

# FORCE FOR SUSTAINABILITY

DIRECTORS' REPORT



# DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the Fifty First Annual Report along with the Audited Financial Statements of the Company for the year ended June 30, 2017.

## Economic Highlights

The country's GDP grew at 5.3% in 2016-17 which was the highest growth achieved over the last decade. This growth was assisted by other macroeconomic indicators such as subdued inflation, investment growth and rising private sector credit. Favorable policy measures in the Agriculture sector also helped boost overall consumer spending and helped in expanding the economy. Concern remains regarding the increasing current account deficit that is being exacerbated by a slow-down in worker remittances and a growing imbalance between our imports and exports. In case this trend grows unchecked, it has the potential to adversely affect the overall performance of the economy in the coming years.

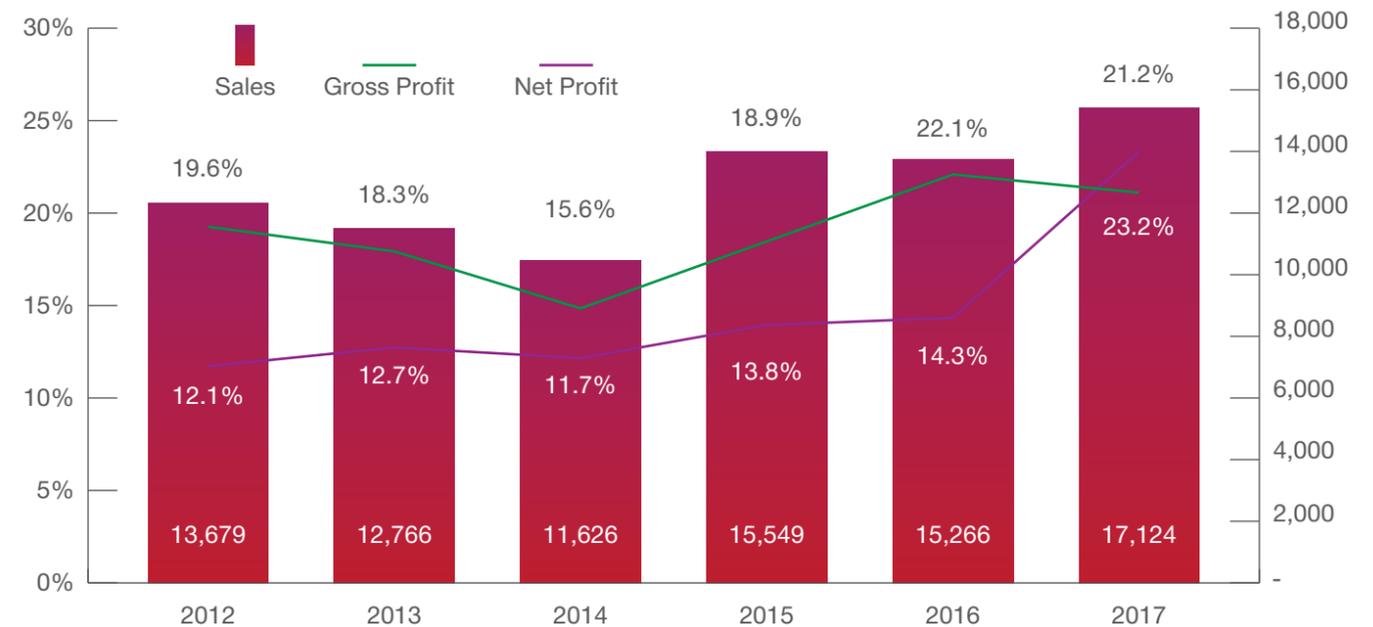
Initiatives under China Pakistan Economic Corridor (CPEC) however continue to attract foreign direct investment (FDI) and are also helping to revive the confidence of local businesses. Both China and Pakistan are committed to complete infrastructure and energy projects under CPEC. We believe that under the CPEC umbrella, foreign investments will continue to be made which shall sustain the current consumer confidence and keep our GDP growth steady in the coming years.

## Overview of Financial Results

2016-17 proved to be a good year for the Company and sales revenue grew from Rs 15.26 billion to Rs 17.12 billion registering a growth of 12%. The Company's other income grew by Rs 1.92 billion primarily as a result of a one-time gain

of Rs 1.84 billion on divestment of shares in Metro Habib Cash & Carry Pakistan (Private) Limited. As a result, our profit before tax improved by 84% to Rs 5.45 billion.

## Sales and Profitability



## Financial Performance

	Rupees in Million			
	Standalone		Consolidated	
	2016-17	2015-16	2016-17	2015-16
Net Revenue	17,124	15,266	18,136	16,823
Profit Before Taxes	5,447	2,979	7,243	3,930
Taxation	1,481	800	1,740	1,027
Profit After Taxes	3,966	2,179	5,502	2,903
Earnings Per Share - Rupees	48.95	26.89	63.52	31.72

# OVERVIEW OF BUSINESS SEGMENTS

The Company has two major business segments – the Engineering Segment and the Building Material & Allied Products Segment.

