NISHAT HOSPITALITY (PRIVATE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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A·F·FERGUSON & CO.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nishat Hospitality (Private) Limited (the 'company') as at June 30, 2017 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 June 30, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Chartered Accountants

Lahore, September 25, 2017

Engagement Partner: Muhammad Masood

NISHAT HOSPITALITY (PRIVATE) LIMITED
BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
120,000,000 (2016 : 120,000,000) ordinary shares of Rs 10 each		1,200,000,000	1,200,000,000
Issued, subscribed and paid up share capital			
119,999,901 (2016 : 119,999,901) ordinary shares of Rs 10 each	5	1,199,999,010	1,199,999,010
Revenue reserve: Accumulated loss		(174,458,397)	(184,626,168)
		1,025,540,613	1,015,372,842
NON - CURRENT LIABILITIES			
Accumulating compensated absences	6	3,240,594	2,736,208
		3,240,594	2,736,208
CURRENT LIABILITIES			
Trade and other payables	7	21,015,595	20,026,856
Short term borrowings - unsecured	8	150,000,000	292,000,000
Accrued finance cost	9	351,370	717,600
		171,366,965	312,744,456
CONTINGENCIES AND COMMITMENTS	10		
		1,200,148,172	1,330,853,506

	Note	2017 Rupees	2016 Rupees
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	11	1,039,190,171	1,152,047,733
Intangible assets	12	11,696,000	17,190,090
Long term deposits		1,077,500	1,077,500
Deferred taxation	13	62,710,970	75,099,897
		1,114,674,641	1,245,415,220
CURRENT ASSETS			
Stores and spares		9,941,341	8,796,323
Stock-in-trade	14	1,089,945	1,280,607
Trade debts	15	37,766,512	31,510,952
Income tax recoverable		16,234,491	17,363,996
Advances, deposits, prepayments and other receivables	16	7,166,901	7,892,261
Cash and bank balances	17	13,274,341	18,594,147
		85,473,531	85,438,286
		1,200,148,172	1,330,853,506

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Revenue	18	365,723,468	328,046,992
Cost of sales and services	19	(273,878,252)	(289,657,033)
Gross profit		91,845,216	38,389,959
Administrative expenses	20	(53,508,727)	(54,991,987)
Other expenses	21	-	(144,213)
Other income	22	1,925,852	11,812,019
		40,262,341	(4,934,222)
Finance cost	23	(9,792,818)	(14,264,851)
Profit/(loss) before taxation		30,469,523	(19,199,073)
Taxation	24	(20,301,752)	8,203,457
Profit/(loss) after taxation		10,167,771	(10,995,616)
Earning/(loss) per share - basic and diluted	25	0.08	(0.09)

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
Profit/(loss) for the year	10,167,771	(10,995,616)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive income/(loss) for the year	10,167,771	(10,995,616)

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2017

	Share capital	Revenue reserve: Accumulated loss	Total
		Rupees	
Balance as on July 01, 2015	1,199,999,010	(173,630,552)	1,026,368,458
Loss for the year	-	(10,995,616)	(10,995,616)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(10,995,616)	(10,995,616)
Balance as on June 30, 2016	1,199,999,010	(184,626,168)	1,015,372,842
Profit for the year	-	10,167,771	10,167,771
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	10,167,771	10,167,771
Balance as on June 30, 2017	1,199,999,010	(174,458,397)	1,025,540,613

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Cash flows from operating activities			
Cash generated from operations	26	158,003,232	116,774,714
Retirement benefits paid		(258,390)	-
Finance cost paid		(10,159,048)	(13,797,118)
Income tax paid		(6,783,320)	(5,806,461)
Net cash inflow from operating activities		140,802,474	97,171,135
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,683,580)	(10,014,573)
Proceeds from sale of property, plant and equipment		1,561,300	908,810
Purchase of intangible assets		-	(8,004,970)
Net cash outflow from investing activities		(4,122,280)	(17,110,733)
Cash flows from financing activities			
Repayment of short term borrowings - net		(142,000,000)	(67,768,750)
Net cash outflow from financing activities		(142,000,000)	(67,768,750)
Net (decrease)/increase in cash and cash equivalents		(5,319,806)	12,291,652
Cash and cash equivalents at the beginning of the year		18,594,147	6,302,495
Cash and cash equivalents at the end of the year	27	13,274,341	18,594,147

The annexed notes 1 to 34 form an integral part of these financial statements.

