



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1 LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on September 21, 1991 as a Private Limited Company under the Companies Ordinance, 1984 and converted into a Public Limited Company on November 21, 1994. The Company is listed on all the Stock Exchanges of Pakistan. The Company is engaged in the manufacture and sale of automobiles, automotive parts and household electric appliances. The registered office of the company is situated at 88- Ali Town, Thokar Niaz Baig, Raiwind Road, Lahore.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost convention except for the recognition of employees retirement benefits at present value .

2.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the company.

2.4 New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year:

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on July 01, 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements except for the amendments as explained below:

- IAS 32 (Amendments), 'Financial instruments: presentation'. These amendments update the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The application of these amendments has no material impact on the Company's financial statements.

- IAS 36 (Amendment), 'Impairment of assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of these amendments has no material impact on the Company's financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2.5 New accounting standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year and have not been early adopted by the Company:

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective on and after the dates mentioned below against the respective standard or interpretation.

Standards or Interpretation	Effective date
IFRS 10 Consolidated Financial Statements	January 01, 2015
IFRS 11 Joint Arrangements	January 01, 2015
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 Fair Value Measurement	January 01, 2015
IAS 16 & 38 Clarification of acceptance method of depreciation and amortization	January 01, 2016
IAS 16 & 40 Agriculture: Bearer Plants	January 01, 2016

The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

3 SIGNIFICANT ACCOUNTING POLICIES

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

Employee benefits

Defined benefit plan

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan.

The Company operates an unfunded gratuity scheme for all its permanent employees. The provision is made on the basis of actuarial valuation by using the projected unit credit method. In calculating the Company's obligation in respect of a plan, Any actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

3.2 Compensated Absences

The Company accounts for compensated absences of its employees on un-availed balance of leave in the period in which the leave is earned.

3.3 Property, Plant and Equipment-Owned

Operating fixed assets except freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Land and capital work in progress are stated at cost. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. Cost of tangible fixed assets consists of historical cost, borrowing cost pertaining to the construction/erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on all property, plant and equipment except freehold land is charged by applying the reducing balance method in accordance with the rates specified in note no. 14.1 of these financial statements, whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Normal maintenance and repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Disposal of an asset is recognized when significant risks and rewards, incidental to the ownership of the assets have been transferred to the buyer. Gain or Loss on disposal of Property, Plant and Equipment is determined by comparing the carrying amount of the assets with the realized sale proceeds and is recognized in the current year's profit and Loss account-other income.

3.4 Impairment of fixed assets

The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

3.5 Intangible Assets

The Intangible Assets are stated at cost less accumulated amortization and identified impairment loss, if any. The cost of intangible assets is amortized over a period of five (5) years using the straight line method.

Amortization on additions to the intangible assets is charged from the month in which an asset is capitalized and / or is available for use, while no amortization is charged for the month in which the asset is disposed off. The amortization expense is charged to the current year income.

International Accounting Standard (IAS) 38 "Intangible Assets" requires review of amortization period and the amortization method at least at each financial year end. Accordingly the management assesses at each balance sheet date the assets' residual values and useful lives in addition to considering any indication of impairment, and adjustments are made if impact on amortization is significant.

3.6 Assets subject to finance lease

Lease that substantially transfers all the risks and rewards, incidental to the ownership of an asset to the company is classified as finance lease.

Assets under finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets at the inception of the lease. The aggregate amount of obligation relating to these assets are accounted for at net present value of liabilities. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the Company.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3.7 Taxation

Current and Prior Year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any and taxes paid under the Final tax regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is charged or credited in the profit and loss account, except in case where the item to which the deferred tax asset or liability pertains, is recorded in other comprehensive income or equity, the corresponding deferred tax charge is also recognised in other comprehensive income or equity.

3.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful receivables which is determined based on management's review of outstanding amounts and previous repayment history. Balances considered bad and irrecoverable are written off.

3.9 Store, spares and loose tools

These are valued at weighted average cost except items in transit which are valued at cost comprising invoice value and other charges paid thereon.

The company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment, if any, is also made for slow moving items identified as surplus to the requirements of the company.

3.10 Stock-in-trade

Stock in trade is valued at the lower of weighted average cost and net realizable value. The average cost in relation to work in process and finished goods represents direct costs of raw materials, labour and appropriate portion of overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

The company reviews the carrying amount of stock in trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in its usage pattern and physical form.

Cost of work in process and finished goods include direct material, labour and appropriate portion of manufacturing expenses.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3.11 Foreign currency conversion

Transactions in foreign currencies are translated into Pak rupees using the exchange rate prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevalent at the balance sheet date. All exchange differences are charged to Profit and Loss Account.

3.12 Revenue recognition

Revenue from sales is recognised on dispatch of goods to customers. Goods are considered dispatched when risk and rewards are transferred to customers.

3.13 Borrowing Costs

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to profit and loss account in the period in which they are incurred.

3.14 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, a reportable segment is identified where it becomes a distinguishable component that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and returns that are different from those of other segments. Expenses which cannot be directly allocated activity-wise, are apportioned on appropriate basis as required by Chief Operating Decision Maker.

3.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalent consists of cash in hand, balances with banks and short term running finance facilities.

3.16 Trade and accrued liabilities

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

3.17 Provisions

Provisions are 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 amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.18 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to set off the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.20 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labour, an appropriate proportion of overheads and other directly attributable expenditure. Other development expenditure is recognized in the income statement as an expense as incurred.

Expenditure on development activities, capitalized during the year, are classified under "Intangible Assets".

3.21 Related party transaction

All transactions with related parties are at arm's length prices determined in accordance with the pricing method as approved by the Board of Directors.

3.22 Earning Per Share

The Company presents Earning Per Share (EPS) data for its ordinary shares, EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year.

3.23 Dividends

Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved.

3.24 Warranty Expenses

Warranty expenses are recorded as and when valid claims are received from customers.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards. These standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

		Notes
a)	Liability in respect of staff retirement benefits.	3.1
b)	Useful life of depreciable Property, Plant and Equipment and amortizable Intangible assets.	3.3 & 3.5
c)	Taxation	3.7
d)	Contingencies and Commitments	13
e)	Stock in trade	3.10

Estimates and judgments are continually evaluated and are based on historic experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.



