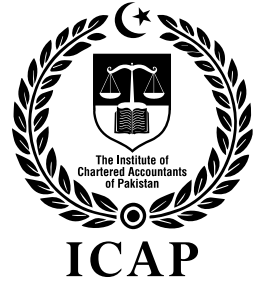


## Multi Subject Assessment Stage (Transitional Scheme)

# Financial Reporting and Assurance Professional Competence

1 June 2026  
100 marks



CRN:

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Name: \_\_\_\_\_

### INSTRUCTIONS

Please carefully read the following instructions:

1. You are required to access your answer working area by using your Student ID and Password as mentioned on your Admit Card.
2. The overall duration of the exam is 4 hours and 15 minutes, which includes the reading time and an extra 30 minutes of time that has been allocated due to the introduction of computer-based examinations.
3. All questions are compulsory. There is no specific time allocated for individual questions.
4. An auto-save function runs every minute. Further, your answers are saved automatically when you navigate between questions or click on the > (NEXT) or < (BACK) symbols.
5. Each question provides a designated answer area with a Rich Text Format (RTF) editor for writing your answers. You must answer each question within its respective RTF editor only. **Answers written in another RTF editor instead of the designated RTF editor for the question or more than one questions answered in a single RTF editor shall not be considered for marking.**
6. Below the RTF editor, a spreadsheet is provided to facilitate examinees in doing rough calculations or other workings. **However, please note that any work performed in the spreadsheet will not be considered for marking. To ensure your work is considered, you must copy and paste it from the spreadsheet to the RTF editor.**
7. You may use MS Excel for rough working. However, please remember that any work performed in this application cannot be copied into the examination software, and vice versa. Furthermore, any such work will not be uploaded with your exam for marking.
8. You may use pen and paper for rough work, but please note that pen and paper work should only be done on the last two pages of the question paper that are specifically allocated for this purpose. Remember that any rough work done on these pages will not be uploaded with your exam for marking.
9. In accordance with the open book policy of this paper, you are allowed to have a maximum of **FIVE** original books duly bound. Please ensure that the books or notes you bring are permissible under the open book policy. Keeping a book or notes that are not permissible will be considered a violation under the policy on the use of unfair means.
10. An external calculator can be used, provided it is included in the list of permissible calculators issued by ICAP.
11. During the exam, access to any website other than exam software website is strictly prohibited. Engaging in such activities will be considered a violation under the policy on the use of unfair means.

## QUESTION 1

You are Nida Khan, an audit senior at Shaheen & Co, and you are involved in planning the audit of the financial statements of Allied Automotive Ltd (AAL) for the year ended 31 May 2026. AAL is a listed vehicle manufacturer within the automotive sector, with a number of medium and large production facilities across the country. The automotive sector has expanded rapidly in the last three years and AAL's production has risen in line with growth in the industry.

The audit manager, Aliya Sandhu, has provided details of three transactions which were identified as risk areas during the initial planning meeting with AAL's Finance Director, Hasan Ayub, and has asked you to set out the correct financial reporting treatment for these matters as part of the audit planning memorandum.

You have been provided with the following information relating to AAL and setting out the work required:

**Appendix 1:** Background information about AAL and the automotive industry.

**Appendix 2:** Draft financial information of AAL for the year ended 31 May 2026.

**Appendix 3:** Email from the audit manager setting out details of three transactions entered into by AAL.

**Appendix 4:** Extracts from the accounting policies note of AAL.

**Appendix 5:** Background information detailing two ethical matters.

### Requirements

- (a) Using Appendices 3 and 4, explain the correct financial reporting treatment for the three transactions identified in Appendix 3, supported by relevant calculations and set out any required adjustments as journal entries. **(20 marks)**
- (b) Using Appendix 2 and your answer to part (a), recalculate profit before interest and tax, total equity, return on capital employed, and gearing ratios. **(05 marks)**
- (c) Assuming AAL applies, or intends to apply, the correct financial reporting treatments for the matters described in Appendices 3 and 4, recommend the audit procedures Shaheen & Co should perform to obtain sufficient appropriate audit evidence in relation to the three transactions. **(11 marks)**
- (d) Using Appendices 1, 2 and 3 and your answer to part (b):
  - (i) Explain any matters which might cast doubt on AAL's ability to continue as a going concern. **(04 marks)**
  - (ii) Recommend the additional audit procedures which Shaheen & Co should perform if events or conditions have been identified that may cast significant doubt on AAL's ability to continue as a going concern. **(04 marks)**
- (e) Discuss the professional and ethical issues raised in Appendix 5 and recommend appropriate actions that Shaheen & Co should take. **(06 marks)**

**Total: 50 marks**

## APPENDIX 1 – BACKGROUND INFORMATION ABOUT AAL AND THE AUTOMOTIVE INDUSTRY

AAL was incorporated in 1999 and after a period of steady growth was listed in 2015, continuing to generate profits that were consistent with the rest of the industry. From 2019 to 2022, AAL suffered a significant downturn in both revenue and profits, in line with the automotive industry generally, but since early 2024, there has been a significant rebound in the industry and AAL has seen its revenues increase significantly since the first half of 2025.