Chief Executive

Director

NISHAT HOSPITALITY (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. The Company and its operations

Nishat Hospitality (Private) Limited ('the Company') was incorporated in Pakistan on July 01, 2011 as a private limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017 and hereinafter referred to as the 'Act'). It is a wholly owned subsidiary of Nishat Mills Limited, a listed company. The address of the registered office of the Company is 1-B Aziz Avenue, Canal Bank, Gulberg V, Lahore. The principal activity of the Company is to carry on the business of hotel, cafes, restaurants and lodging or apartment houses, bakers and confectioners in Pakistan and outside Pakistan.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. During the year, the Companies Ordinance, 1984 (hereinafter referred to as the 'Ordinance') has been repealed after the enactment of the Act. However, as allowed by the Securities and Exchange Commission of Pakistan ('SECP') vide Circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 and further clarified through its press release dated July 20, 2017, companies whose financial year closes on or before June 30, 2017, shall prepare financial statements in accordance with the provisions of the repealed Ordinance. Accordingly, these financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') as are notified under the repealed Ordinance, provisions of and directives issued under the repealed Ordinance. Wherever the requirements of the repealed Ordinance or directives issued by SECP differ with the requirements of IFRSs, the requirements of the repealed Ordinance or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year and are relevant to the Company

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2016 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- International Accounting Standard ('IAS') 1, 'Presentation of financial statements' (Amendment). The amendments provide clarifications on a number of issues, including:

  - Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

  - Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

  - Notes – confirmation that the notes do not need to be presented in a particular order.

- Other comprehensive income arising from investments accounted for under the equity method – the share of other comprehensive income arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

- IAS 16 (Amendment), 'Property, plant and equipment, and IAS 38 (Amendment), 'Intangible assets'. The amendment to IAS 16 clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This amendment also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either:

- The intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or

- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

The Company's current accounting treatment is already in line with the requirements of these standards.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- IAS 7, 'Cashflow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of the standard.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of the standard.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the Company's financial statements.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention.

3.1 Critical accounting estimates and judgments

The Company's significant accounting policies are stated in note 4 to these financial statements. Not all of these significant policies require the management to make difficult, subjective or complex judgment or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates which have been explained as follows:

(a) Useful lives, patterns of economic benefits and impairments

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

(b) Taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature are in accordance with the law, the amounts are shown as contingent liabilities.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.2 Property, plant and equipment

4.2.1 Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land is stated at cost less any recognized impairment loss (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection/construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

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

Depreciation on all operating fixed assets is charged to the profit and loss account on the reducing balance method, except for crockery which is being depreciated using the straight line method, so as to write off the historical cost of such assets over its estimated useful life at annual rates mentioned in note 11.1 after taking into account their residual values.

An item of operating fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

4.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these assets are available for use.

4.2.3 Major spare parts and stand-by equipment

Major spare parts and stand-by equipment qualify as property, plant and equipment when an entity expects to use them during more than one year. Transfers are made to operating fixed assets category as and when such items are available for use.

4.3 Intangible assets

Amortisation on additions to intangible assets is charged from the date when the asset is acquired or capitalised upto the date when the asset is de-recognized.

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

4.4 Trade debts

Trade debts are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.5 Employee retirement benefits

(a) Defined contribution plan - Provident Fund

There is an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 9.5% of basic salary.

(b) Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these schemes.

4.6 Stores and spares

Stores and spares are valued principally at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the balance sheet date while items considered obsolete are carried at nil value.

4.7 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and net realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated cost necessary to make the sale.

4.8 Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortised cost with any difference between proceeds (net of transaction costs) and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest rate basis.

Finance costs are accounted for on an accrual basis and are shown as accrued finance cost to the extent of the amount remaining unpaid.

Borrowings are classified as a current liability unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

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4.9 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, bank balances, long-term financing, liabilities against assets subject to finance lease, short-term borrowings, accrued mark-up and trade and other payables, etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instruments at fair value through profit or loss" which are initially measured at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently.

4.10 Impairment

(a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

(b) Non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.12 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

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4.13 Provisions

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

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

4.15 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

Revenue is generally recognized as services are performed. Hotel revenue primarily represents room rentals and other ancillary service charges. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.16 Foreign currency transactions and translation

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

5. Issued, subscribed and paid up share capital

2017	2016		2017	2016
Number of shares			Rupees	Rupees
119,999,901	119,999,901	Ordinary shares of Rs 10 each fully paid in	1,199,999,010	1,199,999,010

The holding company, Nishat Mills Limited, holds 119,999,898 ordinary shares of the Company as at June 30, 2017 (2016: 119,999,898).

