



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 the Pakistan Stock Exchange Limited. 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 01,2015 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.

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:

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after July 01,2016 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.

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



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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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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 realised.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

5 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

JUNE 2016 Number	JUNE 2015 Number	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
7,163,000	7,163,000		71,630,000	71,630,000
		Ordinary shares of Rupees 10 each fully paid in cash		
10,809,368	10,809,368	5.1	108,093,680	108,093,680
		Ordinary shares of Rupees 10 each allotted as bonus shares		
<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 (2015: Nil) were issued by the company during the current year.

6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	11	829,766	3,081,687
Less: Current portion shown under current liabilities		(773,456)	(2,232,871)
		<u>56,310</u>	<u>848,816</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		821,568	2,469,179
Less: Future finance charges		48,112	236,308
Present value		<u>773,456</u>	<u>2,232,871</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Due later than one year and not later than five years:			
Minimum lease payments		57,894	901,274
Less: Future finance charges		1,584	52,458
Present value		56,310	848,816
		<u>829,766</u>	<u>3,081,687</u>

The Company has entered into finance lease arrangements with leasing companies for lease of motor vehicles. The lease term of these arrangements is three years (2015: three years). The minimum lease payments have been discounted using the effective interest rates implicit in leases ranging from 12.72% to 12.94% per annum (June 30, 2015: From 12.13% to 12.94%) 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 0.53 million (June 30, 2015: 1.83 million), lessor's title to leased assets and personal guarantees of some directors of the Company. The Company intends to exercise its options to purchase the leased assets upon completion of the lease term.

7 DEFERRED LIABILITIES

Employee benefits obligation	7.1	93,494,529	79,464,470
Deferred taxation	7.2	25,007,352	26,434,964
		<u>118,501,881</u>	<u>105,899,434</u>

7.1 Employee benefits obligation

7.1.1 Net liability recognized in the balance sheet

Present value of defined benefit obligations		93,494,529	79,464,470
		<u>93,494,529</u>	<u>79,464,470</u>

7.1.2 Movement in the net liability recognized in the balance sheet

Net liability as at 1st July		79,464,470	65,363,532
Expense recognized in the profit & loss account	7.1.3	18,665,839	17,425,945
Liability discharged during the year		(3,305,166)	(6,410,005)
Benefit Payable transferred to Short Term Liability		(560,340)	-
Remeasurement recognized in other comprehensive income		(770,274)	3,084,998
Net liability as at June 30		<u>93,494,529</u>	<u>79,464,470</u>

7.1.3 Expense recognized in the profit & loss account

Current service cost		11,106,497	9,189,940
Interest cost		7,559,342	8,236,005
		<u>18,665,839</u>	<u>17,425,945</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

		JUNE 2016 Rupees	JUNE 2015 Rupees
7.1.4 Distribution of expense recognized in the profit & loss account	Note		
The expense is recognized in the following line items in the profit & loss account under the head salaries, wages and other benefits.			
Cost of sales		14,156,746	13,291,802
Administrative expenses		3,632,928	3,372,201
Distribution cost		876,165	761,942
		<u>18,665,839</u>	<u>17,425,945</u>
7.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation			June 30, 2016
Discount Rate + 100 bps			85,253,700
Discount Rate - 100 bps			103,281,660
Salary Increase + 100 Bps			103,469,264
Salary Increase - 100 Bps			84,942,214
7.1.6 Remeasurement recognised in Other Comprehensive Income			
Actuarial (gain) / losses from changes in financial assumptions		(647,381)	-
Experiences adjustments		<u>(122,893)</u>	<u>3,084,998</u>
Total remeasurement recognised in Other Comprehensive Income		<u>(770,274)</u>	<u>3,084,998</u>
7.1.7	The amount of expected expense of gratuity benefit in 2016-17 will be Rs. 18,351,392/- as per the actuary's report.		
7.1.8	The average duration of defined benefit obligation (unfunded) is 9.6 years (June 30, 2015, 9 Years).		
7.1.9 Principal actuarial assumptions			
The company has carried out actuarial valuation as at June 30, 2016 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:			
Discount rate for year end Obligation		7.25 % p.a.	9.75 % p.a.
Discount rate for interest cost in P&L charge		9.75 % p.a.	13.25 % p.a.
Expected rate of future salary increase		6.25 % p.a.	8.75 % p.a.
Mortality rates		SLIC 2001-2005 Setback 1 Year	SLIC 2001-2005 Setback 1 Year
Retirement age assumption		60 Years	60 Years
7.2 Deferred taxation			
The liability for deferred taxation comprises of temporary differences relating to:			
Accelerated depreciation for tax purposes		25,270,833	27,444,497
Liabilities under finance lease that are deducted for tax purposes only when paid		(263,481)	(1,009,533)
		<u>25,007,352</u>	<u>26,434,964</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