## Engineering Segment

The Company's Engineering segment comprises of the Thermal & Engine Components Business and Electric Systems Business. These businesses are primarily focused on parts manufacturing for the auto industry.

The turnover of the Engineering Segment for the year is Rs 11.4 billion, registering a growth of 8.4% compared to Rs 10.5 billion in the previous year.

The auto assembling industry in Pakistan exhibited a decline of 2% in volumes during 2016-17 compared to the previous year, which included the Punjab government's Apna Rozgar Taxi Scheme. However, excluding the Taxi scheme volumes from last year, the market expanded by 12.5% on the back of improving macro-economic conditions and availability of enhanced auto financing. The growth in sales by the Engineering Segment has been achieved primarily due to the launch of a new model by one of our main customer and improved performance in the commercial vehicle segment customer.

Used vehicle imports continue to adversely impact the auto industry with around 58,500 vehicles imported during the year, an increase of 9%

compared with the same period last year. This issue continues to be discussed with the government and the industry expects the government shall revisit its Automotive Development Policy to discourage these imports.

The performance of the division in the aftermarket segment has been strong during the year, exhibiting a growth of 30% over the previous year. The commercial vehicle segment performed particularly well with the Business providing products and services for local and imported vehicles through customer focus and tailor made customized solutions.

The government continues to negotiate the Free Trade Agreements (FTAs) with China, Thailand and Turkey. In this respect, the management of the Company has put forward its opinion to the government with a view to protecting the auto vendor industry and will continue its engagement on this issue.

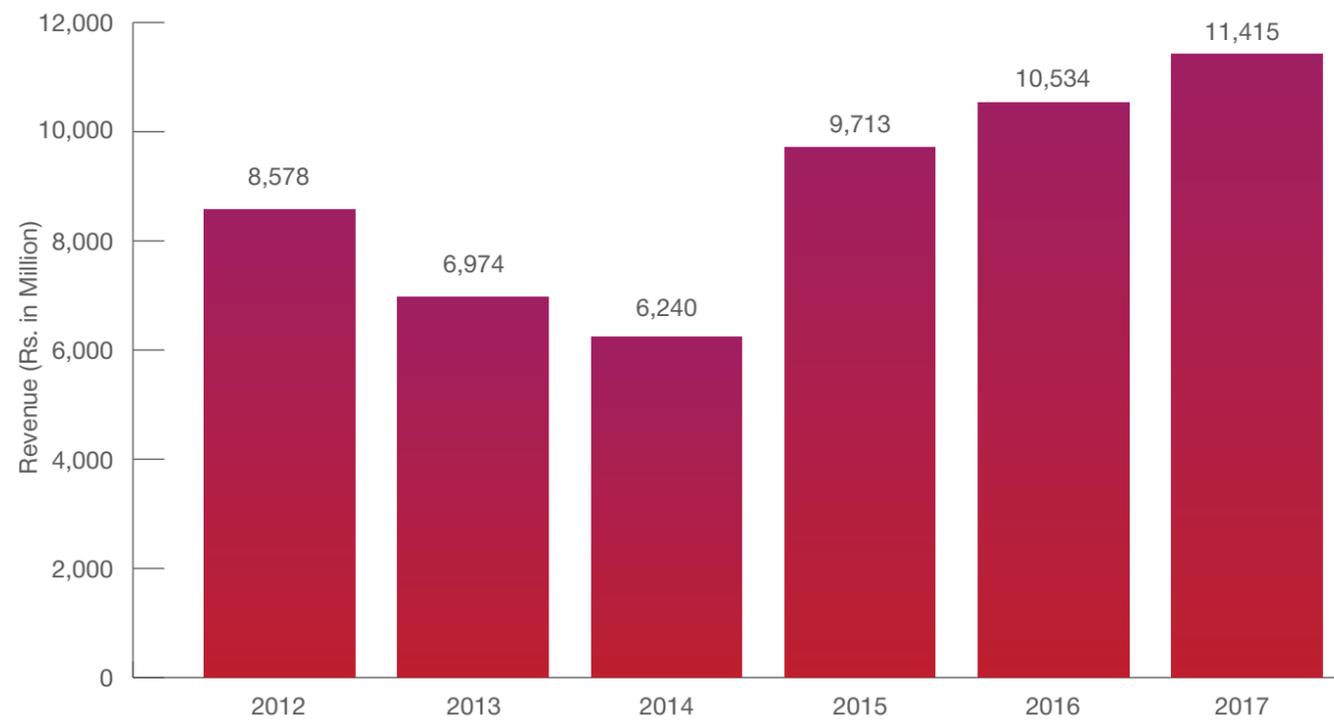
### Outlook

With continued improved economic activity in the country on the back of CPEC projects, the auto industry is expected to grow, particularly in the commercial vehicle segment, leading to an increase in demand for all our products in the coming year. The Automotive Development Policy 2016-21, which provides lucrative incentives for new automotive entrants, has generated a lot of interest with global automotive companies and a number of OEMs have announced setting up of assembling operations in the country. These are expected to achieve fruition over the next few years and will seriously challenge the vendor industry in the medium term as new entrants are not required to localize.