6. Accumulating compensated absences

	2017 Rupees	2016 Rupees
This represents provision for accumulating compensated absences and its movement is as follows:		
Opening balance	2,736,208	-
Provision for the year	762,776	2,736,208
	3,498,984	2,736,208
Less: Payments made during the year	(258,390)	-
Closing balance	3,240,594	2,736,208

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		2017 Rupees	2016 Rupees
7. Trade and other payables			
Trade creditors		12,608,411	14,070,380
Franchise fee payable		1,063,565	1,225,141
Payable to Provident Fund		-	367,203
Accrued liabilities		2,496,194	1,862,221
Due to related party - the holding company	- note 7.1	89,496	89,496
Due to statutory authorities		2,029,835	2,393,369
Advances from customers		2,728,094	19,046
		21,015,595	20,026,856

7.1 This amount is payable to related party Nishat Mills Limited, the holding company, on account of reimbursement of expenses.

8. This represents short term borrowings acquired from Nishat Mills Limited - the holding company. The amount is repayable on March 25, 2018. The effective rate of markup charged during the year on the outstanding balance ranges from 2.33% to 3.03% per annum.

9. This represents accrued finance charges on the short term loan acquired from Nishat Mills Limited - the holding company.

10. Contingencies and commitments

10.1 Contingencies

(i) The Company has issued letter of guarantees of Rs 1,084,877 (2016: Rs 1,084,877) in favour of Director, Excise and Taxation, Karachi under the order of Sindh High Court in respect of the suit filed for levy of infrastructure cess.

(ii) Post dated cheques furnished by the Company in favour of the Collector of Customs to cover import levies against imports aggregating nil (2016: Rs 2,945,455).

10.2 Commitments

The amount of future payments to Nishat Mills Limited, the holding company, under leave and license agreement and the period in which these payments will become due are as follows:

	2017 Rupees	2016 Rupees
Not later than one year	18,327,604	16,661,458
Later than one year and not later than five years	123,081,039	111,891,854
Later than five years - cannot be determined due to unspecified period of the agreement	-	-
	141,408,643	128,553,312

11. Property, plant and equipment

		2017 Rupees	2016 Rupees
Operating fixed assets	- note 11.1	1,037,147,585	1,149,903,460
Major spare parts and stand-by equipment		2,042,586	2,144,273
		1,039,190,171	1,152,047,733

11.1 **Operating fixed assets**

	Freehold land	Building	Plant and machinery	Electric installation	Office equipment	Furniture, fixture and fittings	Computers	Vehicles	Kitchen equipment	Crockery	Total
	(Rupees)										
COST											
Balance as at July 01, 2015	19,129,036	959,777,916	126,469,210	201,725,844	10,518,420	96,868,831	11,385,255	10,028,972	18,112,714	14,658,540	1,468,674,738
Additions during the year	-	650,138	3,239,601	5,684,501	233,164	59,644	20,500	-	-	-	9,887,548
Deletions during the year	-	-	-	(194,307)	-	(1,123,834)	-	-	(118,752)	-	(1,436,893)
Balance as at June 30, 2016	**19,129,036**	**960,428,054**	**129,708,811**	**207,216,038**	**10,751,584**	**95,804,641**	**11,405,755**	**10,028,972**	**17,993,962**	**14,658,540**	**1,477,125,393**
Balance as at July 01, 2016	19,129,036	960,428,054	129,708,811	207,216,038	10,751,584	95,804,641	11,405,755	10,028,972	17,993,962	14,658,540	1,477,125,393
Additions during the year		4,349,204	713,609	392,556			32,298	-	297,600		5,785,267
Deletions during the year		(698,551)	-	-				(906,452)			(1,605,003)
Balance as at June 30, 2017	**19,129,036**	**964,078,707**	**130,422,420**	**207,608,594**	**10,751,584**	**95,804,641**	**11,438,053**	**9,122,520**	**18,291,562**	**14,658,540**	**1,481,305,657**
DEPRECIATION											
Balance as at July 01, 2015	-	123,004,234	16,275,229	25,592,806	1,276,134	12,304,030	4,091,829	2,634,075	4,589,735	5,931,554	195,699,626
Charge for the year	-	83,736,542	11,262,697	18,128,359	929,645	8,399,523	2,191,624	1,478,979	2,704,596	2,879,905	131,711,870
On deletions during the year	-		-	(160)	-	(152,501)	-	-	(36,902)	-	(189,563)
Balance as at June 30, 2016	-	206,740,776	27,537,926	43,721,005	2,205,779	20,551,052	6,283,453	4,113,054	7,257,429	8,811,459	327,221,933
Balance as at July 01, 2016	-	206,740,776	27,537,926	43,721,005	2,205,779	20,551,052	6,283,453	4,113,054	7,257,429	8,811,459	327,221,933
Charge for the year		75,751,789	10,256,788	16,368,188	854,581	7,525,359	1,542,372	1,151,128	2,152,362	1,929,536	117,532,103
On deletions during the year		(154,330)	-	-				(441,634)			(595,964)
Balance as at June 30, 2017	-	**282,338,235**	**37,794,714**	**60,089,193**	**3,060,360**	**28,076,411**	**7,825,825**	**4,822,548**	**9,409,791**	**10,740,995**	**444,158,072**
Book value as at June 30, 2017	**19,129,036**	**681,740,472**	**92,627,706**	**147,519,401**	**7,691,224**	**67,728,230**	**3,612,228**	**4,299,972**	**8,881,771**	**3,917,545**	**1,037,147,585**
Book value as at June 30, 2016	**19,129,036**	**753,687,278**	**102,170,885**	**163,495,033**	**8,545,805**	**75,253,589**	**5,122,302**	**5,915,918**	**10,736,533**	**5,847,081**	**1,149,903,460**
Annual depreciation rate	-	**10%**	**10%**	**10%**	**10%**	**10%**	**30%**	**20%**	**20%**	**33%**	

