DIRECTORS' REPORT **TO THE SHAREHOLDERS**

The Directors of your Company are pleased to present their Annual Report along with the audited financial statements of the Company for the year ended June 30, 2018.

While product wise market shares and sales volumes are given elsewhere in this report, your Board takes pride in stating that your company continues to occupy a prominent position among the leading lubricant marketing companies of Pakistan. With the commissioning of our own state of the art blending plant (as a wholly owned subsidiary), your company will now be able to penetrate deeper in the mid-tier automotive, motorcycle and diesel segments and to meet the growing demand for its products brought about by the growth in automobile and industrial sectors of the country.

FINANCIAL **PERFORMANCE**

Your company's financial performance continues to improve year by year as depicted by the following summary:

Rs in millions	Consolidated Year ended 30 June		Un-consolidated Year ended 30 June	
	2018	2017	2018	2017
Net Sales	9,255	7,328	9,254	7,489
Gross Margin	2,395	1,933	1,928	1,774
EBITDA	1,377	1,166	971	1,047
Depreciation and Amortization	(63)	(66)	(57)	(44)
Finance Costs	(127)	(77)	(82)	(36)
Other Operating Expenses	(108)	(40)	(63)	(34)
Other Operating Income	71	96	108	96
Earnings Before Tax	1,151	1,079	876	1,031
Tax	(391)	(335)	(322)	(304)
Earnings After Tax	759	744	554	727
Basic Earnings Per Share: Rs	6.55	6.41	4.78	6.27

Growth in consolidated net sales was 26% on a year-on-year basis, principally caused by volumetric growth of 15%. Despite 27% increase in direct costs arising out of rupee devaluation and import market price increases, and a fiercely competitive market that did not allow proportionate sales price increases, your company managed to maintain a healthy gross margin of 25.9%, only slightly below the previous year's margin of 26.3%.

The operations generated consolidated Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) of Rs. 1,377 million during 2018 against Rs. 1,166 million of 2017, a growth of 18.1%. The Company achieved consolidated earnings per share of PKR 6.55 versus PKR 6.41 the year before. The increase in sales revenue did not flow through proportionately to the bottom line primarily due to foreign exchange losses associated with the depreciation of the rupee, investments in the brand in the form of substantially higher marketing expenditure, and non-capitalizable expenses associated with the establishment of Company's Express Service Centers which will start contributing to our profitability in near future.

In terms of financial position, the company has gained strength during the year. Its total fixed assets rose by Rs 435 million (net of depreciation), while the levels of current assets were systematically controlled to optimize cash flows and enhance operational efficiency. Total assets stood at Rs 6,608 million, some 0.5% below the level a year ago. A reduction in current assets achieved despite 26% increase in net sales and shows efficient utilization of current resources in order to sustain the level of operations and profitability in a fiercely competitive market.

The Company's strategy is focused on enhancing the satisfaction level of its customers and steadily expanding its operations through diversity. Our products already enjoy premier status in the field of lubricants and we plan to increase our products' range to escalate penetration in mid-tier and diesel segments. Further, the Company continues to improve capacity utilization of its blending plant as well as expand the network of its HTL Express centers. At the same time, an important aspect of our future strategy is to ensure that our entry into the oil marketing business is well planned and implemented in a manner to further augment the sales of our existing products. As shown elsewhere in this report, considerable investment is being made in OMC project which will Insha-Allah begin to reap profits from the next financial year.

OPERATIONAL **PERFORMANCE**

ZIC TOP-**TIER**

ZIC TOP-TIER continued its impressive performance with revenues of Rs 6,992 million, up by 23% over last year. The division introduced a range of new products namely "ZIC Top 0W40, X7 FE 0W20 and ZIC Dot-4" that has been received very well by the market.

ZIC MID-**TIER**

ZIC MID-TIER increased revenues by 27 % in fiscal 2018 over the previous year. The division introduced a new product "Zic-M5 SJ-10W50" that has quickly carved a niche in the market.

HI-TECH BLENDING **(PVT.) LIMITED ("HTBL")**

HTBL is the wholly owned subsidiary of your company. It continued its impressive growth in revenues. The Company added one new product to its portfolio and invested in additional Extrusion Blow Molding (EBM) and Injection Molding Machines to handle growing sales volumes. HTBL is now a significant contributor to HTL's overall profitability.

HTL **EXPRESS CENTERS**

HTL Express with a goal of changing the dynamics of vehicle maintenance through genuine products, superior services, trained professionals and best technology is expanding its reach across Pakistan. With a premium service and focus on quality products, HTL Express had three operational centers in Lahore by June 2018. A recent addition was the HTL Express center in Johar Town, Lahore which has proved a great success in meeting customers' needs comprehensively. In the next phase, HTL Express Center in DHA Karachi is in the finishing stage and will inshallah become operational by end September 2018. Another two centers; in P.E.C.H.S and Gulistan-e-Johar, Karachi are under construction and are expected to start commercial operations by December 2018. An additional two sites are also under negotiations in Islamabad. HTL Express will also be an integral part of the upcoming fuel stations of our OMC and expect to have a more expansive presence across Pakistan in the coming year.

HTL FUEL STATIONS **(OIL MARKETING COMPANY)**

The proposed project envisages setting up an Oil Marketing Company and a network of fuel stations in different parts of Pakistan, with an initial target on the urban market segment of Upper Punjab, KPK, Azad Jammu and Kashmir and Islamabad Capital Territory. OMC will commence commercial operations upon receipt of the final approval from Oil and Gas Regulatory Authority (OGRA). OGRA has already approved 26 fuel stations to be set up in Punjab. A fuel storage site, at Sahiwal Punjab, is complete and final inspection is already underway. We have also started construction of another storage site at Tarun Jaba, near Peshawar in line with our growth strategy.

MANAGEMENT OF **LIQUID RESOURCES**

CASH **MANAGEMENT**

Your Company focuses on maintaining optimal levels of inventory and trade receivables, sound business performance, operating efficiencies and cost savings across the organization. This strategy has helped HTL to consistently generate positive cash flows. The Company has an effective Cash Management System in place whereby cash inflows and outflows are projected on regular basis and monitored rigorously. Working capital requirements are properly planned and managed through efficient management of trade receivables, payables and inventory levels and financing arrangements. Furthermore, Business unit heads are assigned working capital targets which are monitored on regular basis.

CAPITAL **EXPENDITURE**

Capital expenditure is managed carefully through a rigorous evaluation of profitability and risks associated with such investments, regular project reviews are undertaken for delivery on time and at budgeted cost. Large capital expenditure is further backed by long-term contracts so as to minimize cash flow risk to the business. Capital Expenditure during 2018, was Rs. 454 million as compared to Rs. 614 million in the corresponding period.

The Board is satisfied that there are no short or long-term financial constraints including access to credit and strong balance sheet as at June 2018. The company faces no liquidity risks in light of its well-planned cash management strategies leading to adequate availability of unutilized borrowing facilities.

IPO **FUNDS**

During the year ended 30 June 2016, the Company made an Initial Public Offer (IPO) through issue of 29,001,000 ordinary shares of Rupees 10 each at a price of Rupees 62.50 per share determined through a book building process.

Particulars	Rs
Un-utilized IPO proceeds as at 01 July 2017	1,094,571,944
Add: Profit on term deposit receipts	56,602,724
Less: Payments made during the year:	
• ZIC Service centers	(26,665,859)
• OMC Project	(138,102,455)
• Working Capital	(6,016,725)
• Withholding tax on profit	(5,660,272)
• Unrealized loss on investment in mutual fund	(11,675,221)
• Bank charges	(263,724)
Un-utilized IPO proceeds as at 30 June 2018	962,790,412

As stated in the prospectus dated 28 December 2015, the Company planned to open state of the art retail outlets across Pakistan with multitude of unique services and also planned to install additional filling lines at the blending plant of its subsidiary. The plan of the year 2015-16 covered 37 grand outlets openings in 11 major cities of Pakistan. As per quarterly progress report number 06 dated 14 July 2017, the Company informed all stakeholders on the progress in implementation of the project.

Faced with the challenge posed by sharp increase in land and property prices for key locations, your Company designed a strategy to incorporate express centers into its fuel stations to be established under the umbrella of Oil Marketing Company (OMC) Project of the Company. This strategy is expected to prove more effective in terms of marketing, capital costs and potential consolidated profitability. The un-utilized proceeds of the public offer have been kept by the Company in the shape of bank balances, term deposit receipts and mutual fund.

APPROPRIATION OF **PROFITS**

In view of the excellent financial results of the Company for the year 2018, the Board of Directors have proposed, at its meeting held on 8 September, 2018, a final cash dividend for the year ended June 30, 2018 of Rs. 1.75 per share (17.5%) in addition to the interim dividend of Rs 1.75 per share (17.5%). The approval of the members for the dividend will be obtained at the Annual General Meeting to be held on 26 October 2018. In accordance with the requirements of applicable accounting standards, the proposed dividend amounting to Rs. 203 million has not been recognized as a liability in these financial statements. The balance of current year's consolidated profit, Rs 556 million will be retained in the general reserve.

RISK **MANAGEMENT**

The Company has a comprehensive Risk Management Policy that has assigned specific responsibilities to directors and senior management. Three main players in the policy are the Board of Directors, Audit Committee and Risk Management Committee who regularly review the risk matrix in terms of impact and probability of occurrence. The senior management team, led by the Chief Executive Officer and Executive Directors, is responsible for risk mitigation measures and developing proposals thereof for consideration by the Board. The Company's ability to continually assess market conditions and then react decisively, allows the Company to manage risks responsibly and to actualize opportunities to strengthen the position of the Company when they arise.

The major risks to which company is exposed as explained in note 42 of the consolidated financial statements and measures adopted for their mitigation are as follows:

- ### CREDIT **RISK**

  Risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligation. The Company believes that it is not exposed to major concentration of credit risk. Exposure is managed through application of diversification of its investment portfolio placed with 'A' ranked banks and financial institutions. Further, HTL do not extend its credit to distributors and dealers. Only financially sound industrial customers are entertained with the credit facility and such exposure is immaterial to total revenues of the Company.

- ### LIQUIDITY **RISK**

  Risk of encountering difficulties in meeting the obligations associated with its financial liabilities. Prudent liquidity risk management ensures availability of sufficient funds for meeting contractual commitments. The Company's fund management strategy aims at managing liquidity risk through internal cash generation. HTL has been allotted credit rating of A and A-1 for long and short term financing respectively. This depicts our ability to meet our obligations timely, and denotes a stable liquidity position. Low level of receivables balance and availability of sufficient credit lines, due to stable liquidity position, the Company is able to meet all its contractual commitments.

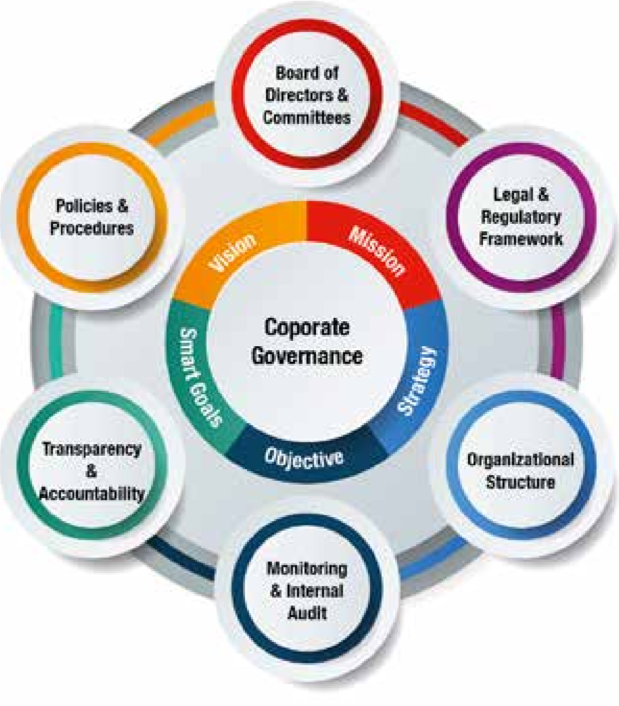
- ### FOREIGN EXCHANGE **RISK**

  Foreign currency risk arises mainly where receivables and payables exist due to transaction in foreign currencies. The Company is mainly exposed to short-term USD/PKR parity on its import of finished lubricants, raw materials and plant and machinery in the company and in its wholly owned subsidiary since POL products are restricted to obtain any forward cover as per guidelines of State Bank of Pakistan.

Moreover, Board has also carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance, solvency or liquidity.

RISK **GOVERNANCE**

The roles and responsibilities at various levels of our risk management program are outlined in our risk governance structure.



BOARD **COMMITTEES**

The Board oversees the risk management process primarily through its committees. Audit Committee ensures transparency and accountability by focusing on financial, regulatory and compliance risks. The Committee meets quarterly or as and when required. Human Resource and Remuneration Committee focuses on the risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of competent human resources in each area of critical Company operations. Risk Management Committee monitors, reviews all material controls (financial, operational and compliance) and develops robust risk mitigation measures & integrity of financial information. Investment Committee is responsible for formulating the overall investment policies, strategies and procedures for risk management in investments.

INTERNAL CONTROLS **AND MONITORING**

Sound automated financial information systems have been established with restricted system access rights. HTL has also established procedural internal controls across all the functions. Internal and external audits are being conducted throughout the year to keep the controls up-to mark. Internal Audit function operates under the Board approved plan and provides independent and objective evaluations while reporting directly to the Audit Committee on the effectiveness of governance, risk management and control processes.

POLICIES AND **PROCEDURES**

Policies and procedures have been adopted by the Board and its Committees and integrated into the Company's risk governance framework to ensure the management of financial, operational and compliance risks. These are based on best practices, promoting a culture of ethics and values with authority delegated to senior management for appropriate implementation.

CORPORATE AND **FINANCIAL REPORTING FRAMEWORK**

- The financial statements together with the notes thereon have been drawn up by the management in conformity with International Accounting Standards, as applicable in Pakistan.
- These Statements present fairly the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations and Listed Companies (Code of Corporate Governance) Regulations, 2017.
- The key operating and financial data from the formation of company (i.e. for the last seven years) is annexed.

COMPOSITION OF THE BOARD **AT THE TIME OF DIRECTORS' REPORT**

During the year 2018, Ms. Mavira Tahir has been Co-opted as Director upon resignation by Mr. Zalmai Azam while Mr. Moon Seek Park (SK Lubricants Representative) was co-opted upon resignation by Mr. Ji Won Park (SK Lubricants Representative). The Board wishes to record its appreciation of the valuable services rendered by the resigning directors and welcomes new Directors who may hold office for the remaining term of the Board.

The Composition of the Board at the time of Directors' Report is as following;

The total number of directors are 10 as per the following:

- Male: 09
- Female: 01

The composition of board is as follows:

a) Independent Directors: 03 as named hereunder;
  - Mr. Muhammad Tabassum Munir (Chairman, Board's Audit Committee);
  - Dr. Safdar Ali Butt (Chairman, Board's Human Resource & Remuneration Committee);
  - Syed Asad Abbas Hussain

b) Other Non-executive Director: 05 as named hereunder;
  - Mr. Shaukat Hassan (Chairman BOD);
  - Mr. Tahir Azam;
  - Mr. Faraz Akhtar Zaidi (Chairman, Board's Risk Management Committee);
  - Ms. Mavira Tahir;
  - Mr. Moon Seek Park (SK Lubricants Representative)

c) Executive Directors: 02 as named hereunder;
  - Mr. Hassan Tahir (CEO);
  - Mr. Muhammad Ali Hassan

Names of Directors during the Financial Year	Tenure of Services	No. of meetings attended during the Financial Year
Mr. Hassan Tahir	Since Election on 31 October 2015	6
Mr. Muhammad Ali Hassan	Since Election on 31 October 2015	6
Mr. Shaukat Hassan	Since Election on 31 October 2015	6
Mr. Tahir Azam	Since Election on 31 October 2015	6
Mr. Faraz Akhtar Zaidi	Since Co-option on 26 April 2017	6
Mr. Muhammad Tabassum Munir	Since Election on 31 October 2015	6
Dr. Safdar Ali Butt	Since Election on 31 October 2015	6
Syed Asad Abbas Hussain	Since Election on 31 October 2015	6
Mr. Zalmai Azam	Elected on 31 October 15, resigned on 29 September 2017	2
Ms. Mavira Tahir	Since Co-option on 29 September 2017	4
Mr. Ji Won Park - SK Lubricants Representative	Co-opted on 24 April 16, resigned on 21 April 2018	1
Mr. Moon Seek Park - SK Lubricants Representative	Since Co-option on 21 April 2018	0

Leaves of absence were granted to the members who could not attend the meetings of Board of Directors.

DIRECTORS' REMUNERATION **POLICY**

Human Resources and Remuneration Committee of the Board (HRRC) has been authorized by the Board to design and oversee the implementation of the Company's Directors' Remuneration Policy. A formal Directors Remuneration Policy was approved by the Board in April 2018 and revised on 8 Sept 2018.

Its salient features are enumerated below in the table:

The objectives of the policy are two-fold:

- to attract, motivate and retain directors of the highest caliber with broad commercial experience, and
- to comply with all the provisions of all relevant laws, rules and regulations applicable to directors' remunerations.

The Policy has been drawn considering the following:

- Company's strategic aims and goals.
- Company's corporate social responsibility.

SUMMARY OF REMUNERATION **FOR DIFFERENT CLASSES OF DIRECTORS**

Particulars	Executive Directors	Non-Executive Directors	Independent Directors
Upper Limit of Base Pay*	Rs 36 million p.a.	Rs 18 million p.a.	None
Benefits*	Company maintained car, reimbursement of medical, telecommunication, travelling, and leave travel expenses.		None
Performance Bonus*	Proposed by Chairman and approved by HRRC/ Board for each director individually.	None	None
Upper Limit of Meeting / Directors Fees	None	None	Rs 400,000 per completed meeting of the Board or any of its Committees
Re-imbursement of expenses	Actual expenses incurred on company business, or a flat allowance set for the particular expense, e.g. board and accommodation when travelling on company business.		
Professional Indemnity Insurance	Yes	Yes	Yes
Terminal Benefits	None	None	None
Entitlement to Share Options	None	None	None

*Base pay, benefits and performance bonus are set by HRRC/ Board of Directors for each individual director within the parameters approved by the Board.

- Company's core principle of business integrity.
- The market conditions for desired talent;
- A need for maintaining a work atmosphere that is conducive to efficiency, maturity of thought, motivation to progress and attainment of corporate goals; and
- Remuneration structure for directors in similar businesses in Pakistan as well as other companies of comparable size.

The upper limit of base pay and benefits to be allowed to directors is approved by Board of Directors.

However, while setting the remuneration package of any individual director, the following factors are considered:

- The particular qualifications, relevant experience and stature of the director.
- The prevailing market value of his/her particular talent.
- The nature of association of the director with the company, i.e. type of directorship held.
- Remuneration of Independent Directors is restricted to Directors / Meetings Fees only.

DIRECTORS **TRAININGS**

The Company has complied with the legal requirements in respect of Directors' Trainings. As detailed below, eight out of ten present directors have obtained Directors Training Certificates. Syed Asad Abbas Hussain has attended first part of the training program and progressing to the final test, and newly co-opted Director Mr. Moon Seek Park may also attend Directors' Training Program within the prescribed period of 6 months after his co-option as Non-Executive Director of HTL. Four Directors obtained Directors Training Certificates during the year.

- Dr. Safdar Ali Butt (March 20, 2018 from PICG)
- Mr. Tahir Azam (November 22, 2017 from PICG)
- Ms. Mavira Tahir (November 22, 2017 from PICG)
- Mr. Faraz Akhtar Zaidi (November 01, 2017 from PICG)
- Mr. Hassan Tahir (April 12, 2017 from PICG)
- Mr. Ji Won Park (SK Lubricants Representative and Ex-Director) (April 12, 2017 from PICG)
- Mr. Muhammad Ali Hassan (May 2016 from PICG)
- Mr. Shaukat Hassan (April 2016 from PICG)
- Mr. Muhammad Tabassum Munir (May 2016 from ICAP)

TRADING OF **SHARES**

No trading in the company's shares were carried out by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children during the year.

COMMITTEES OF **THE BOARD**

The Board has formed the following committees to assist it in various functions.

- Board Audit Committee (BAC)
- Human Resources & Remuneration Committee of the Board (HR&RC)
- Risk Management Committee of the Board
- Corporate Social Responsibility Committee of the Board
- Investment Committee of the Board

Composition and Salient Features of all the above committees and reports of BAC and HR&RC are included elsewhere in this Annual Report.

FUTURE **OUTLOOK**

While the country faces short term challenges, particularly on the balance of payments front we feel confident about the future outlook for the Company. The country's total vehicle fleet usage continues to increase with positive demographic and macro-economic drivers. HTL is confident that its offering of high quality lubricants, enhanced product range enabled by HTBL and new services and products provided by HTL Express and the OMC will help the Company benefit from the growing market. Our five years' strategic plan depicts healthy performances in market and profitability fields.

REVIEW BY THE BOARD OF **DISASTER RECOVERY & BUSINESS CONTINUITY PLANNING**

Information Technology (IT) plays pivotal role within HTL setup. The IT department ensures the organization's computing systems are up, available and functional. The HTL IT team has implemented strict information security policies and access controls with information security standards compliance and best practices for the use of network and operating systems while assisting business units. All the systems help to ensure business continuity for the core domains (i.e. financials, supply chain, procurement, sales, HR, marketing, OMC, HTL Express), employees and external customers (i.e. distributors, vendors and business partners).

BUSINESS CONTINUITY **PLANNING (BCP)**

In order to ensure that internal/ external customers receive minimum down time for business transactions, a transparent failover solution has been deployed. We have configured all the key servers as part of clustered environment using state-of the-art cluster services at the main data center area to make it high available.

We have hosted all the servers in a dedicated proper data center. The state-of-the-art data center provides redundancy in connectivity, power, controlled temperature and physical security. Trained personnel are also hired to ensure the uninterrupted and professional support as and when needed. Proper system and configuration exists for protection against spyware, viruses, malicious apps, data leakage, botnets & servers from external threat and to establish the VPN connection from head office to Disaster Recovery site.

DISASTER **RECOVERY (DR)**

To ensure the availability of IT services in case of disaster, an alternate disaster recovery site has been established. In case of any disruption/ disaster, HTL requirement is zero data loss. Our site ensures the zero data loss setup for all the data, customer portals, HR systems and internal/ external customers in real time.

OTHER **DISCLOSURES**

COMPLIANCE WITH THE CODE **OF CORPORATE GOVERNANCE**

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 have been duly complied with. A statement to this effect is annexed to the report.

MATERIAL CHANGES **AND COMMITMENTS**

There have been no material changes since June 30, 2017 and none of the Group Companies have entered into any commitment, which would affect financial position of any group company at the date except those included in the unconsolidated and consolidated financial statements of the Company for the year ended June 30, 2018.

PATTERN OF **SHAREHOLDING**

A statement of the pattern of shareholding of certain class of shareholders as at June 30, 2018, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.

CONTRACTS WITH **RELATED PARTIES**

During the year, HTL entered into related party contracts with Mr. Moeen-Ud-Din and Mr. Zalmai Azam (siblings of Non-executive directors, namely, Mr. Shaukat Hassan and Tahir Azam respectively). In pursuance of the related party contracts, said parties provides professional services for HTL Express and HTL Stations (OMC) projects respectively. While securing commercial and business interests of the Company coupled with due consideration to the requirements of Companies Act, 2017 and guidelines of Listed Companies (Code of Corporate Governance) Regulations, 2017, Board approved the above mentioned contracts.

CONTRIBUTION TO **NATIONAL EXCHEQUER**

Your Company is a noteworthy contributor to the national economy and has contributed Rs. 1,921 million (unconsolidated) during the year 2018 to the national exchequer on account of sales tax, income tax, import duties and statutory levies.

ENVIRONMENT, HEALTH **& SAFETY**

Your Company is striving to meet the environmental, health and operational practices through introducing products that are pollution free with low emissions. The areas of focus in 2018 continued to be road safety through patronage with City Traffic Police and National Highway and Motorway Authorities. Firefighting drills and safety workshops executed at company offices and plant location.

Your Company continued focusing on behavior based safety and risk control which enables minimizing the risks of injuries and accidents through use of helmets and other precautionary measures while driving. Detailed seminars and other awareness campaigns were conducted in liaison with City Traffic Police, National Highway and Motorway Authoritie

CORPORATE SOCIAL **RESPONSIBILITY (CSR)**

Your Company continued its focus on various social causes that includes, education, healthcare, skill development, environmental protection and social welfare during the current year.

As per decision of the board of directors of your company, a trust named Sabra Hamida Trust was established on July 02, 2010. The trust is duly registered under section 2 (36) of the Income Tax Ordinance, 2001. The primary objective of the trust is to contribute towards the education, health and other charitable and welfare causes. The Company is making contributions / donations to Sabra Hamida trust for carrying out its social work, The Company donated Rs 12.5 million towards various causes in the current year.