The growth in the sector has been mainly attributable to increased demand for passenger vehicles, especially small cars, driven by the recovery of the domestic economy and lower interest rates. The government continues to promote the use of electric vehicles, but this segment of the industry is struggling to generate any significant demand. Nevertheless, the automotive industry in Pakistan remains one of the fastest growing industries in the country.

## APPENDIX 2 – DRAFT FINANCIAL INFORMATION OF AAL FOR THE YEAR ENDED 31 MAY 2026

	31 May 2026 (Draft)	31 May 2025 (Actual)
	----- Rs. in million -----	
Revenue	1,800	1,550
Profit before interest and tax	230	210
Non-current assets	4,600	3,470
Cash and cash equivalents	70	150
Other current assets	730	1,100
Total equity	1,320	1,270
Non-current liabilities	3,180	2,700
Current liabilities	900	750
Return on capital employed	5.1%	5.3%
Gearing ratio	70.7%	68%

**Note:**

Draft figures for the year ended 31 May 2026 include three transactions in Appendix 3 as accounted for by Hasan Ayub but with no further adjustments for these transactions to the year-end date.

### APPENDIX 3 – EMAIL FROM THE AUDIT MANAGER SETTING OUT DETAILS OF THREE TRANSACTIONS ENTERED INTO BY AAL

**To:** Nida Khan, audit senior  
**From:** Aliya Sandhu, audit manager  
**Date:** 1 June 2026  
**Subject:** Audit of AAL for the year ended 31 May 2026

Following my planning meeting with Hasan Ayub (Finance Director at AAL) yesterday there are three transactions that I have identified as risk areas for our audit of AAL for the year ended 31 May 2026.

As part of preparing the audit planning memorandum, please set out the correct financial reporting treatment for three transactions, including calculations and any proposed adjustments as journal entries. Details of these transactions are provided below.

#### Lahore production facility

Due to recent increases in activity levels across AAL as a result of increased demand, the production facility located in Lahore was deemed to be too small for AAL's operational requirements and operations were moved to a larger, more modern factory. The Lahore facility was rented out to a third party under a lease agreement from 1 May 2026. The facility was acquired on 1 June 2015 and deemed to have a useful life of 35 years from that date. There has been no subsequent change in the estimate of the asset's total useful life.

The lease is for a five-year period with an annual rental of Rs. 15 million, payable in advance. The first payment of Rs. 15 million has been received and recorded as other income.

	Rs. in million
Cost	350
Accumulated depreciation at 1 June 2025	(100)
<b>Carrying amount</b>	<b>250</b>

A valuation report was prepared by a firm of surveyors engaged by AAL. The report concluded that the fair value of the Lahore production facility as at 1 May 2026 was in the range of Rs. 270 million to Rs. 290 million. The report calculated that the present value of future potential rentals over the remaining life of the facility was Rs. 290 million. The report also identified that a production facility of a similar age and capacity in the same location as AAL's production facility sold for Rs. 270 million in late April 2026. The surveyor's report stated that it was unlikely that there would be further significant changes in fair value up to 31 May 2026.

The carrying amount of the facility was therefore increased to Rs. 290 million at 1 May 2026 and the resulting gain of Rs. 40 million was recognised in profit or loss. The facility was transferred to investment property at the estimated fair value of Rs. 290 million on 1 May 2026.

#### Shares disposed of by AAL

In the year ended 31 May 2025, AAL purchased a 3% shareholding in a listed company, Sharif Engineering Ltd, for a total cost of Rs. 45 million. AAL did not hold these shares for trading and made the election under IFRS 9 for the shares to be held at fair value through other comprehensive income. The investment was correctly measured at a fair value of Rs. 57 million at 31 May 2025 and the resulting gain of Rs. 12 million was recognised in other comprehensive income and other components of equity.