8 TRADE AND OTHER PAYABLES

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Creditors		252,618,272	239,960,225
Advances from trade customers		31,133,240	5,807,156
Accrued liabilities		11,102,138	18,486,016
Murabaha Payable: (Islamic)			
Meezan Bank Limited	8.1	-	16,681,711
Habib Bank Limited	10.5	-	22,587,743
Sales tax payable		9,677,069	163,667
Income tax deducted at source		2,539,878	797,186
Unclaimed Dividend		1,694,293	1,493,296
Payable towards:			
Workers' Profit Participation Fund	8.2	8,287,790	5,354,439
Workers' Welfare Fund	8.3	3,128,844	2,059,518
		<u>320,181,524</u>	<u>313,390,957</u>

8.1 Total amount of facility available from Meezan Bank Limited under Murabaha arrangement is Rs.100 million (June 30, 2015: Rs. 40 Million) for a maximum period of 180 days (June 30, 2015: 180 Days). The profit margin is charged at the rate of respective KIBOR plus spread of 2.0% (June 30, 2015: KIBOR plus spread of 2.0%) with Floor of Nil (June 30, 2015: 9%) and Cap of Nil (June 30, 2015: 22%) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 134.00 million (June 30, 2015: Rs. 54 Million) with Nil margin (June 30, 2015: 25%), first Paripassu charge over present and future current assets of the company amounting to Rs. 100.00 million (June 30, 2015: 40 Million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at balance sheet date is Rs. 100.00 million (June 30, 2015: 23.32 Million).

8.2 Workers' Profit Participation Fund

Balance at beginning of the year		5,354,439	4,731,493
Charged during the year	29	8,287,790	5,354,439
		<u>13,642,229</u>	<u>10,085,932</u>
Payment made during the year		(5,354,439)	(4,731,493)
		<u>8,287,790</u>	<u>5,354,439</u>

8.3 Workers' Welfare Fund

Balance at beginning of the year		2,059,518	1,832,231
Charged during the year		3,128,844	2,059,518
Adjustment for prior years		(63,683)	(465,867)
Charged to Profit & Loss account	29	3,065,161	1,593,651
		<u>5,124,679</u>	<u>3,425,882</u>
Payment made during the year		(1,995,835)	(1,366,364)
		<u>3,128,844</u>	<u>2,059,518</u>

9 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

Short term borrowing - secured	3,229	287,175
Liabilities against assets subject to finance lease	2,307	4,953
Profit on Murabaha Payable	-	43,717
	<u>5,536</u>	<u>335,845</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

10	SHORT TERM BORROWINGS	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
	Secured			
	Running finance under mark-up arrangements - Conventional			
	Allied Bank Limited	10.2	-	-
	Habib Bank Limited	10.3	-	-
	Finance against trust receipts - Conventional			
	Allied Bank Limited	10.4	-	16,248,282
	Habib Bank Limited	10.5	-	-
	Islamic Financing Facilities			
	Running Musharika	10.6	-	-
	Istisna	10.7	-	-
			<u>-</u>	<u>16,248,282</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;

2016		
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

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

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, 2015: Rs. 45.00 million). The mark-up is charged at the rate of three months average ask side Kibor plus 2.0% (June 30, 2015: three months average ask side Kibor plus 2.0%) with Floor rate of nil% (June 30, 2015: 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, 2015: 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, 2015: 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, 2015: 25% margin) on stocks. The un- utilized amount of this facility as at balance sheet date is Rs. 45.00 million (June 30, 2015: Rs. 45.00 million).
- 10.3 Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2015: 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, 2015: 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, 2015: Rs. 214.00 million) and specifically secured against First pari passu Hypothecation Charge of Rs. 90.00 million (June 30, 2015: 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, 2015: 20% margin). The un-utilized amount of this facility as at balance sheet date is Rs 50.00 million (June 30, 2015: Rs. 50.00 million) .