AWARDS AND ACHIEVEMENTS **FOR CSR INITIATIVES**

United Nation Global Compact has, in recognition of your company's Corporate Social Responsibility efforts, awarded First Prize in the Large National Category. In addition, HTL also received acknowledgement of its CSR efforts at the 10th National CSR Excellence Awards Ceremony 2018. This was organized by the prestigious National Forum of Environment & Health (NFEH) and HTL was awarded for working on the overall betterment of the society.

PROVIDENT **FUND**

Total Investment in Retirement Benefits Plan is Rs. 91.1 million. The Company has contributed Rs. 16.9 million (2017: Rs. 11.5 million) in recognized Employees Provident Fund Trust. These funds are invested in secured term deposit certificates with banks, Government Treasury Bills, capital protected mutual funds and market tradable securities with high dividend yields. The fair value of total investments made in provident funds operated by the trustees of the funds, as per their respective financial statements for the year ended 30 June 2018 is Rs. 91.6 million.

THRESHOLD FOR CONSIDERATION **AS EXECUTIVES**

The Board has fixed the threshold of employees for consideration as Executives of the Company which includes CEO, CFO, Company Secretary, Head of Internal Audit, all the Heads of Departments and such employees as may be specified by Human Resource and Remuneration Committee keeping in view their scope of performance affecting the organization's key objectives and drawing monthly salary package of Rs. 250,000/- or above.

AUDITORS

The present auditors M/s Riaz Ahmad & Co., Chartered Accountants retire and offer themselves for re-appointment. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the Company for the year ending June 30, 2018, at a fee to be mutually agreed.

COMPANY'S STAFF **AND CUSTOMERS**

We wish to record our gratitude to all the company employees' for their sheer hard work and commitment to the Company's objectives. We are also thankful to company's stakeholders especially our customers for their continued confidence in our products and services.

BOARDS' EFFORTS TOWARDS UNDERSTANDING **THE VIEWS OF MAJOR SHAREHOLDERS**

Other than Executive Directors of the Company, HTL's major shareholders are spouses of Non-Executive Directors. Furthermore, all the members of the Board have specially met minority shareholders in Annual General Meeting held on September 29, 2017 to understand the views of shareholders about the company. Further, Executive Directors also held an Analyst Briefing in Karachi on 20 February 2018 with a number of financial institutions and fund managers. Current performance, future outlook and risks associated with the investment were discussed in detail. At the end, question answer session was also held to further clarify the concerns of the participants. The Company plans to hold such briefings on a regular basis.

ADDITIONAL **DISCLOSURES**

- The group comprises of Hi-Tech Lubricants Limited and its wholly owned subsidiary company, Hi-Tech Blending (Pvt.) Ltd (HTBL), and HTL holds all the shares of HTBL. Both the Group companies are incorporated in Pakistan and HTBL plant is located outside Sundar Industrial Estate, at Bhaikot Raiwind Road, Lahore.
- The auditors have expressed unqualified opinions on the financial statements of each of the group companies.
- There has been no modification in the Auditor's Reports in relation to any group company at any stage.
- There has been no default in payments of any debts by any of the Group Companies during the year.

WEBSITE OF **THE COMPANY**

All the information as required to be placed on Company's website under SRO-634(I)/2014 is appropriately placed at www.hitechlubricants.com.

MR. HASSAN TAHIR
Chief Executive Officer

MR. SHAUKAT HASSAN
Chairman

Lahore
September 8, 2018

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

INDEPENDENT **AUDITOR'S REPORT**

To the members of Hi-Tech Lubricants Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Hi-Tech Lubricants Limited (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ('the Code') and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sr. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** Revenue amounting to Rupees 9,254 million is measured net of discounts earned by customers on the Company's sales. Discounts recognized, based on sales made during the year, are material and considered to be complex. There is a potential risk that these arrangements may not be appropriately reflected and as a result revenue may be misstated in the financial statements. Revenue is recognised when the risks and rewards of the underlying products have been transferred to the customer. The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards have been transferred. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement due to the risk related to the recognition of revenue before risks and rewards have been transferred. For further information on revenue, refer to the following: - Summary of significant accounting policies, Revenue note 2.19.1 to the financial statements. - Sales and discounts shown on the face of statement of profit or loss.	Our procedures included, were not limited to: • We considered the appropriateness of the Company's revenue recognition accounting policies, including those relating to discounts and assessing compliance with the policies in terms of applicable accounting standards. • In response to the risk of fraud, we tested the effectiveness of the Company's controls over the calculation of discounts and correct timing of revenue recognition. • We assessed sales transactions taking place at either side of the year end as well as credit notes issued after the year end date to assess whether that revenue was recognised in the correct period. • We compared current year discount accruals to the prior year and, where relevant, we completed further inquiries and testing. We reconciled a sample of discounts accruals to supporting documentation and challenged management's assumptions used in estimating discount accruals. • We also considered the adequacy of the Company's disclosures in respect of revenue. • We assessed the revenue recognized with substantive analytical procedures.

<table>
<tr><th>Sr. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>2</td><td>Stock-in-trade existence and valuation

Stock-in-trade as at 30 June 2018 amounted to Rupees 961.206 million and represented a material position in the statement of financial position.

The business is characterized by high volume and the valuation and existence of stock-in-trade are significant to the business. Therefore, considered as one of the key audit matters.

Stock-in-trade is stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in Note 2.8 to the financial statements.

At year end, the valuation of stock-in-trade is reviewed by management and the cost of stock-in-trade is reduced where stock-in-trade is forecast to be sold below cost.

For further information on stock-in-trade, refer to the following:

- Summary of significant accounting policies, Stock-in-trade note 2.8 to the financial statements.
- Stock-in-trade note 18 to the financial statements.</td><td>Our procedures over existence and valuation of stock-in-trade included, but were not limited to:

• To test the quantity of stock-in-trade at all locations, we assessed the corresponding stock-in-trade observation instructions and participated in stock-in-trade counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.
• For a sample of stock-in-trade items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.
• We tested that the ageing report used by management correctly aged stock-in-trade items by agreeing a sample of aged stock-in-trade items to the last recorded invoice.
• On a sample basis, we tested the net realizable value of stock-in-trade items to recent selling prices and re-performed the calculation of the stock-in-trade write down, if any.
• In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.
• We also made enquires of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</td></tr>
<tr><td>3</td><td>Preparation of financial statements under the Companies Act, 2017

The Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.

The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and contents of disclosures in relation to various elements of the financial statements.

In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements.

The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.

For further information, refer to note 2.1(b) to the financial statements.</td><td>Our procedures included, but were not limited to:

• We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act.
• We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.
• We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.</td></tr>
</table>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

The engagement partner on the audit resulting in this independent auditor's report is Mubashar Mehmood.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: 09 September 2018

STATEMENT OF **COMPLIANCE**

NAME OF COMPANY: **HI-TECH LUBRICANTS LIMITED**

YEAR ENDED: **JUNE 30, 2018**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 10 as per the following:
   a. Male: 09
   b. Female: 01
2. The composition of board is as follows:
   a) Independent Directors: 03 as named hereunder:
      i. Mr. Muhammad Tabassum Munir;
      ii. Dr. Safdar Ali Butt; and
      iii. Syed Asad Abbas Hussain.
   b) Other Non-executive Directors: 05 as named hereunder:
      i. Mr. Shaukat Hassan;
      ii. Mr. Tahir Azam;
      iii. Mr. Faraz Akhtar Zaidi;
      iv. Ms. Mavira Tahir; and
      v. Mr. Moon Seek Park (Nominee of SK Lubricants Co. Ltd.)
   c) Executive Directors: 02 as named hereunder:
      i. Mr. Hassan Tahir (CEO); and
      ii. Mr. Muhammad Ali Hassan.
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training program for the following:

   Directors:
   i. Dr. Safdar Ali Butt (March 20, 2018 from Pakistan Institute of Corporate Governance [PICG])
   ii. Mr. Tahir Azam (November 22, 2017 from PICG)
   iii. Ms. Mavira Tahir (November 22, 2017 from PICG)
   iv. Syed Asad Abbas Hussain (November 22, 2017 from PICG)
   v. Mr. Faraz Akhtar Zaidi (November 01, 2017 from PICG)
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
   a) Audit Committee (Name of members and Chairman)
      i. Mr. Muhammad Tabassum Munir (Independent Director and Chairman of Board's Audit Committee)
      ii. Dr. Safdar Ali Butt (Independent Director and Member of Board's Audit Committee)
      iii. Mr. Shaukat Hassan (Non-Executive Director and Member of Board's Audit Committee)
      iv. Mr. Tahir Azam (Non-Executive Director and Member of Board's Audit Committee)
      v. Mr. Faraz Akhtar Zaidi (Non-Executive Director and Member of Board's Audit Committee)
   b) HR and Remuneration Committee (Name of members and Chairman)
      i. Dr. Safdar Ali Butt (Independent Director and Chairman of Board's HR&R Committee)
      ii. Mr. Shaukat Hassan (Non-Executive Director and Member of Board's HR&R Committee)
      iii. Mr. Tahir Azam (Non-Executive Director and Member of Board's HR&R Committee)
      iv. Ms. Mavira Tahir (Non-Executive Director and Member of Board's HR&R Committee)
   c) Risk Management Committee (Name of members and Chairman)
      i. Mr. Faraz Akhtar Zaidi (Non-Executive Director and Chairman of RMC)
      ii. Ms. Mavira Tahir (Non-Executive Director and Member of RMC)
      iii. Mr. Muhammad Ali Hassan (Executive Director and Member of RMC)
      iv. Mr. Muhammad Imran (CFO and Member of RMC)
      v. Syed Arshad Zaidi (Head of Internal Audit and Member of RMC)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
   a) Audit Committee: 08 meetings held during the year ended 30 June 2018
   b) HR and Remuneration Committee: 05 meetings held during the year ended 30 June 2018
   c) Risk Management Committee: No meeting held during the year ended 30 June 2018
15. The board has set up an effective internal audit function and co-sourced the internal audit function to M/s EY Ford Rhodes, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. 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 and registered with Audit Oversight Board of Pakistan, 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

MR. HASSAN TAHIR
Chief Executive Officer

MR. SHAUKAT HASSAN
Chairman

Lahore
September 8, 2018

INDEPENDENT AUDITOR'S **REVIEW REPORT**

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE **CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Hi-Tech Lubricants Limited (the Company) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

Riazahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore
Date: September 9, 2018

STATEMENT OF
FINANCIAL POSITION
As at 30 June 2018

	Note	2018 Rupees	2017 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
150,000,000 (2017: 150,000,000) ordinary shares of Rupees 10 each		1,500,000,000	1,500,000,000
Issued, subscribed and paid-up share capital	3	1,160,040,000	1,160,040,000
Reserves	4	2,732,681,018	2,584,265,837
Total equity		3,892,721,018	3,744,305,837
LIABILITIES			
Non-current liabilities			
Long term financing	5	14,894,163	13,495,415
Liabilities against assets subject to finance lease	6	79,105,383	65,810,301
Long term deposits	7	1,500,000	2,000,000
Deferred income tax liability	8	12,068,590	3,207,194
		107,568,136	84,512,910
Current liabilities			
Trade and other payables	9	613,957,734	803,559,308
Accrued mark-up	10	18,217,096	9,517,227
Short term borrowings	11	707,635,668	1,118,969,226
Current portion of non-current liabilities	12	61,093,852	43,488,959
Unclaimed dividend		4,297,369	1,526,469
Taxation - net		116,775,146	75,222,610
		1,521,976,865	2,052,283,799
Total liabilities		1,629,545,001	2,136,796,709
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		5,522,266,019	5,881,102,546
ASSETS			
Non–current assets			
Fixed assets	14	1,389,206,432	948,121,502
Investment in subsidiary company	15	1,300,000,600	1,300,000,600
Long term loans to employees	16	280,132	1,049,136
Long term security deposits	17	38,612,406	32,737,456
		2,728,099,570	2,281,908,694
Current assets			
Stock-in-trade	18	961,206,375	1,505,337,836
Trade debts	19	236,936,937	179,385,219
Loans and advances	20	146,456,105	663,618,225
Short term deposits and prepayments	21	27,933,788	14,611,449
Other receivables	22	17,340,333	79,647,997
Accrued interest	23	15,334,604	351,106
Short term investments	24	917,353,557	1,081,129,245
Cash and bank balances	25	471,604,750	75,112,775
		2,794,166,449	3,599,193,852
TOTAL ASSETS		5,522,266,019	5,881,102,546

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

Chief Executive | Director | Chief Financial Officer

STATEMENT OF
PROFIT OR LOSS
For the year ended 30 June 2018

HTL LIMITED
Hi-Tech Lubricants Ltd

	Note	2018 Rupees	2017 Rupees
Gross sales		10,910,427,446	8,737,862,484
Discounts		(368,818,182)	(321,712,015)
Sales tax		(1,288,030,793)	(927,268,447)
Net sales		9,253,578,471	7,488,882,022
Cost of sales	26	(7,325,251,809)	(5,714,429,952)
Gross profit		1,928,326,662	1,774,452,070
Distribution cost	27	(636,053,835)	(472,316,882)
Administrative expenses	28	(378,578,016)	(296,834,248)
Other expenses	29	(63,070,455)	(33,868,613)
		(1,077,702,306)	(803,019,743)
Other income	30	108,462,518	95,756,939
Profit from operations		959,086,874	1,067,189,266
Finance cost	31	(82,540,731)	(35,837,835)
Profit before taxation		876,546,143	1,031,351,431
Taxation	32	(322,116,962)	(304,483,769)
Profit after taxation		554,429,181	726,867,662
Earnings per share - basic and diluted	33	4.78	6.27

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

Chief Executive | Director | Chief Financial Officer

STATEMENT OF
COMPREHENSIVE INCOME
For the year ended 30 June 2018

	2018 Rupees	2017 Rupees
Profit after taxation	554,429,181	726,867,662
Other comprehensive income		
Items that will not be reclassified to profit or loss	–	–
Items that may be reclassified subsequently to profit or loss	–	–
Total comprehensive income for the year	554,429,181	726,867,662

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

Chief Executive Director Chief Financial Officer

STATEMENT OF
CHANGES IN EQUITY
For the year ended 30 June 2018

	Share capital	Reserves			Total equity
		Capital reserve	Revenue reserve	Total reserves	
		Share premium	Un–appropriated profit		
	Rupees				
Balance as at 30 June 2016	1,160,040,000	1,441,697,946	728,911,029	2,170,608,975	3,330,648,975
Transactions with owners:					
Final dividend for the year ended 30 June 2016					
@ Rupee 1.35 per share of Rupees 10 each	–	–	(156,605,400)	(156,605,400)	(156,605,400)
Interim dividend for year ended 30 June 2017					
@ Rupees 1.35 per share of Rupees 10 each	–	–	(156,605,400)	(156,605,400)	(156,605,400)
	–	–	(313,210,800)	(313,210,800)	(313,210,800)
Profit for the year ended 30 June 2017	–	–	726,867,662	726,867,662	726,867,662
Other comprehensive income for the year ended 30 June 2017	–	–	–	–	–
Total comprehensive income for the year ended 30 June 2017	–	–	726,867,662	726,867,662	726,867,662
Balance as at 30 June 2017	1,160,040,000	1,441,697,946	1,142,567,891	2,584,265,837	3,744,305,837
Transactions with owners:					
Final dividend for the year ended 30 June 2017					
@ Rupees 1.75 per share of Rupees 10 each	–	–	(203,007,000)	(203,007,000)	(203,007,000)
Interim dividend for the year ended 30 June 2018					
@ Rupee 1.75 per share of Rupees 10 each	–	–	(203,007,000)	(203,007,000)	(203,007,000)
	–	–	(406,014,000)	(406,014,000)	(406,014,000)
Profit for the year ended 30 June 2018	–	–	554,429,181	554,429,181	554,429,181
Other comprehensive income for the year ended 30 June 2018	–	–	–	–	–
Total comprehensive income for the year ended of 30 June 2018	–	–	554,429,181	554,429,181	554,429,181
Balance as at 30 June 2018	1,160,040,000	1,441,697,946	1,290,983,072	2,732,681,018	3,892,721,018

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

Chief Executive

Director

Chief Financial Officer

STATEMENT OF
CASH FLOWS
For the year ended 30 June 2018

	Note	2018 Rupees	2017 Rupees
Cash flows from operating activities			
Cash generated from / (utilized in) operations	34	1,519,278,983	(51,361,642)
Finance cost paid		(73,840,862)	(26,863,520)
Income tax paid		(271,703,030)	(260,303,723)
Net decrease in long term loans to employees		1,390,444	3,058,343
Net increase in long term security deposits		(7,700,450)	(24,554,871)
Net decrease in long term deposits		(500,000)	–
Net cash generated from / (used in) operating activities		1,166,925,085	(360,025,413)
Cash flows from investing activities			
Capital expenditure on property and equipment		(440,267,182)	(650,937,428)
Capital expenditure on intangible assets		(676,234)	(1,865,420)
Proceeds from disposal of property and equipment		9,537,134	74,721,623
Investment in subsidiary company		–	(197,240,600)
Loans to subsidiary company		(296,500,000)	(261,000,000)
Repayment of loans from subsidiary company		557,500,000	–
Short term investments - net		154,999,999	378,662,602
Dividend income		272,250	1,150,572
Interest received on loans to subsidiary company		28,947,816	–
Profit on bank deposits and term deposit receipts received		57,615,262	85,353,373
Net cash from / (used in) investing activities		71,429,045	(571,155,278)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(35,972,579)	(5,803,850)
Dividend paid		(403,243,100)	(312,548,794)
Proceeds from long term financing		21,865,000	23,135,000
Repayment of long term financing		(13,177,918)	(4,321,542)
Short term borrowings - net		(411,333,558)	1,118,969,226
Net cash (used in) / from financing activities		(841,862,155)	819,430,040
Net increase / (decrease) in cash and cash equivalents		396,491,975	(111,750,651)
Cash and cash equivalents at the beginning of the year		75,112,775	186,863,426
Cash and cash equivalents at the end of the year		471,604,750	75,112,775

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

Chief Executive | Director | Chief Financial Officer

1. THE COMPANY AND ITS OPERATIONS

1.1 Hi-Tech Lubricants Limited ("the Company") was incorporated under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 1-A, Danepur Road, GOR-1, Lahore. The principal activity of the Company is to procure and distribute petroleum products. During the year ended 30 June 2017, Oil and Gas Regulatory Authority (OGRA) has granted license to the Company to establish an Oil Marketing Company (OMC), subject to some conditions.

1.2 Geographical location and addresses of all business units are as follows:

Business units	Address
Registered and head office	1-A, Danepur Road, GOR-1, Lahore
Regional office - Karachi	C-6 /1, Street No. 3, Bath Island, Clifton, Karachi
Regional office - Islamabad	Suite No. 1402, 14th Floor, Green Trust Tower, Jinnah Avenue, Blue Area, Islamabad.
Regional office - Peshawar	Office No. 280, 3rd Floor, Deans Trade Centre, Islamia Road, Peshawar
Customs bonded warehouse	Property No. 35 A/M, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore
Customs bonded warehouse	Behind G.T. Road, Akhri Mint Stop, Near Nadia Ghee Mills, Daroghawala, Lahore
Customs bonded warehouse	Plot No. F-77-B, S.I.T.E, Karachi
Customs bonded warehouse	S/85, Hawks bay Road, Near Mono Motors, Karachi
Customs bonded warehouse	157-A, Block B, Opposite Atlas Auto Shershah, Karachi
Warehouse	B-13, Cotton Godown, Korangi Industrial Area, Karachi
Warehouse	7-Km, Sundar Raiwind Road, Bhai Kot, Lahore
Oil Depot – OMC Project	Mouza No. 107/9L, Tehsil and District Sahiwal
OMC Project office	Plot No. 2, Block K, Main Boulevard Gulberg-II, Lahore
Oil Depot – OMC Project	Mouza Aza Khel Bala, Tehsil and District Nowshera
HTL Express Centre	Dharampura, Lahore
HTL Express Centre	Garden Town, Lahore
HTL Express Centre	Block F, Gulshan Ravi, Lahore
HTL Express Centre (proposed)	22 – A, Zafar Ali Road, Jail Road, Lahore

1.3 Summary of significant transactions and events affecting the Company's financial position and performance

a) The exchange rate of United States Dollar to Pak Rupees has increased from Pak Rupees 104.8 as at 30 June 2017 to Pak Rupees 121.6 as at 30 June 2018.

b) With reference to OMC Project of the Company, Oil and Gas Regulatory Authority (OGRA) has granted permission to proceed to apply/acquire No Objection Certificates (NOCs) from concerned departments including District Coordination Officer (DCO) for setting up of up to maximum 26 retail outlets in Punjab Province with instructions that retail sale through petrol pump can only be started after completion of necessary storage infrastructure, 3rd Party Inspector Report confirming that storage/depot meets OGRA's notified Technical Standards and OGRA's approval.

c) For a detailed discussion, about the Company's performance, please refer to the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

– International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

– Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

b) Preparation of financial statements under the Companies Act, 2017

The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Fourth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company (refer note 14.1.5), management assessment of sufficiency of tax provision in the financial statements (refer note 32.3), change in threshold for identification of executives (refer note 37), additional disclosure requirements for related parties (refer note 36) etc.

c) Accounting convention

These financial statements have been prepared under the historical cost convention except for certain financial instruments carried at fair value.

d) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Useful lives, pattern of economic benefits and impairment

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 the assets for possible impairments on an annual basis. If such indication exist assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. Any change in the estimates in the future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to current prevailing selling prices less estimated expenditure to make sales.

Provision for obsolescence of stock-in-trade

Provision for obsolescence of items of stock-in-trade is made on the basis of management's estimate of net realizable value and age analysis prepared on an item-by-item basis.

Provisions for doubtful debts

The Company reviews its receivables against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

e) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2017:

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on Company's financial statements.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2018 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Property and equipment

Property and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property 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. Freehold land and capital work-in-progress are stated at cost less any recognized impairment loss.

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

Depreciation is charged to statement of profit or loss by applying the reducing balance method whereby cost of an asset is written off over its estimated useful life at the rates given in Note 14.1. Depreciation on additions is charged for the full month in which the asset is available for use and on deletion up to the month immediately preceding the deletion.

De-recognition

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

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. All expenditures 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 are available for use.

2.3 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

2.4 Leases

The Company is the lessee:

2.4.1 Finance leases

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to statement of profit or loss over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to profit and loss account.

2.4.2 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 are charged to statement of profit or loss on a straight line basis over the lease term.

2.5 Investments

The Company's management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investment at fair value through profit or loss" which is initially measured at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in subsidiary company, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

2.5.1 Investment at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in statement of profit or loss.

2.5.2 Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in statement of profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

2.5.3 Investment in subsidiary company

Investment in subsidiary company is stated at cost less impairment loss, if any, in accordance with the provisions of IAS 27 'Separate Financial Statements'.

2.5.4 Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale.

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in statement of profit or loss. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the reporting date. Fair value of investments in open-end mutual funds is determined using redemption price.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

2.6 Foreign currencies

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 statement of profit or loss.

2.7 Employee benefits

The Company operates a contributory provident fund scheme covering all regular employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 10% of basic salary of employees. The Company's contributions to the fund are charged to statement of profit or loss.

2.8 Stock-in-trade

Stock-in-trade, except in transit, is stated at lower of cost and net realizable value. Cost is determined on the basis of weighted average cost. Cost in relation to items in transit comprises of invoice value and other charges incurred thereon.

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

2.9 Financial instruments

2.9.1 Recognition and de-recognition

Financial instruments carried on the statement of financial position include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, 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. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.9.2 Offsetting

Financial assets and financial liabilities are set off 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.

2.10 Cash and cash equivalents

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

2.11 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.12 Taxation

2.12.1 Current

Provision for 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 the 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.

2.12.2 Deferred

Deferred tax is accounted for using the 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 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 utilized.

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 reporting date. Deferred tax is charged or credited in the statement of profit or loss, 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.

2.13 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

2.14 Borrowing costs

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of cost of that asset.

2.15 Trade debts and other receivables

Trade debts and other receivables 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.

2.16 Trade and other payables

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

2.17 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets.

2.18 Impairment

2.18.1 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 by reference to its current fair value.

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

2.18.2 Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in statement of profit or loss.

2.19 Revenue

2.19.1 Sale of goods

Revenue from sale of goods is recognized on dispatch of goods to customers.

2.19.2 Interest income

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

2.19.3 Dividend income

Dividend on equity investments is recognized when right to receive the dividend is established.

2.20 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.21 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has single reportable business segment.

3. ISSUED, SUBSCRIBED AND PAID–UP SHARE CAPITAL

2018	2017		2018	2017
(Number of shares)			Rupees	Rupees
41,002,000	41,002,000	Ordinary shares of Rupees 10 each fully paid-up in cash	410,020,000	410,020,000
25,000,000	25,000,000	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash (Note 3.2)	250,000,000	250,000,000
50,002,000	50,002,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	500,020,000	500,020,000
116,004,000	116,004,000		1,160,040,000	1,160,040,000

3.1 827,775 (2017: 827,775) ordinary shares of the Company are held by SK Lubricants Co., Ltd. - related party.

