NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

Sazgar Engineering Works Limited 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

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated July 20, 2017 has communicated its decision that the companies whose financial year close on or before June 30, 2017 shall prepare the financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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 under 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 of approved accounting standards are effective for accounting periods beginning on 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, except for the following:

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation. The amendments provide clarification on number of issues, including:
-Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

-Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

-Notes – confirmation that the notes do not need to be presented in a particular order.

-Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The above do not have any significant impact on 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:

The following standards, amendments to the approved accounting standards and interpretations that are mandatory for the companies having accounting periods beginning on or after July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations:

Standards or Interpretation		Effective date
IFRS 2	Share-based Payment: Clarification of Classification and Measurement of Share-based Payment Transactions (Amendments)	January 01, 2018
IFRS 4	Insurance Contracts: interaction of IFRS 4 and IFRS 9 Financial Instruments (Amendments)	January 01, 2018
IFRS 7	Financial Instruments: Disclosures - Disclosure Initiative (Amendments)	January 01, 2017
IAS - 12	Income Taxes: Recognition of deferred tax assets for unrealized losses (Amendments)	January 01, 2017
IAS - 40	Investment Property: transfers or property to, or from, investment property (Amendments)	January 01, 2018
IFRIC - 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC - 23	Uncertainty over Income Tax Treatments	January 01, 2019

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 recognized 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, 2017

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 profit & loss account 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.

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 profit & loss account.

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 Loan, advances and Prepayments

These are recognized at cost, which is fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determine and any impairment loss is recognized for the difference between the recoverable amount.

3.7 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.

3.8 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 recognized in other comprehensive income or equity.

3.9 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.

3.10 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.

3.11 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.

3.12 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees using the exchange rate prevailing at 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.

3.13 Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 Research and Development

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 recognized 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	3.8
d)	Stock in trade	3.11
e)	Contingencies and Commitments	13

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 SHARE CAPITAL

5.1 AUTHORIZED SHARE CAPITAL

June 30, 2017 Number	June 30,2016 Number		Note	June 30, 2017 Rupees	June 30,2016 Rupees
50,000,000	50,000,000	Ordinary shares of Rupees 10 each fully paid in cash		500,000,000	500,000,000

5.2 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

June 30, 2017 Number	June 30,2016 Number		Note	June 30, 2017 Rupees	June 30,2016 Rupees
7,163,000	7,163,000	Ordinary shares of Rupees 10 each fully paid in cash		71,630,000	71,630,000
10,809,368	10,809,368	Ordinary shares of Rupees 10 each allotted as bonus shares	5.2.1	108,093,680	108,093,680
17,972,368	17,972,368			179,723,680	179,723,680

5.2.1 No bonus shares (2016: Nil) were issued by the company during the current year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		56,310	829,766
Less: Current portion shown under current liabilities	11	(56,310)	(773,456)
		-	56,310

The amount of future payments and the periods in which these payments will become due are as under:

		June 30, 2017	June 30,2016
Due not later than one year:			
Minimum lease payments		57,894	821,568
Less: Future finance charges		1,584	48,112
Present value		56,310	773,456
Due later than one year and not later than five years:			
Minimum lease payments		-	57,894
Less: Future finance charges		-	1,584
Present value		-	56,310
		-	-
		56,310	829,766

The Company entered into finance lease arrangements with leasing companies for lease of motor vehicles. The lease term of these arrangements is three years (2016: three years). The minimum lease payments have been discounted using the effective interest rates implicit in leases 12.72% per annum (June 30, 2016: From 12.72% 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 Rs. 0.16 million (June 30, 2016: Rs. 0.53 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

	Note	June 30, 2017	June 30,2016
Employee benefits obligation	7.1	116,308,552	93,494,529
Deferred taxation	7.2	22,027,082	25,007,352
		138,335,634	118,501,881

7.1 Employee benefits obligation

7.1.1 Net liability recognized in the balance sheet

	Note	June 30, 2017	June 30,2016
Present value of defined benefit obligations		116,308,552	93,494,529
		116,308,552	93,494,529

7.1.2 Movement in the net liability recognized in the balance sheet

	Note	June 30, 2017	June 30,2016
Net liability as at 1st July		93,494,529	79,464,470
Expense recognized in the profit & loss account	7.1.3	18,710,643	18,665,839
Liability discharged during the year		(4,640,050)	(3,305,166)
Benefit Payable transferred to Short Term Liability		(280,952)	(560,340)
Re-measurement recognized in other comprehensive income		9,024,382	(770,274)
Net liability as at June 30		116,308,552	93,494,529

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017 Rupees	June 30,2016 Rupees
7.1.3 Expense recognized in the profit & loss account		
Current service cost	12,110,676	11,106,497
Interest cost	6,599,967	7,559,342
	18,710,643	18,665,839

7.1.4 Distribution of expense recognized in the profit & loss account

The expense is recognized in the following line items in the profit & loss account under the head salaries, wages and other benefits.