**NOTES TO THE FINANCIAL STATEMENTS
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5 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

JUNE 2015 Number	JUNE 2014 Number	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid up in cash	71,630,000	71,630,000
10,809,368	10,809,368	Ordinary shares of Rupees 10 each allotted as bonus shares	5.1 108,093,680	108,093,680
<u>17,972,368</u>	<u>17,972,368</u>		<u>179,723,680</u>	<u>179,723,680</u>

5.1 No bonus shares (2014: Nil) were issued by the company during the current year.

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments		3,081,687	7,841,679
Less: Current portion shown under current liabilities	11	(2,232,871)	(5,434,739)
		<u>848,816</u>	<u>2,406,940</u>
The amount of future payments and the periods in which these payments will become due are as under:			
Due not later than one year:			
Minimum lease payments		2,469,179	6,128,799
Less: Financial charges		236,308	694,060
Present value		<u>2,232,871</u>	<u>5,434,739</u>
Due later than one year and not later than five years:			
Minimum lease payments		901,274	2,597,111
Less: Financial charges		52,458	190,171
Present value		<u>848,816</u>	<u>2,406,940</u>
		<u>3,081,687</u>	<u>7,841,679</u>

The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 12.13% to 12.94% per annum (June 30, 2014: From 11.99% to 16.81%) to arrive at the present value. Rentals are payable in monthly installments. Repairs and maintenance costs are to be borne by the lessee. The liability is secured by deposit of Rupees 1.83 million (June 30, 2014: 4.89 million), leased assets and personal guarantees of some directors of the Company. The Company intends to exercise its option to purchase the leased assets at the termination of lease period.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

7 DEFERRED LIABILITIES	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Employee benefits	7.1	79,464,470	65,363,532
Deferred taxation	7.2	26,434,964	26,718,405
		<u>105,899,434</u>	<u>92,081,937</u>
7.1 Employee benefits			
7.1.1 Net liability recognized in the balance sheet			
Present value of defined benefit obligations		79,464,470	65,363,532
		<u>79,464,470</u>	<u>65,363,532</u>
7.1.2 Movement in the net liability recognized in the balance sheet			
Net liability as at 1st July		65,363,532	55,900,510
Expense recognized in the income statement	7.1.3	17,425,945	13,696,869
Liability discharged during the year		(6,410,005)	(4,110,350)
Experience Adjustments		3,084,998	(123,497)
Net liability as at June 30		<u>79,464,470</u>	<u>65,363,532</u>
7.1.3 Expense recognized in the income statement			
Current service cost		9,189,940	12,843,192
Interest cost		8,236,005	853,677
		<u>17,425,945</u>	<u>13,696,869</u>
7.1.4 Distribution of expense recognized in the income statement			
The expense is recognized in the following line items in the income statement under the head salaries, wages and other benefits.			
Cost of sales		13,291,802	10,115,227
Administrative expenses		3,372,201	2,727,965
Distribution cost		761,942	853,677
		<u>17,425,945</u>	<u>13,696,869</u>
7.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation			June 30, 2015
Discount Rate + 100 bps			72,685,823
Discount Rate - 100 bps			87,486,859
Salary Increase + 100 Bps			87,644,710
Salary Increase - 100 Bps			72,428,831



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7.1.6 Comparison of five year data

Comparison of present value of defined benefit obligation and the Experience adjustment for current and four years are as follows:

As at June 30	2015	2014	2013	2012	2011
	Rupees				
Present Value of Defined Benefit Obligations					
Present value of defined obligations at the end of the year	79,464,470	65,363,532	55,900,510	44,350,158	35,808,883
Experience adjustment					
Experience adjustment arising on plan liabilities (gains)/losses	3,084,998	(123,497)	6,363,381	(2,775,321)	1,378,438

7.1.7 The amount of expected expense of gratuity benefit in 2015-16 will be Rs. 18,168,070/- as per the actuary's report.

7.1.8 The average duration of defined benefit obligation (unfunded) is 9 years (June 30, 2014, 9 Year).

7.1.9 Expected benefit payments for the next 10 years and beyond;

As At June 30, 2015	Less than one Year	From 1 to 2 Years	From 3 to 5 Years	From 6 to 10 Years	More Than 10 Years	Total
	Rupees					
Defined Benefit Obligations	14,076,156	14,179,297	21,524,242	44,265,512	1,037,194,053	1,131,239,260

Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2015 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:

	JUNE 2015 Rupees	JUNE 2014 Rupees
Discount rate for year end Obligation	9.75 % p.a.	13.25 % p.a.
Expected rate of future salary increase	8.75 % p.a.	12.25 % p.a.
Mortality Rates	SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Retirement age	60 Years	60 Years

7.2 Deferred taxation

The liability for deferred taxation comprises of temporary differences relating to:

Accelerated depreciation for tax purposes	27,444,497	29,327,253
Liabilities under finance lease that are deducted for tax purposes only when paid	(1,009,533)	(2,608,848)
	26,434,964	26,718,405