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

		June 30 2017	June 30 2016
		Rupees	
Cost of sales	- note 19	105,778,893	118,540,683
Administrative expenses	- note 20	11,753,210	13,171,187
		117,532,103	131,711,870

11.2 Detail of property, plant and equipment disposed off during the year is as follows:

2017

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal
Building	Security General Insurance Company Limited	698,551	154,330	544,221	1,050,000	505,779	Insurance claim
Vehicle	Nishat Hotel and Properties Limited	906,452	441,634	464,818	511,300	46,482	Transfer
		1,605,003	595,964	1,009,039	1,561,300	552,261	

2016

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds/ adjustment	Gain / (Loss) on disposal	Mode of disposal
Kitchen Equipment	Security General Insurance Company Limited	118,752	36,902	81,850	261,000	179,150	Insurance Claim
Electric Installation	Store return	194,307	160	194,147	194,307	160	Store Return
Furniture, fixture and fittings	Mrs. Syed Bakhtiar	1,123,834	152,501	971,333	647,810	(323,523)	Negotiation
		1,436,893	189,563	1,247,330	1,103,117	(144,213)	

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		Franchise fee	Computer software Rupees	Total
12. Intangible assets				
COST				
Balance as at July 01, 2015		9,834,735	9,630,743	19,465,478
Additions during the year		-	8,004,970	8,004,970
Balance as at June 30, 2016		9,834,735	17,635,713	27,470,448
Balance as at July 01, 2016		9,834,735	17,635,713	27,470,448
Additions during the year		-		-
Balance as at June 30, 2017		9,834,735	17,635,713	27,470,448
AMORTIZATION				
Balance as at July 01, 2015		2,231,003	2,556,886	4,787,889
Charge for the year		1,966,947	3,525,522	5,492,469
Balance as at June 30, 2016		4,197,950	6,082,408	10,280,358
Balance as at July 01, 2016		4,197,950	6,082,408	10,280,358
Charge for the year	- note 19	1,966,947	3,527,143	5,494,090
Balance as at June 30, 2017		6,164,897	9,609,551	15,774,448
Written down value as at June 30, 2016		**5,636,785**	**11,553,305**	**17,190,090**
Written down value as at June 30, 2017		**3,669,838**	**8,026,162**	**11,696,000**
Annual amortization rate		**20%**	**20%**	

	2017 Rupees	2016 Rupees
13. Deferred taxation		

The (asset) / liability for deferred taxation comprises temporary differences relating to:

	2017 Rupees	2016 Rupees
Deferred tax liability		
Accelerated tax depreciation	98,361,719	105,896,146
Deferred tax asset		
Deferred liabilities - accumulating compensated absences	(972,178)	(820,862)
Unabsorbed tax losses and tax credits	(160,100,511)	(180,175,181)
	(62,710,970)	(75,099,897)

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13.1 Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 and 153 of the income tax ordinance, 2001 are recognized to the extent that the realisation of related tax benefits through future taxable profits is probable. The Company has not recognized deferred tax assets of Rs 17,249,217 (2016: Rs 9,490,857) in respect of minimum tax paid and available for carry forward u/s 113 and 153 of the Income Tax Ordinance, 2001, as sufficient tax profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 and 153 aggregating to Rs 114,553, Rs 2,654,737, Rs 6,567,103 and Rs 7,912,852 would not be available for carry forward against future tax liabilities subsequent to tax years 2018, 2020, 2021 and 2022 respectively.

