its members that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Members wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant) / CDC.

Form of Proxy

Forty Eighth Annual General Meeting

The Secretary
Thal Limited
House of Habib, 4th floor
Shahra-e-Faisal,
Karachi - 75350

I/We ______________________________

of ______________________ in the district of ______________________

being member of **Thal Limited**, and holder of ______________________

Ordinary Shares as per Share Register Folio No. __________ and/or CDC Participant I.D. No. __________

And Sub. Account No. ______________ hereby appoint ______________________

of ______________________ in the district of ______________________

or failing him / her ______________________ of ______________________

as my/our proxy to vote for me/us and on my/our behalf at the 48th Annual General Meeting of the Company to be held on September 29, 2014 and or any adjournment thereof.

Signed this ______________ day of ______________________

WITNESSESS:

(Signature should agree with the specimen signature registered with the Company).

Signature ______________________
Name ______________________
Address ______________________

Signature on Rs 5/- revenue stamp

CNIC or ______________________

Passport No. ______________________

Signature ______________________
Name ______________________
Address ______________________

CNIC or ______________________

Passport No. ______________________

Note:

1. A member entitled to be present and vote at the Meeting may appoint another member as proxy to attend and vote for him / her.
2. Proxies in order to be effective must be received at the Registered office of the Company not less than 48 hours before the Meeting.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their computerised National Identity Card or Passport with this proxy form.