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8	TRADE AND OTHER PAYABLES	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
	Creditors		239,960,225	207,874,483
	Advances from trade customers		5,807,156	9,487,258
	Accrued liabilities		18,486,016	14,730,278
	Murabaha Payable:			
	Meezan Bank Limited	8.1	16,681,711	-
	Habib Bank Limited	10.5	22,587,743	13,383,884
	Sales tax payable		163,667	4,620,617
	Income tax deducted at source		797,186	306,812
	Unclaimed Dividend		1,493,296	1,133,736
	Payable towards:			
	Workers' Profit Participation Fund	8.2	5,354,439	4,731,493
	Workers' Welfare Fund	8.3	2,059,518	1,832,231
			<u>313,390,957</u>	<u>258,100,792</u>
8.1	<p>Total amount of facility available from Meezan Bank Limited under Murabaha arrangement is Rs.40 million (June 30, 2014: Rs. 40 Million) for a maximum period of 180 days (June 30,2014: 180 Days). The profit margin is charged at the rate of respective KIBOR plus spread of 2.0% (June 30, 2014:KIBOR plus spread of 2.1%) with Floor of 9% (June 30, 2014: 10%) and Cap of 22% (June 30, 2014: 24%) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 54.00 million (June 30, 2014: Rs. 54 Million) with 25% margin (June 30, 2014: 25%), first Parripassu charge over present and future current assets of the company amounting to Rs.40.00 million (June 30, 2014: 40 Million) and personal guarantees of the directors. The company has an option to utilize this facility under the istisna arrangement. The un-utilized amount of this facility as at balance sheet date is Rs. 23.32 million (June 30, 2014: 40.00 Million).</p>			
8.2	Workers' Profit Participation Fund			
	Balance at beginning of the year		4,731,493	5,180,758
	Charged during the year	29	<u>5,354,439</u>	<u>4,731,493</u>
			10,085,932	9,912,251
	Payment made during the year		<u>(4,731,493)</u>	<u>(5,180,758)</u>
			<u>5,354,439</u>	<u>4,731,493</u>
8.3	Workers' Welfare Fund			
	Balance at beginning of the year		1,832,231	1,974,150
	Charged during the year		2,059,518	1,832,231
	Adjustment for prior years		(465,867)	(73,194)
	Charged to P & L	29	<u>1,593,651</u>	<u>1,759,037</u>
			3,425,882	3,733,187
	Payment made during the year		<u>(1,366,364)</u>	<u>(1,900,956)</u>
			<u>2,059,518</u>	<u>1,832,231</u>
9	MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES			
	Short term borrowing - secured		287,175	438,177
	Liabilities against assets subject to finance lease		4,953	1,717
	Profit on Murabaha Payable		43,717	27,897
			<u>335,845</u>	<u>467,791</u>



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	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
10 SHORT TERM BORROWINGS			
Secured			
Running finance under mark-up arrangements			
Allied Bank Limited	10.2	-	-
Habib Bank Limited	10.3	-	-
Finance against trust receipts			
Allied Bank Limited	10.4	16,248,282	3,857,920
Habib Bank Limited	10.5	-	-
		<u>16,248,282</u>	<u>3,857,920</u>

10.1 The company is availing Islamic banking facility from Habib Bank Limited as Sub-limit of the credit facility. The detail is given as below;

2015		
Amount	Facilities under mark-up Finance arrangement	Facilities under Islamic Finance arrangement
50 M	Running Finance	-
110 M	LC Sight/LC DA (inland)/ DOD / Acceptance/SG	LC Sight/LC DA (inland)/ DOD / Acceptance/SG
40 M	FATR, Sublimit of Above Limit	Murabaha, Sublimit of Above Limit
2014		
Amount	Facilities under mark-up Finance arrangement	Facilities under Islamic Finance arrangement
50 M	Running Finance	-
110 M	LC Sight/LC DA (inland)/ DOD / Acceptance/SG	LC Sight/LC DA (inland)/ DOD / Acceptance/SG
40 M	FATR, Sublimit of Above Limit	Murabaha, Sublimit of Above Limit

The Company has an option to utilize the Banking Finance Facilities available from Habib Bank Limited either under Mark-up finance arrangement or Islamic finance arrangement. The Company intends to utilize these facilities under the Islamic Finance arrangements. The FATR facility, when it is utilized under Islamic system it will be created under Import Murabaha Facility and will be disclosed under the head of Trade and other payable (Note no.8).

10.2 Total amount of finance available under this facility is Rs. 45.00 million (June 30, 2014: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.0% (June 30, 2014: three months average ask side Kibor plus 2.5%) with Floor rate of nil (June 30, 2014: Nil%) per annum. This facility is collaterally secured against First charge on the present and future fixed assets for Rs. 185.00 million (June 30, 2014: Rs.185 million) and First Pari Passu Charge on present and future current assets of the Company to the extent of Rs.110.00 million. (June 30, 2014: Rs. 110.00 million) This facility is specifically secured by Hypothecation of current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company with 25% margin (June 30, 2014: 25% margin) on stocks. The un- utilized amount of this facility as at balance sheet date is Rs. 45.00 million. (June 30, 2014: Rs. 45.00 million).

10.3 Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2014: Rs. 50.00 million). The mark-up is charged at the rate of three months average ask side Kibor + 2.5% per annum (June 30, 2014: three months average ask side Kibor + 2.50 %). This facility is collaterally secured against First pari passu charge on fixed assets of Rs. 214.00 million (June 30, 2014: Rs. 214.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2014: Rs. 90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, etc. and receivable and book debts of the Company with 20% margin (June 30, 2014: 20% margin). The un-utilized amount of this facility as at balance sheet date is Rs 50.00 million. (June 30, 2014: Rs. 50.00 million) .



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- 10.4** Total amount available under this facility is Rs. 48.00 million (June 30, 2014: Rs. 48.00 million) for a maximum period of 90 days (June 30, 2014: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.00% (June 30, 2014: three months average ask side Kibor plus 2.5%) with floor rate of nil per annum (June 30, 2014: Nil).This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2014: Rs. 185.00 million) and First Pari Passu Charge on current assets of the company to the extent of Rs. 110.00 million. (June 30, 2014: Rs. 110.00 million). This facility is specifically secured by way of bank's lien on title to goods imported and Trust Receipts at nil margin (June 30, 2014: Nil Margin). The un-utilized amount of this facility as at balance sheet date is Rs. 31.75 million. (June 30, 2014: Rs. 44.14 million). The un-utilized amount of this facility can be used for opening Letter of Credit.
- 10.5** Total amount available under this facility is Rs. 40 million (June 30, 2014: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days. (June 30, 2014: 120 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.50% for FATR and 2.00% for Murabaha, per annum (June 30, 2014: three months average ask side Kibor plus 2.50%, for murabaha and FATR per annum). This facility is collaterally secured against First pari passu charge of Rs. 214 Million (June 30, 2014: Rs. 214.00 million) on fixed assets of the company and specifically secured against First pari passu Hypothecation Charge of Rs. 90 Million (June 30, 2014: Rs.90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, receivable and book debts with 20% margin (June 30, 2014: 20%) of the Company, 5% Cash margin, (June 30, 2014: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Rs. 22.59 (June 30, 2014: 13.38) has been utilized on account of Murabaha Facility (Note No.8) The balance un-utilized amount of this facility as at balance sheet date is Rs. 17.41 (June 30, 2014: Rs.26.62 Million) which can be used for opening of Letter of Credit.
- 10.6** The usage of total amount of facilities of Rs.143 Million (June 30, 2014: Rs. 143 Million) available from Allied Bank Limited under Running Finance, Finance Against Trust Receipts and In-land Letter of Credit is allowed in aggregate only to the extent of Rs. 130 Million (June 30, 2014: 130) at any point of time.