The increasing trend of import of used cars will continue to adversely impact the growth of the local vendor industry. The Company will engage with the Government to persuade them to revisit the policy and arrest this increasing trend of imported

vehicles which, is not only a drain on valuable foreign exchange for the country, but would also lead to increased job losses in the local vendor industry. Similarly, a failure to negotiate FTAs & PTAs without keeping the interest of Pakistan's manufacturing sector, including the auto vendor industry, can potentially lead to a situation which opens Pakistan's domestic markets to cheaper imports from partner countries without a corresponding increase in exports. Discussions with various countries at the Governmental level must incorporate the viewpoint of local manufacturers. The Company is making all efforts to engage the Government in this regard, before finalization of any FTAs & PTAs.

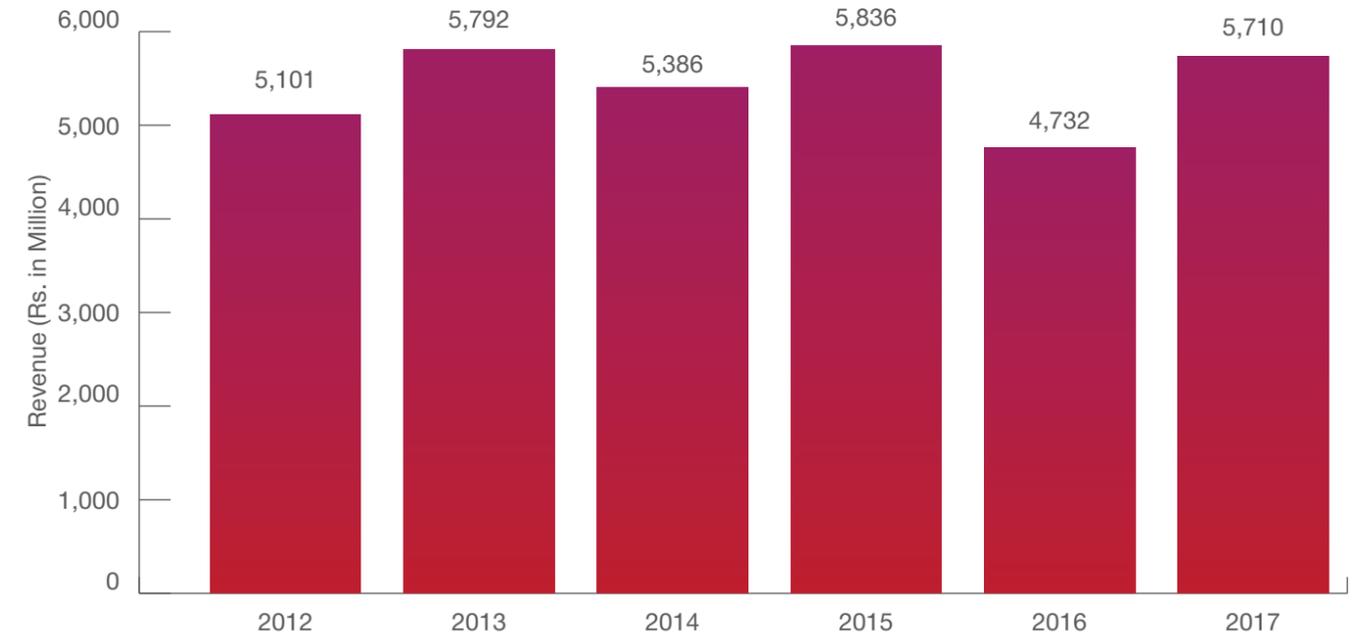
The management will continue its focus on improving quality, health, safety and undertakes environment initiatives while enhancing cost efficiencies through continuous process improvement.



### Building Materials & Allied Products Segment

The Company has three businesses – the Jute Business (Thal Jute), the Papersack Business (Pakistan Papersack) and the Laminates Business (Baluchistan Laminates).

Turnover of the segment was Rs 5.7 Billion as compared to Rs 4.7 Billion, a growth of 21.3%.



# Jute Business

The Jute Business performed well during the year and Thal Jute continued to be a premier manufacturer and supplier of jute goods in the country. Management strategies put in place for improving production efficiencies and quality, controlling costs and improving market share gave good results. These endeavors also enabled the business to overcome difficulties of the prior year when the Jute industry had been faced with a ban on export of raw Jute from Bangladesh.

The Business improved its local market share and added new customers to its portfolio. Demand during the year of grain sacks, from Government Procurement Agencies also remained on the higher side as compared to last year. These agencies built up stocks to overcome a lower carryover of wheat stock from the prior year. This also contributed to the positive performance of the business.

## Outlook

There are signs of a healthy global jute crop in Bangladesh as well as in India which may result in a possible decrease in prices. Your management plans to procure raw jute at reasonable prices and secure its timely shipment for the coming year.

We are confident that market demand shall remain strong and are eager to meet our existing customer expectations while exploring new markets. We are focused towards expanding our business operations to include diverse and innovative packaging solutions for customer needs.