14. This represents food and beverage items.

15. Trade debts - unsecured

These are considered good and are interest free. Included in trade debts is an amount of Nil (2016: Rs 796,504) due from Chief Executive Officer of the Company. Trade debts include the following amounts due from related parties:

	2017 Rupees	2016 Rupees
Nishat Mills Limited - the holding company	-	317,953
MCB Bank Limited - associated company	1,090,734	1,703,237
Nishat Hotel & Properties Limited - associated company	1,003,143	1,718,913
Lalpir Power Limited - associated company	98,355	175,576
Nishat Chunian Power Limited - associated company	-	220,120
Nishat Power Limited - associated company	253,769	167,866
Nishat Linen Private Limited - associated company	-	170,520
Nishat Dairy (Private) Limited - associated company	-	41,847
Hyundai Nishat Motor (Pvt) Limited - associated company	1,033,178	-
Pakgen Power Limited - associated company	45,120	-
Adamjee Insurance Company Limited - associated company	101,282	6,960
Adamjee Life Assurance Company Limited - associated company	147,035	-
D.G. Khan Cement Company Limited - associated company	545,942	606,303
	4,318,558	5,129,295

Ageing analysis of the amounts due from related parties is as follows:

	1 to 3 months	More than 3 months Rupees	Total
Nishat Mills Limited - the holding company		-	-
MCB Bank Limited - associated company	-	1,090,734	1,090,734
Nishat Hotel & Properties Limited - associated company	954,521	48,622	1003143
Lalpir Power Limited - associated company	38,750	59,605	98,355
Nishat Chunian Power Limited - associated company	-	-	-
Nishat Power Limited - associated company	84,089	169,680	253,769
Nishat Linen Private Limited - associated company	-	-	-
Hyundai Nishat Motor (Pvt) Limited - associated company	1,033,178	-	1,033,178
Pakistan Aviators and Aviation (Private) Limited - associat	-	-	-
Pakgen Power Limited - associated company	45,120	-	45,120
Adamjee Insurance Company Limited - associated compan	33,784	67,498	101,282
Adamjee Life Assurance Company Limited - associated con	48,794	98,241	147,035
D.G. Khan Cement Company Limited - associated compan	545,942		545,942
	2,784,178	1,534,380	4,318,558

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		2017 Rupees	2016 Rupees

16. Advances, deposits, prepayments and other receivables

		2017 Rupees	2016 Rupees
Advances - considered good			
- To employees	- note 16.1	249,607	225,824
- To suppliers		2,411,772	2,676,440
		2,661,379	2,902,264
Prepayments	- note 16.2	2,119,305	1,503,347
Balances with statutory authorities - sales tax (considered good)			
- Sales tax		2,054,416	2,800,012
- Excise duty		320,801	312,325
		2,375,217	3,112,337
Other receivables - considered good		11,000	374,313
		7,166,901	7,892,261

16.1 Included in advances to employees is an amount due from executives of Rs 10,000 (2016: Rs 52,123).

16.2 Included in prepayments is an amount due from (associated companies) Security General Insurance Company Limited of Rs 546,147 (2016: Rs 541,611) and Adamjee Life Assurance Limited of Rs. 54,886 (2016: Nil).

17. Cash and bank balances

		2017 Rupees	2016 Rupees
Balance at bank in:			
- Current accounts	- note 17.1	10,752,009	16,175,342
- Saving account	- note 17.2	1,941,006	1,877,719
		12,693,015	18,053,061
Cash in hand		581,326	541,086
		13,274,341	18,594,147

17.1 Included in current accounts is an amount of deposit with MCB Bank Limited - an associated company of Rs 8,586,834 (2016: 15,761,567).

17.2 The balance in saving account bears mark-up at 3.15% (2016: 3.75%) per annum.

18. Revenue

			2017 Rupees	2016 Rupees
Room rent		- note 18.1	343,995,081	302,334,586
Services		- note 18.2	80,598,263	78,603,467
			424,593,344	380,938,053
Less:	Sales tax		(58,869,876)	(52,891,061)
			(58,869,876)	(52,891,061)
			365,723,468	328,046,992

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18.1 This represents revenue from providing laundry, food services, sale of minibar items and other ancillary services.