11 CURRENT PORTION OF LONG TERM LIABILITIES		JUNE 2015 Rupees	JUNE 2014 Rupees
Liabilities against assets subject to finance lease	Note 6	<u>2,232,871</u>	<u>5,434,739</u>
		<u>2,232,871</u>	<u>5,434,739</u>
12 PROVISION FOR TAXATION			
Balance at beginning		27,761,891	32,738,126
Add: Provision for the Year			
-Current Year		32,786,233	27,898,620
-Prior Year		(6,530,221)	(136,731)
Less: Payment/Adjustment during the year		<u>(21,231,670)</u>	<u>(32,738,124)</u>
		<u>32,786,233</u>	<u>27,761,891</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** Three appeals of the company are pending in Honorable Multan High Court, Multan against the decision of Consumer Court, Sahiwal for the claim of Auto parts under warranty. The management of the company is of opinion that outcome of these cases will be settled in favour of the company, hence no provision is made in these financial statements.
- 13.1.2** The appeal filed by the company with ATIR against the order of CIR (Appeals) for disallowance of tax losses of Rs. 1,503,939/- and tax demand of Rs. 545,930/- for tax year 2003 under section 122 (5A) is still pending. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 13.1.3** The appeal filed by the company with the CIR (Appeals) against the order of DCIR for tax year 2004 for tax demand of Rs.751,405/- under section 122 (5A) was decided in favour of Income Tax department. The company has filed an appeal against this order with ATIR. In the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.
- 13.1.4** During the previous years, DCIR initiated proceedings under section 122 (1)/122 (5) /124 for tax year 2009 and created a tax demand of Rs. 21.45 million. The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.19.18 million. For remaining tax demand of Rs.3.09 million, company has filed an appeal with ATIR. Further, during previous years, the DCIR has also filed an appeal against the Relief of Rs. 15.03 Million given by the CIR (A) and during the year, The DCIR also initiate demand of Rs. 5.2 million for tax year 2009, company has filed an appeal with CIR (A). In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for these amount.
- 13.1.5** During the previous years, DCIR initiated proceedings under section 122 (1)/122 (5A) for tax year 2013 and 2007 and created a tax demand of Rs. 6,151,787 and Rs. 16,581,680 respectively. The company filed appeals against these orders with CIR (Appeals) and got relief of Rs.3,672,094 and Rs. 15,940,450 respectively. For remaining tax demand of Rs.2,479,693 and Rs. 614,230 company has filed appeals with ATIR. The appeals are still pending. Further during the year, the DCIR has also filed an appeal to ATIR against the relief of Rs. 4,365,419/- given by CIR (A) and DCIR also initiate further demand of tax Rs. 368,995/- for tax year 2013, the company has filed the appeal with CIR (A). In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for these amount.
- 13.1.6** During the previous year, The Company has filed Writ Petitions in Lahore High Court, Lahore against the illegal selection by the Commissioner Inland Revenue for the audit of Income tax affairs for tax year 2012 under section 177 (1) of Income Tax Ordinance, 2001 (Ordinance) and Sales tax audit for the tax year 2012 under section 25 of Sales Tax Act 1990. The Honorable Lahore High Court, Lahore has granted an interim relief to the Company and restrained the Commissioner Inland Revenue to pass a final order. The cases are still pending. The management of the company is of opinion that outcome of these cases will be in favour of the company.

13.2 Commitments

Commitments in respect of:

		JUNE 2015 Rupees	JUNE 2014 Rupees	JUNE 2015 Rupees	JUNE 2014 Rupees
LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE		LIMITS UTILIZED	
	Not Later Than one Year				
1	Foreign LC Sight / Inland LC- Gross	390,000,000	370,000,000	124,727,908	95,155,552
2	FATR -Sublimit of Limit No.1	88,000,000	88,000,000	16,248,282	3,857,920
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	22,587,743	13,383,884
4	Murabaha Sublimit of Limit no.1	40,000,000	40,000,000	16,681,711	-
5	Murabaha-FIM Spot Sublimit of Limit no.1	40,000,000	-	-	-
6	Guarantee	8,040,000	8,040,000	-	-



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
14 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1	241,477,525	250,089,438
Capital work in progress	14.3	9,118,686	8,732,969
		<u>250,596,211</u>	<u>258,822,407</u>

14.1 OPERATING FIXED ASSETS - Tangible

Particulars	2015 Cost				Rate %	2015 Depreciation			W.D.V. as at 30-06-2015	
	As at 01-07-2014	Additions/ (Deletions)	Transfer	As at 30-06-2015		As at 01-07-2014	For the Year	Adjustment		As at 30-06-2015
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	85,164,954	
Building and Civil Works on freehold land	80,462,050	-	-	80,462,050	5 to 10	41,261,851	3,823,796	-	35,376,403	
Plant and Machinery	189,630,694	5,708,905	-	195,339,599	10	102,205,583	9,029,018	-	84,104,997	
Electric Fittings	8,030,601	43,695	-	8,074,296	10	4,498,710	353,553	-	3,222,033	
Furniture and fittings	2,472,886	-	-	2,472,886	10	1,296,958	117,593	-	1,058,335	
Office Equipment	4,021,917	47,619	-	4,069,536	10	1,863,519	218,221	-	1,987,796	
Electric Installations	3,255,976	59,900	-	3,315,876	10	1,131,910	214,903	-	1,969,063	
Vehicles	26,209,946	4,915,131 (669,000)	11,344,500	41,800,577	20	11,934,543	3,466,922	5,477,092 (535,716)	21,457,736	
Assets subject to Finance Lease	399,249,024	10,775,250 (669,000)	11,344,500	420,699,774		164,193,075	17,224,006	5,477,092 (535,716)	234,341,317	
Vehicles	21,510,500	1,059,000	(11,344,500)	11,225,000	20	6,477,010	3,088,874	(5,477,092)	7,136,208	
	21,510,500	1,059,000	(11,344,500)	11,225,000		6,477,010	3,088,874	-	7,136,208	
								(5,477,092)		
Total 2015	420,759,524	11,834,250 (669,000)	-	431,924,774		170,670,085	20,312,880	5,477,092 (6,012,808)	190,447,248	241,477,525