3.2 On 01 July 2011, the Company entered into 'Agreement for Takeover of Partnership Firm by Private Limited Company / Dissolution of Partnership' ("the Agreement") with partners of Hi-Tec Lubricants, a registered partnership firm ("the Firm") and took over all the business, assets and liabilities of the Firm, as per audited financial statements of Hi-Tec Lubricants for the year ended 30 June 2011, against consideration of issuance of shares of the Company amounting to Rupees 250,000,000 divided into 2,500,000 ordinary shares of Rupees 100 each.

3.3 The principal shareholders of the Company and SK Lubricants Co., Ltd. (SKL) have a shareholders agreement in place. The parties to the agreement have agreed on certain board of directors' unanimous resolution items such as direct or indirect engagement in lubricant products under the brand name of the Company or any other party other than SKL, engagement with other companies engaged in lubricants business, lubricants business reorganizations, etc. The principal shareholders have undertaken to hold, in aggregate, at all times 51% shares or more of the Company.

	2018 Rupees	2017 Rupees
4 RESERVES		
Capital reserve		
Share premium (Note 4.1)	1,441,697,946	1,441,697,946
Revenue reserve		
Un-appropriated profit	1,290,983,072	1,142,567,891
	2,732,681,018	2,584,265,837

4.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

	2018 Rupees	2017 Rupees
5 LONG TERM FINANCING		
From banking company - secured		
Bank Al-Habib Limited-1 (Note 5.1)	13,495,415	21,207,084
Bank Al-Habib Limited-2 (Note 5.1)	16,398,751	–
	29,894,166	21,207,084
Less : Current portion shown under current liabilities (Note 12)	15,000,003	7,711,669
	14,894,163	13,495,415

5.1 These facilities have been obtained to build warehouse at the property of Hi-Tech Blending (Private) Limited - subsidiary company at Sundar Raiwind Road. These facilities are secured against hypothecation charge over current assets of the Company of Rupees 1,067 million and personal guarantee of directors of the Company. These carry mark-up at the rate of 3 months KIBOR plus 1.75% per annum. These are repayable in 12 equal quarterly installments. Effective rate of mark-up charged during the year ranged from 7.89% to 8.18% (2017: 7.84% to 7.89%) per annum.

	2018 Rupees	2017 Rupees
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Future minimum lease payments	134,911,579	110,085,050
Less: Un-amortized finance charge	9,712,347	8,497,459
Present value of future minimum lease payments	125,199,232	101,587,591
Less: Current portion shown under current liabilities (Note 12)	46,093,849	35,777,290
	79,105,383	65,810,301

6.1 Minimum lease payments have been discounted using implicit interest rates ranging from 6.95% to 12.44% (2017: 7.40% to 12.67%) per annum. Rentals are payable in monthly and quarterly instalments. Taxes, repairs and insurance costs are to be borne by the Company. These are secured against charge on the leased assets, personal guarantees of directors and deposits of Rupees 26.557 million (2017: Rupees 23.384 million).

	2018		2017	
	Not later than one year	Later than one year but not later than five years	Not later than one year	Later than one year but not later than five years
	Rupees			
Future minimum lease payments	52,015,851	82,895,728	40,590,495	69,494,555
Less: Un-amortized finance charge	5,922,002	3,790,345	4,813,205	3,684,254
Present value of future minimum lease payments	46,093,849	79,105,383	35,777,290	65,810,301

7. LONG TERM DEPOSITS

These represent long term deposits from distributors of the Company. These are unsecured, interest free and repayable on termination of distribution agreements. These deposits have been utilized for the purpose of business in accordance with the terms of written agreement with distributors.

	2018 Rupees	2017 Rupees
8. DEFFERED INCOME TAX LIABILITY		
The net deferred income tax liability comprised of temporary differences relating to:		
Deductible temporary differences		
Provision for doubtful trade debts	157,737	185,212
Leased assets	8,982,112	1,117,551
	9,139,849	1,302,763
Taxable temporary difference		
Accelerated tax depreciation and amortization	21,208,439	4,509,957
Net deferred income tax liability	12,068,590	3,207,194
9. TRADE AND OTHER PAYABLES		
Creditors (Note 9.1)	166,910,839	330,221,891
Accrued liabilities (Note 9.2)	163,552,298	93,794,222
Advances from customers	152,873,281	191,257,137
Customs duty and other charges payable	88,711,322	176,933,600
Income tax deducted at source	51,118	9,740,779
Sales tax payable	39,244,625	–
Payable to employees' provident fund trust	2,614,251	1,611,679
	613,957,734	803,559,308

9.1 It includes Rupees 136.592 million (2017: Rupees 296.537 million) payable to SK Lubricants Co., Ltd. - related party.

9.2 It includes amount of Rupees 6.823 million (2017: Rupees 5.241 million) on account of remuneration payable to directors of the Company.

	2018 Rupees	2017 Rupees
10. ACCRUED MARK-UP		
Long term financing	1,038,947	417,120
Liabilities against assets subject to finance lease	279,031	268,021
Short term borrowings	16,899,118	8,832,086
	18,217,096	9,517,227
11. SHORT TERM BORROWINGS		
From banking companies - secured		
Running finances (Note 11.1 and 11.2)	331,835,243	809,821,049
Finance against trust receipts (Note 11.1 and 11.3)	296,916,620	166,772,060
Running musharakah (Note 11.1 and 11.4)	–	142,376,117
Musawamah finance (Note 11.1 and 11.5)	78,883,805	–
	707,635,668	1,118,969,226

11.1 These finances are obtained from banking companies under mark up arrangements and are secured against first joint pari passu hypothecation charge over current assets, lien over term deposit receipts and personal guarantee of sponsor directors.

11.2 The rates of markup range from 7.15% to 9.66% (2017: 7.15% to 7.72%) per annum.

11.3 The rates of markup range from 7.16% to 8.14% (2017: 7.33% to 7.72%) per annum.

11.4 The rate of markup range from 7.14% to 7.50% (2017: 7.09% to 7.12%) per annum.

11.5 Mark up is payable at respective KIBOR plus 1% per annum. Effective rate of markup charged during the year ranged from 7.42% to 7.83% per annum.

	2018 Rupees	2017 Rupees
12. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 5)	15,000,003	7,711,669
Liabilities against assets subject to finance lease (Note 6)	46,093,849	35,777,290
	61,093,852	43,488,959

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 Corporate guarantees of Rupees 1,425.52 million (2017: Rupees 1,383.57 million) have been given by the Company to the banks in respect of financing to Hi-Tech Blending (Private) Limited - subsidiary company.

13.1.2 Guarantees of Rupees 28 million (2017: Rupees 10 million) are given by the bank of the Company to Director Excise and Taxation, Karachi against disputed amount of infrastructure cess.

13.1.3 Guarantees of Rupees 12.314 million (2017: Rupees 2.314 million) are given by the bank of the Company to Chairman, Punjab Revenue Authority, Lahore against disputed amount of infrastructure cess.

13.1.4 During the year ended 30 June 2018, assessment under section 161 / 205 of the Income Tax Ordinance, 2001 for the tax year 2014 was finalized by the Deputy Commissioner Inland Revenue creating a demand of Rupees 18.207 million against the Company. The Company, being aggrieved filed an appeal before the Commissioner Inland Revenue (Appeals) {CIR(A)}, who decided the case in favour of the Company reducing the total demand to Rupees 0.191 million. However, Income Tax Department has filed an appeal against the order of the CIR(A) before the Appellate Tribunal Inland Revenue and the same is pending adjudication. No provision against the original tax demand has been recognized in these financial statements, as the Company, based on advice of the tax advisor, is confident of favorable outcome of litigation.

13.1.5 On 05 June 2018, the Competition Commission of Pakistan ("CCP") has initiated a formal enquiry under the provisions of the Competition Act, 2010 ("the Act") on complaint against the Company and its wholly-owned subsidiary company, Hi-Tech Blending (Private) Limited by Chevron Pakistan Lubricants (Private) Limited ("Chevron") for adopting deceptive marketing practices in contravention of section 10 of the Act. It has also been prayed by Chevron to CCP to impose a penalty of 10% of the annual turnover of the Company and its wholly-owned subsidiary and / or Rupees 75 million, as CCP may deem appropriate. The Company and its wholly-owned subsidiary company have submitted a detail reply before the CCP through their advocates, rejecting the contents of filed compliant, and expects a favorable outcome of the matter. Hence, no provision for penalty has been recognized in these financial statements.

		2018 Rupees	2017 Rupees
13.2	**Commitments**		
13.2.1	**Capital expenditures:**		
	Contracts	25,168,567	173,427,561
	Letters of credit	4,862,700	–
		30,031,267	173,427,561
13.2.2	Letters of credit other than for capital expenditures	245,018,196	87,340,703

13.2.3 The amount of future ijara rentals for ijara financing and the period in which these payments will become due are as follow:

	2018 Rupees	2017 Rupees
Not later than one year	5,004,436	–
Later than one year but not later than five years	7,943,488	–
	12,947,924	–

14. FIXED ASSETS

	2018	2017
Property and equipment:		
Operating fixed assets		
- Owned (Note 14.1)	836,309,262	622,505,331
- Leased (Note 14.1)	94,226,431	92,080,840
	930,535,693	714,586,171
Capital work-in-progress (Note 14.2)	455,776,154	225,981,488
	1,386,311,847	940,567,659
Intangible assets:		
Computer softwares (Note 14.1)	2,894,585	7,553,843
	1,389,206,432	948,121,502

14.1 Reconciliation of the carrying amounts of operating fixed assets and intangible assets at the beginning and at the end of the year are as follows:

Description	Operating fixed assets												Intangible assets
	Owned									Leased			
	Freehold land	Buildings on freehold land	Buildings on leasehold land	Machinery	Furniture and fittings	Vehicles	Office equipment	Computer	Total	Vehicles	Machinery	Total	Computer softwares
	Rupees												Rupees
At 30 June 2016													
Cost	134,326,530	52,115,124	–	–	15,044,461	78,500,198	24,047,235	19,113,934	323,147,482	76,914,260	–	76,914,260	25,716,802
Accumulated depreciation / amortization	–	(14,513,859)	–	–	(6,299,426)	(46,779,843)	(9,167,789)	(7,093,047)	(83,853,964)	(34,016,122)	–	(34,016,122)	(13,133,065)
Net book value	134,326,530	37,601,265	–	–	8,745,035	31,720,355	14,879,446	12,020,887	239,293,518	42,898,138	–	42,898,138	12,583,737
Year ended 30 June 2017													
Opening net book value	134,326,530	37,601,265	–	–	8,745,035	31,720,355	14,879,446	12,020,887	239,293,518	42,898,138	–	42,898,138	12,583,737
Additions	355,881,500	–	27,571,142	3,197,442	1,722,462	69,646,779	1,612,021	3,791,701	463,423,047	78,067,521	1,698,360	79,765,881	1,865,420
Transferred from leased assets:													
Cost	–	–	–	–	–	20,679,900	–	–	20,679,900	(20,679,900)	–	(20,679,900)	–
Accumulated depreciation	–	–	–	–	–	(8,651,059)	–	–	(8,651,059)	8,651,059	–	8,651,059	–
	–	–	–	–	–	12,028,841	–	–	12,028,841	(12,028,841)	–	(12,028,841)	–
Disposals:													
Cost	–	–	–	–	–	(83,929,173)	(896,343)	(209,500)	(85,035,016)	(3,314,130)	–	(3,314,130)	–
Accumulated depreciation	–	–	–	–	–	13,849,025	434,519	124,373	14,407,917	999,955	–	999,955	–
	–	–	–	–	–	(70,080,148)	(461,824)	(85,127)	(70,627,099)	(2,314,175)	–	(2,314,175)	–
Depreciation / amortization charge	–	(3,760,126)	(229,760)	(26,645)	(924,946)	(11,027,330)	(1,550,540)	(4,093,629)	(21,612,976)	(16,141,092)	(99,071)	(16,240,163)	(6,895,314)
Closing net book value	490,208,030	33,841,139	27,341,382	3,170,797	9,542,551	32,288,497	14,479,103	11,633,832	622,505,331	90,481,551	1,599,289	92,080,840	7,553,843
At 30 June 2017													
Cost	490,208,030	52,115,124	27,571,142	3,197,442	16,766,923	84,897,704	24,762,913	22,696,135	722,215,413	130,987,751	1,698,360	132,686,111	27,582,222
Accumulated depreciation / amortization	–	(18,273,985)	(229,760)	(26,645)	(7,224,372)	(52,609,207)	(10,283,810)	(11,062,303)	(99,710,082)	(40,506,200)	(99,071)	(40,605,271)	(20,028,379)
Net book value	490,208,030	33,841,139	27,341,382	3,170,797	9,542,551	32,288,497	14,479,103	11,633,832	622,505,331	90,481,551	1,599,289	92,080,840	7,553,843
Year ended 30 June 2018													
Opening net book value	490,208,030	33,841,139	27,341,382	3,170,797	9,542,551	32,288,497	14,479,103	11,633,832	622,505,331	90,481,551	1,599,289	92,080,840	7,553,843
Additions	59,678,232	–	136,386,775	10,399,525	2,213,590	11,056,501	8,588,502	8,455,479	236,778,604	39,013,031	–	39,013,031	676,234
Transferred from leased assets:													
Cost	–	–	–	–	–	28,076,186	–	–	28,076,186	(28,076,186)	–	(28,076,186)	–
Accumulated depreciation	–	–	–	–	–	(14,234,378)	–	–	(14,234,378)	14,234,378	–	14,234,378	–
	–	–	–	–	–	13,841,808	–	–	13,841,808	(13,841,808)	–	(13,841,808)	–
Written off:													
Cost	–	–	–	–	–	–	–	(4,083,208)	(4,083,208)	–	–	–	(261,176)
Accumulated depreciation	–	–	–	–	–	–	–	2,539,189	2,539,189	–	–	–	151,125
	–	–	–	–	–	–	–	(1,544,019)	(1,544,019)	–	–	–	(110,051)
Disposals:													
Cost	–	–	–	–	–	(12,970,414)	–	–	(12,970,414)	(2,088,490)	–	(2,088,490)	–
Accumulated depreciation	–	–	–	–	–	8,620,776	–	–	8,620,776	348,081	–	348,081	–
	–	–	–	–	–	(4,349,638)	–	–	(4,349,638)	(1,740,409)	–	(1,740,409)	–
Depreciation / amortization charge	–	(3,384,114)	(10,419,698)	(803,201)	(1,046,795)	(8,821,373)	(1,916,602)	(4,531,041)	(30,922,824)	(21,125,294)	(159,929)	(21,285,223)	(5,225,441)
Closing net book value	549,886,262	30,457,025	153,308,459	12,767,121	10,709,346	44,015,795	21,151,003	14,014,251	836,309,262	92,787,071	1,439,360	94,226,431	2,894,585
At 30 June 2018													
Cost	549,886,262	52,115,124	163,957,917	13,596,967	18,980,513	111,059,977	33,351,415	27,068,406	970,016,581	139,836,106	1,698,360	141,534,466	27,997,280
Accumulated depreciation / amortization	–	(21,658,099)	(10,649,458)	(829,846)	(8,271,167)	(67,044,182)	(12,200,412)	(13,054,155)	(133,707,319)	(47,049,035)	(259,000)	(47,308,035)	(25,102,695)
Net book value	549,886,262	30,457,025	153,308,459	12,767,121	10,709,346	44,015,795	21,151,003	14,014,251	836,309,262	92,787,071	1,439,360	94,226,431	2,894,585
Annual rate of depreciation / amortization (%)		10	10	10	10	20	10	30		20	10		30

14.1.1 Detail of operating fixed assets exceeding book value of Rupees 500,000 disposed of during the year is as follows:

Particulars	Quantity	Cost	Accumulated depreciation	Net book value	Consideration	Gain	Mode of disposal	Particulars of purchasers
		Rupees						
Vehicles - owned								
Honda Civic LEE-13-2976	1	2,371,000	1,431,940	939,060	1,200,000	260,940	Negotiation	Mr. Sajjad Ahmed, Sahiwal
Honda City LED-13-6398	1	1,545,935	964,432	581,503	960,000	378,497	Company's policy	Mr. Ejaz Khattak, Company's employee, Islamabad
Suzuki Cultus LEH-14-1702	1	1,090,290	565,966	524,324	800,000	275,676	Insurance claim	EFU General Insurance Limited
Honda Civic LEF-13-946	1	2,072,725	1,206,049	866,676	1,385,000	518,324	Negotiation	Ch. Riaz Ahmed, Lahore
		7,079,950	4,168,387	2,911,563	4,345,000	1,433,437		
Vehicle - leased								
Toyota Corolla LEH-16-8987	1	2,088,490	348,081	1,740,409	1,875,000	134,591	Insurance claim	EFU General Insurance Limited
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000		5,890,464	4,452,389	1,438,075	3,317,134	1,879,059		
		15,058,904	8,968,857	6,090,047	9,537,134	3,447,087		

	2018 Rupees	2017 Rupees
14.1.2 The depreciation charge on operating fixed assets for the year has been allocated as follows:		
Distribution cost (Note 27)	29,946,666	27,168,421
Administrative expenses (Note 28)	22,261,381	10,684,717
	52,208,047	37,853,138

14.1.3 Amortization on intangible assets amounting to Rupees 5.225 million (2017: Rupees 6.895 million) has been allocated to administrative expenses.

14.1.4 The cost of intangible assets as at reporting date includes fully amortized intangible assets of Rupees 18.982 million (2017: Rupees 3.531 million) which are still in use of the Company.

14.1.5 Particulars of immovable properties (i.e. land and buildings) are as follows:

Location	Usage of Immovable Property	Total area of land	Covered area of building
		Acres	Square feet
Property No. 35 A / M, Quaid-e- Azam Industrial Estate, Kot Lakhpat, Lahore	Customs bonded warehouse	0.69	21,965
Mouza No. 107/9L, Tehsil and District Sahiwal	For construction of oil depot	6.7	–
Plot No. 2, Block K, Main Boulevard Gulberg-II, Lahore	OMC project office	0.39	1,847
Mouza Aza Khel Bala, Tehsil and District Nowshera	For construction of oil depot	6.25	–
7-km, Sundar Raiwind Road, Bhai Kot, Lahore	Warehouse	–	49,658
Dharampura, Lahore	HTL Express Centre	–	1,436
Garden Town, Lahore	HTL Express Centre	–	1,789
Gulshan Ravi, Lahore	HTL Express Centre	–	2,444
22 - A, Zafar Ali Road, Jail Road, Lahore	HTL Express Centre (Proposed)	0.16	–

		2018 Rupees	2017 Rupees
14.2	**Capital work-in-progress**		
	Advance against purchase of apartment (Note 14.2.1)	25,226,750	25,226,750
	Advances for purchase of vehicles	44,915,301	16,468,000
	Civil works (Note 14.2.2)	234,196,220	111,548,093
	Mobilization and other advances	44,202,573	20,224,164
	Unallocated expenditures (Note 14.2.2)	107,235,310	52,514,481
		455,776,154	225,981,488

14.2.1 This represent advance given to BNP (Private) Limited against purchase of apartment in Grand Hayatt at 1-Constitution Avenue, Islamabad. On July 29, 2016 Capital Development Authority (CDA) cancelled the leased deed of BNP (Private) Limited on the grounds of violating the terms and conditions of the said lease. Against the alleged order, BNP (Private) Limited filed a writ petition before the Honorable Islamabad High Court ("the Court") challenging the cancellation of said lease. The Court dismissed the writ petition of BNP (Private) Limited. However, the honorable judge of the Court ruled that it is a duty of the Federal Government to ensure that the purchasers do not suffer due to Government's own wrongful actions and omissions, particularly when the regulatory failure of the CDA stands admitted. The Company and others have filed intra-court appeals against the aforesaid judgement of the Court and judgment is awaited.

In the Final Report of the Committee setup by Honorable Prime Minister of Pakistan, pursuant to the orders of the Court, it has duly been recommended that the project be regularized in accordance with CDA's Plot Restoration Policy and in case where the investor does not want to accept the new arrangement, BNP (Private) Limited shall refund the investment with mark-up equivalent to that being charged by the banks for personal loans at the time of refunding the investment.

In view of the aforesaid, advice of the legal counsel of the Company and the fact that the Company's apartment is one of the duly built apartments on 6th Floor of the Tower, no provision against advance for purchase of apartment has been recognized in these financial statements.

14.2.2 An amount of Rupees 56.386 million (2017: Rupees 61.522 million) is included in civil works and Rupees 1.974 million (2017: Rupees 25.280 million) is included in unallocated expenditures relating to the construction of a warehouse on the land owned by Hi-Tech Blending (Private) Limited - subsidiary company. The Company entered into a lease agreement with Hi-Tech Blending (Private) Limited - subsidiary company, against a piece of land measuring 45 Kanals where the Company is building a warehouse. One warehouse has already been built on this land. The lease agreement is for 20 years.

		2018 Rupees	2017 Rupees
15.	**INVESTMENT IN SUBSIDIARY COMPANY - AT COST**		
	Hi-Tech Blending (Private) Limited - unquoted (Note 15.1)		
	130,000,060 (2017: 130,000,060) fully paid ordinary shares of Rupees 10 each		
	Equity held 100% (2017: 100%)	1,300,000,600	1,300,000,600

15.1 Investment in Hi-Tech Blending (Private) Limited includes 60 shares in the name of nominee directors of the Company. Investment made in subsidiary company is in accordance with requirements of the Companies Act, 2017.

	2018 Rupees	2017 Rupees
16. LONG TERM LOANS TO EMPLOYEES		
Considered good		
- Executives (Note 16.1)	1,049,136	2,306,412
- Other employees	–	133,168
	1,049,136	2,439,580
Less: Current portion shown under current assets (Note 20)		
- Executives	769,004	1,257,276
- Other employees	–	133,168
	769,004	1,390,444
	280,132	1,049,136
16.1 Reconciliation of carrying amounts of loans to executives:		
Opening balance	2,306,412	4,903,391
Less: Repayments	1,257,276	2,596,979
Closing balance	1,049,136	2,306,412

16.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 2.202 million (2017: Rupees 3.459 million).

16.2 These represent loans to employees of the Company for the purpose of house building. These are interest free and repayable over a period of four years. These are secured against deposit of original land documents and credit balance of employees in provident fund trust.

16.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

	2018 Rupees	2017 Rupees
17. LONG TERM SECURITY DEPOSITS		
Security deposits against leased assets	26,557,106	23,383,956
Security deposit against Ijara	2,189,400	–
Security deposits - others	11,068,300	14,465,300
	39,814,806	37,849,256
Less: Current portion shown under current assets (Note 21)	1,202,400	5,111,800
	38,612,406	32,737,456
18. STOCK-IN-TRADE		
Lubricants (Note 18.1)	963,383,983	1,507,238,185
Less: Provision for slow moving and damaged inventory items (Note 18.2)	2,450,521	2,215,187
	960,933,462	1,505,022,998
Stock of promotional items	272,913	314,838
	961,206,375	1,505,337,836

18.1 This includes stock-in-transit of Rupees 224.707 million (2017: Rupees Nil) and stock amounting to Rupees 178.839 million (2017: Rupees 1,067.471 million) lying at customs bonded warehouses.

		2018 Rupees	2017 Rupees
18.2	**Provision for slow moving and damaged inventory items**		
	Opening balance	2,215,187	–
	Add: Provision for the year (Note 29)	807,206	2,215,187
	Less: Provision reversed for the year (Note 30)	571,872	–
	Closing balance	2,450,521	2,215,187

19. TRADE DEBTS

Unsecured:		
Considered good - other than related party (Note 19.1)	236,936,937	179,385,219
Considered doubtful - other than related party (Note 19.2)	543,919	1,575,557
	237,480,856	180,960,776
Less: Provision for doubtful trade debts (Note 19.3)	543,919	1,575,557
	236,936,937	179,385,219

19.1 As at 30 June 2018, trade debts of Rupees 223.498 million (2017: Rupees 148.921 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2018 Rupees	2017 Rupees
Upto 1 month	105,006,206	82,306,505
1 to 6 months	96,533,574	61,259,643
More than 6 months	21,958,268	5,354,781
	223,498,048	148,920,929

19.2 As at 30 June 2018, trade debts of Rupees 0.544 million (2017: Rupees 1.575 million) were impaired and provided for. Trade debts of Rupees 1.576 million (2017: Rupees 0.476 million) were impaired and written off against provision and trade debts of Rupees 0.180 million (2017: Rupees 0.127 million) were directly written off during the year. The age analysis of these trade debts was more than one year.