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- 10.4** Total amount available under this facility is Rs. 48.00 million (June 30, 2015: Rs. 48.00 million) for a maximum period of 90 days (June 30, 2015: of 90 days). The mark-up is charged at the rate of three months average ask side Kibor plus 2.00% (June 30, 2015: three months average ask side Kibor plus 2.0%) with floor rate of nil per annum (June 30, 2015: Nil).This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2015: 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, 2015: 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, 2015: Nil Margin). The un-utilized amount of this facility as at balance sheet date is Rs. 48 million (June 30, 2015: Rs. 31.75 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, 2015: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days (June 30, 2015: 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, 2015: three months average ask side Kibor plus 2.00%, for murabaha and 2.50% for FATR per annum). This facility is collaterally secured against First pari passu charge of Rs. 214 Million (June 30, 2015: 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, 2015: 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, 2015: 20%) of the Company, 5% Cash margin, (June 30, 2015: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Nil (June 30, 2015: 22.59) 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. 40.00 M (June 30, 2015: Rs.17.41 Million) which can be used for opening of Letter of Credit.
- 10.6** Total amount of facility available from Meezan Bank Limited under Running Musharika arrangement is Rs.60 million (June 30, 2015: Rs. Nil) . The profit margin is charged on quarterly basis at the rate of respective KIBOR plus spread of 2.0% (June 30, 2015: Nil) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 134.00 million (June 30, 2015: Rs. Nil), first Parripassu charge over present and future current assets of the company amounting to Rs. 100.00 million (June 30, 2015: Nil) and personal guarantees of some of the directors. The un-utilized amount of this facility as at balance sheet date is Rs. 60.00 million (June 30, 2015: Nil).
- 10.7** Total amount of facility available from Meezan Bank Limited under Istisna arrangement is Rs.40 million (June 30, 2015: Rs. Nil) for a maximum period of 180 days (June 30,2015: Nil). The profit margin is charged at the rate of respective KIBOR plus spread of 2.0% (June 30, 2015:Nil) per annum. This facility is secured against Paripassu charge over fixed assets (Land, Building and Machinery) of the company amounting to Rs. 134.00 million (June 30, 2015: Nil), first Parripassu charge over present and future current assets of the company amounting to Rs. 100.00 million (June 30, 2015: Nil) and personal guarantees of some of the directors. The un-utilized amount of this facility as at balance sheet date is Rs. 40.00 million (June 30, 2015: Nil).
- 10.8** The usage of total amount of facilities of Rs.143 Million (June 30, 2015: 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.130.00 Million (June 30, 2015: 130.00 Million) at any point of time.

11. CURRENT PORTION OF LONG TERM LIABILITIES

Liabilities against assets subject to finance lease

	JUNE 2016 Rupees	JUNE 2015 Rupees
Note		
6	773,456	2,232,871
	<u>773,456</u>	<u>2,232,871</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

12 PROVISION FOR TAXATION

	JUNE 2016 Rupees	JUNE 2015 Rupees
Balance at beginning	32,786,233	27,761,891
Add: Provision for the Year		
-Current Year	48,745,424	32,786,233
-Prior Year	(1,029,754)	(6,530,221)
Less: Payment/Adjustment during the year	(31,756,479)	(21,231,670)
	<u>48,745,424</u>	<u>32,786,233</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** During the year, Deputy Director (Admin) of the Punjab Employees Social Security Institution has created a demand of Rs. 6,574,682 on account of social security contribution including increase thereon under section 23(1) of the Social Security Ordinance, 1965. The Company has filed an appeal with Commissioner Appeals against this order, which is still pending. In the opinion of legal advisor, favorable outcome of the appeal is expected; hence no provision is made in these financial statements of said amount.
- 13.1.2** During the year, ACIR initiated proceedings under section 124/129/221 of Income Tax Ordinance 2001 for tax year 2008 and rejected the refund of Rs. 1.43 million. The company filed an appeal against this order with CIR (Appeals) and proceeding are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.
- 13.1.3** During the year, ACIR initiated proceedings under section 3(1A) of Sales Tax act 1990 for tax period July-Sep 2016 and created sales tax demand of Rs. 9.4 million. The company filed an appeal against this order with CIR (A). Subsequent to the year end, CIR (A) vacated the order of ACIR. However ACIR filed an appeal with ATIR, proceedings are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.
- 13.1.4** 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.
- 13.1.5** 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.
- 13.1.6** 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. 22.27 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). The proceedings are still pending, In the opinion of tax consultant, favorable outcome of the appeals are expected, hence no provision is made in these financial statements for these amounts.
- 13.1.7** During the previous years, DCIR initiated proceedings under section 122 (5A) for tax year 2009 and created a tax demand of Rs. 5.2 million. The company filed an appeal against this order with CIR (Appeals). Subsequent to the year end, The Company got relief up to Rs.4.86 million. For remaining tax demand of Rs. 0.34 million, company intends to file an appeal with ATIR. In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements for this amount.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

13.1.8 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 created further demand of tax of Rs. 368,995/-for tax year 2013, the 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.

13.1.9 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 2016 Rupees	June 2015 Rupees	June 2016 Rupees	June 2015 Rupees
LIMIT Nos.	PARTICULARS	LIMITS AVAILABLE		LIMITS UTILIZED	
	Not Later Than one Year				
1	Foreign LC Sight / Inland LC- Gross	440,000,000	390,000,000	90,836,072	124,727,908
2	FATR -Sublimit of Limit no.1	88,000,000	88,000,000	-	16,248,282
3	Murabaha Sublimit of Limit no.2	40,000,000	40,000,000	-	22,587,743
4	Murabaha Sublimit of Limit no.1	100,000,000	40,000,000	-	16,681,711
5	Murabaha-FIM Spot Sublimit of Limit no.1	-	40,000,000	-	-
6	Running Musharika Sublimit of Limit no. 1	40,000,000	-	-	-
7	Istisna Sublimit of Limit no.1	60,000,000	-	-	-
8	Guarantee	8,040,000	8,040,000	-	-
				JUNE 2016	JUNE 2015
				Rupees	Rupees