Internally, the operation is geared to face the challenges ahead by continued concentration on product quality improvements and expansion in our customer base and product portfolio, both in local and export markets.

# Papersack Business

The year was encouraging for the Papersack Business, with its primary market in the cement sector growing by 3.7% over last year. The company is facing stiff competition from increased production capacity in both woven polypropylene as well as paper sacks but grew volumes despite this.

The Government has, after efforts from the local industry, recognized the anomaly that allowed duty free imports of finished bags whilst duty was applicable on the major raw material i.e. imported sackcraft paper. The applied Regulatory Duty will address this anomaly and allow a level playing field to local manufacturers, reducing imports and increasing local value added production.

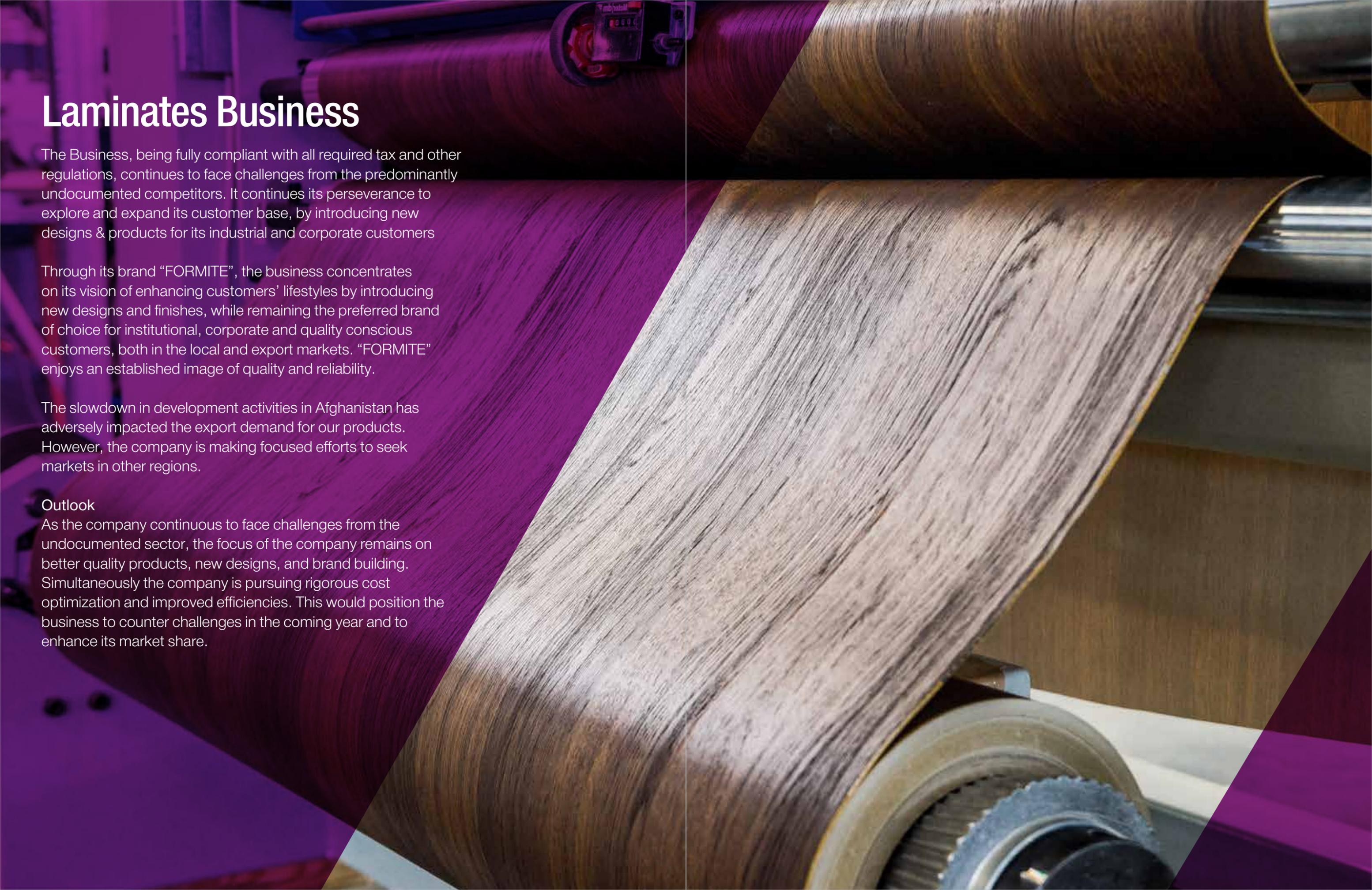
To meet demand from customers for added features, the company during the year successfully enhanced its capability for high quality printing which was in line with our customer's requirements. At the same time, diversification efforts for product and markets are being continuously pursued.

In compliance of primary packaging requirements, the business had acquired ISO 22000 certifications, which was audited and re-certified during the year. Additionally, the business also underwent the independent audits by global fast food chains and was successful in meeting the required standards in all aspects. The continued addition of global and local fast food chains to our food bags segment is a rewarding result of our efforts and acknowledgement of quality.