		2018 Rupees	2017 Rupees
19.3	**Provision for doubtful trade debts**		
	Opening balance	1,575,557	492,392
	Add: Provision for the year (Note 29)	543,919	1,575,557
	Less: Reversal of provision made during the year (Note 30)	–	15,937
	Less: Bad debts written off against provision during the year	1,575,557	476,455
	Closing balance	543,919	1,575,557

	2018 Rupees	2017 Rupees
20. LOANS AND ADVANCES		
Considered good, unsecured:		
Loans to employees - interest free and against salaries:		
- Executives	1,034,668	1,159,352
- Other employees	2,305,095	2,754,824
	3,339,763	3,914,176
Loans to employees against expenses	925,203	1,408,320
Current portion of long term loans to employees (Note 16)	769,004	1,390,444
Loan to subsidiary company (Note 20.1)	–	261,000,000
Advances to suppliers (Note 20.2)	134,422,135	368,294,783
Margin against letters of credit	–	24,879,002
Margin against bank guarantees	7,000,000	2,731,500
	146,456,105	663,618,225

20.1 It represented short term loan given to Hi-Tech Blending (Private) Limited - subsidiary company for working capital requirement. It was unsecured loan and repayable on demand. It carried mark-up at average borrowing cost of the Company. The maximum aggregate amount receivable from subsidiary company at the end of any month during the year was Rupees 557.500 million (2017: Rupees 261 million). These were neither past due nor impaired.

20.2 These include advances of Rupees 85.138 million (2017: Rupees 325.920 million) to Hi-Tech Blending (Private) Limited - subsidiary company in the ordinary course of business. The maximum aggregate amount of advance given to subsidiary company at the end of any month during the year was Rupees 257.740 million (2017: Rupees 325.920 million). These are neither past due nor impaired.

	2018 Rupees	2017 Rupees
21. SHORT TERM DEPOSITS AND PREPAYMENTS		
Current portion of long term security deposits (Note 17)	1,202,400	5,111,800
Short term deposits	4,665,000	1,944,000
Prepaid insurance	14,437,654	5,125,716
Prepaid rent	7,628,734	2,429,933
	27,933,788	14,611,449
22. OTHER RECEIVABLES		
Receivable from MAS Associates (Private) Limited - associated company (Note 22.1)	79,042	114,623
Receivable from SK Lubricants Co., Ltd. - related party (Note 22.2)	17,024,000	55,875,455
Sales tax receivable	–	23,572,344
Others	237,291	85,575
	17,340,333	79,647,997

22.1 The maximum aggregate amount receivable from associated company at the end of any month during the year was Rupees 0.263 million (2017: Rupees 0.290 million). It is neither past due nor impaired.

22.2 The maximum aggregate amount receivable from related party at the end of any month during the year was Rupees 90.701 million (2017: Rupees 101.017 million). It is neither past due nor impaired.

	2018 Rupees	2017 Rupees
23. ACCRUED INTEREST		
On short term loans to subsidiary company (Note 23.1)	15,306,534	261,178
On bank deposits	28,070	89,928
	15,334,604	351,106

23.1 The maximum aggregate amount of interest receivable from subsidiary company at the end of any month during the year was Rupees 17.292 million (2017: Rupees 0.261 million). As at 30 June 2018, accrued interest on short term loans to subsidiary company of Rupees 4.792 million (2017: Rupees Nil) was past due but not impaired. The aging of this accrued interest was more than six months.

	2018 Rupees	2017 Rupees
24. SHORT TERM INVESTMENTS		
Held-to-maturity (Note 24.1)	851,833,801	1,006,004,644
At fair value through profit or loss (Note 24.2)	65,519,756	75,124,601
	917,353,557	1,081,129,245
24.1 Held-to-maturity		
Term deposit receipts	846,031,918	1,001,031,917
Add: Interest accrued thereon	5,801,883	4,972,727
	851,833,801	1,006,004,644

24.1.1 These term deposit receipts issued by banking companies having maturity period ranges from one month to six month (2017: one month to one year) and carry interest ranging from 3.00% to 6.21% (2017: 5.90% to 6.40%) per annum. Term deposits receipts amounting to Rupees 671.031 million (2017: Rupees 491.031 million) are under lien with banks against short term borrowings.

	2018 Rupees	2017 Rupees
24.2 At fair value through profit or loss		
Quoted - other than related party:		
Engro Fertilizer Limited		
49,500 (2017: 49,500) fully paid ordinary shares of Rupees 10 each	3,246,080	3,246,080
Alfalah GHP Stock Fund B Growth Units		
461,430 (2017: 461,430) units of Rupees 159.2592 each	73,486,932	73,486,932
Less: Unrealized loss on remeasurement of investments at fair value	11,213,256	1,608,411
	65,519,756	75,124,601
25. CASH AND BANK BALANCES		
Cash in hand	601,332	533,379
Cash at banks:		
Saving accounts (Note 25.1)	207,327,155	36,135,276
Current accounts	263,676,263	38,444,120
	471,003,418	74,579,396
	471,604,750	75,112,775

25.1 Saving accounts carry mark-up at the rates ranging from 3% to 6% (2017: 3.75% to 6%) per annum.

25.2 Bank balances of Rupees 54.947 million (2017: Rupees 20.053 million) and short term investments of Rupees 907.844 million (2017: Rupees 1,075 million) as at 30 June 2018 represents un-utilized proceeds of the initial public offer. Bank balance amounting to Rupees 50 million (2017: Rupees Nil) is under lien with a bank against short term borrowing.

	2018 Rupees	2017 Rupees
26. COST OF SALES		
Opening stock	1,505,022,998	662,906,276
Purchased during the year	6,781,162,273	6,556,546,674
	8,286,185,271	7,219,452,950
Less: Closing stock (Note 18)	960,933,462	1,505,022,998
	7,325,251,809	5,714,429,952
27. DISTRIBUTION COST		
Salaries, wages and other benefits (Note 27.1)	273,668,475	247,991,160
Sales promotion and advertisements - net (Note 27.2)	98,901,950	7,396,424
Freight outward	67,122,586	56,511,272
Rent, rates and taxes	43,834,426	45,719,323
Sales commission	1,795,067	2,972,170
Travelling and conveyance	43,594,463	32,838,479
Insurance	11,516,424	8,736,157
Utilities	4,596,749	2,745,069
Printing and stationery	715,606	432,221
Repair and maintenance	10,864,569	6,128,753
Vehicles' running and maintenance	12,553,114	9,368,393
Communication	9,275,269	7,143,730
Entertainment	3,790,176	2,906,814
Ijara rentals	2,317,819	–
Depreciation on operating fixed assets (Note 14.1)	29,946,666	27,168,421
Miscellaneous	21,560,476	14,258,496
	636,053,835	472,316,882

27.1 Salaries, wages and other benefits include provident fund contribution of Rupees 7.367 million (2017: Rupees 7.636 million) by the Company.

27.2 These are net off incentives in the shape of reimbursement against sales promotion expenses and advertisements amounting to Rupees 228.026 million (2017: Rupees 156.335 million) from SK Lubricants Co., Ltd. - related party.

	2018 Rupees	2017 Rupees
28. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 28.1)	249,465,091	205,664,463
Rent, rates and taxes	10,939,699	10,230,321
Travelling and conveyance	21,764,165	11,899,826
Legal and professional (Note 28.2)	29,069,517	11,041,456
Insurance	8,677,757	5,891,913
Vehicles' running and maintenance	6,512,955	7,177,530
Utilities	3,399,405	3,010,683
Repair and maintenance	6,110,129	5,642,530
Fee and subscription	1,710,697	4,427,769
Printing and stationery	951,616	666,319
Communication	3,969,658	5,808,279
Entertainment	4,658,814	3,716,316
Auditors' remuneration (Note 28.3)	2,791,225	2,261,500
Depreciation on operating fixed assets (Note 14.1)	22,261,381	10,684,717
Amortization on intangible assets (Note 14.1.3)	5,225,441	6,895,314
Miscellaneous	1,070,466	1,815,312
	378,578,016	296,834,248

28.1 Salaries and other benefits include provident fund contribution of Rupees 5.340 million (2017: Rupees 3.906 million) by the Company.

28.2 It includes an amount of Rupees 2.534 million (2017: Rupees 2.095 million) on account of internal audit services rendered by EY Ford Rhodes.

		2018 Rupees	2017 Rupees
28.3	**Auditors' remuneration**		
	Annual audit fee	1,350,000	1,150,000
	Certifications	481,225	385,000
	Half year review	750,000	550,000
	Reimbursable expenses	210,000	176,500
		2,791,225	2,261,500

29. OTHER EXPENSES

	2018 Rupees	2017 Rupees
Provision for doubtful trade debts (Note 19.3)	543,919	1,575,557
Provision for slow moving and damaged inventory items (Note 18.2)	807,206	2,215,187
Bad debts written off	180,292	127,107
Fixed assets written off	1,654,071	–
Exchange loss - net	34,971,164	15,851,504
Charities and donations (Note 29.1)	15,308,958	12,538,238
Unrealized loss on remeasurement of investment at fair value	9,604,845	1,561,020
	63,070,455	33,868,613

29.1 These include amount of Rupees 12 million (2017: Rupees 12 million) paid to Sabra Hamida Trust, 1-A, Danepur Road, GOR-1, Lahore, in which Mr. Hassan Tahir - Chief Executive, Mr. Shaukat Hassan - Director, Mr. Tahir Azam - Director and Mr. Ali Hassan - Director are trustees and Rupees 1 million (2017: Rupees Nil) paid to Al-Mudassar Trust, Bahariwal, Tehsil Kharian, District Gujrat in which there is no interest of any director or his/her spouse in donee's fund.

30. OTHER INCOME

	2018 Rupees	2017 Rupees
Income from financial assets		
Dividend income	272,250	1,150,572
Profit on bank deposits and term deposit receipts	58,382,560	85,020,636
Gain on sale of short term investment	–	3,181,451
Interest income on loans to subsidiary company	43,993,172	261,178
Income from non-financial assets		
Gain on disposal of operating fixed assets	3,447,087	1,780,349
Credit balances written back	–	1,983,967
Reversal of provision for doubtful trade debts (Note 19.3)	–	15,937
Reversal of provision for slow moving and damaged inventory items (Note 18.2)	571,872	–
Scrap sales	1,795,577	2,362,849
	108,462,518	95,756,939

31. FINANCE COST

	2018 Rupees	2017 Rupees
Mark up on long term financing	2,775,010	770,431
Mark up on short term borrowings	71,231,588	30,936,119
Finance charges on liabilities against assets subject to finance lease	6,033,324	3,087,422
Bank charges and commission	2,500,809	1,043,863
	82,540,731	35,837,835

	2018 Rupees	2017 Rupees
32. TAXATION		
For the year:		
Current (Note 32.1)	313,252,999	298,424,805
Deferred tax (Note 8)	8,861,396	3,207,193
Prior year adjustment	2,567	2,851,771
	322,116,962	304,483,769

32.1 The provision for current tax represents final tax on imports, tax on sales under normal tax regime and tax on income from other sources under the relevant provisions of the Income Tax Ordinance, 2001.

	2018 Rupees	2017 Rupees
32.2 Reconciliation between tax expense and accounting profit		
Accounting profit before taxation	876,546,143	1,031,351,431
Applicable tax rate	30%	31%
Tax on accounting profit	262,963,843	319,718,944
Tax effect of income subject to final tax regime	34,145,257	(35,461,500)
Effect of super tax	29,323,249	27,685,403
Expenses that are not deductible in determining taxable profit	(3,426,031)	1,103,165
Prior year adjustment	2,567	2,851,771
Tax effect of temporary differences	8,861,396	3,207,193
Tax credits	(9,753,319)	(14,621,207)
	322,116,962	304,483,769

32.3 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purposes of taxation is available which can be analyzed as follows:

Description	Year ended 30 June 2017	2016	2015
	Rupees		
Provision for taxation	298,427,372	359,424,629	164,667,599
Tax assessed	270,722,192	328,362,629	164,667,599

The excess provision mainly pertains to super tax provisions recognized in the respective years which have not been paid as yet as the Company intends to contest the levy of tax.

	2018	2017
33. EARNINGS PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basic earnings per share which based on:		
Profit after taxation attributable to ordinary shareholders (Rupees)	554,429,181	726,867,662
Weighted average number of shares (Number)	116,004,000	116,004,000
Basic earnings per share (Rupees)	4.78	6.27

	2018 Rupees	2017 Rupees

34. CASH GENERATED FROM / (UTILIZED IN) OPERATIONS

	2018 Rupees	2017 Rupees
Profit before taxation	876,546,143	1,031,351,431
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	52,208,047	37,853,139
Amortization on intangible assets	5,225,441	6,895,314
Provision for doubtful trade debts	543,919	1,575,557
Provision for slow moving and damaged inventory items	807,206	2,215,187
Reversal of provision for doubtful trade debts	–	(15,937)
Reversal of provision of slow moving and damaged inventory items	(571,872)	–
Bad debts written off	180,292	127,107
Credit balances written back	–	(1,983,967)
Gain on disposal of operating fixed assets	(3,447,087)	(1,780,349)
Dividend income	(272,250)	(1,150,572)
Profit on bank deposits and term deposit receipts	(58,382,560)	(85,020,636)
Interest income on loans to subsidiary company	(43,993,172)	(261,178)
Unrealized loss on remeasurement of investments at fair value	9,604,845	1,561,020
Gain on disposal of short term investment	–	(3,181,451)
Fixed assets written off	1,654,071	–
Exchange loss - net	34,971,164	15,851,504
Finance cost	82,540,731	35,837,835
Working capital changes (Note 34.1)	561,664,065	(1,091,235,646)
	1,519,278,983	(51,361,642)

34.1 Working capital changes

	2018 Rupees	2017 Rupees
Decrease / (increase) in current assets:		
Stock-in-trade	543,896,127	(844,288,248)
Trade debts	(58,275,929)	(29,305,434)
Loans and advances	255,540,680	(344,699,693)
Short term deposits and prepayments	(17,231,739)	(730,801)
Other receivables	62,307,664	(79,170,367)
	786,236,803	(1,298,194,543)
(Decrease) / increase in trade and other payables	(224,572,738)	206,958,897
	561,664,065	(1,091,235,646)

34.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Liabilities from financing activities				
	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Unclaimed dividend	Total
	Rupees				
Balance as at 01 July 2017	21,207,084	101,587,591	1,118,969,226	1,526,469	1,243,290,370
Financing obtained	21,865,000	–	7,696,804,614	–	7,718,669,614
Repayment of financing	(13,177,918)	–	(8,108,138,172)	–	(8,121,316,090)
Acquisitions - finance leases	–	65,319,120	–	–	65,319,120
Other change - non-cash movement	–	(5,734,900)	–	–	(5,734,900)
Repayment of lease liabilities	–	(35,972,579)	–	–	(35,972,579)
Dividend declared	–	–	–	406,014,000	406,014,000
Dividend paid	–	–	–	(403,243,100)	(403,243,100)
Balance as at 30 June 2018	29,894,166	125,199,232	707,635,668	4,297,369	867,026,435

		2018 Rupees	2017 Rupees
34.3	**Non-cash financing activities**		
	Acquisition of vehicles and machinery by means of finance lease	65,319,120	93,399,776

35. PROVIDENT FUND RELATED DISCLOSURES

	2018 Rupees	2017 Rupees
The following information is based on un-audited financial statements of the provident fund trust:		
Size of the fund - Total assets	90,190,586	87,478,981
Cost of investments	86,552,733	82,349,232
Percentage of investments made	95.97%	94.14%
Fair value of investments	87,082,552	89,192,259

35.1 The break-up of cost of investments is as follows:

	2018 Percentage	2017 Percentage	2018 Rupees	2017 Rupees
Investment in other collective investment scheme	12.71%	13.36%	11,000,000	11,000,000
Investment in listed equity securities	13.96%	11.77%	12,086,810	9,693,227
Bank balances and term deposit receipts	73.33%	74.87%	63,465,923	61,656,005
	100.00%	100.00%	86,552,733	82,349,232

35.2 As at the reporting date, Hi-Tech Lubricants Limited Employees Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the rules formulated for this purpose in terms of SRO 731 (I)/2018 issued by Securities and Exchange Commission of Pakistan on 06 June 2018 which allows transition period of one year for bringing the employees provident fund trust in conformity with the requirements of the rules.

36. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of subsidiary company, associated undertakings, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been disclosed else where in these financial statements, are as follows:

Relationship	Nature of transaction	2018 Rupees	2017 Rupees
Subsidiary company			
Hi-Tech Blending (Private) Limited	Share deposit money	–	197,240,600
	Issuance of shares	–	1,200,000,100
	Sale of lubricants	282,489	27,901
	Purchase of lubricants	3,831,954,432	2,325,570,721
	Loans disbursed	296,500,000	261,000,000
	Repayment of loans	557,500,000	–
	Interest charged on short term loans	43,993,172	261,178
	Lease rentals paid	3,000,000	3,000,000
	Sale of vehicle	133,821	–
Associated companies			
MAS Associates (Private) Limited	Share of common expenses	589,048	641,658
Other related parties			
SK Lubricants Co., Ltd.	Purchase of lubricants	2,225,755,614	3,341,798,883
Directors	Rent expense	2,314,266	16,518,699
Provident fund trust	Contribution	15,170,142	11,541,355
Sabra Hamida Trust	Donations	12,000,000	12,000,000

36.1 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place:

Name of related party	Basis of relationship	Transactions entered or agreements and / or arrangements in place during the financial year	% age of shareholding
Hi-Tech Blending (Private) Limited	Wholly owned subsidiary company	Yes	100%
Hi-Tech Energy (Private) Limited	Common directorship	No	None
MAS Associates (Private) Limited	Common directorship	Yes	None
MAS Infosoft (Private) Limited	Common directorship	No	None
MAS Services	Common directorship	No	None
Haut Buys (Private) Limited	Common directorship	No	None
Hi-Tech Lubricants Limited Employees			
Provident Fund Trust	Common trusteeship of directors	Yes	None
Sabra Hamida Trust	Common trusteeship of directors	Yes	None
MAS Associates (Private) Limited			
Employees Provident Fund Trust	Common trusteeship of directors	No	None
SK Lubricants Co., Ltd.	Major supplier and long term partner	Yes	None

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements in respect of remuneration, including all benefits to the chief executive, directors and executives of the Company are as follows:

	2018				2017			
		Directors				Directors		
	Chief Executive	Executives	Non–Executives	Executives	Chief Executive	Executives	Non–Executives	Executives
	Rupees							
Managerial remuneration	24,742,910	21,010,570	15,225,806	44,250,466	22,050,845	28,691,600	9,290,322	28,037,951
Bonus	–	–	–	19,801,014	–	–	–	17,232,321
Allowances								
House rent	5,922,581	5,225,806	6,851,613	19,841,632	5,341,936	7,112,903	4,180,645	12,215,017
Medical	1,316,129	1,161,290	1,522,581	4,409,252	1,187,097	1,580,645	929,032	2,714,448
Travelling	3,068,700	2,150,000	3,000,000	804,380	1,500,000	2,700,000	2,000,000	825,050
Other	–	–	–	389,960	500,000	1,300,000	–	1,897,681
Contribution to provident fund trust	–	–	–	4,354,930	–	–	–	2,527,482
Leave fare assistance	–	–	–	1,923,581	–	–	–	881,972
	35,050,320	29,547,666	26,600,000	95,775,215	30,579,878	41,385,148	16,399,999	66,331,922
	1	**1**	**4**	**25**	**1**	**2**	**2**	**17**

37.1 Chief executive, five directors (other than independent directors) and certain executives of the Company are provided with fully maintained vehicles.

37.2 Aggregate amount charged in financial statements for meeting fee to six directors (2017: five directors) is Rupees 5.350 million (2017: Rupees 3.05 million).

	2018		2017	
	Permanent	**Contractual**	Permanent	Contractual
38. NUMBER OF EMPLOYEES				
Total number of employees as on 30 June	399	153	229	105
Average number of employees during the year	371	131	300	83

39. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements at 30, June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rupees			
Financial assets				
Financial assets at fair value through profit or loss	65,519,756	–	–	65,519,756

Recurring fair value measurements at 30, June 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rupees			
Financial assets				
Financial assets at fair value through profit or loss	75,124,601	–	–	75,124,601

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation technique used to value financial instruments is the use of quoted market prices.

40. FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

The Company's activities exposes it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market 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 is exposed to currency risk arising primarily from the United States Dollar (USD). As on reporting date, the Company's foreign exchange risk exposure is restricted to the amounts payable / receivable to / from a foreign entity. The Company's exposure to currency risk was as follows:

	2018 USD	2017 USD
Other receivable	140,000	527,596
Trade and other payables	(1,123,288)	(4,419,369)
Net exposure	(983,288)	(3,891,773)

The following significant exchange rates were applied during the year:

	Rupees per US Dollar	
Average rate	110.43	104.55
Reporting date rate	121.60	104.80

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 4.185 million lower / higher (2017: Rupees 14.071 million lower / higher), mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(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 instrument traded in the market. The Company is not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Company's profit after taxation for the year. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit after taxation	
	2018 Rupees	2017 Rupees
PSX 100 (5% increase)	185,402	136,719
PSX 100 (5% decrease)	(185,402)	(136,719)

(iii) Interest rate risk

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

The Company has no long term interest bearing asset. The Company's interest rate risk arises from term deposit receipts, bank balances on saving accounts, long term financing, short term borrowings and liabilities against assets subject to finance lease. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments, if any, at fixed rate expose the Company to fair value interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	2018 Rupees	2017 Rupees
Fixed rate instruments		
Financial assets		
Short term investments	851,833,801	1,006,004,644
Floating rate instruments		
Financial assets		
Loan to subsidiary company	–	261,000,000
Bank balances - saving accounts	207,327,155	36,135,276
Financial liabilities		
Long term financing	29,894,166	21,207,084
Liabilities against assets subject to finance lease	125,199,232	101,587,591
Short term borrowings	707,635,668	1,118,969,226

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the reporting date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 4.588 million (2017: Rupees 6.518 million) lower / higher, mainly as a result of higher / lower interest expense on long term financing, liabilities against assets subject to finance lease, short term borrowings. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting dates were outstanding for the whole year.