14 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	14.1	241,027,824	241,477,525
Capital work in progress	14.3	490,334	9,118,686
Advance for purchase of vehicle	14.4	3,000,000	-
		244,518,158	250,596,211



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

14.1 OPERATING FIXED ASSETS - Tangible

Particulars	2016				Rate %	Depreciation				W.D.V. as at 30-06-2016
	As at 01-07-2015	Additions/ (Deletions)	Transfer	As at 30-06-2016		As at 01-07-2015	For the Year	Adjustment	As at 30-06-2016	
Freehold land	85,164,954	-	-	85,164,954	-	-	-	-	-	85,164,954
Building and Civil Works on freehold land	80,462,050	7,811,351	-	88,273,401	5 to 10	45,085,647	3,511,321	-	48,596,968	39,676,433
Building and Civil Works on leasehold land	-	2,509,800	-	2,509,800	10	-	146,405	-	146,405	2,363,394
Plant and Machinery	195,339,599	4,866,771	-	200,206,370	10	111,234,601	8,580,876	-	119,815,477	80,390,892
Electric Fittings	8,074,296	-	-	8,074,296	10	4,852,263	322,203	-	5,174,466	2,899,830
Furniture and fittings	2,472,886	-	-	2,472,886	10	1,414,551	105,834	-	1,520,385	952,501
Office Equipment	4,069,536	274,869	-	4,344,405	10	2,081,740	219,395	-	2,301,135	2,043,270
Electric Installations	3,315,876	-	-	3,315,876	10	1,346,813	196,906	-	1,543,719	1,772,157
Vehicles	41,800,577	8,908,500 (13,004,716)	7,697,500	45,401,861	20	20,342,841	5,293,551	4,144,629 (7,987,456)	21,793,565	23,608,296
Assets subject to Finance Lease	420,699,774	24,371,291 (13,004,716)	7,697,500	439,763,849		186,358,456	18,376,491	4,144,629 (7,987,456)	200,892,119	238,871,728
Vehicles	11,225,000	-	(7,697,500)	3,527,500	20	4,088,792	1,427,241	(4,144,629)	1,371,404	2,156,096
	11,225,000	-	(7,697,500)	3,527,500		4,088,792	1,427,241	-	1,371,404	2,156,096
		-	-					(4,144,629)		
Total 2016	431,924,774	24,371,291 (13,004,716)	-	443,291,349		190,447,248	19,803,732	4,144,629 (12,132,085)	202,263,523	241,027,824

Details of property, plant and equipment sold during the year are given in note no.14.5

Particulars	2015				Rate %	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	-	45,085,647	35,376,403
Plant and Machinery	189,630,694	5,708,905	-	195,339,599	10	102,205,583	9,029,018	-	111,234,601	84,104,997
Electric Fittings	8,030,601	43,695	-	8,074,296	10	4,498,710	353,553	-	4,852,263	3,222,033
Furniture and fittings	2,472,886	-	-	2,472,886	10	1,296,958	117,593	-	1,414,551	1,058,335
Office Equipment	4,021,917	47,619	-	4,069,536	10	1,863,519	218,221	-	2,081,740	1,987,796
Electric Installations	3,255,976	59,900	-	3,315,876	10	1,131,910	214,903	-	1,346,813	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)	20,342,841	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)	186,358,456	234,341,317
Plant and Machinery	-	-	-	-	10	-	-	-	-	-
Vehicles	21,510,500	1,059,000	(11,344,500)	11,225,000	20	6,477,010	3,088,874	(5,477,092)	4,088,792	7,136,208
	21,510,500	1,059,000	(11,344,500)	11,225,000		6,477,010	3,088,874	-	4,088,792	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

14.2 Depreciation for the year has been allocated as follows:

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Cost of sales	26	12,827,503	13,697,577
Distribution cost	27	951,148	1,154,639
Administrative expenses	28	6,025,081	5,460,664
		<u>19,803,732</u>	<u>20,312,880</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

14.3 CAPITAL WORK-IN-PROGRESS

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Tangible			
Plant and machinery			
Opening balance		817,001	1,134,000
Additions made during the year		3,530,000	811,501
		4,347,001	1,945,501
Transferred to Plant & Machinery		4,347,001	794,500
Transferred to Sales Tax and Expenses		-	334,000
	14.3.1	-	817,001
Civil works			
Opening balance		7,811,351	7,095,135
Additions made during the year		-	716,216
		7,811,351	7,811,351
Transferred to operating fixed assets		7,811,351	-
		-	7,811,351
Intangible			
Opening balance		490,334	503,834
Additions made during the year		-	-
		490,334	503,834
Transferred to Intangible Assets		-	13,500
		490,334	490,334
		490,334	9,118,686

14.3.1 This includes Rs. Nil million (June 30, 2015: Rs. 0.817 million) on account of advance paid to supplier of machinery.