In order to help fund expansion plans and part-finance a new production facility for small electric vehicles, AAL decided to realise its investment and consequently disposed of all of the shares in Sharif Engineering Ltd during 2026 for proceeds (equivalent to fair value) of Rs. 62 million. A transaction cost of Rs. 2 million was incurred on the sale and deducted in arriving at net proceeds of Rs. 60 million.

The transaction has been recorded in the nominal ledger as a debit to Bank by Rs. 60 million, a credit to Investment in shares by Rs. 57 million and a credit to Profit on disposal by Rs. 3 million.

During our meeting, Hasan Ayub mentioned that the proceeds of the disposal were 'disappointing' as AAL had expected to realise significantly more cash proceeds from the sale than it actually received.

**Advance payment received from a customer**

In April 2026, AAL received a payment of Rs. 12 million from one of its customers, Haneef Ltd (HL), as consideration for a large number of vehicles ordered by HL in March 2026. The vehicles have not yet been delivered to HL as it does not have space to store the vehicles before they are needed. However, the full amount has been recognised as revenue in AAL's statement of profit or loss for the year ended 31 May 2026 as Hasan Ayub believes the criteria for this to be deemed a 'bill-and-hold' sale have been met.

Hasan Ayub sent me a copy of the contract terms for the transaction with HL. Key points from the contract are summarised below:

- Invoice for the vehicles to be raised by AAL and payment to be made by HL in April 2026 for Rs. 12 million.
- HL will notify AAL of the required locations for each delivery of vehicles in June 2026 and July 2026.
- Vehicles will be delivered to HL within two weeks of a delivery request from HL. All vehicles must be requested for delivery by 31 July 2026.
- Vehicles will be delivered from general inventory of vehicles held at a number of different locations. Specific vehicle details (including registration documents) will be provided 48 hours prior to delivery.

Hasan Ayub also mentioned in our planning meeting that the board of directors of AAL were very pleased that the payment was received from HL before the end of the year as this would help AAL to meet a scheduled loan repayment of Rs. 100 million in June 2026. The directors were hopeful that similar discussions with other customers would also improve AAL's cash position.

Kind regards

Aliya

**APPENDIX 4 – EXTRACTS FROM THE ACCOUNTING POLICIES NOTE OF AAL****Investment property**

Investment property is measured at fair value in accordance with IAS 40 *Investment Property*.

**Property, plant and equipment**

Property, plant and equipment is held under the cost model in accordance with IAS 16 *Property, Plant and Equipment* and depreciated on a straight-line basis over the following useful lives:

- Production facilities – 35 years (charged to cost of sales)
- Other assets – 5 to 10 years (charged to administrative expenses)

**APPENDIX 5 – BACKGROUND INFORMATION DETAILING TWO ETHICAL MATTERS**

Aliya Sandhu was recently promoted to audit manager and has been part of the audit team of AAL for the past three years. Aliya's brother has recently started a new role as brand manager at AAL. Aliya immediately informed the audit partner of her brother's new job.

Bilal Ajmal was the audit partner for AAL for the year ended 31 May 2025. Bilal has been asked to act as engagement quality reviewer for the audit of AAL for the current year. Given Bilal's knowledge of AAL's business, it is considered that this will result in an efficient and high-quality review.

## QUESTION 2

You are Amir Syed, a newly qualified accountant working for Gamma Industries Ltd (GIL) and assisting with the finalisation of the financial statements for the year ended 31 May 2026. The majority of the year-end adjustments to the draft financial statements have been completed by Zara Hassan, the new finance manager at GIL, but three items remain unaccounted for. Deferred tax adjustments relating to these three items also remain outstanding, but no adjustments to current tax are required as this will be calculated by the tax advisors once the draft financial statements are finalised.

Zara Hassan has provided you with extracts from the draft financial statements of GIL for the year ended 31 May 2026 (Appendix 1). Zara Hassan has also emailed you with details of the three items not yet accounted for (Appendix 2). Finally, she has provided you with copies of her predecessor's tax notes prepared for the year ended 31 May 2025 (Appendix 3).

You have also received a separate email from the finance director of GIL, Hamza Abbas, relating to a property valuation (Appendix 4).