18.2 These include sales and services provided to the following related parties:

	2017 Rupees	2016 Rupees
Nishat Mills Limited - the holding company	1,494,114	1,304,291
D.G. Khan Cement Company Limited - associated company	1,711,470	3,285,210
MCB Bank Limited - associated company	1,803,611	2,047,157
Lalpir Power Limited - associated company	618,678	339,155
Nishat Dairy (Private) Limited - associated company	289,432	121,533
Nishat Hotels & Properties Limited - associated company	1,340,999	3,989,504
Nishat Linen (Private) Limited - associated company	66,178	495,218
Nishat Power Limited - associated company	699,441	339,157
Hyundai Nishat Motor (Pvt) Limited - associated company	1,033,178	-
Adamjee Insurance Company Limited - associated company	164,645	474,775
Adamjee Assurance Company Limited - associated company	704,580	-
Pakistan Aviators and Aviation (Private) Limited - associated company	-	23,954
Nishat Chunian Power Limited - associated company	236,380	410,588
Pakgen Power Limited - associated company	361,800	-
	10,524,506	12,830,542

19. Cost of sales and services

		2017 Rupees	2016 Rupees
Salaries, wages and other benefits	- note 19.1	49,153,874	44,601,986
Fuel, electricity and gas		28,456,551	28,151,959
Food and beverage cost		30,605,511	32,523,812
License Fee		1,222,487	3,533,351
Uniform cost		295,802	476,214
Decoration expenses		1,327,406	845,901
Royalty		14,828,683	13,031,664
Guest transportation charges		776,546	820,737
Guest supplies		5,230,325	5,764,715
Newspapers and journals		432,772	437,285
Rent	- note 19.2	14,995,312	13,632,102
Laundry and dry cleaning		272,300	274,760
Cleaning supplies		2,960,617	4,133,780
Communication charges		2,688,659	3,600,863
Traveling and conveyance		194,440	948,141
Printing and stationary		769,034	994,881
Repair and maintenance		5,974,607	9,709,803
Depreciation on property, plant and equipment	- note 11.1.1	105,778,893	118,540,683
Amortisation of intangible assets	- note 13	5,494,090	5,492,469
Insurance		2,259,390	2,094,078
Miscellaneous expenses		160,953	47,849
		273,878,252	289,657,033

19.1 Salaries, wages and other benefits includes Rs 2,257,880 (2016: Rs 2,084,308) and Rs 419,527 (2016: Rs 1,696,449), in respect of provident fund contribution by the Company and provision for compensated absences.

19.2 This represents expense against use of leave and license of land of Nishat Mills Limited, the holding company.

20. Administrative expenses		2017 Rupees	2016 Rupees
Salaries, wages and other benefits	- note 20.1	29,240,443	27,297,095
Fees and subscription		44,600	126,905
Printing and stationery		169,360	226,214
Auditor's remuneration	- note 20.2	1,178,894	1,287,064
Rent, rates and taxes	- note 20.3	4,659,311	4,216,274
Entertainment		127,999	49,210
Traveling and conveyance		7,550	1,347,969
Repair and maintenance		1,110,410	723,968
Advertisement and business promotion		3,873,848	4,786,022
Legal and professional charges		652,993	845,010
Depreciation on property, plant and equipment	- note 11.1.1	11,753,210	13,171,187
Postage and telegram		40,204	41,733
Communication charges		50,269	42,289
Insurance		146,656	271,532
Computer supplies		226,402	115,061
Miscellaneous expenses	- note 20.4	226,578	444,454
		53,508,727	54,991,987

20.1 Salaries, wages and other benefits includes Rs 1,356,045 (2016: Rs 1,296,681) and Rs 343,249 (2016:1,039,759), in respect of provident fund contribution by the Company and provision for compensated absences.

20.2 Auditors' remuneration	2017 Rupees	2016 Rupees
Audit fee	695,750	632,500
Out of pocket expenses	65,190	59,164
Other assurance and certificates charges	417,954	595,400
	1,178,894	1,287,064

20.3 Includes expense of Rs 1,666,146 (2016: Rs 1,514,678) against use of leave and license of land of Nishat Mills Limited, the holding company.

20.4 Includes expense of Nil (2016: Rs 5,000) against advance to employee written off.

21. Other expenses		**2017 Rupees**	**2016 Rupees**
Loss on disposal of operating fixed assets	- note 11.2	-	144,213
		-	**144,213**

22. Other income

Income from financial assets			
Income on saving accounts		70,694	75,401
Exchange gain		260,306	211,357
		331,000	286,758
Income from non-financial assets			
Scrap sales		233,994	308,146
Liabilities written back		162,584	10,739,721
Profit on disposal of property, plant and equipment	- note 11.2	552,261	-
Miscellaneous		646,013	477,394
		1,594,852	11,525,261
		1,925,852	11,812,019

23. Finance cost		2017 Rupees	2016 Rupees
Mark-up on short term borrowings	- note 23.1	5,793,269	10,956,066
Bank charges		3,999,549	3,308,785
		9,792,818	14,264,851

23.1. This represents mark-up on short term borrowings acquired from Nishat Mills Limited - the holding company.

24. Taxation	2017 Rupees	2016 Rupees
Current:		
- for the year	7,912,825	6,567,103
- prior year	-	(1,483)
	7,912,825	6,565,620
Deferred	12,388,927	(14,769,077)
	20,301,752	(8,203,457)