## Outlook

The demand for cement will continue to grow with additional cement capacities coming on line. The management is optimistic about sustained results in the coming years. Unprecedented demand for paper globally is creating challenges on prices of raw material, and the business is putting its utmost effort to overcome the same. The industrial sack and food bag segments are also expected to show a healthy growth trend, which the company is geared up to capitalize from.



The background image shows a large roll of wood-grain laminate material being processed by machinery in a factory setting. The material is a light brown color with a realistic wood grain pattern. It is being fed through a series of rollers and gears. The machinery is dark, and the overall scene is industrial. The image is split into two vertical panels by a thin white line. The left panel has a purple overlay, and the right panel has a dark purple overlay.

# Laminates Business

The Business, being fully compliant with all required tax and other regulations, continues to face challenges from the predominantly undocumented competitors. It continues its perseverance to explore and expand its customer base, by introducing new designs & products for its industrial and corporate customers

Through its brand “FORMITE”, the business concentrates on its vision of enhancing customers’ lifestyles by introducing new designs and finishes, while remaining the preferred brand of choice for institutional, corporate and quality conscious customers, both in the local and export markets. “FORMITE” enjoys an established image of quality and reliability.

The slowdown in development activities in Afghanistan has adversely impacted the export demand for our products. However, the company is making focused efforts to seek markets in other regions.

## Outlook

As the company continuous to face challenges from the undocumented sector, the focus of the company remains on better quality products, new designs, and brand building. Simultaneously the company is pursuing rigorous cost optimization and improved efficiencies. This would position the business to counter challenges in the coming year and to enhance its market share.

# INVESTMENTS IN ENERGY SECTOR

## Sindh Engro Coal Mining Company Limited

SECMC is a joint venture between the Government of Sindh, Thal Limited, Engro Powergen Limited, Hub Power Company Limited, Habib Bank Limited, CMEC Thar Mining Investments Limited and SPI Mengdong. It is engaged in developing Pakistan's first open pit mining project at Thar Coal Block II. The project achieved its Financial close on April 4, 2016.

The project is under construction and presently the progress is ahead of schedule. To date c. 47 M BCM of overburden has been removed and the mine has reached a depth of 86 meters. Related infrastructure projects of Effluent Disposal Line and Left Bank Outfall Drainage Scheme are expected to come online as per schedule.

For the first phase of the project, the Board of Directors of Thal Limited approved a total exposure of Pak Rupee equivalent of US\$ 36.1 million, which includes equity investment of US\$ 24.3 million, US\$ 5 million for cost over-run and US\$ 6.8 million for debt servicing reserve. To date the Company has invested Rs. 899 million equivalent to US\$ 8.71 million.

SECMC has entered into Coal Supply Agreements with ThalNova Power Thar (Pvt) Ltd and Thar Energy Ltd to supply additional 1.9 million tons of lignite per annum to each 330 MW power plant respectively.

## Thal Power (Private) Limited

The Company has entered into a Joint Venture Agreement with Novatex Limited, for collaboration to develop a 330 MW mine mouth coal-fired power generation plant located at Thar, Sindh. This power plant will be based on lignite coal extracted from the mine operated by Sindh Engro Coal Mining Company (SECMC).

The Company through its wholly owned subsidiary, Thal Power (Private) Limited has incorporated a JV project company, i.e., ThalNova Power Thar Private Limited ("ThalNova"), to develop the project.

ThalNova has obtained the Letter of Intent (LOI) and the Letter of Support (LOS) from the Private Power Infrastructure Board (PPIB). National Electric Power Regulatory Authority (NEPRA) has issued the Generation License and awarded the Upfront Tariff on Thar coal to the project company. ThalNova has also been issued a No Objection Certificate (NOC) by the Sindh Environmental Protection Agency (SEPA). China Machinery & Engineering Corporation has been appointed as the EPC Contractor. ThalNova has entered into Coal Supply Agreement (CSA) with SECMC to supply 1.9 million tons per annum lignite. It has also entered into a Power Purchase Agreement (PPA) with the Central Power Purchase Agency (Guarantee) Ltd.

Whilst the project has sound fundamentals being based on indigenous resources and enjoys good support and encouragement from the respective governments, it also presents significant challenges in achieving timely financial close. ThalNova is actively engaged in concluding all project agreements and securing financial close for the project.



# SUBSIDIARIES

## Thal Boshoku Pakistan (Private) Limited

During the year 2016-17, the sales revenue for the Company remained below plan due to less off take by customers. The Company however continued to follow a prudent liquidity management system and through good financial management, effective cost control, better recoveries and efficient inventory management conducted its business without utilization of bank borrowing.

On the operations side, all customer supplies requirements were met in time with ZERO DEFECT and customers rated the business in GREEN ZONE throughout the year. Focus remained on improving production efficiency, Kaizen and towards providing healthy and safe working environment to our team members.