(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. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 Rupees	2017 Rupees
Deposits	15,733,300	16,409,300
Trade debts	236,936,937	179,385,219
Loans and advances	4,388,899	267,353,756
Other receivables	17,340,333	56,075,653
Accrued interest	15,334,604	351,106
Short term investments	917,353,557	1,081,129,245
Bank balances	471,003,418	74,579,396
	1,678,091,048	1,675,283,675

The age analysis of trade debts as at reporting date is given in note 19.1.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2018	2017
	Short term	**Long term**	**Agency**	**Rupees**	Rupees
Short term investments					
Bank Alfalah Limited	A1+	AA+	PACRA	100,800,811	200,336,898
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	101,700,450	301,956,888
JS Bank Limited	A1+	AA-	PACRA	523,621,584	453,483,554
United Bank Limited	A1+	AAA	JCR-VIS	–	50,227,304
Summit Bank Limited	A-1	A-	JCR-VIS	100,706,849	–
Dubai Islamic Bank Pakistan Limited	A1	AA-	JCR-VIS	25,004,107	–
Engro Fertilizer Limited	A1+	AA	PACRA	3,708,045	2,734,380
Alfalah GHP Stock Fund B Growth Units	4-Star		PACRA	61,811,711	72,390,221
Banks					
Bank Alfalah Limited	A1+	AA+	PACRA	166,627,746	13,769,809
Bank Al-Habib Limited	A1+	AA+	PACRA	126,981,239	28,268
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,445,529	8,124,381
MCB Bank Limited	A1+	AAA	PACRA	60,163,601	23,005,839
National Bank of Pakistan	A1+	AAA	PACRA	3,789,228	597,754
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	74,162	8,074,629
The Bank of Punjab	A1+	AA	PACRA	33,301	33,301
Habib Bank Limited	A1+	AAA	JCR-VIS	603,332	4,862,764
Askari Bank Limited	A1+	AA+	PACRA	192,740	409,846
United Bank Limited	A1+	AAA	JCR-VIS	85,054,539	662,002
JS Bank Limited	A1+	AA-	PACRA	12,021	14,960,656
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	1,088,431	49,727
Meezan Bank Limited	A1+	AA+	JCR-VIS	18,174,609	–
Dubai Islamic Bank Pakistan Limited	A1	AA-	JCR-VIS	10,955	–
Samba Bank Limited	A1	AA	JCR-VIS	1,751,985	–
Summit Bank Limited	A1	A-	JCR-VIS	–	420
				1,388,356,975	1,155,708,641

Due to the Company's business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. As 30 June 2018, the Company had Rupees 1,750 million (2017: Rupees 433.195 million) available borrowing limits from financial institutions and Rupees 471.605 million (2017: Rupees 75.113 million) cash and bank balances. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2018:

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	More than 2 years
	Rupees					
Non–derivative financial liabilities:						
Long term financing	29,894,166	32,579,393	8,607,980	8,308,075	13,805,420	1,857,918
Liabilities against assets subject to finance lease	125,199,232	134,911,579	26,074,509	25,941,342	58,482,235	24,413,307
Long term deposits	1,500,000	1,500,000	–	–	–	1,500,000
Trade and other payables	330,463,137	330,463,137	330,463,137	–	–	–
Unclaimed dividend	4,297,369	4,297,369	4,297,369	–	–	–
Accrued mark-up	18,217,096	18,217,096	18,217,096	–	–	–
Short term borrowings	707,635,668	718,212,371	718,212,371	–	–	–
	1,217,206,668	1,240,180,945	1,105,872,462	34,249,417	72,287,655	27,771,225

Contractual maturities of financial liabilities as at 30 June 2017:

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	More than 2 years
	Rupees					
Non–derivative financial liabilities:						
Long term financing	21,207,084	23,310,821	4,248,409	4,500,958	8,548,913	6,012,541
Liabilities against assets subject to finance lease	101,587,591	109,817,029	22,017,590	18,304,884	69,494,555	–
Long term deposits	2,000,000	2,000,000	–	–	–	2,000,000
Trade and other payables	424,016,113	424,016,113	424,016,113	–	–	–
Unclaimed dividend	1,526,469	1,526,469	1,526,469	–	–	–
Accrued mark-up	9,517,227	9,517,227	9,517,227	–	–	–
Short term borrowings	1,118,969,226	1,150,969,023	1,142,892,910	8,076,113	–	–
	1,678,823,710	1,721,156,682	1,604,218,718	30,881,955	78,043,468	8,012,541

40.2 Financial instruments by categories

	2018			
	Loans and receivables	Held–to maturity	At fair value through profit or loss	Total
	Rupees			
Financial assets				
Deposits	15,733,300	–	–	15,733,300
Trade debts	236,936,937	–	–	236,936,937
Loans and advances	4,388,899	–	–	4,388,899
Other receivables	17,340,333	–	–	17,340,333
Accrued interest	15,334,604	–	–	15,334,604
Short term investments	–	851,833,801	65,519,756	917,353,557
Cash and bank balances	471,604,750	–	–	471,604,750
	761,338,823	851,833,801	65,519,756	1,678,692,380

	2017			
	Loans and receivables	Held–to maturity	At fair value through profit or loss	Total
	Rupees			
Financial assets				
Deposits	16,409,300	–	–	16,409,300
Trade debts	179,385,219	–	–	179,385,219
Loans and advances	267,353,756	–	–	267,353,756
Other receivables	56,075,653	–	–	56,075,653
Accrued interest	351,106	–	–	351,106
Short term investments	–	1,006,004,644	75,124,601	1,081,129,245
Cash and bank balances	75,112,775	–	–	75,112,775
	594,687,809	1,006,004,644	75,124,601	1,675,817,054

	At amortized cost	
	2018 Rupees	2017 Rupees
Financial liabilities		
Long term financing	29,894,166	21,207,084
Liabilities against assets subject to finance lease	125,199,232	101,587,591
Long term deposits	1,500,000	2,000,000
Trade and other payables	330,463,137	424,016,113
Short term borrowings	707,635,668	1,118,969,226
Accrued mark-up	18,217,096	9,517,227
Unclaimed dividend	4,297,369	1,526,469
	1,217,206,668	1,678,823,710

40.3 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

41 DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

		Note	**2018 Rupees**	2017 Rupees
	Description			
i)	**Loans / advances obtained as per Islamic mode:**			
	Loans	5,6 and 11	97,574,183	142,376,117
	Advances	9	152,873,281	191,257,137
ii)	**Shariah complaint bank deposits / bank balances**			
	Bank balances	25	19,273,995	49,727
	Term deposit receipts	24.1	25,000,000	–
iii)	**Profit earned from shariah complaint bank deposits / bank balances**			
	Bank balances	30	–	–
	Term deposit receipts		3,739,863	–
iv)	**Revenue earned from a shariah complaint business**		9,253,578,471	7,488,882,022
v)	**Gain / (loss) or dividend earned from shariah complaint investments**			
	Dividend income	30	272,250	346,500
	Gain on sale of investment	30	–	–
	Unrealized gain / (loss) on remeasurement of investment at fair value	29	973,665	(464,310)

		Note	2018 Rupees	2017 Rupees
vi)	**Exchange gain earned**	29	–	–
vii)	**Mark up paid on Islamic mode of financing**		8,985,506	2,790,610
viii)	**Profits earned or interest paid on any conventional loan or advance**			
	Profit earned on loans to subsidiary company	30	43,993,172	261,178
	Interest paid on loans		62,354,547	23,029,047

ix) Relationship with shariah compliant banks

Name	Relationship as at reporting date
Al-Baraka Bank (Pakistan) Limited	Bank balance
Meezan Bank Limited	Bank balance and short term borrowings
Dubai Islamic Bank Pakistan Limited	Bank balance, short term borrowings and term deposit receipt

42. 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 and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. Consistent with others in the industry, and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in note 5, 6 and 11 to the financial statements. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'.

		2018	2017
Borrowings	Rupees	862,729,066	1,241,763,901
Total equity	Rupees	3,892,721,018	3,744,305,837
Total capital employed	Rupees	4,755,450,084	4,986,069,738
Gearing ratio	Percentage	18.14%	24.90%

The decrease in gearing ratio is mainly due to decrease in short term borrowings.

43. UNUTILIZED CREDIT FACILITIES

	Non–funded		Funded	
	2018 Rupees	2017 Rupees	2018 Rupees	2017 Rupees
Total facilities	1,600,000,000	986,594,028	2,458,000,000	1,552,164,731
Utilized at the end of the year	396,607,129	397,593,744	707,635,668	1,118,969,226
Unutilized at the end of the year	1,203,392,871	589,000,284	1,750,364,332	433,195,505

44. SEGMENT INFORMATION

These financial statements has been prepared on the basis of single reportable segment. All of the sales of the Company relates to customers in Pakistan. All non-current assets of the Company as at reporting date were located in Pakistan.

45. EVENTS AFTER THE REPORTING PERIOD

45.1 The Board of Directors has proposed a cash dividend for the year ended 30 June 2018 of Rupees 1.75 per share (2017: Rupee 1.75 per share). However, this event has been considered as non-adjusting event under IAS 10 'Event after Reporting Period' and has not been recognized in these financial statements.

45.2 Under Section 5A of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate of 5% of accounting profit before tax of the Company if it does not distribute at least 20% of its after tax profit for the year within six months of the end of the year ended 30 June 2018 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on 09 September 2018 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

46. UTILIZATION OF THE PROCEEDS OF THE INITIAL PUBLIC OFFER (IPO)

During the year ended 30 June 2016, the Company made an Initial Public Offer (IPO) through issue of 29,001,000 ordinary shares of Rupees 10 each at a price of Rupees 62.50 per share determined through book building process. Out of the total issue of 29,001,000 ordinary shares, 21,750,500 shares were subscribed through book building by High Net Worth Individuals and Institutional Investors, while the remaining 7,250,500 ordinary shares were subscribed by the General Public and the shares were duly allotted on 18 February 2016. On 01 March 2016, Pakistan Stock Exchange Limited approved the Company's application for formal listing of ordinary shares and trading of shares started on 03 March 2016.

Till 30 June 2017, the Company utilized the proceeds of the initial public offer of 29,001,000 ordinary shares for the purposes mentioned under heading 5.5 'Expansion Plan' in prospectus dated 28 December 2015, as per the following detail:

Purposes Mentioned Under Heading 5.5 'Expansion Plan' In Prospectus Dated 28 December 2015	Total amount		Total amount utilized till 30 June 2017
	Rupees		
Investment in HTLL			
Land	470,000,000		60,618,100
Building	128,000,000		12,486,445
Plant, machinery and equipment	139,000,000		2,719,201
Pre-operating costs	33,000,000		249,630
Working capital	842,562,500		739,126,208
	1,612,562,500		815,199,584
Investment in 100% owned subsidiary			
Additional filling lines for blending plant, Hi-Tech Blending (Private) Limited	200,000,000		–
Total	1,812,562,500	**B**	815,199,584
IPO proceeds (A)	1,812,562,500		
Amount un-utilized (A – B)	997,362,916		

As stated in the prospectus dated 28 December 2015, the Company planned to offer state of the art retail outlets across Pakistan with multitude of unique services and also planned to install additional filling lines at the blending plant of its subsidiary. The plan of the year 2015-16 covered 37 grand outlets openings in 11 major cities of Pakistan including Lahore, Gujranwala, Sialkot, Faisalabad, Multan, Islamabad, Rawalpindi, Karachi and Hyderabad. Over a period of 5 years, the Company planned to open 75 retail outlets (including 67 rented) across 16 major cities of Pakistan. As per quarterly progress report number 06 dated 14 July 2017, the Company informed all stakeholders the progress on implementation of project: Expansion through retail outlet: 1 owned service center under regulatory approval and out of the 10 rented service centers, 1 is operational, 3 are approved and under construction, 3 are under regulatory approvals and 3 are under negotiations. Accurate, effective and timely implementation of the above plans of the Company became a big challenge for the Company due to expensive lands and properties at key locations in almost all the cities for express service centers. Hence, the Company planned for incorporation of express centers into its fuel stations to be established under the umbrella of Oil Marketing Company (OMC) Project of the Company. In this regard, the Company obtained a financial feasibility report from KPMG Taseer Hadi & Co., Chartered Accountants regarding investment in OMC Project. In view of successful fulfillment of initial mandatory requirements of Oil and Gas Regulatory Authority (OGRA) for setting up of an OMC and future prospects of OMC in current international scenario as prospected under financial feasibility report, the shareholders of the Company in their 9th Annual General Meeting held on 29 September 2017 approved diversion and utilization of un-utilized IPO funds from HTL Express Centers and wholly owned subsidiary company to OMC Project of the Company keeping in view overall growth of the Company and ultimate benefit to all shareholders and stakeholders of the Company.

The Project envisages setting up 360 retail outlets across Punjab, Sindh and Khyber Pakhtunkhwa Provinces of Pakistan. The fuel stations will offer full range of services such as general store, tire shop and a car shop amongst others. To support sales, the Company plans to invest in building storage capacities of 25,735 metric tons (Mogas and HSD) across the country over a period of 7 years.

During the year ended 30 June 2017, OGRA granted license to the Company to establish an Oil Marketing Company (OMC), subject to some conditions. During the current year with reference to OMC Project of the Company, Oil and Gas Regulatory Authority (OGRA) has granted permission to proceed to apply/acquire No Objection Certificates (NOCs) from concerned departments including District Coordination Officer (DCO) for setting up of upto 26 retail outlets in Punjab Province with instructions that retail sales through petrol pumps can only be started after completion of necessary Storage Infrastructure, 3rd Party Inspector Report confirming that storage/depot meets OGRA's notified Technical Standards and OGRA's approval.

A fuel storage site at Sahiwal is complete and final inspection is already underway. Another storage site shall be built in Nowshera. Currently, the Company has three operational HTL Express Centers in Lahore. Detail of payments out of IPO proceeds during the year ended 30 June 2018 are as follows:

	Rupees
Un-utilized IPO proceeds as at 01 July 2017	1,094,571,944
Add: Profit on term deposit receipts	56,602,724
Less: Payments made during the year:	
HTL Express Centres	(26,665,859)
OMC Project	(138,102,455)
Working capital	(6,016,725)
	(170,785,039)
Less: Withholding tax on profit	(5,660,272)
Less: Unrealized loss on investment in mutual fund	(11,675,221)
Less: Bank charges	(263,724)
Un-utilized IPO proceeds as at 30 June 2018	962,790,412

The un-utilized proceeds of the public offer have been kept by the Company in the shape of bank balances, term deposit receipts and mutual fund.

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 09 SEP 2018 by the Board of Directors of the Company.

48. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made in these financial statements. Further, to comply with the requirements of the Companies Act, 2017, unclaimed dividend has been reclassified from trade and other payables and presented on the face of statement of financial position.

49. GENERAL

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

Chief Executive | Director | Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

INDEPENDENT **AUDITOR'S REPORT**

To the members of Hi-Tech Lubricants Limited

Opinion

We have audited the annexed consolidated financial statements of Hi-Tech Lubricants Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matter was addressed in our audit
1	**Revenue recognition** Revenue amounting to Rupees 9,255 million is measured net of discounts earned by customers on the Group's sales. Discounts recognized, based on sales made during the year, are material and considered to be complex. There is a potential risk that these arrangements may not be appropriately reflected and as a result revenue may be misstated in the consolidated financial statements. Revenue is recognised when the risks and rewards of the underlying products have been transferred to the customer. The Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards have been transferred. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement due to the risk related to the recognition of revenue before risks and rewards have been transferred. For further information on revenue, refer to the following: - Summary of significant accounting policies, Revenue note 2.21.1 to the consolidated financial statements. - Sales and discounts shown on the face of consolidated statement of profit or loss.	Our procedures included, were not limited to: • We considered the appropriateness of the Group's revenue recognition accounting policies, including those relating to discounts and assessing compliance with the policies in terms of applicable accounting standards. • In response to the risk of fraud, we tested the effectiveness of the Group's controls over the calculation of discounts and correct timing of revenue recognition. • We assessed sales transactions taking place at either side of the year end as well as credit notes issued after the year end date to assess whether that revenue was recognised in the correct period. • We compared current year discount accruals to the prior year and, where relevant, we completed further inquiries and testing. We reconciled a sample of discounts accruals to supporting documentation and challenged management's assumptions used in estimating discount accruals. • We also considered the adequacy of the Group's disclosures in respect of revenue. • We assessed the revenue recognized with substantive analytical procedures.

<table>
<tr><th>Sr. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>2</td><td>Stock-in-trade existence and valuation

Stock-in-trade as at 30 June 2018 amounted to Rupees 1,544 million and represented a material position in the consolidated statement of financial position.

The business is characterized by high volume and the valuation and existence of stock-in-trade are significant to the business. Therefore, considered as one of the key audit matters.

Stock-in-trade is stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in Note 2.10.2 to the consolidated financial statements.

At year end, the valuation of stock-in-trade is reviewed by management and the cost of stock-in-trade is reduced where stock-in-trade is forecast to be sold below cost.

Raw materials are valued at weighted average cost whereas, costing of work-in-process and manufactured finished goods is considered to carry more significant risk as the cost of material, labor and manufacturing overheads is allocated on the basis of complex formulas and involves management judgment.

For further information on stock-in-trade, refer to the following:
- Summary of significant accounting policies, Stock-in-trade note 2.10.2 to the consolidated financial statements.
- Stock-in-trade note 19 to the consolidated financial statements.</td><td>Our procedures over existence and valuation of stock-in-trade included, but were not limited to:

• To test the quantity of stock-in-trade at all locations, we assessed the corresponding stock-in-trade observation instructions and participated in stock-in-trade counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.
• For a sample of stock-in-trade items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.
• We tested that the ageing report used by management correctly aged stock-in-trade items by agreeing a sample of aged stock-in-trade items to the last recorded invoice.
• On a sample basis, we tested the net realizable value of stock-in-trade items to recent selling prices and re-performed the calculation of the stock-in-trade write down, if any.
• In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.
• We also made enquires of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</td></tr>
<tr><td>3</td><td>Preparation of consolidated financial statements under the Companies Act, 2017

The Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Group's annual financial statements for the year ended 30 June 2018.

The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and contents of disclosures in relation to various elements of the consolidated financial statements.

In case of the Group, specific additional disclosures and changes to the existing disclosures have been included in the consolidated financial statements.

The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from the transition to the new reporting requirements under the Act.

For further information, refer to note 2.1(b) to the consolidated financial statements.</td><td>Our procedures included, but were not limited to:

• We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due the application of the Act.
• We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.
• We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.</td></tr>
</table>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements of the Group and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mubashar Mehmood.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: 09 September 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 Rupees	2017 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
150,000,000 (2017: 150,000,000) ordinary shares of Rupees 10 each		1,500,000,000	1,500,000,000
Issued, subscribed and paid-up share capital	3	1,160,040,000	1,160,040,000
Reserves	4	2,926,660,970	2,573,140,599
Total equity		4,086,700,970	3,733,180,599
LIABILITIES			
Non-current liabilities			
Long term financing	5	19,156,221	98,557,862
Liabilities against assets subject to finance lease	6	80,309,810	103,119,783
Long term deposits	7	1,500,000	2,000,000
Deferred liabilities	8	112,227,115	40,603,480
		213,193,146	244,281,125
Current liabilities			
Trade and other payables	9	770,080,893	1,169,315,572
Accrued mark-up	10	29,696,233	27,891,018
Short term borrowings	11	1,325,250,528	1,235,959,909
Current portion of non-current liabilities	12	179,059,861	207,401,109
Unclaimed dividend		4,297,369	1,526,469
		2,308,384,884	2,642,094,077
Total liabilities		2,521,578,030	2,886,375,202
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		6,608,279,000	6,619,555,801
ASSETS			
Non–current assets			
Fixed assets	14	2,955,152,502	2,501,014,416
Long term loans to employees	16	280,132	1,049,136
Long term security deposits	17	41,092,506	59,083,196
		2,996,525,140	2,561,146,748
Current assets			
Stores	18	26,759,589	50,156,870
Stock-in-trade	19	1,544,074,179	2,070,841,515
Trade debts	20	236,936,937	179,584,299
Loans and advances	21	80,222,041	125,795,530
Short term deposits and prepayments	22	60,831,795	24,413,272
Other receivables	23	109,129,419	243,868,294
Short term investments	24	917,353,557	1,081,129,245
Taxation - net		69,499,665	61,716,183
Cash and bank balances	25	566,946,678	220,903,845
		3,611,753,860	4,058,409,053
TOTAL ASSETS		6,608,279,000	6,619,555,801

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

Chief Executive | Director | Chief Financial Officer

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS

For the year ended 30 June 2018

HTL LIMITED
Hi-Tech Lubricants Ltd

	Note	2018 Rupees	2017 Rupees
Gross sales		11,539,772,684	8,949,001,968
Discounts		(368,818,182)	(321,712,015)
Sales tax		(1,915,568,089)	(1,298,818,374)
Net sales		9,255,386,413	7,328,471,579
Cost of sales	26	(6,860,164,085)	(5,395,695,695)
Gross profit		2,395,222,328	1,932,775,884
Distribution cost	27	(635,791,336)	(472,316,882)
Administrative expenses	28	(444,926,193)	(360,692,907)
Other expenses	29	(108,050,088)	(40,196,878)
		(1,188,767,617)	(873,206,667)
Other income	30	71,376,823	96,177,950
Profit from operations		1,277,831,534	1,155,747,167
Finance cost	31	(127,280,022)	(77,089,573)
Profit before taxation		1,150,551,512	1,078,657,594
Taxation	32	(391,017,141)	(334,677,749)
Profit after taxation		759,534,371	743,979,845
Earnings per share - basic and diluted	33	6.55	6.41

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

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the year ended 30 June 2018

	2018 Rupees	2017 Rupees
Profit after taxation	759,534,371	743,979,845
Other comprehensive income		
Items that will not be reclassified to profit or loss	–	–
Items that may be reclassified subsequently to profit or loss	–	–
Total comprehensive income for the year	759,534,371	743,979,845

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

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the year ended 30 June 2018

HTL LIMITED
Hi-Tech Lubricants Ltd

	Share capital	Reserves			Total equity
		Capital reserve	Revenue reserve	Total reserves	
		Share premium	Un–appropriated profit		
	Rupees				
Balance as at 30 June 2016	1,160,040,000	1,441,697,946	700,673,608	2,142,371,554	3,302,411,554
Transactions with owners:					
Final dividend for the year ended 30 June 2016					
@ Rupee 1.35 per share of Rupees 10 each	–	–	(156,605,400)	(156,605,400)	(156,605,400)
Interim dividend for the year ended 30 June 2017					
@ Rupees 1.35 per share of Rupees 10 each	–	–	(156,605,400)	(156,605,400)	(156,605,400)
	–	–	(313,210,800)	(313,210,800)	(313,210,800)
Profit for the year ended 30 June 2017	–	–	743,979,845	743,979,845	743,979,845
Other comprehensive income for the year ended 30 June 2017	–	–	–	–	–
Total comprehensive income for the year ended 30 June 2017	–	–	743,979,845	743,979,845	743,979,845
Balance as at 30 June 2017	1,160,040,000	1,441,697,946	1,131,442,653	2,573,140,599	3,733,180,599
Transactions with owners:					
Final dividend for the year ended 30 June 2017					
@ Rupee 1.75 per share of Rupees 10 each	–	–	(203,007,000)	(203,007,000)	(203,007,000)
Interim dividend for year ended 30 June 2018					
@ Rupees 1.75 per share of Rupees 10 each	–	–	(203,007,000)	(203,007,000)	(203,007,000)
	–	–	(406,014,000)	(406,014,000)	(406,014,000)
Profit for the year ended 30 June 2018	–	–	759,534,371	759,534,371	759,534,371
Other comprehensive income for the year ended 30 June 2018	–	–	–	–	–
Total comprehensive income for the year ended 30 June 2018	–	–	759,534,371	759,534,371	759,534,371
Balance as at 30 June 2018	1,160,040,000	1,441,697,946	1,484,963,024	2,926,660,970	4,086,700,970

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

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 Rupees	2017 Rupees
Cash flows from operating activities			
Cash generated from operations	34	1,619,023,784	123,262,893
Finance cost paid		(125,474,807)	(64,496,446)
Income tax paid		(326,744,373)	(390,313,405)
Net decrease in long term loans to employees		1,390,444	3,058,343
Net increase in long term security deposits		(8,051,050)	(25,122,111)
Net decrease in long term deposits		(500,000)	–
Net cash generated from / (used in) operating activities		1,159,643,998	(353,610,726)
Cash flows from investing activities			
Capital expenditure on property, plant and equipment		(530,468,627)	(761,897,536)
Capital expenditure on intangible assets		(676,234)	(1,865,420)
Proceeds from disposal of property, plant and equipment		9,673,313	74,966,513
Short term investments - net		154,999,999	378,662,602
Dividend income		272,250	1,150,572
Profit on bank deposits and term deposit receipts received		57,814,765	85,353,373
Net cash used in investing activities		(308,384,534)	(223,629,896)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(64,653,476)	(67,623,383)
Short term borrowings - net		89,290,619	1,136,965,694
Dividend paid		(403,243,100)	(312,548,794)
Proceeds from long term financing		21,865,000	23,135,000
Repayment of long term financing		(148,475,674)	(169,277,507)
Net cash (used in) / from financing activities		(505,216,631)	610,651,010
Net increase in cash and cash equivalents		346,042,833	33,410,388
Cash and cash equivalents at beginning of the year		220,903,845	187,493,457
Cash and cash equivalents at end of the year		566,946,678	220,903,845

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

Chief Executive | Director | Chief Financial Officer

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

- Hi-Tech Lubricants Limited

Subsidiary Company

- Hi-Tech Blending (Private) Limited

1.1 Hi-Tech Lubricants Limited

Hi-Tech Lubricants Limited ("the Holding Company") was incorporated under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. The registered office of the Holding Company is situated at 1-A, Danepur Road, GOR-1, Lahore. The principal activity of the Holding Company is to procure and distribute petroleum products. During the year ended 30 June 2017, Oil and Gas Regulatory Authority (OGRA) has granted license to the Holding Company to establish an Oil Marketing Company (OMC), subject to some conditions.

1.2 Hi-Tech Blending (Private) Limited

Hi-Tech Blending (Private) Limited ("the Subsidiary Company") was incorporated in Pakistan as a private company limited by shares on 13 March 2014 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The principal activity of the Subsidiary Company is to construct, own and operate lubricating oil blending plant. The registered office of the Subsidiary Company is situated at 1-A, Danepur Road, GOR-1, Lahore. The Subsidiary Company is a wholly owned subsidiary of Hi-Tech Lubricants Limited.

1.3 Geographical location and addresses of all business units are as follows:

Business units	Address
Registered and head office	1-A, Danepur Road, GOR-1, Lahore
Regional office - Karachi	C-6 /1, Street No. 3, Bath Island, Clifton, Karachi
Regional office - Islamabad	Suite # 1402, 14th Floor Green Trust Tower, Jinnah Avenue, Blue Area, Islamabad
Regional office - Peshawar	Office No. 280, 3rd Floor, Deans Trade Centre, Islamia Road, Peshawar
Customs bonded warehouse	Property No. 35 A/M, Quaid-e-Azam Industrial Estate, Kot Lakhpat, Lahore
Blending plant, office and warehouse	7-Km, Sundar Raiwind Road, Bhai Kot, Lahore
Customs bonded warehouse	Behind G.T. Road, Akhri Mint Stop, Near Nadia Ghee Mills, Daroghawala, Lahore
Customs bonded warehouse	Plot No. F-77-B, S.I.T.E, Karachi
Customs bonded warehouse	S/85, Hawks bay Road, Near Mono Motors, Karachi
Customs bonded warehouse	157-A, Block B, Opposite Atlas Auto Shershah, Karachi
Warehouse	B-13, Cotton Godown, Korangi Industrial Area, Karachi
Oil Depot – OMC Project	Mouza No. 107/9L, Tehsil and District Sahiwal
OMC Project office	Plot No. 2, Block K, Main Boulevard Gulberg-II, Lahore
Oil Depot – OMC Project	Mouza Aza Khel Bala, Tehsil & District Nowshera
HTL Express Centre	Dharampura, Lahore
HTL Express Centre	Garden Town, Lahore
HTL Express Centre	Gulshan-e-Ravi, Lahore
HTL Express Centre (proposed)	22-A, Zafar Ali Road, Jail Road, Lahore

1.4 Summary of significant transactions and events affecting the Group's financial position and performance

a) The exchange rate of United States Dollar to Pak Rupees has increased from Pak Rupees 104.8 as at 30 June 2017 to Pak Rupees 121.6 as at 30 June 2018.

b) With reference to OMC Project of the Holding Company, Oil and Gas Regulatory Authority (OGRA) has granted permission to proceed to apply/ acquire No Objection Certificates (NOCs) from concerned departments including District Coordination Officer (DCO) for setting up of up to maximum 26 retail outlets in Punjab Province with instructions that retail sale through petrol pump can only be started after completion of necessary storage infrastructure, 3rd Party Inspector Report confirming that storage/depot meets OGRA's notified Technical Standards and OGRA's approval.

c) For a detailed discussion, about the Group's performance, please refer to the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

b) Preparation of consolidated financial statements under the Companies Act, 2017

The Fourth Schedule to the Companies Act, 2017 became applicable to the Group for the first time for the preparation of these consolidated financial statements. The Companies Act, 2017 (including its Fourth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Group (refer note 14.1.5), management assessment of sufficiency of tax provision in the consolidated financial statements (refer note 32.2), change in threshold for identification of executives (refer note 38), additional disclosure requirements for related parties (refer note 37) etc.

c) Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments carried at fair value.

d) Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the consolidated financial statements or where judgments were exercised in application of accounting policies are as follows:

Taxation

In making the estimates for income tax currently payable by the Group, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Useful lives, pattern of economic benefits and impairment

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 Group. Further, the Group reviews the value of the assets for possible impairments on an annual basis. If such indication exist assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. 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.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Provision for obsolescence of stock-in-trade

Provision for obsolescence of items of stock-in-trade is made on the basis of management's estimate of net realizable value and age analysis prepared on an item-by-item basis.