24.1 Tax charge reconciliation	2017 % age	2016 % age
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	31.00	32.00
Tax effect of amounts that are:		
- Tax losses for which no deferred tax asset has been recognized	-	50.06
- Effect of change in tax rate	(1.01)	(5.12)
- Others	10.67	(0.01)
- Minimum tax for which no deferred tax asset has been recognized	25.97	(34.20)
	35.63	10.73
Average effective tax rate	66.63	42.73

24.2 In view of the available income tax loss, the provision for current taxation represents tax under section 153 'Minimum tax on income of certain persons'. Tax under 'Minimum tax' is available for carry forward and adjustment for five tax years immediately succeeding the tax year for which the amount was paid.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2017 is estimated approximately at Rs 533,668,369 (2016: Rs 589,919,616).

25. Earnings/ (loss) per share

25.1 Earnings/ (loss) per share - basic

		2017	2016
Earnings/ (loss) for the year	**Rupees**	10,167,771	(10,995,616)
Weighted average number of ordinary shares	**Number**	119,999,901	119,999,901
Earnings/ (loss) per share - basic	**Rupees**	0.08	(0.09)

25.2 Earnings/ (loss) per share - diluted

A diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2017 and June 30, 2016 which would have any effect on the loss per share if the option to convert is exercised.

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26. Cash generated from operations

	2017 Rupees	2016 Rupees
Profit/ (loss) before tax for the year	30,469,523	(19,199,073)
Adjustment for non cash charges and other items:		
- Depreciation on property, plant and equipment	117,532,103	131,711,870
- Amortization on intangible assets	5,494,090	5,492,469
- Provision for accumulated compensated absences	762,776	2,736,208
- Liabilities written back	(162,584)	(10,739,721)
- Finance cost	9,792,818	14,264,851
- (Gain)/ loss on disposal	(552,261)	144,213
Profit before working capital changes	163,336,465	124,410,817
Effect on cash flow due to working capital changes:		
- Increase in trade debts	(6,255,560)	(6,579,541)
- Increase in stores and spares	(1,145,018)	(2,420,561)
- Increase/ (decrease) in stock-in-trade	190,662	(2,950)
- Decrease in advances, deposits, prepayments and other receivables	725,360	17,947,485
		-
- Increase/ (decrease) in trade and other payables	1,151,323	(16,580,536)
	(5,333,233)	(7,636,103)
	158,003,232	116,774,714

27. Cash and cash equivalents

	2017 Rupees	2016 Rupees
Cash and bank balances	13,274,341	18,594,147

28. Remuneration of Chief Executive, Directors and Executives

28.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	2017 Rupees		
	Chief Executive	Directors	Executives
Short term employee benefits			
Managerial remuneration	-	-	14,572,201
Housing rent	-	-	2,885,033
Medical expenses	-	-	1,457,220
Bonus	-	-	1,479,503
Adhoc allowance	-	-	-
Meal allowance	-	-	-
Cost of living allowance	-	-	3,325
Special allowance	-	-	3,800
Utilities	-	-	1,457,220
	-	-	21,858,302
Post employment benefits			
Contribution to provident fund	-	-	1,384,359
Other long term benefits			
Accumulating compensated absences	-	-	1,155,892
	-	-	24,398,553
Number of persons	1	3	19

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	2016		
	Rupees		
	Chief Executive	Directors	Executives
Short term employee benefits			
Managerial remuneration	-	-	18,472,199
Housing rent	-	-	5,537,260
Medical expenses	-	-	1,847,220
Bonus	-	-	-
Adhoc allowance	-	-	-
Meal allowance	-	-	-
Cost of living allowance	-	-	4,400
Special allowance	-	-	-
Utilities	-	-	1,847,220
	-	-	27,708,299
Post employment benefits			
Contribution to provident fund	-	-	1,754,859
Other long term benefits			
Accumulating compensated absences	-	-	1,224,869
	-	-	30,688,027
Number of persons	1	3	22

The Company also provides certain executives with company maintained cars.