Details of property, plant and equipment sold during the year are given in note no.14.4

Particulars	2014 Cost				Rate %	2014 Depreciation			W.D.V. as at 30-06-2014	
	As at 01-07-2013	Additions/ (Deletions)	Transfer	As at 30-06-2014		As at 01-07-2013	For the Year	Adjustment		As at 30-06-2014
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	85,164,954	
Building and Civil Works on freehold land	78,426,094	2,035,956	-	80,462,050	5 to 10	37,081,300	4,180,551	-	39,200,199	
Plant and Machinery	169,699,034	19,931,660	-	189,630,694	10	93,183,666	9,021,917	-	87,425,110	
Electric Fittings	8,030,601	-	-	8,030,601	10	4,106,278	392,432	-	3,531,891	
Furniture and fittings	2,446,286	26,600	-	2,472,886	10	1,168,516	128,442	-	1,175,928	
Office Equipment	3,853,234	168,683	-	4,021,917	10	1,630,243	233,276	-	2,158,398	
Electric Installations	3,129,492	203,948 (77,464)	-	3,255,976	10	966,701	215,235	(50,025)	2,124,066	
Vehicles	13,458,892	10,147,554 (3,745,000)	6,348,500	26,209,946	20	8,581,095	2,864,896	3,096,564 (2,608,012)	14,275,403	
Assets subject to Finance Lease	364,208,587	32,514,401 (3,822,464)	6,348,500	399,249,024		146,717,799	17,036,749	3,096,564 (2,658,037)	235,055,948	
Plant and Machinery	-	-	-	-	10	-	-	-	-	
Vehicles	23,504,000	4,355,000	(6,348,500)	21,510,500	20	5,787,534	3,786,040	(3,096,564)	15,033,490	
	23,504,000	4,355,000	(6,348,500)	21,510,500		5,787,534	3,786,040	-	15,033,490	
								(3,096,564)		
Total 2014	387,712,587	36,869,401 (3,822,464)	-	420,759,524		152,505,332	20,822,789	3,096,564 (5,754,601)	170,670,085	250,089,438



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

14.2 Depreciation for the year has been allocated as follows:

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Cost of sales	26	13,697,577	13,857,073
Distribution cost	27	1,154,639	1,151,370
Administrative expenses	28	5,460,664	5,814,348
		<u>20,312,880</u>	<u>20,822,791</u>

14.3 CAPITAL WORK-IN-PROGRESS

Tangible

Plant and machinery

Opening balance		1,134,000	11,349,310
Additions made during the year		811,501	7,557,250
		<u>1,945,501</u>	<u>18,906,560</u>
Transferred to Plant & Machinery		794,500	16,510,310
Transferred to Sales Tax and Expenses		334,000	1,262,250
	14.3.1	<u>817,001</u>	<u>1,134,000</u>

Civil works

Opening balance		7,095,135	921,068
Additions made during the year		716,216	6,174,067
		<u>7,811,351</u>	<u>7,095,135</u>
Transferred to operating fixed assets		-	-
		<u>7,811,351</u>	<u>7,095,135</u>

Intangible

Opening balance		503,834	502,834
Additions made during the year		-	66,500
		<u>503,834</u>	<u>569,334</u>
Transferred to Intangible Assets		13,500	65,500
		<u>490,334</u>	<u>503,834</u>
		<u>9,118,686</u>	<u>8,732,969</u>

14.3.1 This includes Rs. 0.817 million (June 30, 2014: Rs. 0.334 million) on account of advance paid to supplier of machinery.

14.4 The detail of property, plant and equipment disposed off, having net book value in excess of Rs. 50,000 is as follows:

Particulars	Cost	Net Book Value	Sale Price	Mode of Disposal	Particulars of Purchaser
Shehzoor Truck	669,000	133,284	720,000	Negotiation	Mr. Rana Imtiaz Ahmed - House No.215 Jahanzaib Block, Allama Iqbal Town, Lahore.
	<u>669,000</u>	<u>133,284</u>	<u>720,000</u>		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

15 INTANGIBLE ASSETS

(Rupees)							
Particulars	Cost			Amortization			Book Value as at 30-06-2015
	As at 01-07-2014	Additions/(deletion)	As at 30-06-2015	As at 01-07-2014	For the Year	As at 30-06-2015	
Intangible Assets	4,195,339	13,500	4,208,839	3,746,363	229,709	3,976,072	232,767
Jun-15	4,195,339	13,500	4,208,839	3,746,363	229,709	3,976,072	232,767
Jun-14	4,129,839	65,500	4,195,339	3,523,610	222,753	3,746,363	448,976

15.1 Intangible assets include cost incurred on patents, copyrights, trade marks and designs.

15.2 The amortization cost is included in cost of sales.

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
16 LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives		2,200,925	2,917,925
Non-Executives		12,591,179	8,075,404
		14,792,104	10,993,329
Less: Amount due within twelve months, shown under current loans and advances	21	5,015,000	4,159,944
		9,777,104	6,833,385

Reconciliation of carrying amount of loans and advances to executives and non-Executives:

	Opening balance as at July 01, 2014	Disbursements	Repayments	Closing Balance as at June 30, 2015
Executives	2,917,925	2,705,500	3,422,500	2,200,925
Non-Executives	8,075,404	12,711,342	8,195,567	12,591,179
	10,993,329	15,416,842	11,618,067	14,792,104
June 30, 2014	8,894,744	6,589,370	4,490,785	10,993,329

These loans and advances have been granted under staff loan and advances policy to facilitate the employees for purchase of house and meeting other household payments. These are secured against the gratuity payable to employees. These are interest free loans which are repayable within fourteen years. The maximum amount of loan outstanding to executive at the end of any month during the year was Rs1,797,000/- (2014: Rs. 1,472,000/-).