14.4 This balance represents the amount of advance paid to Atlas Honda Cars Limited for the purchase of three vehicles.

14.5 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
	Rupees				
Santro	698,000	92,123	500,000	Negotiation	Mr. Muhammad Sooba, B-2, PTCL Colony, Tufail Road, Lahore Cantt
Toyota Gli	1,844,500	928,644	1,470,000	Negotiation	Mr. Syed Muntazir Mahndi Naqvi, 4-A, Model Town, Store Area, Lahore
Suzuki Mehran	568,500	202,780	300,000	Negotiation	Mr. Syed Rehmat Naqvi, A-294, North Nazimabad, Block -A, Karachi
Suzuki Mehran	554,000	190,611	480,000	Negotiation	Mr. Zeeshan Amjad, 370 Al-hamad Colony, Abu Bakar Road, Allama Iqbal Town, Lahore
Suzuki Mehran	544,000	170,459	450,000	Negotiation	Mrs. Aysha Asif, 16-B, PCSIR, Arcad Housing Society, K-Block, Lahore.
Suzuki Cultus	600,000	79,971	470,000	Negotiation	Mr. Yasir Yousaf, 12 Awami Colony, Hakimian Bazar, Lahore
Suzuki Bolan	635,000	195,289	450,000	Negotiation	Mr. Muhammad Yousaf, 1379/179 Main Peco Road, Kot Lakhpat, Lahore.
Suzuki Bolan-	404,000	38,318	340,000	Negotiation	Mr. Ismail Khan, Post Office Ghazi, Tehsil Ghazi, Distric Haripur
Suzuki Bolan	476,500	82,386	325,000	Negotiation	Mr. Muhammad Pervaiz, 15, Street No.1, Mughalpur, Lahore
Suzuki Mehran	539,000	168,892	460,000	Negotiation	Mr. Muhammad Ittifaq Amir, 6, Street No. 34, Pakistani Chowk, Ichira, Lahore
Suzuki Mehran	563,216	185,260	450,000	Negotiation	Mr. Tahir Shafiq, 401 Muhallah Kshmir Nagar, Jalalpu Jattan, Gujrat
Suzuki Cultus	632,000	97,417	400,000	Negotiation	Mr. Muhammad Imran, 21-C, Phase II, Jodicial Colony, Raiwind Road, Lahore.
Audi	4,946,000	2,585,109	3,000,000	Negotiation	Mr. Saqib Shahzad, 25-B-2, Muhalla Dar ul Islam, Farooqabad, Sheikhpura
June 30, 2016	13,004,716	5,017,260	9,095,000		
June 30, 2015	669,000	133,284	720,000		



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

15 INTANGIBLE ASSETS

Particulars	(Rupees)					
	Cost			Amortization		Book Value as at 30-06-2016
	As at 01-07-2015	Additions/ (deletion)	As at 30-06-2016	As at 01-07-2015	For the Year	As at 30-06-2016
Intangible Assets	4,208,839	-	4,208,839	3,976,072	97,162	4,073,234
Jun-16	4,208,839	-	4,208,839	3,976,072	97,162	4,073,234
Jun-15	4,195,339	13,500	4,208,839	3,746,363	229,709	3,976,072

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.

16 LONG TERM LOANS AND ADVANCES - SECURED

Loans and advances - considered good, to:

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Executives		5,789,425	2,200,925
Non-Executives		17,701,729	12,591,179
		23,491,154	14,792,104
Less: Amount due within twelve months, shown under current loans and advances	21	10,033,939	5,015,000
		13,457,215	9,777,104

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

	Opening balance as at July 01, 2015	Disbursements	Repayments	Closing Balance as at June 30, 2016
Executives	2,200,925	4,800,822	1,212,322	5,789,425
Non-Executives	12,591,179	13,519,696	8,409,146	17,701,729
June 30, 2016	14,792,104	18,320,518	9,621,468	23,491,154
June 30, 2015	10,993,329	15,416,842	11,618,067	14,792,104

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 Rs. 2,970,000 (2015: Rs. 1,797,000). Receivable from executives of the Company does not include any amount receivable from Directors or Chief Executive.

17 LONG TERM DEPOSITS

Deposit with Pakistan Steel Mill	400,000	400,000
Utilities and others	1,037,137	1,237,137
	1,437,137	1,637,137

Long term deposits are given in the normal course of business and do not carry any interest or mark-up.