	June 30, 2017 Rupees	June 30,2016 Rupees
Cost of sales	14,517,362	14,156,746
Administrative expenses	3,800,582	3,632,928
Distribution cost	392,699	876,165
	18,710,643	18,665,839

7.1.5 Year end sensitivity analysis(± 100 Bps) on Defined Benefit Obligation	**June 30, 2017**
Discount Rate + 100 bps	106,481,512
Discount Rate - 100 bps	127,947,451
Salary Increase + 100 Bps	128,165,157
Salary Increase - 100 Bps	106,115,940

7.1.6 Re-measurement recognized in Other Comprehensive Income

	June 30, 2017 Rupees	June 30,2016 Rupees
Actuarial (gain) / losses from changes in financial assumptions	153,124	(647,381)
Experiences adjustments	8,871,258	(122,893)
Total re-measurement recognized in Other Comprehensive Income	9,024,382	(770,274)

7.1.7 The amount of expected expense of gratuity benefit in 2017-18 will be Rs. 23,585,277/- as per the actuary's report.

7.1.8 The average duration of defined benefit obligation (unfunded) is 9 years (June 30, 2016, 9.6 Years).

7.1.9 Principal actuarial assumptions

The company has carried out actuarial valuation as at June 30, 2017 under the 'Projected Unit Credit Actuarial Cost Method'. The main assumptions used for actuarial valuation are as follows:

	June 30, 2017	June 30,2016
Discount rate for year end Obligation	7.75 % p.a.	7.25 % p.a.
Discount rate for interest cost in P&L charge	7.25 % p.a.	9.75 % p.a.
Expected rate of future salary increase	6.75 % p.a.	6.25 % 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:

	June 30, 2017 Rupees	June 30,2016 Rupees
Accelerated depreciation for tax purposes	22,044,262	25,270,833
Liabilities under finance lease that are deducted for tax purposes only when paid	(17,180)	(263,481)
	22,027,082	25,007,352

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
8 TRADE AND OTHER PAYABLES			
Creditors		398,537,709	252,618,272
Advances from trade customers		24,689,923	31,133,240
Accrued liabilities		14,373,886	11,102,138
Murabaha Payable: (Islamic)			
Meezan Bank Limited	8.1	26,874,842	-
Habib Bank Limited	10.5	3,561,718	-
Sales tax payable		-	9,677,069
Income tax deducted at source		10,645,379	2,539,878
Unclaimed Dividend		2,173,778	1,694,293
Payable towards:			
Workers' Profit Participation Fund	8.2	10,994,813	8,287,790
Workers' Welfare Fund	8.3	4,316,877	3,128,844
		496,168,925	320,181,524

8.1 Total amount of facility available from Meezan Bank Limited under Murabaha arrangement is Rs.100 million (June 30, 2016: Rs. 100 Million) for a maximum period of 180 days (June 30,2016: 180 Days). The profit margin is charged at the rate of respective KIBOR plus 2.0% (June 30, 2016: KIBOR plus spread of 2.0%). 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, 2016: Rs. 134 Million) with 25% margin (June 30, 2016: 25%), first paripassu charge over current assets of the company amounting to Rs. 100.00 million (June 30, 2016: 100 Million) and personal guarantees of some of the directors. The un-utilized amount of this facility as at balance sheet date is Rs. 73.13 million (June 30, 2016: Rs. 100 Million).

8.2 **Workers' Profit Participation Fund**

	Note	June 30, 2017	June 30,2016
Balance at beginning of the year		8,287,790	5,354,439
Charged during the year	29	10,994,813	8,287,790
		19,282,603	13,642,229
Payment made during the year		(8,287,790)	(5,354,439)
		10,994,813	8,287,790

8.3 **Workers' Welfare Fund**

	Note	June 30, 2017	June 30,2016
Balance at beginning of the year		3,128,844	2,059,518
Charged during the year		4,316,877	3,128,844
Adjustment for prior years		(78,380)	(63,683)
Charged to Profit & Loss account	29	4,238,497	3,065,161
		7,367,341	5,124,679
Payment made during the year		(3,050,464)	(1,995,835)
		4,316,877	3,128,844