Provisions for doubtful debts

The Group reviews its receivables against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

e) Amendments to published approved accounting standards that are effective in current year and are relevant to the Group

Following amendments to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after 01 July 2017:

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Group's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments have no significant impact on Groups financial statements.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

f) Standards, interpretations and amendments to published standards that are not yet effective but relevant to the Group

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2018 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The aforesaid standard is not expected to have a material impact on the Group's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Group's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Group is in the process of evaluating the impacts of the aforesaid standard on the Group's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Group's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Group's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Group's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Group's financial statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Group is in the process of evaluating the impacts of the aforesaid amendments on the Group's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Group's financial statements and have therefore not been analysed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Group

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2018 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Consolidation

Subsidiary

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

The assets and liabilities of Subsidiary Company have been consolidated on a line by line basis and carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Company.

Intragroup balances, transactions and unrealized gains on transactions between Group companies have been eliminated.

2.3 Property, plant and equipment

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (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. Freehold land and capital work-in-progress are stated at cost less any recognized impairment loss.

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 Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated statement of profit or loss account during the period in which they are incurred.

Depreciation

Depreciation is charged to consolidated statement of profit or loss by applying the reducing balance method whereby cost of an asset is written off over its estimated useful life at the rates given in Note 14.1. Depreciation on additions is charged for the full month in which the asset is available for use and on deletion up to the month immediately preceding the deletion.

De-recognition

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

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. All expenditures 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 are available for use.

2.4 Investment property

Land held for capital appreciation or to earn rental income is classified as investment property. Land is stated at cost less any recognized impairment loss.

2.5 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

2.6 Leases

The Group is the lessee:

2.6.1 Finance leases

Leases where the Group has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to consolidated statement of profit or loss over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to consolidated statement of profit or loss.

2.6.2 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 are charged to consolidated statement of profit or loss on a straight line basis over the lease term.

2.7 Investments

The Group's management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "investment at fair value through profit or loss" which is initially measured at fair value.

The Group assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Group applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments.

2.7.1 Investment at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in consolidated statement of profit or loss.

2.7.2 Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in consolidated statement of profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

2.7.3 Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale.

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in consolidated statement of other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in consolidated statement of other comprehensive income is included in consolidated statement of profit or loss. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the reporting date. Fair value of investments in open-end mutual funds is determined using redemption price.

Unquoted

Fair value of unquoted investments is determined on the basis of appropriate valuation techniques as allowed by IAS 39 'Financial Instruments: Recognition and Measurement'.

2.8 Foreign currencies

These consolidated financial statements are presented in Pak Rupees, which is the Group'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 consolidated 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 consolidated statement of profit or loss.

2.9 Employee benefits

The Group operates contributory provident fund schemes covering all regular employees. Equal monthly contributions are made both by the employees and the employers to the funds at the rate of 10% of basic salary of employees. The Group's contributions to the funds are charged to consolidated statement of profit or loss.

2.10 Inventories

2.10.1 Stores

Useable stores are valued principally at moving average cost, while items considered obsolete are carried at Nil value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.10.2 Stock-in-trade

Stock-in-trade, except in transit, is stated at lower of cost and net realizable value.

Cost of raw material, work-in-process and finished goods are determined as follows:

(i) For raw material: Weighted average basis

(ii) For work-in-process and finished goods: Average manufacturing cost including a portion of production overheads.

Stock in transit is valued at cost comprising invoice value plus other charges incurred thereon.

Finished goods purchased for resale are stated at the lower of cost determined using weighted average cost method and net realizable value.

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

2.11 Financial instruments

2.11.1 Recognition and de-recognition

Financial instruments carried on the consolidated statement of financial position include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Group 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 Group loses control of the contractual rights that comprise the financial asset. The Group loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Group 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. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.11.2 Off setting

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

2.12 Cash and cash equivalents

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

2.13 Provisions

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

2.14 Taxation

2.14.1 Current

Provision for 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 the 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.

2.14.2 Deferred

Deferred tax is accounted for using the 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 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 utilized.

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 reporting date. Deferred tax is charged or credited in the consolidated statement of profit or loss, 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.

2.15 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest rate method.

2.16 Borrowing costs

Borrowing costs are recognized as expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of cost of that asset.

2.17 Trade debts and other receivables

Trade debts and other receivables 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.

2.18 Trade and other payables

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

2.19 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets.

2.20 Impairment

2.20.1 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 by reference to its current fair value.

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

2.20.2 Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in consolidated statement of profit or loss.

2.21 Revenue

2.21.1 Sale of goods

Revenue from sale of goods is recognized on dispatch of goods to customers.

2.21.2 Interest income

Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

2.21.3 Dividend income

Dividend on equity investments is recognized when right to receive the dividend is established.

2.22 Dividend and other appropriations

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

2.23 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.24 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has single reportable business segment.

3. ISSUED, SUBSCRIBED AND PAID–UP SHARE CAPITAL

2018	2017		2018	2017
(Number of shares)			Rupees	Rupees
41,002,000	41,002,000	Ordinary shares of Rupees 10 each fully paid-up in cash	410,020,000	410,020,000
25,000,000	25,000,000	Ordinary shares of Rupees 10 each issued as fully paid for consideration other than cash (Note 3.2)	250,000,000	250,000,000
50,002,000	50,002,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	500,020,000	500,020,000
116,004,000	116,004,000		1,160,040,000	1,160,040,000

3.1 827,775 (2017: 827,775) ordinary shares of the Holding Company are held by SK Lubricants Co., Ltd. - related party.

3.2 On 01 July 2011, the Holding Company entered into 'Agreement for Takeover of Partnership Firm by Private Limited Company / Dissolution of Partnership' ("the Agreement") with partners of Hi-Tec Lubricants, a registered partnership firm ("the Firm") and took over all the business, assets and liabilities of the Firm, as per audited financial statements of Hi-Tec Lubricants for the year ended 30 June 2011, against consideration of issuance of shares of the Holding Company amounting to Rupees 250,000,000 divided into 2,500,000 ordinary shares of Rupees 100 each.

3.3 The principal shareholders of the Holding Company and SK Lubricants Co., Ltd. (SKL) have a shareholders agreement in place. The parties to the agreement have agreed on certain board of directors' unanimous resolution items such as direct or indirect engagement in lubricant products under the brand name of the Holding Company or any other party other than SKL, engagement with other companies engaged in lubricants business, lubricants business reorganizations, etc. The principal shareholders have undertaken to hold, in aggregate, at all times 51% shares or more of the Holding Company.

	2018 Rupees	2017 Rupees
4. RESERVES		
Capital reserve		
Share premium (Note 4.1)	1,441,697,946	1,441,697,946
Revenue reserve		
Un-appropriated profit	1,484,963,024	1,131,442,653
	2,926,660,970	2,573,140,599

4.1 This reserve can be utilized by the Holding Company only for the purposes specified in section 81 of the Companies Act, 2017.

	2018 Rupees	2017 Rupees
5 LONG TERM FINANCING		
From banking companies - secured		
Holding Company		
Bank Al-Habib Limited-1 (Note 5.1)	13,495,415	21,207,084
Bank Al-Habib Limited-2 (Note5.1)	16,398,751	–
	29,894,166	21,207,084
Subsidiary Company		
Bank Al-Habib Limited (Note 5.2)	85,007,327	215,410,083
Habib Metropolitan Bank Limited (Note5.3)	–	4,895,000
	85,007,327	220,305,083
	114,901,493	241,512,167
Less: Current portion shown under current liabilities (Note 12)	95,745,272	142,954,305
	19,156,221	98,557,862

5.1 These facilities have been obtained to build warehouse at the property of Hi-Tech Blending (Private) Limited - Subsidiary Company at Sundar Raiwind Road. These facilities are secured against hypothecation charge over current assets of the Holding Company of Rupees 1,067 million and personal guarantee of directors of the Holding Company. These carry mark-up at the rate of 3 months KIBOR plus 1.75% per annum. These are repayable in 12 equal quarterly installments. Effective rate of mark-up charged during the year ranged from 7.89% to 8.18% (2017: 7.84% to 7.89%) per annum.

5.2 These term finance facilities, aggregating to Rupees 250.939 million (2017: Rupees 250.939 million), are secured by first pari passu hypothecation charge over current assets of the Subsidiary Company to the extent of Rupees 667 million, ranking hypothecation charge over current assets of the Subsidiary Company to the extent of Rupees 400 million, corporate guarantee of the Holding Company of Rupees 1.3 billion and personal guarantees of directors of the Subsidiary Company. The finance facilities are repayable in 6, 12 and 16 equal quarterly installments commenced on 31 March 2015 and ending on 25 November 2019. Mark-up is payable quarterly at the rate of 3 month KIBOR plus 2.00% per annum. Effective rate of mark-up charged during the year ranged from 8.10% to 8.47% (2017: 8.04% to 8.35%) per annum.

5.3 This term finance facility has been fully paid during the year. It was secured by specific charge over specific machinery of the Subsidiary Company to the extent of Rupees 22.450 million, corporate guarantee of the Holding Company of Rupees 84 million and personal guarantees of directors of the Subsidiary Company. The finance was repayable in 11 equal quarterly installments commenced on 08 November 2015 and ended on 08 May 2018. Mark-up was payable quarterly at the rate of 3 month KIBOR plus 2.00% per annum. Effective rate of mark-up charged during the year ranged from 8.14% to 8.5% (2017: 8.04% to 8.12%) per annum.

	2018 Rupees	2017 Rupees
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Future minimum lease payments	174,275,897	179,972,282
Less: Un-amortized finance charge	10,651,498	12,405,695
Present value of future minimum lease payments	163,624,399	167,566,587
Less: Current portion (Note 12)	83,314,589	64,446,804
	80,309,810	103,119,783

6.1 Minimum lease payments have been discounted using implicit interest rates ranging from 6.95% to 12.44% (2017: 5.01% to 12.67%) per annum. Rentals are payable in monthly and quarterly instalments. Taxes, repairs and insurance costs are to be borne by the lessee. These are secured against charge on the leased assets, personal guarantees of directors and deposits of Rupees 51.30 million (2017: Rupees 47.856 million).

	2018		2017	
	Not later than one year	**Later than one year but not later than five years**	Not later than one year	Later than one year but not later than five years
	Rupees			
Future minimum lease payments	90,113,034	84,162,863	72,361,156	107,611,126
Less: Un-amortized finance charge	6,798,445	3,853,053	7,914,352	4,491,343
Present value of future minimum lease payments	83,314,589	80,309,810	64,446,804	103,119,783

7. LONG TERM DEPOSITS

These represent long term deposits from distributors of the Holding Company. These are unsecured, interest free and repayable on termination of distribution agreements. These deposits have been utilized for the purpose of business in accordance with the terms of written agreement with distributors.

	2018 Rupees	2017 Rupees
8. DEFERRED LIABILITIES		
Deferred income (Note 8.1)	220,641	653,257
Deferred income tax liability (Note 8.2)	112,006,474	39,950,223
	112,227,115	40,603,480
8.1 Deferred income		
Opening balance	653,257	1,085,873
Less: Amortized during the year (Note 30)	432,616	432,616
Closing balance	220,641	653,257

8.1.1 This represents gain on sale and lease back transactions and is being amortized over the lease term.

		2018 Rupees	2017 Rupees
8.2	**Deferred income tax liability**		
	The net deferred income tax liability comprised of temporary differences relating to:		
	Deductible temporary differences		
	Available tax losses	(39,628,469)	(101,688,662)
	Provision for doubtful trade debts	(157,737)	(185,212)
	Pre-commencement expenditures	(3,534,600)	–
	Provision for doubtful advances to suppliers	(547,653)	–
	Provision for slow moving and obsolete store items	(58,590)	–
		(43,927,049)	(101,873,874)
	Taxable temporary differences		
	Accelerated tax depreciation and amortization	150,170,591	133,359,802
	Deferred income on sale and lease back	–	195,977
	Leased assets	5,762,932	8,268,318
		155,933,523	141,824,097
	Net deferred income tax liability	112,006,474	39,950,223

9. TRADE AND OTHER PAYABLES

	2018 Rupees	2017 Rupees
Creditors (Note 9.1)	270,188,112	630,421,850
Accrued liabilities (Note 9.2)	191,983,368	99,938,485
Advances from customers	152,873,281	191,257,137
Retention money payable	38,490	13,797,442
Customs duty and other charges payable	97,073,430	217,053,922
Income tax deducted at source	972,963	10,010,459
Employees' provident fund trust	2,999,404	3,056,993
Workers' profit participation fund (Note 9.3)	14,587,220	3,779,284
Workers' welfare fund	120,000	–
Sales tax payable	39,244,625	–
	770,080,893	1,169,315,572

9.1 It includes Rupees 231.553 million (2017: Rupees 576.694 million) payable to SK Lubricants Co., Ltd. - related party.

9.2 It includes amount of Rupees 6.823 million (2017: Rupees 5.241 million) on account of remuneration payable to directors of the Holding Company.

		2018 Rupees	2017 Rupees
9.3	**Workers' profit participation fund**		
	Balance as on 01 July	3,779,284	–
	Add: Allocation for the year (Note 29)	14,587,182	
	Interest for the year (Note 31)	286,678	3,779,284
	Less: Payments during the year	4,065,924	–
	Balance as on 30 June	14,587,220	3,779,284

9.3.1 The Subsidiary Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Subsidiary Company till the date of allocation to workers.

10. ACCRUED MARK-UP

	2018 Rupees	2017 Rupees
Long term financing	2,887,579	5,225,555
Short term borrowings (Note 10.1)	26,521,541	22,335,295
Liabilities against assets subject to finance lease	287,113	330,168
	29,696,233	27,891,018

10.1 This includes mark-up of Rupees 5.766 million (2017: Rupees 12.012 million) payable to directors of the Subsidiary Company.

	2018 Rupees	2017 Rupees
11. SHORT TERM BORROWINGS		
From banking companies - secured		
- Holding Company		
Running finances (Note 11.1 and Note 11.2)	331,835,243	809,821,049
Finance against trust receipts (Note 11.1and Note 11.3)	296,916,620	166,772,060
Running musharakah (Note 11.1 and Note 11.4)	–	142,376,117
Musawamah (Note 11.1 and Note 11.5)	78,883,805	–
	707,635,668	1,118,969,226
- Subsidiary Company		
Short term finance (Note 11.6)	506,133,540	46,990,683
Murabaha / Musawamah (Note 11.7)	41,481,320	–
	547,614,860	46,990,683
From related parties - unsecured		
Loan from directors (Note11.8)	70,000,000	70,000,000
	1,325,250,528	1,235,959,909

11.1 These finances are obtained from banking companies under markup arrangements and are secured against first joint pari passu hypothecation charge over current assets, lien over term deposit receipts, and personal guarantee of sponsor directors of Holding Company.

11.2 The rates of markup range from 7.15% to 9.66% (2017: 7.15% to 7.72%) per annum.

11.3 The rates of markup range from 7.16% to 8.14% (2017: 7.33% to 7.72%) per annum.

11.4 The rate of markup range from 7.14% to 7.50% (2017: 7.09% to 7.12%) per annum.

11.5 Mark up is payable at respective KIBOR plus 1% per annum. Effective rate of markup charged during the year ranged from 7.42% to 7.83% per annum.

11.6 These represent finance against trust receipts and running finance from Bank Al-Habib Limited. Mark-up is payable quarterly at the rate of 3 month KIBOR plus 1% per annum. Effective rate of mark-up charged during the year ranged from 7.35% to 8.16% (2017: 7.51% to 7.84%) per annum. These are secured against trust receipts, first pari passu hypothecation charge over current assets of the Subsidiary Company to the extent of Rupees 667 million, ranking hypothecation charge over current assets of the Subsidiary Company to the extent of Rupees 400 million, personal guarantees of directors of the Subsidiary Company and corporate guarantee of the Holding Company of Rupees 1.3 billion.

11.7 This represents murabaha / musawamah finance facility of Rupees 250 million. Mark-up is payable at respective KIBOR plus 1% per annum. Effective rate of mark up charged during the year is 7.92%. This is secured against hypothecation charge over present and future current assets to the extent of Rupees 400 million and hypothecation charge over present and future fixed assets to the extent of Rupees 400 million and corporate guarantee of the Holding Company.

11.8 These unsecured loans are from directors of the Subsidiary Company. Mark-up is payable yearly at the rate of 3 month KIBOR plus 2% per annum. Effective rate of mark-up charged during the year ranged from 8.14% to 8.50% (2017: 8.04% to 8.12%) per annum. These are repayable on demand. These loans were utilized for capital expenditure requirements of the Subsidiary Company.

	2018 Rupees	2017 Rupees
12. CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term financing (Note 5)	95,745,272	142,954,305
Liabilities against assets subject to finance lease (Note 6)	83,314,589	64,446,804
	179,059,861	207,401,109

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 Corporate guarantees of Rupees 1,425.52 million (2017: Rupees 1,383.57 million) have been given by the Holding Company to the banks in respect of financing to the Subsidiary Company.

13.1.2 Guarantees of Rupees 43 million (2017: Rupees 14 million) are given by the bank of the Group to Director Excise and Taxation, Karachi against disputed amount of infrastructure cess.

13.1.3 Guarantees of Rupees 27.80 million (2017: Rupees 5.314 million) are given by the bank of the Group to Chairman, Punjab Revenue Authority, Lahore against disputed amount of infrastructure cess.

13.1.4 During the year ended 30 June 2018, assessment under section 161 / 205 of the Income Tax Ordinance, 2001 for the tax year 2014 was finalized by the Deputy Commissioner Inland Revenue creating a demand of Rupees 18.207 million against the Holding Company. The Holding Company, being aggrieved filed an appeal before the Commissioner Inland Revenue (Appeals) {CIR(A)}, who decided the case in favour of the Holding Company reducing the total demand to Rupees 0.191 million. However, Income Tax Department has filed an appeal against the order of the CIR(A) before the Appellate Tribunal Inland Revenue and the same is pending adjudication. No provision against the original tax demand has been recognized in these consolidated financial statements, as the Holding Company, based on advice of the tax advisor, is confident of favorable outcome of litigation.

13.1.5 On 05 June 2018, the Competition Commission of Pakistan ("CCP") has initiated a formal enquiry under the provisions of the Competition Act, 2010 ("the Act") on complaint against the Holding Company and its wholly-owned Subsidiary Company, Hi-Tech Blending (Private) Limited by Chevron Pakistan Lubricants (Private) Limited ("Chevron") for adopting deceptive marketing practices in contravention of section 10 of the Act. It has also been prayed by Chevron to CCP to impose a penalty of 10% of the annual turnover of the Holding Company and its wholly-owned subsidiary and / or Rupees 75 million, as CCP may deem appropriate. The Holding Company and its wholly-owned Subsidiary Company have submitted a detail reply before the CCP through their advocates, rejecting the contents of filed compliant, and expects a favorable outcome of the matter. Hence, no provision for penalty has been recognized in these consolidated financial statements.

	2018 Rupees	2017 Rupees
13.2 Commitments		
13.2.1 Capital expenditures:		
Contracts	33,313,371	173,427,561
Letters of credit	4,862,700	–
	38,176,071	173,427,561
13.2.2 Letters of credit other than capital expenditures	253,445,076	273,526,133

13.2.3 The amount of future ijara rentals for ijara financing and the period in which these payments will become due are as follow:

	2018 Rupees	2017 Rupees
Not later than one year	5,004,436	–
Later than one year but not later than five years	7,943,488	–
	12,947,924	–

14. FIXED ASSETS

	2018 Rupees	2017 Rupees
Property, plant and equipment:		
Operating fixed assets:		
Owned (Note 14.1)	2,274,075,216	2,072,956,059
Leased (Note 14.1)	183,496,576	189,346,068
	2,457,571,792	2,262,302,127
Capital work-in-progress (Note 14.2)	494,663,356	230,907,986
Intangible assets:		
Computer softwares (Note 14.1)	2,917,354	7,804,303
	2,955,152,502	2,501,014,416

14.1 Reconciliations of carrying amounts of operating fixed assets and intangible assets at the beginning and at the end of the year are as follows:

Description	Operating fixed assets														Intangible assets
	Owned											Leased			
	Freehold land	A piece of freehold land at sunder Raiwind Road, Lahore (Note 15)	Building on freehold land	Building on leasehold land	Machinery	Electric Installations	Furniture and fittings	Vehicles	Office equipment	Computers	Total	Plant and Machinery	Vehicles	Total	Computer software
	Rupees														Rupees
At 30 June 2016															
Cost	275,139,521	35,813,717	52,115,124	–	–	–	17,789,714	80,875,052	28,210,861	22,988,753	512,932,742	–	104,233,760	104,233,760	26,475,772
Accumulated depreciation / amortization	-	-	(14,513,859)	–	–	–	(6,409,645)	(47,274,855)	(9,518,900)	(7,425,890)	(85,143,149)	–	(39,032,989)	(39,032,989)	(13,413,884)
Net book value	275,139,521	35,813,717	37,601,265	–	–	–	11,380,069	33,600,197	18,691,961	15,562,863	427,789,593	–	65,200,771	65,200,771	13,061,888
Year ended 30 June 2017															
Opening net book value	275,139,521	35,813,717	37,601,265	–	–	–	11,380,069	33,600,197	18,691,961	15,562,863	427,789,593	–	65,200,771	65,200,771	13,061,888
Additions	357,291,500	–	359,203,612	27,571,142	900,334,050	58,754,269	8,870,385	69,646,779	3,979,304	4,311,015	1,789,962,056	76,513,796	87,480,404	163,994,200	1,865,420
Transferred from leased assets:															
Cost	–	–	–	–	–	–	–	20,679,900	–	–	20,679,900	–	(20,679,900)	(20,679,900)	–
Accumulated depreciation	–	–	–	–	–	–	–	(8,651,059)	–	–	(8,651,059)	–	8,651,059	8,651,059	–
	–	–	–	–	–	–	–	12,028,841	–	–	12,028,841	–	(12,028,841)	(12,028,841)	–
Disposals:															
Cost	–	–	–	–	–	–	–	(84,048,164)	(896,343)	(209,500)	(85,154,007)	–	(3,314,130)	(3,314,130)	–
Accumulated depreciation	–	–	–	–	–	–	–	13,886,891	434,519	124,373	14,445,782	–	999,955	999,955	–
	–	–	–	–	–	–	–	(70,161,273)	(461,824)	(85,127)	(70,708,225)	–	(2,314,175)	(2,314,175)	–
Depreciation / amortization charge	–	–	(20,087,157)	(229,760)	(39,998,383)	(5,264,550)	(1,769,016)	(11,415,779)	(2,089,906)	(5,261,656)	(86,116,206)	(3,462,555)	(22,043,332)	(25,505,887)	(7,123,005)
Closing net book value	632,431,021	35,813,717	376,717,720	27,341,382	860,335,667	53,489,719	18,481,438	33,698,765	20,119,535	14,527,095	2,072,956,059	73,051,241	116,294,827	189,346,068	7,804,303
At 30 June 2017															
Cost 632,431,021	35,813,717	411,318,736	27,571,142	900,334,050	58,754,269	26,660,099	87,153,567	31,293,822	27,090,268	2,238,420,691	76,513,796	167,720,134	244,233,930	28,341,192	
Accumulated depreciation / amortization	–	–	(34,601,016)	(229,760)	(39,998,383)	(5,264,550)	(8,178,661)	(53,454,802)	(11,174,287)	(12,563,173)	(165,464,632)	(3,462,555)	(51,425,307)	(54,887,862)	(20,536,889)
Net book value	632,431,021	35,813,717	376,717,720	27,341,382	860,335,667	53,489,719	18,481,438	33,698,765	20,119,535	14,527,095	2,072,956,059	73,051,241	116,294,827	189,346,068	7,804,303
Year ended 30 June 2018															
Opening net book value	632,431,021	35,813,717	376,717,720	27,341,382	860,335,667	53,489,719	18,481,438	33,698,765	20,119,535	14,527,095	2,072,956,059	73,051,241	116,294,827	189,346,068	7,804,303
Additions	59,678,232	-	15,192,471	131,886,775	44,973,571	8,973,620	3,183,591	11,056,501	8,970,059	9,086,501	293,001,321	–	40,240,074	40,240,074	676,234
Transferred from leased assets:															
Cost	–	–	–	–	–	–	–	28,895,686	–	–	28,895,686	–	(28,895,686)	(28,895,686)	–
Accumulated depreciation	–	–	–	–	–	–	–	(14,661,246)	–	–	(14,661,246)	–	14,661,246	14,661,246	––
	–	–	–	–	–	–	–	14,234,440	–	–	14,234,440	–	(14,234,440)	(14,234,440)	–
Written off:															
Cost	–	–	–	–	–	–	–	–	–	(4,083,208)	(4,083,208)	–	–	–	(261,176)
Accumulated depreciation	–	–	–	–	–	–	–	–	–	2,539,189	2,539,189	–	–	–	151,125
	–	–	–	–	–	–	–	–	–	(1,544,019)	(1,544,019)	–	–	–	(110,051)
Disposals:															
Cost	–	–	–	–	–	–	–	(12,970,414)	–	–	(12,970,414)	–	(2,088,490)	(2,088,490)	–
Accumulated depreciation	–	–	–	–	–	–	–	8,620,776	–	–	8,620,776	–	348,081	348,081	–
	–	–	–	–	–	–	–	(4,349,638)	–	–	(4,349,638)	–	(1,740,409)	(1,740,409)	–
Depreciation / amortization charge	–	–	(20,831,414)	(10,157,198)	(43,921,329)	(6,246,334)	(1,965,777)	(9,111,440)	(2,490,050)	(5,499,405)	(100,222,947)	(3,732,527)	(26,382,190)	(30,114,717)	(5,453,132)
Closing net book value	692,109,253	35,813,717	371,078,777	149,070,959	861,387,909	56,217,005	19,699,252	45,528,628	26,599,544	16,570,172	2,274,075,216	69,318,714	114,177,862	183,496,576	2,917,354
At 30 June 2018															
Cost	692,109,253	35,813,717	426,511,207	159,457,917	945,307,621	67,727,889	29,843,690	114,135,340	40,263,881	32,093,561	2,543,264,076	76,513,796	176,976,032	253,489,828	28,756,250
Accumulated depreciation / amortization	–	–	(55,432,430)	(10,386,958)	(83,919,712)	(11,510,884)	(10,144,438)	(68,606,712)	(13,664,337)	(15,523,389)	(269,188,860)	(7,195,082)	(62,798,170)	(69,993,252)	(25,838,896)
Net book value	692,109,253	35,813,717	371,078,777	149,070,959	861,387,909	56,217,005	19,699,252	45,528,628	26,599,544	16,570,172	2,274,075,216	69,318,714	114,177,862	183,496,576	2,917,354
Annual rate of depreciation / amortization (%)			5 - 10	10	5 - 10	10	10	20	10	30		5 - 10	20		30