Outlook for the future of the Company looks encouraging as auto industry expects to grow, especially with announcement of new entrants under the current Auto Policy. While consolidating operations, the Company is also taking steps towards increasing its product offering by adding more part localization projects. Thal Limited holds 55% of the shareholding in Thal Boshoku Pakistan (Pvt) Ltd while 35% is held by Toyota Boshoku Corporation Japan and a further 10% shares are held by Toyota Tsusho Corporation Japan.

## Makro-Habib Pakistan Limited

The Honorable Supreme Court of Pakistan dismissed the Review Petition of HMPL for the Saddar Store and as a consequence, the Saddar Store of MHPL was closed down on September 11, 2015.

As a later development on December 9, 2015, the Honorable Supreme Court of Pakistan accepted the request of Army Welfare Trust's (AWT) for restoration of its Review Petition. In its hearing held on February 2, 2016, the Honorable Chief Justice commented that while reviewing AWT's review petition, both MHPL and Ministry of Defense will also get a chance to argue their points on merit as they are respondents in AWT's petition.

The matter was last fixed for hearing on October 13, 2016 in which the constitution of a different bench from the previous one was discussed and the matter was referred to the Chief Justice of Pakistan Supreme Court for reconstitution of a fresh bench, if required. No hearing has been fixed since then. The Company is a wholly owned subsidiary of Thal Limited.

## Habib METRO Pakistan (Private) Limited

The main business of Habib METRO Pakistan (Private) Limited (HMPL) is to own and manage retail store properties and accordingly, over 90% of the revenue is generated from rental income. Thal Limited holds 60% shareholding in the subsidiary while 40% is held by Metro Cash and Carry Pakistan (Private) Limited. The company is exploring various business opportunities to complement the cash & carry retail rental business and to enhance enterprise value from its store locations.

In 2016-17, HMPL approved interim dividends for payment to Thal Limited amounting to a total of Rs. 220 million.

## Noble Computer Services (Private) Limited

The Company continues to provide services related to internal audit, IT, advisory, HR and other management related services to group companies of House of Habib. The Company is a wholly owned subsidiary of Thal Limited.

## Pakistan Industrial Aids (Private) Limited

Through its trading operations, the Company continued its business of supplying auto parts, such as compressors, condensers, cooling units and gas to automobile assemblers and auto parts manufacturers. It is a wholly owned subsidiary of Thal Limited.

## A-One Enterprises (Private) Limited

A-One Enterprises Private Limited is a fully owned subsidiary of Thal Limited. During the year under review, the Company had disposed of its Multan Road property to Lahore Development Authority (LDA) against which due compensation has been received.

## Human Resources

At Thal Limited we believe that our continued success can be attributed to the single-most important determinant – our people. We believe our employees remain our enduring advantage and whilst we believe that our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence is what drives our success, after a thorough analysis we identified critical aspects around human capital management that can enhance our HR competitiveness. These included key focus areas for the year 2016-17 including talent management, learning & development; succession planning, and launch of our first Management Trainee Program across the group.

To meet employee and organizational needs, we have developed a long-term strategy to increase our bench strength whilst developing a well-rounded standardized talent development framework, comprising of various training interventions necessary to guide and equip our employees to realize their full potential. Through the year, we continued to provide opportunities for acquisition of knowledge for technical and managerial skills through various classroom and on the job learning exercises.

Moreover, to support the Company's objective of acquiring the best talent, our recruitment system deploys variety of online talent assessment methods. We deploy one of the world's leading accurate leadership, intelligence, cognitive ability and behavioral assessment systems. The Management Drive culminated towards the end of the year 2016-17 reaching out to over 1500 students across 9 academic institutions of Pakistan. The finalists were taken through a rigorous round of screening with 15 candidates hired as part of this year's pool of new recruits.

## Health, Safety & Environment (HSE)

Across all our business segments, we want a working environment in which safety is deeply embedded in our operations and business culture. Our goal is to prevent all accidents and ensure that Thal Limited is a safe place to work. Throughout the year the businesses undertook significant initiatives to incorporate a strong consideration for the safety of our people, plants and the planet at large and consequently the Total Recordable Injury Rate was significantly lower than the previous years whilst our Lost Time Injuries (LTI) reduced by 95% in the same period.

Moreover, we maintained our focus on safety management systems keeping in view international best practices including Occupational Safety and Health Administration (OSHAS) and DuPont Workplace Safety Standards amongst others. This was recognized by Employers Federation of Pakistan, who awarded Thal Engineering the 1st prize on 'Best Practices award for OSH&E 2016' in the Processed & Allied sectors.

We are also cognizant of our responsibility to the planet both as a socially caring organization and as an entity that is signatory to the United National Global Compact. This year was a first for us as we instituted the baseline assessment of Carbon Footprint at Thal Engineering, using the GHG Corporate Protocol of World Resource Institute. Consequently, for the year 2014-15 through stewardship efforts we were able to reduce our carbon footprint by 1% with a stretch target of 5% identified for the year 2016-17.