18 STORES, SPARES AND LOOSE TOOLS

Stores	2,584,331	2,092,685
Spares	385,410	410,515
Loose tools	12,450	5,004
	2,982,191	2,508,204



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

19 STOCK-IN-TRADE	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Raw materials and components		306,902,632	437,860,448
Work-in-process		15,490,216	16,984,905
Finished goods		167,986,268	97,592,914
Packing and other material		-	11,471
Less: Provision for slow moving items	19.1	(3,496,191)	(1,983,760)
		<u>486,882,925</u>	<u>550,465,977</u>
19.1 Provision for slow moving items			
Balance at the beginning of the year		1,983,760	-
Charged during the year	26	1,512,431	1,983,760
Balance at the closing of the year		<u>3,496,191</u>	<u>1,983,760</u>
20 TRADE DEBTS - Unsecured	20.1	<u>92,494,400</u>	<u>146,544,038</u>
20.1 Classification:			
Considered Good		92,494,400	146,544,038
Considered Doubtful		4,640,199	6,413,397
		<u>97,134,599</u>	<u>152,957,435</u>
Less: Provision for impairment in trade debts	20.2	(4,640,199)	(6,413,397)
		<u>92,494,400</u>	<u>146,544,038</u>
20.2 Provision for impairment in trade debts			
Balance at the beginning of the year		6,413,397	6,413,397
Charged during the year		4,640,199	-
		<u>11,053,596</u>	<u>6,413,397</u>
Written off during the year from provision		(1,696,677)	-
Reversal during the year		(4,716,720)	-
Balance at the closing of the year		<u>4,640,199</u>	<u>6,413,397</u>
21 LOANS & ADVANCES			
Advances - considered good			
- Current portion of loans and advances	16	10,033,939	5,015,000
- To employees for incurring business expenses		475,088	649,112
- To suppliers-unsecured		7,540,735	7,070,755
		<u>18,049,762</u>	<u>12,734,867</u>
22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Contract securities		446,900	1,046,900
Prepaid expenses		895,455	979,782
Letter of credit margin		3,866,962	1,931,275
Letter of credit in process		27,188,229	1,409,109
		<u>32,397,546</u>	<u>5,367,066</u>
23 OTHER RECEIVABLES			
Advance income tax		116,087,038	90,502,192
Others		2,338,780	14,310
		<u>118,425,818</u>	<u>90,516,502</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

24 CASH AND BANK BALANCES	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
Cash in hand		129,054	120,390
Balance with banks			
In current accounts - Conventional banking		72,507,695	15,628,758
In current accounts - Islamic banking		94,261,384	2,532,900
		<u>166,898,133</u>	<u>18,282,048</u>

25 SALES - NET			
Gross sales	25.1	3,444,552,544	2,971,445,347
Less:			
Sales tax		498,710,944	447,105,918
Sales returns		17,805,249	10,326,485
Commission		54,169,810	40,354,970
		570,686,003	497,787,373
		<u>2,873,866,541</u>	<u>2,473,657,974</u>

25.1 This includes Rs. 14.48 million (June 30, 2015: Rs.10.63 million) on account of export sales.

26 COST OF SALES			
Raw materials and components consumed		2,298,915,612	1,858,058,731
Salaries, wages and other benefits	26.1	195,626,423	184,480,954
Stores, spares and loose tools consumed		32,575,066	31,685,564
Power and fuel charges		43,368,444	48,292,762
Repair and maintenance		62,328,394	50,133,385
Other expenses		6,827,746	6,154,641
Provision for slow moving items	19	1,512,431	1,983,760
Depreciation	14.2	12,827,503	13,697,577
Amortization	15	97,162	229,709
		<u>2,654,078,781</u>	<u>2,194,717,083</u>
Opening work-in-process		16,984,905	16,685,065
		<u>2,671,063,686</u>	<u>2,211,402,148</u>
Closing work-in-process		15,490,216	16,984,905
Cost of goods manufactured		<u>2,655,573,470</u>	<u>2,194,417,243</u>
Opening finished goods		97,592,914	134,163,421
		<u>2,753,166,384</u>	<u>2,328,580,664</u>
Cost of finished goods purchased during the year		-	8,455,188
		<u>2,753,166,384</u>	<u>2,337,035,852</u>
Closing finished goods		167,986,268	97,592,914
		<u>2,585,180,116</u>	<u>2,239,442,939</u>

26.1 Salaries, wages and other benefits include Rs.14,156,746 (2015: Rs. 13,291,802) in respect of retirement benefits.

27 DISTRIBUTION COST			
Salaries and other benefits	27.1	13,429,128	12,593,075
Freight and octroi		38,979,469	26,866,386
Traveling & conveyance		2,808,478	4,104,669
Packing material consumed		2,880,817	3,224,687
Advertisement and sale promotion		5,793,094	14,573,226
Insurance		283,958	339,878
Rent, rates and taxes		2,806,236	919,265
After sales service		865,039	708,036
Printing & Stationery		749,989	620,076
Depreciation	14.2	951,148	1,154,639
		<u>69,547,356</u>	<u>65,103,937</u>