### Requirements

- (a) Using the information provided in Appendices 1, 2 and 3, explain the required financial reporting treatment of the three items not yet accounted for in the year ended 31 May 2026, including any deferred tax adjustments, supported by relevant calculations. Also, prepare the required journals to correctly account for the three items and the deferred tax adjustments. **(20 marks)**
- (b) Explain the ethical issues you face in Appendix 4 and how those issues should be addressed. **(05 marks)**

**Total: 25 marks**

**APPENDIX 1 – EXTRACT FROM DRAFT FINANCIAL STATEMENTS OF GIL****Statement of financial position as at 31 May**

	<b>2026 (Draft)</b>	<b>2025 (Actual)</b>
	<b>----- Rs. in '000 -----</b>	
<i>Equity and reserves</i>		
Share capital (Rs. 100 shares)	25,000	25,000
Share premium	9,500	9,500
Retained earnings	27,267	10,767
Revaluation surplus – land	(2,015)	2,485
Revaluation surplus – other assets	7,500	7,500
Equity-settled share-based payment reserve	2,133	2,133
	<b>69,385</b>	<b>57,385</b>
<i>Liabilities</i>		
Deferred tax	891	891

**Statement of profit or loss and other comprehensive income for the year ended 31 May 2026**

	<b>Rs. in '000</b>
Profit for the year	16,500
<i>Other comprehensive income</i>	
Revaluation loss	(4,500)
<b>Total comprehensive income</b>	<b>12,000</b>

**APPENDIX 2 – EMAIL FROM ZARA HASSAN, FINANCE MANAGER OF GIL**

**To:** Amir Syed  
**From:** Zara Hassan  
**Date:** 1 June 2026  
**Subject:** Items to be accounted for in the financial statements for the year ended 31 May 2026

Amir

See below for details of the three items which have not yet been accounted for in the financial statements for the year ended 31 May 2026:

**Share options**

Share options in respect of 100 shares each were granted to 80 employees on 1 December 2024, on the condition that the employees remain with GIL until 30 November 2027. The exercise price of an option was set at Rs. 1,500 and the fair value of an option at 1 December 2024 was calculated as Rs. 2,000. The fair value of an option had increased to Rs. 2,300 at 31 May 2026. All options must be exercised between 1 December 2027 and 30 November 2028.

At the grant date, it was estimated that a total of 20% of the employees would leave GIL over the vesting period, and this estimate was unchanged at 31 May 2025. Up to 31 May 2026, a total of 7 employees had left the company and the estimate of total leavers was revised to 15% at that date.

In addition to the period of service, there is a second condition that GIL's share price must reach Rs. 2,500 by the vesting date. This has confused me because an amount for the share options was included in last year's financial statements but the share price at 31 May 2025 was only Rs. 1,900. The share price at 31 May 2026 was Rs. 2,200 so it is still below the required level for the employees to receive their share options.

**New lease**

GIL entered into a new lease agreement (as lessee) during the current year. The lease commenced on 1 June 2025 and is for a six-year period with no option to purchase the asset at the end of the lease. A non-refundable initial payment of Rs. 1.5 million was made on 1 June 2025. Annual rentals are Rs. 3.5 million, payable in arrears with the first payment having been made on 31 May 2026.

Additional payments of Rs. 1 million for legal fees relating to the lease and Rs. 0.8 million for the annual maintenance charge were also made during the year. All payments made to date totalling Rs. 6.8 million have been debited to Suspense account and no further adjustments having been made.

The lease agreement identified the interest rate implicit in the lease as 8% per annum.

**Land valuation**

Land owned by GIL was revalued two years ago from its original cost of Rs. 17.5 million to a fair value of Rs. 21 million. A deferred tax liability at 29% was recognised on the revaluation and the net gain was recognised in other comprehensive income and revaluation surplus.

The land was revalued again this year to a fair value of Rs. 16.5 million. The decrease in value from Rs. 21 million to Rs. 16.5 million has been recognised in other comprehensive income and deducted from the revaluation surplus. No other adjustments have been made.

I have already provided you with tax notes prepared by my predecessor for the year ended 31 May 2025. I believe there have been no changes either to the tax rate or the tax rules in the last financial year.

Kind regards

Zara

**APPENDIX 3 – EXTRACTS FROM TAX NOTES PREPARED BY THE PREVIOUS FINANCE  
MANAGER OF GIL FOR THE YEAR ENDED 31 MAY 2025**

**Tax treatments**

Deduction is given for tax purposes when the share options are exercised at an amount equivalent to the intrinsic value of the share options at the date of exercise.

Fair value gains and losses on revaluations of land are not taxable or deductible until the land is sold and the gain or loss is realised.

There are no leases in the financial statements as at 31 May 2025 but a point has been brought forward for next year as a lease was entered into on 1 June 2025. The only deduction available in respect of leased assets is for the payments made in the year relating to the leased asset. No deduction is available for depreciation on the leased asset (or the tax equivalent) or for the finance cost on the lease liability.