## Corporate Social Responsibility

As part of our continuing commitment towards improving the life of our stakeholders, our communities and the underprivileged sections of the society, we contributed approximately PKR 61.1 million under our social investments commitments in 2016-17, as compared to PKR 33.5 million in 2015-16. These programs, which span across all our business segments are primarily focused in the broad areas of education, health, employee welfare, community development, environment and disaster relief.

In the category of education, we continued to support and our flagship Habib University Foundation which offered scholarships and financial aid to a large number of deserving students. In addition, the various business segments continued to support institutions including ABSA, TCF, Kaghan School amongst others to help improve provision of education to under-privileged sections of the society.

We truly believe that access to quality primary and secondary healthcare is a basic right of every individual. Cognizant of this responsibility to our communities throughout the year, we endeavored to support leading healthcare institutions through direct monetary support – this included contribution to Indus Hospital, Huseini Hematology & Ecology Trust, Masoomen Hospital, Child Aid Association, Mohammadi Blood Bank, SIUT, Fatimid Foundation, Marie Adelaide Leprosy Centre, HOPE and Madawa Welfare Society amongst others.

As an organization, we pride ourselves on our deep understanding of our responsibility to the society and our people who remain our core enduring advantage. With this guiding principle, this year too we ran programs that aimed to enhance employee welfare and support them in multiple causes.

Further details of CSR are appended ahead in this report.

## Statement of Charity

	(Rupees in 000')	
	June 2017	June 2016
Welfare	20,882	12,331
Health	30,540	8,368
Education	9,418	12,572
Others	301	250
Grand Total	61,141	33,521

## Information Technology (IT)

In the wake of systems becoming highly connected with outside world and the rise of the cloud, networks have become exposed to multiple vulnerabilities. Thal Limited Businesses and IT department recognized the growing need to enhance Information Security. The IT team of Thal Limited in order to guard network against cybercrimes realized the need to conduct network penetration test and deployment of intrusion detection and prevention system. Latest Firewalls, anti-malware, and anti-spyware software were deployed to monitor incoming internet traffic for unwanted traffic or malware like spyware, adware, or Trojans. Aside from this, in order to create secure communication channels TCP/IP protocols and encryption protocols like a Secure Sockets Layer (SSL), or a Transport Layer Security (TLS) were also deployed on required servers.

Company also recognized the need to conduct independent IT Audit by leading IT Audit firm in order to evaluate controls related to IT. Due to ever-increasing dependency on IT infrastructure and Business Applications, it was recognized internally that there was an increase in information technology risks, which include security threats, regulatory and governance compliance. Scope of work was not limited to audit only but also comprised documentation of policies and procedures, network security review and SAP segregation of duties review.

## Related Party Transactions

All transactions with related parties have been executed in accordance with applicable regulations and have been disclosed in the financial statements under relevant notes.

## Internal Financial Controls

The Company and its subsidiaries have deployed an effective system of Internal Financial Control in order to safeguard its assets and ensure the accuracy and reliability of its records. Senior management reviews financial performance of the Company and its subsidiaries through detailed monthly financial reports and analysis while the Board also carries out its own review at each quarter and probes into any variation versus expectation. Detailed examinations are also carried out by the internal audit function which reviews adherence to internal control processes as well as laid out procedures and report its findings to the Board Audit Committee.

## Forward-looking Statement

Given the prevailing economic and business environment, manufacturing sector is faced with numerous challenges. However, despite uncertainties, there are some promising developments that should fuel economic growth and create conducive business opportunities in the country.

To gear up for these opportunities, Thal Limited is constantly striving to position itself to reap benefits and grow in the years to come. The Company is diversified into various product manufacturing sectors having their own dependencies on different market segments.

The largest business segment of the Company is its Engineering segment. Under the current Auto Investment Policy, several new OEM entrants have announced their investment plans in Pakistan. While in the medium term, the auto vendor industry will remain pressured as the new entrants are not required to localize, in the long term, the Segment remains well-poised to enhance its market share.

Besides the Engineering Segment, its Building & Allied Products Segment plays a significant role in the growth of the Company. The jute business of the Segment is faced with shrinking market share owing to higher demand of low cost polypropylene bags. However, the coming year looks promising for the business as a bumper crop of raw jute is expected both in Bangladesh and India. The Segment's other business is its papersack business which is expected to grow with the growth in the cement industry. In addition to its organic growth, the business is gearing up to increase its production capabilities by undertaking sizable investment in plant & machinery. The third business in the Segment is its laminates business involved in the production of laminated boards and the prestigious brand "FORMITE". As the construction industry in the country is expected to grow, the business is expected to improve its growth momentum, especially for its corporate clients.

The Company sees huge potential in the power sector, especially with the launch of China-Pakistan Economic Corridor (CPEC). To exploit this opportunity, it is engaged in developing Pakistan's first open pit coal mining project at Thar by acquiring shareholding in Sindh Engro Coal Mining Company (SECMC). To further explore investment in the power sector, the Company has executed a joint venture agreement with M/S Novatex Limited to develop 330 MW

coal-fired power generation plant at Thar, Sindh, to carry out preliminary development works.