14.1.1 Detail of operating fixed assets exceeding book value of Rupees 500,000 disposed of during the year is as follows:

Particulars	Quantity	Cost	Accumulated depreciation	Net book value	Consideration	Gain	Mode of disposal	Particulars of purchasers
		Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles - owned								
Honda Civic LEE-13-2976	1	2,371,000	1,431,940	939,060	1,200,000	260,940	Negotiation	Mr. Sajjad Ahmed , Sahiwal
Honda City LED-13-6398	1	1,545,935	964,432	581,503	960,000	378,497	Company's policy	Mr. Ejaz Khattak, Group's employee, Islamabad
Suzuki Cultus LEH-14-1702	1	1,090,290	565,966	524,324	800,000	275,676	Insurance claim	EFU General Insurance Limited
Honda Civic LEF-13-946	1	2,072,725	1,206,049	866,676	1,385,000	518,324	Negotiation	Ch. Riaz Ahmed, Lahore
		7,079,950	4,168,387	2,911,563	4,345,000	1,433,437		
Vehicles - leased								
Toyota Corolla LEH-16-8987	1	2,088,490	348,081	1,740,409	1,875,000	134,591	Insurance Claim	EFU General Insurance Limited
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 500,000		5,890,464	4,452,389	1,438,075	3,453,313	2,015,238		
		15,058,904	8,968,857	6,090,047	9,673,313	3,583,266		

14.1.2 The depreciation charge on operating fixed assets for the year has been allocated as follows:

	2018 Rupees	2017 Rupees
Cost of sales (Note 26)	72,375,050	52,177,374
Distribution cost (Note 27)	29,684,167	27,168,421
Administrative expenses (Note 28)	28,278,447	32,276,298
	130,337,664	111,622,093

14.1.3 Amortization on intangible assets amounting to Rupees 5.453 million (2017: Rupees 7.123 million) has been allocated to administrative expenses.

14.1.4 The cost of intangible assets as at reporting date includes fully amortized intangible assets of Rupees 18.982 million (2017: Rupees 3.531 million) which are still in use of the Holding Company.

14.1.5 Particulars of immovable properties (i.e. land and buildings) are as follows:

Location	Usage of Immovable Property	Total area of land	Covered area of building
		Acres	Square feet
Holding Company			
Property No. 35 A / M, Quaid-e- Azam Industrial Estate, Kot Lakhpat, Lahore	Customs bonded warehouse	0.69	21,965
Mouza No. 107/9L, Tehsil and District Sahiwal	For construction of oil depot	6.7	–
Plot No. 2, Block K, Main Boulevard Gulberg-II, Lahore	OMC project office	0.39	1,847
Mouza Aza Khel Bala, Tehsil and District Nowshera	For construction of oil depot	6.25	–
7-km, Sundar Raiwind Road, Bhai Kot, Lahore	Warehouse	–	49,658
Dharampura, Lahore	HTL express centre	–	1,436
Garden Town, Lahore	HTL express centre	–	1,789
Gulshan-e-Ravi, Lahore	HTL express centre	–	2,444
22 - A, Zafar Ali Road, Jail Road, Lahore	HTL express centre (Proposed)	0.16	–
Subsidiary Company			
7-KM, Sundar Raiwind Road, Bhai Kot, Lahore.	Manufacturing unit and office	21.96038	125,074

		2018 Rupees	2017 Rupees
14.2	**Capital work-in-progress**		
	Owned:		
	Civil works	236,672,167	111,548,093
	Plant and machinery	35,231,172	–
	Mobilization and other advances	45,382,656	28,150,662
	Advance for purchase of apartment (Note 14.2.1)	25,226,750	25,226,750
	Advances for purchase of vehicles	44,915,301	16,468,000
	Unallocated expenditures	107,235,310	49,514,481
		494,663,356	230,907,986

14.2.1 This represent advance given by the Holding Company to BNP (Private) Limited against purchase of apartment in Grand Hayatt at 1-Constitution Avenue, Islamabad. On July 29, 2016 Capital Development Authority (CDA) cancelled the leased deed of BNP (Private) Limited on the grounds of violating the terms and conditions of the said lease. Against the alleged order, BNP (Private) Limited filed a writ petition before the Honorable Islamabad High Court ("the Court") challenging the cancellation of said lease. The Court dismissed the writ petition of BNP (Private) Limited. However, the honorable judge of the Court ruled that it is a duty of the Federal Government to ensure that the purchasers do not suffer due to Government's own wrongful actions and omissions, particularly when the regulatory failure of the CDA stands admitted. The Holding Company and others have filed intra-court appeals against the aforesaid judgement of the Court and judgment is awaited.

In the Final Report of the Committee setup by Honorable Prime Minister of Pakistan, pursuant to the orders of the Court, it has duly been recommended that the project be regularized in accordance with CDA's Plot Restoration Policy and in case where the investor does not want to accept the new arrangement, BNP (Private) Limited shall refund the investment with mark-up equivalent to that being charged by the banks for personal loans at the time of refunding the investment.

In view of the aforesaid, advice of the legal counsel of the Holding Company and the fact that the Holding Company's apartment is one of the duly built apartments on 6th Floor of the Tower, no provision against advance for purchase of apartment has been recognized in these consolidated financial statements.

		2018 Rupees	2017 Rupees
15	**A PIECE OF FREEHOLD LAND AT SUNDAR RAIWIND ROAD, LAHORE**		
	At cost	35,813,717	35,813,717

15.1 Particulars of this piece of freehold land are as follows:

Description and address	Area of land
	Kanals
Factory Land, 7-KM, Sundar Raiwind Road, Bhai Kot, Lahore.	45

		2018 Rupees	2017 Rupees
16.	**LONG TERM LOANS TO EMPLOYEES**		
	Considered good		
	- Executives (Note 16.1)	1,049,136	2,306,412
	- Other employees	–	133,168
		1,049,136	2,439,580
	Less: Current portion shown under current assets (Note 21)		
	- Executives	769,004	1,257,276
	- Other employees	–	133,168
		769,004	1,390,444
		280,132	1,049,136
16.1	**Reconciliation of carrying amounts of loans to executives:**		
	Opening balance	2,306,412	4,903,391
	Less: Repayments	1,257,276	2,596,979
	Closing balance	1,049,136	2,306,412

16.1.1 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 2.202 million (2017: Rupees 3.459 million).

16.2 These represent loans to employees of the Holding Company for the purpose of house building. These are interest free and repayable over a period of four years. These are secured against deposit of original land documents and credit balance of employees in provident fund trust.

16.3 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

		2018 Rupees	2017 Rupees
17.	**LONG TERM SECURITY DEPOSITS**		
	Security deposits against leased assets	51,297,846	47,856,046
	Security deposits against ijara	2,189,400	–
	Security deposits - other	13,023,900	16,420,900
		66,511,146	64,276,946
	Less: Current portion shown under current assets (Note 22)	25,418,640	5,193,750
		41,092,506	59,083,196
18.	**STORES**		
	Stores	26,961,622	–
	Less: Provision for slow moving and obsolete store items (Note 29)	202,033	–
		26,759,589	–
19.	**STOCK-IN-TRADE**		
	Raw materials (Note 19.1)	408,436,666	482,262,231
	Work-in-process	10,732,181	8,555,976
	Finished goods (Note 19.2)	1,127,082,940	1,581,923,657
	Less: Provision for slow moving and damaged stock items (Note 19.3)	2,450,521	2,215,187
		1,124,632,419	1,579,708,470
	Stock of promotional items	272,913	314,838
		1,544,074,179	2,070,841,515

19.1 These include raw materials in transit amounting to Rupees 240.081 million (2017: Rupees Nil) and raw materials amounting to Rupees 51.418 million (2017: Rupees 243.913 million) lying at customs bonded warehouse.

19.2 These include stock-in-transit of Rupees 224.707 million (2017: Rupees Nil) and stock amounting to Rupees 178.839 million (2017: Rupees 1,067.471 million) lying at customs bonded warehouses.

	2018 Rupees	2017 Rupees
19.3 Provision for slow moving and damaged stock items		
Opening balance	2,215,187	–
Add: Charge for the year (Note 29)	807,206	2,215,187
Less: Reversal made during the year (Note 30)	571,872	–
Closing balance	2,450,521	2,215,187

20. TRADE DEBTS

	2018 Rupees	2017 Rupees
Unsecured:		
Considered good - other than related party (Note 20.1)	236,936,937	179,584,299
Considered doubtful - other than related party (Note 20.2)	543,919	1,575,557
	237,480,856	181,159,856
Less: Provision for doubtful trade debts (Note 20.3)	543,919	1,575,557
	236,936,937	179,584,299

20.1 As at 30 June 2018, trade debts of Rupees 223.498 million (2017: Rupees 148.921 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2018 Rupees	2017 Rupees
Upto 1 month	105,006,206	82,306,505
1 to 6 months	96,533,574	61,259,643
More than 6 months	21,958,268	5,354,781
	223,498,048	148,920,929

20.2 As at 30 June 2018, trade debts of Rupees 0.544 million (2017: Rupees 1.575 million) were impaired and provided for. Trade debts of Rupees 1.576 million (2017: Rupees 0.476 million) were impaired and written off against provision and trade debts of Rupees 0.180 million (2017: Rupees 0.127 million) were directly written off during the year. The age analysis of these trade debts was more than one year.

	2018 Rupees	2017 Rupees
20.3 Provision for doubtful trade debts		
Opening balance	1,575,557	492,392
Add: Charge for the year (Note 29)	543,919	1,575,557
Less: Reversal made during the year (Note 30)	–	15,937
Less: Bad debts written off during the year	1,575,557	476,455
Closing balance	543,919	1,575,557

		2018 Rupees	2017 Rupees
21.	**LOANS AND ADVANCES**		
	Considered good, unsecured:		
	Employees - interest free against salaries		
	- Executives	1,034,668	1,159,352
	- Other employees	2,742,514	2,759,487
		3,777,182	3,918,839
	Employees - against expenses	925,203	1,411,110
	Current portion of long term loans to employees (Note 16)	769,004	1,390,444
	Advances to suppliers (Note 21.1)	64,000,652	53,910,649
	Margin against letters of credit	–	61,084,488
	Margin against bank guarantees	10,750,000	4,080,000
		80,222,041	125,795,530
21.1	**Advances to suppliers**		
	Considered good	64,000,652	53,910,649
	Considered doubtful	1,888,458	–
	Less : Provision for doubtful advances to suppliers	1,888,458	–
		–	–
		64,000,652	53,910,649
22.	**SHORT TERM DEPOSITS AND PREPAYMENTS**		
	Current portion of long term security deposits (Note 17)	25,418,640	5,193,750
	Short term deposits	6,966,750	11,067,870
	Prepaid insurance	20,817,671	5,721,719
	Prepaid rent	7,628,734	2,429,933
		60,831,795	24,413,272
23.	**OTHER RECEIVABLES**		
	MAS Associates (Private) Limited - associated company (Note 23.1)	79,042	114,623
	Receivable from SK Lubricants Co., Ltd. - related party (Note 23.2)	17,024,000	55,875,455
	Sales tax receivable	91,761,016	171,396,482
	Insurance claims receivable	–	16,220,423
	Accrued interest on bank deposits	28,070	175,736
	Others	237,291	85,575
		109,129,419	243,868,294

23.1 The maximum aggregate amount receivable from associated company at the end of any month during the year was Rupees 0.263 million (2017: Rupees 0.290 million). It is neither past due nor impaired.

23.2. The maximum aggregate amount receivable from related party at the end of any month during the year was Rupees 90.701 million (2017: Rupees 101.017 million). It is neither past due nor impaired.

	2018 Rupees	2017 Rupees
24. SHORT TERM INVESTMENTS		
Held-to-maturity (Note 24.1)	851,833,801	1,006,004,644
At fair value through profit or loss (Note 24.2)	65,519,756	75,124,601
	917,353,557	1,081,129,245
24.1 Held-to-maturity		
Term deposit receipts	846,031,918	1,001,031,917
Add: Interest accrued thereon	5,801,883	4,972,727
	851,833,801	1,006,004,644

24.1.1 These term deposit receipts issued by banking companies having maturity period ranges from one month to six month (2017: one month to one year) and carry interest ranging from 3.00% to 6.21% (2017: 5.90% to 6.40%) per annum. Term deposits receipts amounting to Rupees 671.031 million (2017: Rupees 491.031 million) are under lien with banks against short term borrowings of the Holding Company.

	2018 Rupees	2017 Rupees
24.2 At fair value through profit or loss		
Quoted - other than related party:		
Engro Fertilizer Limited		
49,500 (2016: 49,500) fully paid ordinary shares of 10 each	3,246,080	3,246,080
Alfalah GHP Stock Fund B Growth Units		
461,430 (2016: Nil) Units of Rupees 159.2592 each	73,486,932	73,486,932
Less: Unrealized loss on remeasurement of investments at fair value	11,213,256	1,608,411
	65,519,756	75,124,601
25. CASH AND BANK BALANCES		
Cash in hand	718,057	1,143,417
Cash at banks:		
Saving accounts (Note 25.1)	207,327,155	36,135,276
Current accounts	358,901,466	166,225,152
	566,228,621	202,360,428
Term deposit	–	17,400,000
	566,946,678	220,903,845

25.1 Saving accounts carry mark-up at the rates ranging from 3% to 6% (2017: 3.75% to 6%) per annum.

25.2 Bank balances of Rupees 54.947 million (2017: Rupees 20.053 million) and short term investments of Rupees 907.844 million (2017: Rupees 1,075 million) as at 30 June 2018 represents un-utilized proceeds of the initial public offer of the Holding Company. Bank balance amounting to Rupees 50 million (2017: Rupees Nil) is under lien with a bank against short term borrowing of the Holding Company.

	2018 Rupees	2017 Rupees
26. COST OF SALES		
Cost of sales - owned manufactured (Note 26.1)	2,990,944,459	1,614,026,635
Cost of sales - finished goods purchased for resale (Note 26.2)	3,869,219,626	3,781,669,060
	6,860,164,085	5,395,695,695

		2018 Rupees	2017 Rupees
26.1	**Cost of sales - owned manufactured**		
	Raw materials consumed	2,770,693,343	1,668,164,310
	Packing materials consumed	122,062,365	83,682,480
	Salaries, wages and other benefits (Note 26.1.1)	44,595,715	33,318,930
	Fuel and power	25,191,818	20,921,449
	Repair and maintenance	32,354,175	10,070,770
	Insurance	4,528,843	3,227,961
	Miscellaneous	11,839,750	3,595,408
	Depreciation on operating fixed assets (Note 14.1.2)	72,375,050	52,177,374
		3,083,641,059	1,875,158,682
	Work-in-process		
	Opening stock	8,555,976	–
	Closing stock	(10,732,181)	(8,555,976)
		(2,176,205)	(8,555,976)
	Cost of goods manufactured	3,081,464,854	1,866,602,706
	Finished goods		
	Opening stock	96,185,705	–
	Closing stock	(186,706,100)	(96,185,705)
		(90,520,395)	(96,185,705)
		2,990,944,459	1,770,417,001
	Less: Cost of sales related to trial run production	–	156,390,366
		2,990,944,459	1,614,026,635

26.1.1 Salaries, wages and other benefits include provident fund contribution of Rupees 1.308 million (2017: Rupees 0.554 million) by the Subsidiary Company.

		2018 Rupees	2017 Rupees
26.2	**Cost of sales - finished goods purchased for resale**		
	Opening stock	1,483,522,765	662,906,276
	Add: Purchases	3,323,623,180	4,602,285,549
	Less: Closing stock	(937,926,319)	(1,483,522,765)
		3,869,219,626	3,781,669,060

27. DISTRIBUTION COST

	2018 Rupees	2017 Rupees
Salaries, wages and other benefits (Note 27.1)	273,668,475	247,991,160
Sales promotion and advertisements - net (Note 27.2)	98,901,950	7,396,424
Freight outward	67,122,586	56,511,272
Rent, rates and taxes	43,834,426	45,719,323
Sales commission	1,795,067	2,972,170
Travelling and conveyance	43,594,463	32,838,479
Insurance	11,516,424	8,736,157
Utilities	4,596,749	2,745,069
Printing and stationery	715,606	432,221
Repair and maintenance	10,864,569	6,128,753
Vehicles' running and maintenance	12,553,114	9,368,393
Communication	9,275,269	7,143,730
Entertainment	3,790,176	2,906,814
Ijara rentals	2,317,819	–
Depreciation on operating fixed assets (Note 14.1.2)	29,684,167	27,168,421
Miscellaneous	21,560,476	14,258,496
	635,791,336	472,316,882

27.1 Salaries, wages and other benefits include provident fund contribution of Rupees 7.367 million (2017: Rupees 7.636 million) by the Holding Company.

27.2 These are net off incentives in the shape of reimbursement against sales promotion expenses and advertisements amounting to Rupees 228.026 million (2017: Rupees 156.335 million) from SK Lubricants Co., Ltd. - related party.

28. ADMINISTRATIVE EXPENSES

	2018 Rupees	2017 Rupees
Salaries and other benefits (Note 28.1)	277,257,837	224,577,550
Rent, rates and taxes	10,609,372	11,066,682
Legal and professional (Note 28.2)	35,466,166	13,997,093
Insurance	10,285,272	7,212,562
Vehicles' running and maintenance	9,218,773	8,849,365
Utilities	3,426,819	3,780,266
Repair and maintenance	8,401,346	7,949,447
Fee and subscription	2,942,149	14,663,390
Printing and stationery	1,265,493	940,694
Communication	5,035,762	6,872,895
Entertainment	6,491,576	4,832,428
Auditors' remuneration (Note 28.3)	4,036,225	2,896,500
Travelling and conveyance	23,570,355	12,594,967
Depreciation on operating fixed assets (Note 14.1.2)	28,278,447	32,276,298
Amortization on intangible assets (Note 14.1.3)	5,453,132	7,123,005
Miscellaneous	13,187,469	5,949,005
	444,926,193	365,582,147
Less: Expenses related to trial run production	–	4,889,240
	444,926,193	360,692,907

28.1 Salaries and other benefits include provident fund contribution of Rupees 5.830 million (2017: Rupees 4.07 million) by the Group.

28.2 It includes an amount of Rupees 5.234 million (2017: Rupees 2.095 million) on account of internal audit services rendered by EY Ford Rhodes.

28.3 Auditors' remuneration

	2018 Rupees	2017 Rupees
Annual audit fee	2,150,000	1,750,000
Certifications	481,225	385,000
Half year review / audit	1,100,000	550,000
Reimbursable expenses	305,000	211,500
	4,036,225	2,896,500

	2018 Rupees	2017 Rupees
29. OTHER EXPENSES		
Provision for doubtful trade debts (Note 20.3)	543,919	1,575,557
Bad debts written off	180,292	127,107
Exchange loss - net	61,773,851	18,400,485
Charities and donations (Note 29.2)	15,308,958	12,538,238
Fixed assets written off	1,654,071	–
Workers' profit participation fund (Note 9.3)	14,587,182	3,779,284
Workers' welfare fund	120,000	–
Unrealised loss on remeasurement of investments at fair value	9,604,845	1,561,020
Insurance claim receivable written off	1,291,007	–
Provision for doubtful advances to suppliers (Note 21.1)	1,888,458	–
Provision for slow moving and obsolete store items (Note 18)	202,033	–
Provision for slow moving and damaged stock items (Note 19.3)	807,206	2,215,187
Penalty (Note 29.1)	88,266	–
	108,050,088	40,196,878

29.1 This represents amount paid under the Sales Tax Act, 1990.

29.2 These include amount of Rupees 12 million (2017: Rupees 12 million) paid to Sabra Hamida Trust, 1-A, Danepur Road, GOR-1, Lahore, in which Mr. Hassan Tahir - Chief Executive, Mr. Shaukat Hassan - Director, Mr. Tahir Azam - Director and Mr. Ali Hassan - Director of the Holding Company are trustees and Rupees 1 million (2017: Rupees Nil) paid to Al-Mudassar Trust, Bahariwal, Tehsil Kharian, District Gujrat in which there is no interest of any director or his/her spouse in donee's fund.

	2018 Rupees	2017 Rupees
30. OTHER INCOME		
Income from financial assets		
Dividend income	272,250	1,150,572
Profit on bank deposits and short term investments	58,496,255	85,106,444
Gain on sale of short term investment	–	3,181,451
Income from non-financial assets		
Gain on disposal of operating fixed assets	3,583,266	1,944,114
Credit balances written back	–	1,983,967
Reversal of provision for doubtful debts (Note 20.3)	–	15,937
Reversal of provision for slow moving and damaged stock items (Note 19.3)	571,872	–
Retention money written back	6,214,987	–
Testing fees	10,000	–
Scrap sale	1,795,577	2,362,849
Amortization of deferred income (Note 8.1)	432,616	432,616
	71,376,823	96,177,950

	2018 Rupees	2017 Rupees

31. FINANCE COST

	2018 Rupees	2017 Rupees
Mark up on long term financing	13,624,202	24,784,789
Mark up on short term borrowings	95,435,937	37,113,622
Finance charges on liabilities against assets subject to finance lease	9,112,520	7,611,303
Mark up on loans from directors	5,766,045	5,745,988
Interest on employees' provident fund	40,260	15,654
Markup on workers' profit participation fund (Note 9.3)	286,678	–
Bank charges and commission	3,014,380	1,818,217
	127,280,022	77,089,573

32. TAXATION

For the year

	2018 Rupees	2017 Rupees
Current (Note 32.1)	321,522,186	303,371,545
Deferred tax	72,056,250	28,451,305
Prior year adjustment	(2,561,295)	2,854,899
	391,017,141	334,677,749

32.1 Provision for income tax is made in accordance with the provisions of the Income Tax Ordinance, 2001.

32.2 The Group computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purposes of taxation is available which can be analyzed as follows:

Description	Year ended 30 June		
	2017	2016	2015
		Rupees	
Provision for taxation	300,810,250	359,427,757	164,667,599
Tax assessed	273,105,070	328,365,757	164,667,599

The excess provision mainly pertains to super tax provisions recognized in the respective years which have not been paid as yet as the Holding Company intends to contest the levy of tax.

33. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which based on:

	2018	2017
Profit after taxation attributable to ordinary shareholders (Rupees)	759,534,371	743,979,845
Weighted average number of shares (Number)	116,004,000	116,004,000
Basic earnings per share (Rupees)	6.55	6.41

		2018 Rupees	2017 Rupees
34.	**CASH GENERATED FROM OPERATIONS**		
	Profit before taxation	1,150,551,512	1,078,657,594
	Adjustments for non-cash charges and other items:		
	Depreciation on operating fixed assets	130,337,664	111,622,093
	Amortization on intangible assets	5,453,132	7,123,005
	Amortization of deferred income	(432,616)	(432,616)
	Provision for doubtful trade debts	543,919	1,575,557
	Provision for slow moving and damaged stock items	807,206	2,215,187
	Provision for slow moving and obsolete store items	202,033	–
	Reversal of provision for doubtful debts	–	(15,937)
	Provision for doubtful advances to suppliers	1,888,458	–
	Bad debts written off	180,292	127,107
	Credit balances written back	–	(1,983,967)
	Retention money written back	(6,214,987)	–
	Gain on disposal of property and equipment	(3,583,266)	(1,944,114)
	Dividend income	(272,250)	(1,150,572)
	Profit on bank deposits and short term investments	(58,496,255)	(85,106,444)
	Reversal of provision for slow moving and damaged inventory	(571,872)	–
	Unrealised loss on remeasurement of investments at fair value	9,604,845	1,561,020
	Gain on disposal of short term investment	–	(3,181,451)
	Finance cost	127,280,022	77,089,573
	Exchange loss - net	61,773,851	18,400,485
	Provision for workers' profit participation fund	14,587,182	3,779,284
	Provision for workers' welfare fund	120,000	–
	Insurance claim receivable written off	1,291,007	–
	Fixed assets written off	1,654,071	–
	Working capital changes (Note 34.1)	182,319,836	(1,085,072,911)
		1,619,023,784	123,262,893
34.1	**Working capital changes**		
	Decrease / (increase) in current assets:		
	Stores	23,195,248	(50,156,870)
	Stock-in-trade	526,532,002	(1,320,848,289)
	Trade debts	(58,076,849)	(29,504,514)
	Loans and advances	43,063,591	(30,399,390)
	Short term deposits and prepayments	(16,193,633)	(7,257,709)
	Other receivables	133,300,202	(204,866,781)
		651,820,561	(1,643,033,553)
	(Decrease) / increase in trade and other payables	(469,500,725)	557,960,642
		182,319,836	(1,085,072,911)

34.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Liabilities from financing activities				
	Long term financing	**Liabilities against assets subject to finance lease**	**Short term borrowings**	**Unclaimed dividend**	**Total**
	Rupees				
Balance as at 01 July 2017	241,512,167	167,566,587	1,235,959,909	1,526,469	1,646,565,132
Financing obtained	21,865,000	–	15,181,945,811	–	15,203,810,811
Repayment of financing	(148,475,674)	–	(15,092,655,192)	–	(15,241,130,866)
Acquisitions - finance leases	–	66,528,120	–	–	66,528,120
Other change - non-cash movement	–	(5,816,850)	–	–	(5,816,850)
Repayment of lease liabilities	–	(64,653,476)	–	–	(64,653,476)
Dividend declared	–	–	–	406,014,000	406,014,000
Dividend paid	–	–	–	(403,243,100)	(403,243,100)
Balance as at 30 June 2018	114,901,493	163,624,381	1,325,250,528	4,297,369	1,608,073,771

	2018 Rupees	2017 Rupees
34.3 Non-cash financing activities		
Acquisition of vehicles, plant and machinery by means of finance leases	66,528,120	103,985,134

35. PROVIDENT FUND RELATED DISCLOSURES

	2018 Rupees	2017 Rupees
The following information is based on un-audited financial statements of the provident fund trusts:		
Size of the funds - Total assets	95,100,144	87,478,981
Cost of investments	91,159,867	82,349,232
Percentage of investments made	95.86%	94.14%
Fair value of investments	91,689,686	89,192,259

35.1 The break-up of cost of investments is as follows:

	2018 Percentage	2017 Percentage	**2018** Rupees	2017 Rupees
Investment in other collective investment scheme	12.07%	13.36%	11,000,000	11,000,000
Investment in listed equity securities	13.26%	11.77%	12,086,810	9,693,227
Bank balances and term deposit receipts	74.67%	74.87%	68,073,057	61,656,005
	100.00%	100.00%	91,159,867	82,349,232

35.2 As at the reporting date, Hi-Tech Lubricants Limited Employees Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the rules formulated for this purpose in terms of SRO 731 (I)/2018 issued by Securities and Exchange Commission of Pakistan on 06 June 2018 which allows transition period of one year for bringing the employees provident fund trust in conformity with the requirements of the rules. Investments, out of Hi-Tech Blending (Private) Limited Provident Fund Trust, have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

36. PLANT CAPACITY AND ACTUAL PRODUCTION

The plant capacity and actual production of Subsidiary Company is as follows:

	2018 capacity	2017 Production	**2018** capacity	2017 Production
Bottles	11,055,939	7,074,019	11,055,939	4,515,427
Caps	11,840,400	6,989,455	10,890,000	4,993,862
Filling	37,950,000	13,089,480	37,950,000	8,249,929

Under utilization of available capacity is mainly due to limited sales orders.

37. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, other related parties, key management personnel and provident fund trusts. The Group in the normal course of business carries out transactions with various related parties. Detail of significant transactions with related parties, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

Relationship	**Nature of transaction**	**2018 Rupees**	2017 Rupees
Associated companies			
MAS Associates (Private) Limited	Share of common expenses	589,048	641,658
Other related parties			
SK Lubricants Co., Ltd.	Purchase of lubricants	4,752,867,943	5,030,838,528
Directors	Repayment of loans	–	15,000,000
Directors	Mark-up on loans from directors	5,766,044	5,767,617
Directors	Rent expense	2,314,266	16,518,699
Provident fund trusts	Contribution	16,967,833	11,541,355
Sabra Hamida Trust	Donations	12,000,000	12,000,000

37.1 Following are the related parties with whom the Group had entered into transactions or have arrangements / agreements in place:

Name of related party	**Basis of relationship**	**Transactions entered or agreements and / or arrangements in place during the financial year**	**% age of shareholding**
Hi-Tech Energy (Private) Limited	Common directorship	No	None
MAS Associates (Private) Limited	Common directorship	Yes	None
MAS Infosoft (Private) Limited	Common directorship	No	None
MAS Services	Common directorship	No	None
Haut Buys (Private) Limited	Common directorship	No	None
Hi-Tech Lubricants Limited Employees Provident Fund Trust	Common trusteeship of directors	Yes	None
Sabra Hamid Trust	Common trusteeship of directors	Yes	None
MAS Associates (Private) Limited Employees Provident Fund Trust	Common trusteeship of directors	No	None
Hi-Tech Blending (Private) Limited Provident Fund Trust	Common trusteeship of directors	Yes	None
SK Lubricants Co., Ltd.	Major supplier and long term partner	Yes	None

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements in respect of remuneration, including all benefits to the chief executive, directors and executives of the Holding Company are as follows:

	2018				2017			
		Directors				Directors		
	Chief Executive	Executives	Non–Executives	Executives	Chief Executive	Executives	Non–Executives	Executives
	Rupees							
Managerial remuneration	24,742,910	21,010,570	15,225,806	44,250,466	22,050,845	28,691,600	9,290,322	28,037,951
Bonus	–	–	–	19,801,014	–	–	–	17,232,321
Allowances								
House rent	5,922,581	5,225,806	6,851,613	19,841,632	5,341,936	7,112,903	4,180,645	12,215,017
Medical	1,316,129	1,161,290	1,522,581	4,409,252	1,187,097	1,580,645	929,032	2,714,448
Travelling	3,068,700	2,150,000	3,000,000	804,380	1,500,000	2,700,000	2,000,000	825,050
Other	–	–	–	389,960	500,000	1,300,000	–	1,897,681
Contribution to provident fund trust	–	–	–	4,354,930	–	–	–	2,527,482
Leave fare assistance	–	–	–	1,923,581	–	–	–	881,972
	35,050,320	29,547,666	26,600,000	95,775,215	30,579,878	41,385,148	16,399,999	66,331,922
	1	1	4	25	1	2	2	17

38.1 Chief executive, five directors (other than independent directors) and certain executives of the Holding Company are provided with fully maintained vehicles.

38.2 Aggregate amount charged in financial statements for meeting fee to six directors (2017: five directors) is Rupees 5.350 million (2017: Rupees 3.05 million).

39. NUMBER OF EMPLOYEES

	2018		2017	
	Permanent	Contractual	Permanent	Contractual
Total number of employees as on 30 June (Note 39.1)	523	153	340	105
Average number of employees during the year	483	131	402	83

39.1 These include 113 (2017: 104) number of factory employees.

40. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements at 30, June 2018	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets				
Financial assets at fair value through profit or loss	65,519,756	–	–	65,519,756

Recurring fair value measurements at 30, June 2017	Level 1	Level 2	Level 3	Total
	Rupees			
Financial assets				
Financial assets at fair value through profit or loss	75,124,601	–	–	75,124,601

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation technique used to value financial instruments is the use of quoted market prices.

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

The Group's activities exposes it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's finance department under policies approved by the Board of Directors (the Board). The Group's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market 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 Group is exposed to currency risk arising from the United States Dollar (USD). As on reporting date, the Group's foreign exchange risk exposure is restricted to the amounts payable / receivable to / from foreign entity. The Group's exposure to currency risk was as follows:

	2018 USD	2017 USD
Other receivables	140,000	527,596
Trade and other payables	(1,904,220)	(7,468,028)
Net exposure	(1,764,220)	(6,940,432)

The following significant exchange rates were applied during the year:

	Rupees per US Dollar	
Average rate	110.43	104.55
Reporting date rate	121.60	104.80

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on Group's profit after taxation for the year would have been Rupees 8.696 million (2017: Rupees 35.569 million) lower / higher, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(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 instrument traded in the market. The Group is exposed to equity securities price risk because of short term investments held by the Group and classified at fair value through profit or loss. The Group is not exposed to commodity price risk since it does not hold any financial instruments based on commodity prices.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Group's profit after taxation for the year. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

Index	Impact on Group's profit after taxation	
	2018 Rupees	2017 Rupees
PSX 100 (5% increase)	185,402	136,719
PSX 100 (5% decrease)	(185,402)	(136,719)

(iii) Interest rate risk

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

The Group has no long term interest bearing asset. The Group's interest rate risk arises from short term investments, bank balances on saving accounts, term deposit, long term financing, liabilities against assets subject to finance lease and short term borrowings. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments, if any, at fixed rate expose the Group to fair value interest rate risk.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was as follows:

	2018 Rupees	2017 Rupees
Fixed rate instruments		
Financial assets		
Short term investments	851,833,801	1,006,004,644
Term deposit	–	17,400,000
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	207,327,155	36,135,276
Financial liabilities		
Long term financing	114,901,493	241,512,167
Liabilities against assets subject to finance lease	163,624,399	167,566,587
Short term borrowings	1,325,250,528	1,235,959,909
Net exposure against floating rate	1,396,449,265	1,608,903,387

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the reporting date, fluctuates by 1% higher / lower with all other variables held constant, Group's profit after taxation for the year would have been Rupees 9.775 million lower / higher (2017: Rupees 11.101 million lower / higher), mainly as a result of higher / lower interest expense / income on long term financing, liabilities against assets subject to finance lease, short term borrowings and bank balances. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting dates were outstanding for the whole year.

(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. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 Rupees	2017 Rupees
Deposits	19,990,650	27,488,770
Trade debts	236,936,937	179,584,299
Loans and advances	4,826,318	6,358,419
Other receivables	17,368,403	72,471,812
Short term investments	917,353,557	1,081,129,245
Bank balances	566,228,621	219,760,428
	1,762,704,486	1,586,792,973

The age analysis of trade debts as at reporting date is given in note 20.1.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			**2018**	2017
	Short term	**Long term**	**Agency**	**Rupees**	Rupees
Short term investments					
Bank Alfalah Limited	A1+	AA+	PACRA	100,800,811	200,336,898
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	101,700,450	301,956,888
JS Bank Limited	A1+	AA-	PACRA	523,621,584	453,483,554
United Bank Limited	A1+	AAA	JCR-VIS	–	50,227,304
Summit Bank Limited	A-1	A-	JCR-VIS	100,706,849	–
Dubai Islamic Bank Pakistan Limited	A1	AA-	JCR-VIS	25,004,107	–
Engro Fertilizer Limited	A1+	AA	PACRA	3,708,045	2,734,380
Alfalah GHP Stock Fund B Growth Units	4-Star		PACRA	61,811,711	72,390,221
Banks					
Bank Alfalah Limited	A1+	AA+	PACRA	166,660,722	13,769,809
Bank Al-Habib Limited	A1+	AA+	PACRA	127,126,923	99,348,951
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	100,933,024	52,799,636
MCB Bank Limited	A1+	AAA	PACRA	60,482,218	24,190,933
National Bank of Pakistan	A1+	AAA	PACRA	3,789,228	597,754
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	74,162	8,074,629
The Bank of Punjab	A1+	AA	PACRA	33,301	33,301
Habib Bank Limited	A1+	AAA	JCR-VIS	603,332	4,862,764
Askari Bank Limited	A1+	AA+	PACRA	192,740	409,846
United Bank Limited	A1+	AAA	JCR-VIS	85,054,539	662,002
JS Bank Limited	A1+	AA-	PACRA	12,021	14,960,656
Al-Baraka Bank (Pakistan) Limited	A1	A	PACRA	1,088,431	49,727
Meezan Bank Limited	A1+	AA+	JCR-VIS	18,415,040	
Dubai Islamic Bank Pakistan Limited	A1	AA-	JCR-VIS	10,955	
Samba Bank Limited	A1	AA	JCR-VIS	1,751,985	
Summit Bank Limited	A1	A-	JCR-VIS	–	420
				1,483,582,178	1,300,889,673

Due to the Group's business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2018, the Group had Rupees 2,452.749 million (2017: Rupees 826.966 million) available borrowing limits from financial institutions and Rupees 566.947 million (2017: Rupees 220.904 million) cash and bank balances. Management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2018:

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	More than 2 years
	Rupees					
Non–derivative financial liabilities:						
Long term financing	114,901,493	117,563,893	60,127,303	39,369,114	18,067,476	---
Liabilities against assets subject to finance lease	163,624,399	179,733,758	58,713,645	31,399,389	63,940,282	25,680,442
Long term deposits	1,500,000	1,500,000	–	–	–	1,500,000
Trade and other payables	462,209,970	131,746,833	131,746,833	–	–	–
Accrued mark-up	29,696,233	26,785,671	29,696,233	–	–	–
Short term borrowings	1,325,250,528	1,337,847,097	1,337,847,097	–	–	–
Unclaimed dividend	4,297,369	4,297,369	4,297,369	–	–	–
	2,101,479,992	1,799,474,621	1,622,428,480	70,768,503	82,007,758	27,180,442

Contractual maturities of financial liabilities as at 30 June 2017:

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	More than 2 years
	Rupees					
Non–derivative financial liabilities:						
Long term financing	241,512,167	257,181,300	90,824,254	61,323,503	86,607,988	18,425,555
Liabilities against assets subject to finance lease	167,566,587	179,704,261	38,153,693	33,939,442	107,611,126	–
Long term deposits	2,000,000	2,000,000	–	–	–	2,000,000
Trade and other payables	744,157,777	744,157,777	744,157,777	–	–	–
Accrued mark-up	27,891,018	27,891,018	27,891,018	–	–	–
Short term borrowings	1,235,959,909	1,270,918,573	1,262,842,460	8,076,113	–	–
Unclaimed dividend	1,526,469	1,526,469	1,526,469	–	–	–
	2,420,613,927	2,483,379,398	2,165,395,671	103,339,058	194,219,114	20,425,555

41.2 Financial instruments by categories

	2018			
	Loans and receivables	Held–to maturity	At fair value through profit or loss	Total
	Rupees			
Financial assets				
Deposits	19,990,650	–	–	19,990,650
Trade debts	236,936,937	–	–	236,936,937
Loans and advances	4,826,318	–	–	4,826,318
Other receivables	17,368,403	–	–	17,368,403
Short term investments	–	851,833,801	65,519,756	917,353,557
Cash and bank balances	566,946,678	–	–	566,946,678
	846,068,986	851,833,801	65,519,756	1,763,422,543

	2017			
	Loans and receivables	Held–to maturity	At fair value through profit or loss	Total
	Rupees			
Financial assets				
Deposits	27,488,770	–	–	27,488,770
Trade debts	179,584,299	–	–	179,584,299
Loans and advances	6,358,419	–	–	6,358,419
Other receivables	72,471,812	–	–	72,471,812
Short term investments	–	1,006,004,644	75,124,601	1,081,129,245
Cash and bank balances	220,903,845	–	–	220,903,845
	506,807,145	1,006,004,644	75,124,601	1,587,936,390

	At amortized cost	
	2018 Rupees	2017 Rupees
Financial liabilities		
Long term financing	114,901,493	241,512,167
Liabilities against assets subject to finance lease	163,624,399	167,566,587
Long term deposits	1,500,000	2,000,000
Trade and other payables	462,209,970	744,157,777
Short term borrowings	1,325,250,528	1,235,959,909
Accrued mark-up	29,696,233	27,891,018
Unclaimed dividend	4,297,369	1,526,469
	2,101,479,992	2,420,613,927

41.3 Offsetting financial assets and financial liabilities

As on reporting date, recongnized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

42. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. Consistent with others in the industry, and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, liabilities against assets subject to finance lease and short term borrowings as referred to in note 5,6 and 11 to the financial statements. Total capital employed includes 'total equity' as shown in the consolidated statement of financial position plus 'borrowings'.

		2018	2017
Borrowings	Rupees	1,603,776,420	1,645,038,663
Total equity	Rupees	4,086,700,970	3,733,180,599
Total capital employed	Rupees	5,690,477,390	5,378,219,262
Gearing ratio	Percentage	28.18%	30.59%

The decrease in gearing ratio is mainly due to increase in profits.

43. UNUTILIZED CREDIT FACILITIES

	Non–funded		Funded	
	2018 Rupees	2017 Rupees	**2018 Rupees**	2017 Rupees
Total facilities	2,000,000,000	2,790,895,028	3,708,000,000	2,462,950,731
Utilized at the end of the year	435,518,509	863,761,381	1,255,250,528	1,635,985,050
Unutilized at the end of the year	1,564,481,491	1,927,133,647	2,452,749,472	826,965,681

44. SEGMENT INFORMATION

These consolidated financial statements have been prepared on the basis of single reportable segment. All of the sales of the Group relates to customers in Pakistan. All non-current assets of the Group as at reporting date were located in Pakistan.

45. EVENTS AFTER THE REPORTING PERIOD

45.1 The Board of Directors of the Holding Company has proposed a cash dividend for the year ended 30 June 2018 of Rupees 1.75 per share (2017: Rupee 1.75 per share). However, this event has been considered as non-adjusting event under IAS 10 'Event after Reporting Period' and has not been recognized in these consolidated financial statements.

45.2 Under Section 5A of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate of 5% of accounting profit before tax of the Holding Company if it does not distribute at least 20% of its after tax profit for the year within six months of the end of the year ended 30 June 2018 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Holding Company in their meeting held on 09 September 2018 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

46. UTILIZATION OF THE PROCEEDS OF THE INITIAL PUBLIC OFFER (IPO)

During the year ended 30 June 2016, the Holding Company made an Initial Public Offer (IPO) through issue of 29,001,000 ordinary shares of Rupees 10 each at a price of Rupees 62.50 per share determined through book building process. Out of the total issue of 29,001,000 ordinary shares, 21,750,500 shares were subscribed through book building by High Net Worth Individuals and Institutional Investors, while the remaining 7,250,500 ordinary shares were subscribed by the General Public and the shares were duly allotted on 18 February 2016. On 01 March 2016, Pakistan Stock Exchange Limited approved the Holding Company's application for formal listing of ordinary shares and trading of shares started on 03 March 2016.

Till 30 June 2017, the Holding Company utilized the proceeds of the initial public offer of 29,001,000 ordinary shares for the purposes mentioned under heading 5.5 'Expansion Plan' in prospectus dated 28 December 2015, as per the following detail:

Purposes Mentioned Under Heading 5.5 'Expansion Plan' In Prospectus Dated 28 December 2015	Total amount	Total amount utilized till 30 June 2017
	Rupees	
Investment in HTLL		
Land	470,000,000	60,618,100
Building	128,000,000	12,486,445
Plant, machinery and equipment	139,000,000	2,719,201
Pre-operating costs	33,000,000	249,630
Working capital	842,562,500	739,126,208
	1,612,562,500	815,199,584
Investment in 100% owned subsidiary		
Additional filling lines for blending plant, Hi-Tech Blending (Private) Limited	200,000,000	–
Total	1,812,562,500	815,199,584
IPO proceeds (A)	1,812,562,500	
Amount un-utilized (A – B)	997,362,916	

As stated in the prospectus dated 28 December 2015, the Holding Company planned to offer state of the art retail outlets across Pakistan with multitude of unique services and also planned to install additional filling lines at the blending plant of its subsidiary. The plan of the year 2015-16 covered 37 grand outlets openings in 11 major cities of Pakistan including Lahore, Gujranwala, Sialkot, Faisalabad, Multan, Islamabad, Rawalpindi, Karachi and Hyderabad. Over a period of 5 years, the Holding Company planned to open 75 retail outlets (including 67 rented) across 16 major cities of Pakistan. As per quarterly progress report number 06 dated 14 July 2017, the Holding Company informed all stakeholders the progress on implementation of project: Expansion through retail outlet: 1 owned service center under regulatory approval and out of the 10 rented service centers, 1 is operational, 3 are approved and under construction, 3 are under regulatory approvals and 3 are under negotiations. Accurate, effective and timely implementation of the above plans of the Holding Company became a big challenge for the Holding Company due to expensive lands and properties at key locations in almost all the cities for express service centers. Hence, the Holding Company planned for incorporation of express centers into its fuel stations to be established under the umbrella of Oil Marketing Company (OMC) Project of the Holding Company. In this regard, the Holding Company obtained a financial feasibility report from KPMG Taseer Hadi & Co., Chartered Accountants regarding investment in OMC Project. In view of successful fulfillment of initial mandatory requirements of Oil and Gas Regulatory Authority (OGRA) for setting up of an OMC and future prospects of OMC in current international scenario as prospected under financial feasibility report, the shareholders of the Holding Company in their 9th Annual General Meeting held on 29 September 2017 approved diversion and utilization of un-utilized IPO funds from HTL express centers and wholly owned Subsidiary Company to OMC Project of the Holding Company keeping in view overall growth of the Holding Company and ultimate benefit to all shareholders and stakeholders of the Holding Company.

During the year ended 30 June 2017, OGRA granted license to the Holding Company to establish an Oil Marketing Company (OMC), subject to some conditions. During the current year with reference to OMC Project of the Holding Company, Oil and Gas Regulatory Authority (OGRA) has granted permission to proceed to apply/acquire No Objection Certificates (NOCs) from concerned departments including District Coordination Officer (DCO) for setting up of upto 26 retail outlets in Punjab Province with instructions that retail sales through petrol pumps can only be started after completion of necessary Storage Infrastructure, 3rd Party Inspector Report confirming that storage/depot meets OGRA's notified Technical Standards and OGRA's approval.

A fuel storage site at Sahiwal is complete and final inspection is already underway. Another storage site shall be built in Nowshera. Currently, the Holding Company has three operational HTL express centers in Lahore. Detail of payments out of IPO proceeds during the year ended 30 June 2018 are as follows:

	Rupees
Un-utilized IPO proceeds as at 01 July 2017	1,094,571,944
Add: Profit on term deposit receipts	56,602,724
Less: Payments made during the year:	
HTL express centres	(26,665,859)
OMC Project	(138,102,455)
Working capital	(6,016,725)
	(170,785,039)
Less: Withholding tax on profit	(5,660,272)
Less: Unrealized loss on investment in mutual fund	(11,675,221)
Less: Bank charges	(263,724)
Un-utilized IPO proceeds as at 30 June 2018	962,790,412

The un-utilized proceeds of the public offer have been kept by the Holding Company in the shape of bank balances, term deposit receipts and mutual fund.

47. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 09 SEP 2018 by the Board of Directors of the Holding Company.

48. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary for the purpose of comparison. However, no significant re-arrangements of corresponding figures have been made in these consolidated financial statements. Further, to comply with the requirements of the Companies Act, 2017, unclaimed dividend has been reclassified from trade and other payables and presented on the face of consolidated statement of financial position.

49. GENERAL

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

Chief Executive | Director | Chief Financial Officer