**Tax rate**

The rate of tax used for all deferred tax calculations is 29%.

**Right to offset**

There is a right to offset deferred tax assets and deferred tax liabilities.

**Tax balances at 31 May 2025**

The net deferred tax balance in the statement of financial position at 31 May 2025 is made up of the following items:

	<b>Rupees</b>
Deferred tax liability on land at fair value	1,015,000
Deferred tax asset on share options	(123,700)
<b>Net deferred tax liability</b>	<b>891,300</b>

There are no other deferred tax balances to be included.

**APPENDIX 4 – EMAIL FROM HAMZA ABBAS, FINANCE DIRECTOR OF GIL**

**To:** Amir Syed  
**From:** Hamza Abbas  
**Date:** 3 May 2026  
**Subject:** Valuation of head office property

Dear Amir,

I understand you have expressed hesitation about performing the valuation of GIL's head office property for our financial statements due to your lack of expertise in this area.

Please do not worry about your experience in property valuation. I think you will find the work very simple once you begin. I would still like you to perform the property valuation and can offer you a 5% bonus when this is completed as appreciation for taking on the additional responsibility.

Kind regards

Hamza

### QUESTION 3

You are Ibrahim Ali, an audit manager working for Habib & Co, and you are responsible for the audit of the financial statements of Mir Consulting Group (MCG) for the year ended 31 March 2026.

The companies within the group provide a range of consulting services in IT, recruitment and digital marketing to small and medium-sized businesses. As part of its business strategy, MCG has made a number of acquisitions and disposals of shareholdings in group companies in recent years, including during the current year. Details of two disposals of shareholdings in the year ended 31 March 2026 are set out in the appendices.

You attended a meeting with the finance director of MCG, Ayesha Dar, and she provided you with details of the disposals that took place during the year and further information obtained this year about an acquisition that took place in the previous year.

**Appendix 1:** Extract from MCG board meeting minutes

**Appendix 2:** Working paper from the audit file for the year ended 31 March 2025

**Appendix 3:** Notes from the meeting with Ayesha Dar regarding disposals

**Appendix 4:** Email from Ayesha Dar regarding an acquisition

Group performance materiality has been set at Rs. 1.5 million.

#### Requirements

- (a) Explain the required accounting treatment of the disposals of Akram Ltd and Bilal Ltd during the year ended 31 March 2026 (as set out in Appendices 1 to 3) in the separate financial statements of the parent company and in the consolidated financial statements for the year ended 31 March 2026. **(12 marks)**
- (b) Explain the impact on the individual financial statements of Haris Systems Ltd and the consolidated financial statements of MCG for the year ended 31 March 2026 of the fair value information contained in Appendix 4, supported by calculations where relevant. **(05 marks)**
- (c) Identify and explain the key audit risks in the consolidated financial statements arising from the disposal of the shareholdings in Akram Ltd and Bilal Ltd. **(03 marks)**
- (d) Recommend the audit procedures that Habib & Co should perform to obtain sufficient appropriate audit evidence in relation to the disposals of the shareholdings in Akram Ltd and Bilal Ltd in the consolidated financial statements of MCG. **(05 marks)**

**Total: 25 marks**

**APPENDIX 1 – EXTRACT FROM MCG BOARD MEETING MINUTES****7 October 2025**

Ayesha Dar confirmed that the sale of some of the shares held by MCG in Akram Ltd was finalised on 30 September 2025 and proceeds of Rs. 7 million had been received.

It was noted by the board that MCG retained a 25% shareholding in Akram Ltd and Ayesha Dar would continue as a director of Akram Ltd, reporting back to the board of MCG as appropriate. MCG, however, can no longer appoint a majority of the board of directors of Akram Ltd and no longer any day-to-day involvement with the company.

**6 January 2026**

Ayesha Dar provided details of the sale of a small percentage of MCG's shareholding in Bilal Ltd, which was completed on 31 December 2025. Proceeds of Rs. 1.65 million had been received.

Ayesha further explained to the board that MCG would remain very closely involved in the running of Bilal Ltd, including retaining the ability to appoint four out of six directors of Bilal Ltd. This was welcomed by the board as Bilal Ltd remains strategically important to the group.