17 LONG TERM DEPOSITS

Deposit with Pakistan Steel Mill	400,000	400,000
Utilities and others	1,237,137	1,257,137
	1,637,137	1,657,137

18 STORES, SPARES AND LOOSE TOOLS

Stores	2,092,685	3,495,174
Spares	410,515	421,815
Loose tools	5,004	29,514
	2,508,204	3,946,503



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
19 STOCK-IN-TRADE			
Raw materials and components		437,860,448	322,919,863
Work-in-process		16,984,905	16,685,065
Finished goods		97,592,914	134,163,421
Packing and other material		11,471	12,338
Less: Provision for slow moving items	26	(1,983,760)	-
		<u>550,465,977</u>	<u>473,780,687</u>
20 TRADE DEBTS - Unsecured	20.1	<u>146,544,038</u>	<u>104,171,225</u>
20.1 Classification:			
Considered Good		146,544,038	104,171,225
Considered Doubtful		6,413,397	1,696,677
Considered Bad		-	6,523,837
Less:		152,957,435	112,391,739
Provision for doubtful debts		(6,413,397)	(1,696,677)
Bad debts		-	(6,523,837)
		<u>146,544,038</u>	<u>104,171,225</u>
21 LOANS & ADVANCES			
Advances - considered good			
- Current portion of loans and advances	16	5,015,000	4,159,944
- To employees for incurring business expenses		649,112	269,015
- To suppliers-unsecured		7,070,755	11,190,237
		<u>12,734,867</u>	<u>15,619,196</u>
22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Contract securities		1,046,900	346,900
Prepaid expenses		979,782	980,513
Letter of credit margin		1,931,275	960,559
Letter of credit in process		1,409,109	20,350,059
		<u>5,367,066</u>	<u>22,638,031</u>
23 OTHER RECEIVABLES			
Advance income tax		90,502,192	52,635,093
Others		14,310	34,000
		<u>90,516,502</u>	<u>52,669,093</u>
24 CASH AND BANK BALANCES			
Cash in hand		120,390	139,518
Balance with banks in current accounts		18,161,658	31,652,165
		<u>18,282,048</u>	<u>31,791,683</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

25 SALES - NET	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Gross sales	25.1	2,971,445,347	2,520,760,116
Less:			
Sales tax		447,105,918	366,264,290
Sales returns		10,326,485	9,031,399
Commission		40,354,970	39,614,939
		497,787,373	414,910,628
		<u>2,473,657,974</u>	<u>2,105,849,488</u>

25.1 This includes Rs. 10.63 million (June 30, 2014: Rs.40.60 million) on account of export sales.

26 COST OF SALES			
Raw materials and components consumed		1,858,058,731	1,669,125,864
Salaries, wages and other benefits	26.1	184,480,954	147,519,841
Stores, spares and loose tools consumed		31,685,564	27,958,246
Power and fuel charges		48,292,762	49,385,946
Repair and maintenance		50,133,385	25,429,527
Other expenses		6,154,641	5,539,927
Provision for slow moving items	19	1,983,760	-
Depreciation	14.2	13,697,577	13,857,073
Amortization	15	229,709	222,753
		<u>2,194,717,083</u>	<u>1,939,039,177</u>
Opening work-in-process		16,685,065	7,897,939
		<u>2,211,402,148</u>	<u>1,946,937,116</u>
Closing work-in-process		16,984,905	16,685,065
Cost of goods manufactured		<u>2,194,417,243</u>	<u>1,930,252,051</u>
Opening finished goods		134,163,421	91,927,686
		<u>2,328,580,664</u>	<u>2,022,179,737</u>
Cost of finished goods purchased during the year		8,455,188	9,292,710
		<u>2,337,035,852</u>	<u>2,031,472,447</u>
Closing finished goods		97,592,914	134,163,421
		<u>2,239,442,939</u>	<u>1,897,309,026</u>

26.1 Salaries, wages and other benefits include Rs.13,291,802 (2014: Rs. 10,115,227) in respect of retirement benefits.

27 DISTRIBUTION COST	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Salaries and other benefits	27.1	12,593,075	11,956,166
Freight and octroi		26,866,386	25,459,238
Traveling & conveyance		4,104,669	12,816,129
Packing material consumed		3,224,687	1,792,215
Advertisement and sale promotion		14,573,226	1,953,219
Insurance		339,878	343,953
Rent, rates and taxes		919,265	836,340
After sales service		708,036	1,399,475
Printing & Stationery		620,076	631,961
Depreciation	14.2	1,154,639	1,151,370
		<u>65,103,937</u>	<u>58,340,066</u>

27.1 Salaries and other benefits include Rs. 761,942 (2014: Rs.853,667) in respect of retirement benefits.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

28 ADMINISTRATIVE EXPENSES	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Salaries and other benefits	28.1	28,964,776	26,804,655
Electricity, gas and water charges		243,937	216,245
Communication expenses		2,858,350	2,665,281
Vehicle running expenses		4,313,165	5,140,860
Legal and professional		1,719,182	2,830,417
Traveling and conveyance		523,560	620,209
Fee and subscription		2,175,361	1,498,183
Insurance		814,358	774,542
Rent, rates and taxes		1,263,109	1,271,394
Printing and stationery		1,912,167	1,515,524
Entertainment		825,809	923,633
Office supplies		121,357	56,051
Miscellaneous expenses		474,194	527,469
Depreciation	14.2	5,460,664	5,814,348
		51,669,989	50,658,811

28.1 Salaries and other benefits include Rs. 3,372,201 (2014: Rs.2,727,965) in respect of retirement benefits.

29 OTHER OPERATING EXPENSES

Auditors' remuneration	29.1	1,122,000	1,205,000
Exchange Loss		-	60,258
Provision for doubtful debts		4,716,720	1,696,677
Contribution towards:			
Workers' profit participation fund	8.2	5,354,439	4,731,493
Workers' welfare fund	8.3	1,593,651	1,759,037
		12,786,810	9,452,465

29.1 Auditors' remuneration

Viqar A. Khan

Workers' Profit Participation Fund Audit
Tax services

17,000	15,000
430,000	515,000
447,000	530,000

Kabani & Co.