27.1 Salaries and other benefits include Rs.876,165 (2015: Rs.761,942) in respect of retirement benefits.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
28 ADMINISTRATIVE EXPENSES			
Salaries and other benefits	28.1	31,958,335	28,964,776
Electricity, gas and water charges		206,964	243,937
Communication expenses		4,035,611	2,858,350
Vehicle running expenses		3,505,986	4,313,165
Legal and professional		2,381,443	1,719,182
Traveling and conveyance		832,298	523,560
Fee and subscription		2,072,960	2,175,361
Insurance		270,698	814,358
Rent, rates and taxes		882,650	1,263,109
Printing and stationery		2,271,602	1,912,167
Entertainment		1,264,848	825,809
Office supplies		269,652	121,357
Miscellaneous expenses		941,298	474,194
Depreciation	14.2	6,025,081	5,460,664
		<u>56,919,426</u>	<u>51,669,989</u>
28.1 Salaries and other benefits include Rs. 3,632,928 (2015: Rs. 3,372,201) in respect of retirement benefits.			
29 OTHER OPERATING EXPENSES			
Auditors' remuneration	29.1	1,399,000	1,122,000
Exchange Loss		14,232	-
Provision for doubtful debts		-	4,716,720
Contribution towards:			
Workers' profit participation fund	8.2	8,287,790	5,354,439
Workers' welfare fund	8.3	3,065,161	1,593,651
		<u>12,766,183</u>	<u>12,786,810</u>
29.1 Auditors' remuneration			
Viqar A. Khan			
Workers' Profit Participation Fund Audit		17,000	17,000
Tax services		667,000	430,000
		<u>684,000</u>	<u>447,000</u>
Kabani & Co.			
Statutory audit		550,000	525,000
Half yearly review		150,000	150,000
Certificate fee		15,000	-
		<u>715,000</u>	<u>675,000</u>
		<u>1,399,000</u>	<u>1,122,000</u>
30 OTHER INCOME			
Income from financial assets			
Exchange Gain		-	75,170
Income from non Financial Assets			
Gain on sale of fixed asset		4,077,740	586,716
Reversal of Provision for impairment of trade debts		76,521	-
Miscellaneous Income		3,129,744	1,780,454
		<u>7,284,005</u>	<u>2,442,340</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016	JUNE 2015
		Rupees	Rupees
31 FINANCE COST			
Mark-up on:			
Short term borrowings - secured - Conventional		639,776	2,754,767
Profit on Murabaha - Islamic		1,002,219	3,289,843
Interest on Workers' Profit Participation Fund		445,060	485,224
Financial charges on finance lease		212,359	761,434
Bank charges, commission and others		480,255	149,896
		<u>2,779,669</u>	<u>7,441,164</u>

32 TAXATION

Current

For the Year	32.1	48,745,424	32,786,233
Prior Year	32.2	(1,029,754)	(6,530,221)

Deferred

For the Year		(1,427,612)	(283,441)
	32.5	<u>46,288,058</u>	<u>25,972,571</u>

32.1 The rate of tax has decreased from 33% to 32% 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 2015, except as mentioned in note

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

32.4 As per section 5A of Income Tax Ordinance, 2001, 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, 2016 (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, 2016.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

32.5	Tax charge reconciliation	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
	Profit before taxation		153,957,796	99,655,475
	Tax charge on accounting profit at applicable tax rate 32% (33%: 2015) as per Income Tax Ordinance, 2001		49,266,495	32,886,307
	Tax effect of amounts that are:			
	- not deductible for tax purposes			
	- allowable deductions for tax purposes		1,024,630	2,610,987
	Tax effect of profit attributable to presumptive income		(2,638,077)	(2,324,600)
	Effect of presumptive tax		171,819	54,725
	Tax effect due to reversal of prior year's WWF		(20,379)	(153,736)
	Tax credit due to investment		(486,677)	(570,891)
	Adjustment of prior year taxation		(1,029,754)	(6,530,221)
	Taxation for the year		46,288,058	25,972,571

33 EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share

Profit after taxation for the year	Rupees	107,669,738	73,682,904
Weighted average number of ordinary shares outstanding during the year	Number	17,972,368	17,972,368
Basic earnings per share - Rupees	Rupees	5.99	4.10

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, 2016 and June 30, 2015 which would have any effect on earning per share if the option to convert is exercised.

34 CASH GENERATED FROM OPERATIONS

Profit before taxation		153,957,796	99,655,475
Adjustment for non cash charges and other items:			
Depreciation		19,803,732	20,312,880
Amortization		97,162	229,709
Provision for gratuity		18,665,839	17,425,945
Financial and other charges		2,779,669	7,441,164
Other income		(7,284,005)	(2,442,340)
		34,062,397	42,967,358
		188,020,193	142,622,833
Working capital changes	34.1	91,215,367	(40,905,569)
(Increase)/Decrease in long term loans and advances		(3,680,111)	(2,943,719)
Cash generated from operations		275,555,449	98,773,546



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
34.1 Working capital changes			
(Increase)/decrease in current assets			
Store, spares and loose tools		(473,987)	1,438,299
Stock-in-trade		63,583,052	(76,685,291)
Trade debts		54,126,159	(42,372,813)
Loans and Advances		(5,314,895)	2,884,329
Trade Deposits and short term prepayments		(27,030,480)	17,270,965
Other receivables		(2,324,470)	-
Increase/(decrease) in current liabilities			
Trade and other payables		8,649,988	56,558,942
		<u>91,215,367</u>	<u>(40,905,569)</u>