'29. Transactions with related parties

The related parties comprise the holding company, associated undertakings, other related parties, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 28. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	2017 Rupees	2016 Rupees
i. Holding company	Short term borrowings	142,000,000	67,768,750
	Markup paid on short term borrowings	6,159,499	10,488,333
	Purchase of goods and services	16,661,458	-
	Sale of services	1,494,114	1,361,763
ii. Associated companies	Purchase of goods and services	4,366,176	4,098,182
	Sale of services	9,030,392	11,615,884
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans - Provident Fund	3,613,925	3,380,989

			2017	2016
30.	**Capacity**			
	Nishat Suites - Average occupancy	% age	79	80
	Total rooms available during the year		22,326	22,326

		2017	2016
31.	**Number of employees**		
Total number of employees as at June 30		168	183
Average number of employees during the year		174	178

			2017 Rupees	2016 Rupees
32.	**Provident fund**			
(i)	Size of the Fund		17,664,969	11,462,852
(ii)	Cost of investments made		17,053,274	11,075,720
(iii)	Fair value of investments	- note 32.1	17,053,274	11,095,649
(iv)	Percentage of investments made		97%	97%

32.1 The breakup of fair value of investments is:

	2017		2016	
	Rupees	% age	Rupees	% age
Special account in a scheduled bank	466,928	3%	5,454,322	49%
Mutual funds- listed	16,588,377	97%	5,641,327	51%
	17,055,305	100%	11,095,649	100%

The figures for 2017 are based on the audited financial statements of the Provident Fund. The investments out of the Provident Fund have been made in accordance with the provisions of section 218 of the Act and the Employees' Provident Fund (Investment in Listed Securities) Rules, 2016 ('Rules') formulated for this purpose except for the investment made in mutual funds which exceed the twenty percent threshold as set by the Rules. However, as per SRO 770 (1)/2016 dated August 17, 2016, a transition period of two years from the date of the said SRO has been granted to bring all the investments of the Provident Fund in conformity with the provisions of the above said rules.

33. Financial risk management

33.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

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Risk management is carried out by the Company's Board of Directors (the Board). The Board has provided 'Risk Management Policy' covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of this policy.

The Company's overall risk management procedures to minimise the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to three types of market risk: currency risk, other price risk and interest rate risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company's foreign exchange risk exposure is limited to the outstanding foreign currency commitments at any balance sheet date.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument 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 is not exposed to equity price risk as it does not have any investment in equity securities.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

	2017 Rupees	2016 Rupees
Fixed rate instruments:		
Financial assets		
Bank balances - saving account	1,941,006	1,877,719
Financial liabilities		
Accrued finance cost	351,370	717,600
Net exposure	1,589,636	1,160,119

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(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises primarily from advances against capital work in progress, trade debtors, other receivables and deposits with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2017 Rupees	2016 Rupees
Long term deposit	1,077,500	1,077,500
Trade debts - unsecured	37,766,512	31,510,952
Advances, deposits, prepayments and other receivables	2,672,379	3,276,577
Bank balances	12,693,015	18,053,061
	53,131,906	52,840,590

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Short term	Rating Long term	Rating Agency	2017 Rupees	2016 Rupees
MCB Bank Limited	A1+	AAA	PACRA	8,586,834	15,762,667
National Bank of Pakistan	A1+	AAA	PACRA	2,091,132	309,448
Bank Alfalah Limited	A1+	AA	PACRA	2,015,049	1,980,946
				12,693,015	18,053,061

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The following are the contractual maturities of financial liabilities:

	Carrying amount Rupees	Less than one year Rupees	More than one year Rupees
At June 30, 2017			
Accrued finance cost	351,370	351,370	-
Trade and other payables	16,489,566	16,489,566	-
Short term borrowings - unsecured	150,000,000	150,000,000	-
	166,840,936	166,840,936	-
At June 30, 2016			
Accrued finance cost	717,600	717,600	-
Trade and other payables	15,771,266	15,771,266	-
Short term borrowings - unsecured	292,000,000	292,000,000	-
	308,488,866	308,488,866	-

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33.2 Fair values of financial assets and liabilities

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

33.3 Financial instruments by categories

	Loans and receivables	
	2017 Rupees	2016 Rupees
Assets as per balance sheet		
Long term deposit	1,077,500	1,077,500
Trade debtors	37,766,512	31,510,952
Advances, deposits and other receivables	2,672,379	3,276,577
Cash and bank balances	13,274,341	18,594,147
	53,713,232	53,381,676

	Financial liabilities at	
	2017 Rupees	2016 Rupees
Liabilities as per balance sheet		
Accrued finance cost	351,370	717,600
Trade and other payables	16,489,566	15,771,266
Short term borrowings - unsecured	150,000,000	292,000,000
	166,840,936	308,488,866

33.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As the Company is a wholly equity financed company, capital comprises all components of equity (shares capital and accumulating losses) as mentioned on the face of balance sheet, and is raised as required, through the approval of the Board of Directors.

34. Date of authorisation for issue

These financial statements were authorised for issue on September 25th, 2017 by the Board of Directors of the Company.

Chief Executive **Director**