Statutory audit
Half yearly review
Certificate fee

525,000	525,000
150,000	150,000
-	-
675,000	675,000
1,122,000	1,205,000

30 OTHER INCOME

Income from financial assets

Exchange Gain

75,170

-

Income from non Financial Assets

Gain on sale of fixed asset

586,716

1,274,574

Miscellaneous Income

1,780,454

2,771,516

2,442,340

4,046,090

31 FINANCE COST

Mark-up on:

 Short term borrowings - secured

2,754,767

2,090,887

 Profit on Murabaha

3,289,843

2,633,351

Interest on Workers' Profit Participation Fund

485,224

511,514

Financial charges on finance lease

761,434

1,210,410

Bank charges, commission and others

149,896

61,228

7,441,164

6,507,390



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

32 TAXATION	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
Current			
For the Year	32.1	32,786,233	27,761,889
Prior Year	32.2	(6,530,221)	(136,731)
Deferred			
For the Year	32.4	<u>(283,441)</u>	<u>(438,610)</u>
		<u>25,972,571</u>	<u>27,186,547</u>

32.1 The rate of tax has decreased from 34% to 33% during the year.

32.2 This amount relates to adjustment of provision for taxation.

32.3 The income tax assessments of the company have been finalized up to tax year 2014, except as mentioned in note

13.1. The Provision for taxation is considered adequate to discharge the expected liability for current year.

32.4 The Finance Act, 2015 introduced a new tax under section 5A of Income Tax Ordinance, 2001 on every public company other than a schedule bank or mudaraba, that derives profit for the tax year and does not distribute cash dividend within six months of the end of the said tax year or distribute dividend to such extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, as per circular no. C.No. 4(18)R&S/2015 dated: July 24, 2015, this tax on undistributed reserves is not applicable to a public company which distributes profits equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Board of Directors has declared sufficient cash dividend out of the profits of the financial year ended June 30, 2015 (Note no.42), which complies with the above stated exemption requirements. Therefore, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended June 30, 2015.

32.5 Tax charge reconciliation

Profit before taxation	<u>99,655,475</u>	<u>87,627,820</u>
Tax charge on accounting profit at applicable tax rate as per Income Tax Ordinance, 2001	32,886,307	29,793,459
Tax effect of amounts that are:		
- not deductible for tax purposes		
- allowable deductions for tax purposes	2,610,987	(256,357)
Tax effect of profit attributable to presumptive income	(2,324,600)	(656,983)
Effect of presumptive tax	54,725	461,211
Tax effect due to reversal of prior year's WWF	(153,736)	(24,886)
Tax credit due to investment	(570,891)	(1,993,166)
Adjustment of prior year taxation	<u>(6,530,221)</u>	<u>(136,731)</u>
Taxation for the year	<u>25,972,571</u>	<u>27,186,547</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

		JUNE 2015 Rupees	JUNE 2014 Rupees
33	EARNINGS PER SHARE - BASIC AND DILUTED		
	Basic earnings per share		
	Profit after taxation for the year	73,682,904	60,441,273
	Weighted average number of ordinary shares outstanding during the year	17,972,368	17,972,368
	Basic earnings per share - Rupees	4.10	3.36
33.1	Diluted earnings per share		
	A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2015 and June 30, 2014, which would have any effect on earning per share if the option to convert is exercised.		
34	CASH GENERATED FROM OPERATIONS	JUNE 2015 Rupees	JUNE 2014 Rupees
	Profit before taxation	99,655,475	87,627,820
	Adjustment for non cash charges and other items:		
	Depreciation	20,312,880	20,822,791
	Amortization	229,709	222,753
	Provision for gratuity	17,425,945	13,696,869
	Financial and other charges	7,441,164	6,507,390
	Other income	(2,442,340)	(4,046,090)
		42,967,358	37,203,713
		142,622,833	124,831,533
	Working capital changes	(40,905,569)	(88,760,193)
	(Increase)/Decrease in long term loans and advances	(2,943,719)	(1,339,016)
	Cash generated from operations	98,773,546	34,732,324
34.1	Working capital changes		
	(Increase)/decrease in current assets		
	Store, spares and loose tools	1,438,299	618,205
	Stock-in-trade	(76,685,291)	(85,275,384)
	Trade debts	(42,372,813)	29,489,799
	Loans and Advances	2,884,329	(3,021,933)
	Trade Deposits and short term prepayments	17,270,965	9,389,715
	Increase/(decrease) in current liabilities		
	Trade and other payables	56,558,942	(39,960,593)
		(40,905,569)	(88,760,193)
35	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents include:		
	Cash and bank balances	18,282,048	31,791,683
		18,282,048	31,791,683



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

36 TRANSACTIONS WITH RELATED PARTIES

The related party transactions are comprise of the remuneration, allowances and benefits paid to Chief Executive and Executive Directors during the current Financial year. These transactions are made on the basis of Arm's Length Transactions and in accordance with terms of their appointment.

The detail is given below;

	JUNE 2015 Rupees	JUNE 2014 Rupees
Remuneration, Allowances and benefits paid to Chief Executive	9,750,000	7,587,742
Remuneration, Allowances and benefits paid to Executive Director (s)	4,375,000	5,556,505

In addition to above, The Chief Executive and executive director (s) of the company are also provided with company maintained car for official and personal use.

37- REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	(Rupees)									
	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Managerial Remuneration	9,360,000	7,587,742	4,200,000	5,556,505	-	-	22,532,100	19,866,040	36,092,100	33,010,287
Bonus & Leave encashment	390,000	-	175,000	-	-	-	1,883,225	1,720,275	2,448,225	1,720,275
Total	9,750,000	7,587,742	4,375,000	5,556,505	-	-	24,415,325	21,586,315	38,540,325	34,730,562
Number of persons	1	1	1	1	5	5	13	11	20	18

The Chief Executive, executive director and some of the executives of the company are also provide with company maintained car for official and personal use.

38 SEGMENT REPORTING

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume and gross profit.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The management has determined the operating segments and segment wise assets and liabilities based on the reports reviewed by the CODM that are used to make strategic and business decisions.

i) AUTO-RICKSHAW

This segment relates to the sale of auto-rickshaw assembled by the company.

ii) AUTOMOTIVE PARTS

This segment relates to the sale of automotive parts manufactured by the company.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

iii) **HOUSEHOLD APPLIANCES**

This segment relates to the sale of imported household appliances.