**APPENDIX 2 – WORKING PAPER FROM THE AUDIT FILE FOR THE YEAR ENDED  
31 MARCH 2025**

This working paper sets out the following details of MCG's acquisitions of shareholdings:

	<b>Akram Ltd</b>	<b>Bilal Ltd</b>	<b>Haris Systems Ltd</b>
Total share capital (Rs. 100 shares)	Rs. 1,000,000	Rs. 800,000	Rs. 500,000
Date shares acquired	1 April 2020	30 September 2022	31 January 2025
% purchased	75%	90%	80%
Non-controlling interest (NCI) measured at	Proportionate share of net assets	Proportionate share of net assets	Fair value
Consideration	Rs. 3,500,000	Rs. 5,100,000	Rs. 8,250,000
Fair value of net assets at acquisition	Rs. 2,800,000	Rs. 4,200,000	Rs. 8,500,000

MCG measures the above investments at cost in its separate financial statements.

The Rs. 8.5 million fair value of net assets at acquisition of Haris Systems Ltd includes provisional fair value estimates for an internally generated brand and a contingent liability relating to a legal claim against Haris Systems Ltd.

The estimated fair values at the date of acquisition were:

- Brand Rs. 2.6 million
- Contingent liability Rs. 1.2 million
- NCI Rs. 1.7 million

Goodwill relating to each company is calculated as follows:

	<b>Akram Ltd</b>	<b>Bilal Ltd</b>	<b>Haris Systems Ltd</b>
	----- Rs. in '000 -----		
Consideration	3,500	5,100	8,250
NCI	700	420	1,700
Fair value of net assets	(2,800)	(4,200)	(8,500)
<b>Goodwill</b>	<b>1,400</b>	<b>1,320</b>	<b>1,450</b>

No impairment of goodwill has been necessary to date.

**APPENDIX 3 – NOTES FROM THE MEETING WITH AYESHA DAR REGARDING DISPOSALS**

- MCG disposed of 5,000 shares in Akram Ltd during the year. These shares were sold on 30 September 2025 for proceeds of Rs. 7 million. A 25% shareholding was retained, and the fair value of this holding was estimated as Rs. 2.5 million at the date of the sale.
- On 31 December 2025, MCG also disposed of 1,200 shares in Bilal Ltd for proceeds of Rs. 1.65 million retaining 6,000 shares.
- The proceeds of both disposals have been credited to Suspense account until the year-end figures for Akram Ltd and Bilal Ltd have been finalised. No adjustments have been made in the separate or consolidated financial statements to reflect either disposal. Final figures will be available for the audit visit in July 2026. Extracts from draft financial statements for Akram Ltd and Bilal Ltd as at 31 March 2026 show the following movement in retained earnings for the year:

	Akram Ltd	Bilal Ltd
	----- Rs. in '000 -----	
At 1 April 2025	4,800	5,900
Profit for the year	800	400
<b>At 31 March 2026</b>	<b>5,600</b>	<b>6,300</b>

**APPENDIX 4 – EMAIL FROM AYESHA DAR REGARDING ACQUISITION**

**To:** Ibrahim Ali, Habib & Co  
**From:** Ayesha Dar, Finance Director of MCG  
**Date:** 28 February 2026  
**Subject:** Haris Systems Ltd

As you know, Haris Systems Ltd (HSL) was acquired by MCG during the year ended 31 March 2025 and the goodwill calculations included in the group financial statements for that year were based on estimated fair values as finalised values were not available when the accounts were signed off. We have now received finalised fair values, details of which are set out below. These will need to be reflected in the 2026 consolidated financial statements.

- The estimated fair value of the brand at 31 January 2025 was Rs. 2.6 million. This brand was not recognised in the individual financial statements of HSL as it was internally generated. It can be quite a complex valuation process for such an asset, but we recently received a confirmed valuation from our business advisors that the brand value was Rs. 3.5 million. The valuation report is dated 1 December 2025. The brand is considered to have an indefinite useful life. We do not believe there will be any decrease in value up to 31 March 2026. The fair value of the NCI is not affected by the revised valuation of the brand.
- A contingent liability relating to a legal claim from some employees of HSL was recognised at 31 January 2025 at fair value of Rs. 1.2 million based on both the likelihood of payment being made (which at the time was considered to be possible rather than probable and expected to be resolved within 12 months) and the potential amount payable. HSL and the employees subsequently went to a tribunal to resolve their dispute and on 1 January 2026, an agreement was finalised under which HSL would pay Rs. 2.3 million in full settlement of the claim. It is anticipated that this amount will be paid shortly after the end of the current financial year.

Kind regards

Ayesha Dar

**(THE END)**