35 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

Cash and bank balances	24	166,898,133	18,282,048
		<u>166,898,133</u>	<u>18,282,048</u>

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;

Remuneration, Allowances and benefits paid to Chief Executive	9,750,000	9,750,000
Remuneration, Allowances and benefits paid to Executive Director (s)	4,375,000	4,375,000

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Managerial Remuneration	9,360,000	9,360,000	4,200,000	4,200,000	-	-	23,192,520	22,532,100	36,752,520	36,092,100
Bonus & Leave encashment	390,000	390,000	175,000	175,000	-	-	1,868,289	1,883,225	2,433,289	2,448,225
Total	9,750,000	9,750,000	4,375,000	4,375,000	-	-	25,060,809	24,415,325	39,185,809	38,540,325
Number of persons	1	1	1	1	5	5	13	13	20	20

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

iii) HOUSEHOLD APPLIANCES

This segment relates to the sale of household appliances.

	Auto rickshaw		AutoMotive parts		Household appliances		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Segment revenue -Net	2,531,186,212	2,014,830,982	334,737,047	446,006,949	7,943,282	12,820,043	2,873,866,541	2,473,657,974
Segment operating results	160,767,511	107,869,429	863,948	9,237,661	(810,815)	(787,980)	160,820,644	116,319,109
Segment assets	614,731,327	623,203,260	241,870,009	314,505,356	18,337,315	25,138,143	874,938,651	962,846,759
Unallocated assets	-	-	-	-	-	-	302,740,239	125,815,162
Total assets							1,177,678,890	1,088,661,921
Segment liabilities	410,591,640	327,861,812	14,186,062	88,974,432	-	-	424,777,701	416,836,244
Unallocated liabilities	-	-	-	-	-	-	63,486,430	54,906,194
Total liabilities							488,264,131	471,742,438
Capital expenditure	15,606,632	11,278,940	136,307	229,527	-	-	15,742,939	11,508,467
Depreciation and amortization	13,702,142	14,057,955	6,180,549	6,463,603	18,203	21,029		
Non-cash charges other than depreciation and amortization	12,999,418	15,828,053	7,087,983	8,280,902	14,348	17,470		

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:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	JUNE 2016 Rupees	JUNE 2015 Rupees
FINANCIAL ASSETS			
Long term deposits	17	1,437,137	1,637,137
Trade debts	20	92,494,400	146,544,038
Loans and Advances	16 & 21	31,506,977	22,511,971
Trade Deposits	22	32,397,546	5,367,066
Bank Balances	24	166,898,133	18,282,048
		<u>324,734,193</u>	<u>194,342,260</u>

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

Pakistan	92,494,400	146,544,038
	<u>92,494,400</u>	<u>146,544,038</u>

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

Corporate Customers	29,154,373	41,561,054
Distributor	-	-
Dealers	56,855,406	103,019,921
Others	6,484,621	1,963,063
	<u>92,494,400</u>	<u>146,544,038</u>

The aging of trade debts at the reporting date was:

Not past due	29,723,481	63,080,889
Past Due 0-30 days	12,475,137	33,218,183
Past due 31-120 days	11,268,381	7,628,802
Past due more than 120 days	39,027,401	42,616,164
	<u>92,494,400</u>	<u>146,544,038</u>

The trade debts impaired has been disclosed in note 20.2 of these financial statements.

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.

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. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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. 90.84 million (2015: Rs. 38.64 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. 0.83 million (2015: Rs. 19.33 million) which is subject to interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

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

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. 0.008 million (2015: Rs. 0.193 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, 2016

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 - 2016						(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	829,766	879,462	612,397	209,181	76,592	-	-	
Trade and other payables	320,181,524	320,181,524	320,181,524	-	-	-	-	
Mark-up & Profit accrued on loans and other payables	5,536	5,536	5,536	-	-	-	-	
Short term borrowing	-	-	-	-	-	-	-	
	321,016,826	321,066,522	320,799,457	209,181	76,592	-	-	

		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	-	-	

40 PLANT CAPACITY AND ACTUAL PRODUCTION

Installed Capacity

Auto rickshaw (8 hours single shift basis)

JUNE 2016
Numbers

20,000

JUNE 2015
Numbers

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	18,010	13,713
Automotive Parts		
Wheel Rims	65,080	85,328

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 during the year.

41 NUMBER OF EMPLOYEES

Number of permanent employees at the year end

708

692

Average number of employees during the year

700

613



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on September 26, 2016 has recommended a final Cash dividend of Rupee 1.50 per share i.e., 15% 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 2.50 per share i.e., 25% (2015: 20%) for the financial year ending June 30, 2016.

These Financial Statements for the year ended June 30, 2016 do not include the effect of the above dividend, which will be accounted for in the financial statements for the year ended June 30, 2017, once the dividend is approved in the forthcoming 25th Annual General Meeting.

43 DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on September 26, 2016.

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