	Auto rickshaw		Auto Motive parts		Household appliances		Total	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Segment revenue -Net	2,014,830,982	1,849,484,810	446,006,949	250,389,104	12,820,043	5,975,574	2,473,657,974	2,105,849,488
Segment operating results	107,869,429	100,233,486	9,237,661	(1,356,270)	(787,980)	(540,629)	116,319,109	98,336,586
Segment assets	623,203,260	597,036,136	314,505,356	221,940,127	25,138,143	51,376,312	962,846,759	870,352,575
Unallocated assets	-	-	-	-	-	-	125,815,162	102,025,748
Total assets							<u>1,088,661,921</u>	<u>972,378,323</u>
Segment liabilities	327,861,812	248,726,228	88,974,432	95,386,393	-	8,943	416,836,244	344,121,564
Unallocated liabilities							54,906,194	45,990,446
Total liabilities							<u>471,742,438</u>	<u>390,112,010</u>
Capital expenditure	11,278,940	28,690,772	229,527	1,044,636	-	-	11,508,467	29,735,408
Depreciation and amortization	14,057,955	14,753,808	6,463,603	6,234,165	21,029	57,569		
Non-cash charges other than depreciation and amortization	15,828,053	7,210,068	8,280,902	6,464,199	17,470	22,602		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

39 FINANCIAL INSTRUMENTS

39.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	JUNE 2015 Rupees	JUNE 2014 Rupees
FINANCIAL ASSETS			
Long term deposits	17	1,637,137	1,657,137
Trade debts	20	146,544,038	104,171,225
Loans and Advances	16 & 21	22,511,971	22,452,581
Trade Deposits	22	5,367,066	22,638,031
Bank Balances	24	18,282,048	31,791,683
		<u>194,342,260</u>	<u>182,710,657</u>

The maximum exposure to credit risk for trade debts on geographical basis:

Pakistan	146,544,038	104,171,225
	<u>146,544,038</u>	<u>104,171,225</u>

The maximum exposure to credit risk for trade debts at the reporting date by type of parties was:

Corporate Customers	41,561,054	43,463,410
Distributor	-	-
Dealers	103,019,921	57,777,177
Others	1,963,063	2,930,638
	<u>146,544,038</u>	<u>104,171,225</u>

The aging of trade debts at the reporting date was:

Not past due	63,080,889	65,926,279
Past Due 0-30 days	33,218,183	10,541,596
Past due 31-120 days	7,628,802	10,840,989
Past due more than 120 days	42,616,164	16,862,361
	<u>146,544,038</u>	<u>104,171,225</u>

Based on historic record the company believes that no impairment allowance is necessary in respect of loans and receivables past due more than 120 days.

39.2 Foreign exchange risk management

Foreign currency risk arises mainly where payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are identified as either creditors or bills payable. The Company does not view hedging as being financially feasible owing to the excessive costs involved.

39.3 Capital Risk Management

The Company's objective when managing capital is to safe guard the company's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders or issue new shares.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

39.4 Fair value of financial instruments

The carrying value of all the financial instruments i.e. financial assets and liabilities reflected in the financial statements approximate their fair values.

39.5 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: Currency risk, interest rate risk and price risk.

39.5.1 Currency Risk

Currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to currency risk on import of raw materials and finished goods being denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is on account of outstanding letter of credits of Rs. 38.64 million (2014: Rs. 78.62 million).

39.5.2 Interest rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities include balance of Rs. 19.33 million (2014: Rs. 11.70 million) which is subject to interest rate risk.

Cash Flow Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, with all other variables remaining constant, the net income for the year would have been lower or higher by Rs. 0.193 million (2014: Rs. 0.117 million).

39.5.3 Price Risk

Price risk is 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 risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At present, the company is not exposed to price risk as there are no investments in marketable securities.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

39.5.4 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management planning policy to ensure availability of funds and to take appropriate measures for new requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	JUNE - 2015						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liability under finance lease	3,081,687	3,370,453	1,591,727	877,446	901,280	-	-
Trade and other payables	313,390,957	313,390,957	313,390,957	-	-	-	-
Mark-up & Profit accrued on loans and other payables	335,845	335,845	335,845	-	-	-	-
Short term borrowing	16,248,282	16,248,282	16,248,282	-	-	-	-
	333,056,771	333,345,537	331,566,811	877,446	901,280	-	-

	JUNE - 2014						(Rupees)
	Carrying Amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Liability under finance lease	7,841,679	8,725,910	3,091,195	3,037,602	2,102,807	494,306	-
Trade and other payables	258,100,792	258,100,792	258,100,792	-	-	-	-
Mark-up & Profit accrued on loans and other payables	467,791	467,791	467,791	-	-	-	-
Short term borrowing	3,857,920	3,857,920	3,857,920	-	-	-	-
	270,268,182	271,152,413	265,517,698	3,037,602	2,102,807	494,306	-

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	JUNE 2015 Numbers	JUNE 2014 Numbers
Installed Capacity		
Auto rickshaw (8 hours single shift basis)	20,000	20,000

Automotive parts

The capacity of the plant and machinery relating to automotive parts is indeterminable due to the versatility of production.

Actual Production

Auto Rickshaw	13,713	13,414
Automotive Parts		
Wheel Rims	85,328	51,722

The Company has a capacity of producing 20,000 Auto Rickshaw per annum on Single shift basis. Under utilization of capacity was due to lower demand of Auto Rickshaw.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014
41 NUMBER OF EMPLOYEES		
Number of permanent employees as at June 30,	692	622
Average number of employees during the year	613	606

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on August 24, 2015 has recommended a final Cash dividend of Rupee 1.00 per share i.e., 10% in addition to Interim cash dividend of Rupee 1.00 per share i.e., 10% already paid, thus making a total cash dividend of Rupees 2.00 per share i.e., 20% (2014: 20%) for the financial year ending June 30, 2015.

These Financial Statements for the year ended June 30, 2015 do not include the effect of the above dividend, which will be accounted for in the financial statements for the year ended June 30, 2016, once the dividend is approved in the forthcoming 24th Annual General Meeting.

43 DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on August 24, 2015.

44 CORRESPONDING FIGURES

Corresponding figures are re-arranged, wherever necessary, for the purpose of comparison. However, no such significant re-arrangements have been made in these financial statements.

45 GENERAL

The figures have been rounded off to the nearest rupees.


MIAN ASAD HAMEED
CHIEF EXECUTIVE


SAEED IQBAL KHAN
DIRECTOR