## Risks and Uncertainties facing the Company

The Company faces various types of risks both internal and external to the business. The Company has in place a system of Enterprise Risk Management (ERM). ERM is the process of identifying, assessing, prioritizing, evaluating and mitigating the risks and challenges faced by the business. Risk management is the primary responsibility of the management of the Company. It is overseen and assisted by the Internal Audit Function and the Board of Directors in line with policies & procedures that are in place to counter any potential risk.

The Company has enumerated these risks as:

1. Strategic Risk
2. Financial Risk
  - a. Foreign Currency Risk
  - b. Credit Risk
  - c. Interest Rate Risk
3. Internal Control Risk
4. Operational / Commercial Risk
  - a. Competitors Risk / Technological & Innovation Risk
  - b. Regulatory Risk
5. Health Safety and Environment

Mitigating strategies are in place in respect of these risks.

## Contribution to National Exchequer

During the year 2016-17, the Company contributed a sum of Rs. 4.75 billion (2015-16, Rs. 4.22 billion) towards the National Exchequer by way of taxation (including super tax), custom duties, levies, excise duty and WWF.

## Auditors

The current auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible offered themselves for re-appointment as auditors for the year 2017-18. Their reappointment has also been recommended by the Board Audit Committee.

## Pattern of Shareholding

The pattern of shareholding as at June 30, 2017 is attached to this report.

## Reconstitution of the Board of Directors and its Committee

Subsequent to the year end, Mr Asif Rizvi retired as Director and Chief Executive of the Company. Mr Mazhar Valjee has been appointed as Director and Chief Executive in his place.

As a consequence of Mr Asif Rizvi's retirement, the Board HR Committee has also been reconstituted subsequent to the year end, with Mr Mazhar Valjee being appointed against the vacancy created. The Board appreciated the contribution made by Mr Asif Rizvi during his association with the Company.

## Directors training program

Mr. Rafiq M. Habib, Mr. Ali S. Habib, Mr. Asif Qadir, Mr. Salman Burney and Mr. Mazhar Valjee are exempted from the Directors Training Program as each has over 15 years of experience in serving on the Boards. Mr Sohail P. Ahmed and Mr Mohamedali R. Habib have successfully completed the director's certification from PICG.

## Compliance with the Code of Corporate Governance Statement on Corporate and Financial Reporting Framework

- The financial statements prepared by the Management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements.
- The Board has outsourced the internal audit function to M/s. Noble Computer Services (Pvt) Ltd., who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- All members of the Audit Committee are independent/non-executive Directors.
- There are no significant 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.
- The value of investment of provident fund and retirement fund stands at Rs. 596 million and Rs. 60 million respectively as at June 30, 2016.
- The key operating & finance data for the last 6 years are annexed to the report.

The names of the Board members during the year are as below along with their respective attendance during the 7 convened Board meetings that were held during the year:

Sr. No.	Names of Directors	Meeting Attended
01	Mr. Rafiq M. Habib (Chairman)	5/7
02	Mr. Sohail P. Ahmed	7/7
03	Mr. Asif Rizvi (Resigned July 17, 2017)	7/7
04	Mr. Ali S. Habib	7/7
05	Mr. Mohamedali R. Habib	3/7
06	Mr. Asif Qadir	4/7
07	Mr. Salman Burney	7/7
08	Mr. Mazhar Valjee (Appointed July 28, 2017)	

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

Sr. No.	Names of Directors	Meeting Attended
01	Mr. Asif Qadir (Chairman)	3/4
02	Mr. Mohamedali R. Habib	4/4
03	Mr. Sohail P. Ahmed	3/4
04	Mr. Salman Burney	4/4

- During the year Human Resources & Remuneration Committee met 3 times and the attendance of the Directors was as follows:

Sr. No.	Names of Directors	Meeting Attended
01	Mr. Salman Burney	3/3
02	Mr. Ali S. Habib	3/3
03	Mr. Asif Rizvi (Resigned July 17, 2017)	2/3
04	Mr. Mazhar Valjee (Appointed August 29, 2017)	-

## Dividend and Appropriations

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

- Final cash Dividend declared of Rs. 16/- per share, i.e., 320% in addition to interim dividends of Rs 3.75 per share, i.e., 75% thus amounting to a total dividend of Rs 19.75 per share i.e. 395%.
- Recommends appropriating a sum of Rs 2,366 million from un-appropriated profits to General Reserve.

## Acknowledgement

On behalf of the Board of Directors and the management, I wish to express sincere gratitude to our shareholders, customers, dealers and business partners for their continuing patronage and trust. I want to extend special thanks to our JVA partner, Toyota Boshoku Corporation and Toyota Tsusho Corporation of Japan and our TAA partners, Denso Corporation and Furukawa Electric Company of Japan for their strong support and assistance. I would also like to thank all regulatory authorities for their guidance and support. Last but not least, the Board of Directors extends its sincere appreciation to its entire staff members for their significant contribution to the growth of our company under challenging business conditions.

  
Mazhar Valjee  
Chief Executive Officer

  
Salman Burney  
Director

Karachi.  
Dated: August 29, 2017.