9 MARK-UP & PROFIT ACCRUED ON LOANS AND OTHER PAYABLES

		June 30, 2017	June 30,2016
Short term borrowing - secured		-	3,229
Liabilities against assets subject to finance lease		625	2,307
Profit on Murabaha Payable		92,796	-
		93,421	5,536

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

		Note	June 30, 2017 Rupees	June 30,2016 Rupees
10	**SHORT TERM BORROWINGS**			
	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	-	-
	Habib Bank Limited	10.5	-	-
	Islamic Financing Facilities			
	Running Musharika	10.6	-	-
	Istisna	10.7	-	-
			-	-

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;

2017		
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

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

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, 2016: Rs. 45.00 million). The mark-up is charged at the rate of three months KIBOR plus spread of 2.0% (June 30, 2016: three months average ask side KIBOR plus 2.0%). This facility is collaterally secured against First charge on the present and future fixed assets for Rs. 185.00 million (June 30, 2016: Rs.185.00 million) and First paripassu Charge on present and future current assets of the Company to the extent of Rs.110.00 million (June 30, 2016: Rs. 110.00 million). This facility is specifically secured by Hypothecation of current assets of the Company with 25% margin (June 30, 2016: 25% margin). The un-utilized amount of this facility as at balance sheet date is Rs. 45.00 million (June 30, 2016: Rs. 45.00 million).

10.3 Total amount of finance available under this facility is Rs. 50.00 million (June 30, 2016: Rs. 50.00 million). The mark-up is charged at the rate of three months KIBOR + 2.5% per annum (June 30, 2016: three months average ask side KIBOR + 2.50 %). This facility is collaterally secured against First paripassu charge on fixed assets of Rs. 214.00 million (June 30, 2016: Rs. 214.00 million) and specifically secured against First paripassu Hypothecation Charge of Rs. 90.00 million (June 30, 2016: 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 Nil margin (June 30, 2016: 20% margin). The un-utilized amount of this facility as at balance sheet date is Rs 50.00 million (June 30, 2016: Rs. 50.00 million) .

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

10.4 Total amount available under this facility is Rs. 48.00 million (June 30, 2016: Rs. 48.00 million) for a maximum period of 90 days (June 30, 2016: of 90 days). The mark-up is charged at the rate of three months KIBOR plus spread of 2.00% (June 30, 2016: three months average ask side KIBOR plus 2.0%) .This facility is collaterally secured against First charge on present and future fixed assets for Rs. 185.00 million (June 30, 2016: Rs. 185.00 million) and First paripassu Charge on current assets of the company to the extent of Rs. 110.00 million (June 30, 2016: Rs. 110.00 million). This facility is specifically secured by way of trust receipts. The un-utilized amount of this facility as at balance sheet date is Rs. 48.00 million (June 30, 2016: Rs. 48.00 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. 40.00 million (June 30, 2016: Rs. 40.00 million) with an option to utilize under Murabaha Facility, for a maximum period of 120 days (June 30, 2016: 120 days). The mark-up is charged at the rate of three months KIBOR plus 2.50% for FATR and 2.00% for Murabaha, per annum (June 30, 2016: three months average ask side KIBOR plus 2.50%, for murabaha and 2.00% for FATR per annum). This facility is collaterally secured against First paripassu charge of Rs. 214.00 million (June 30, 2016: Rs. 214.00 million) on fixed assets of the company and specifically secured against First paripassu Hypothecation Charge of Rs. 90.00 million (June 30, 2016: Rs. 90.00 million) over current assets of the Company, comprising of raw material, work in process, finished goods, receivable and book debts with Nil margin (June 30, 2016: 20%) of the Company, 5% Cash margin, (June 30, 2016: 5%), Trust Receipts and accepted bill of exchange. Out of this facility a sum of Rs. 3.56 million (June 30, 2016: Nil) 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. 36.44 million (June 30, 2016: Rs.Nil) 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. 60.00 million (June 30, 2016: Rs. 60.00 million).This facility is a sub-limit of murabaha facility of Rs. 100.00 million (June 30, 2016: Rs. 100.00 million) (Note No. 8.1). The profit margin is charged on quarterly basis at the rate of respective KIBOR plus 2.0% (June 30, 2016: 2.0%) 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, 2016: Rs. 134.00 million), paripassu charge over current assets of the company amounting to Rs. 100.00 million (June 30, 2016: Rs. 100.00 million) 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, 2016: Rs. 60.00 million).

10.7 Total amount of facility available from Meezan Bank Limited under Istisna arrangement is Rs. 40.00 million (June 30, 2016: Rs. 40.00 million) for a maximum period of 180 days (June 30, 2016: 180 days). This facility is a sub-limit of murabaha facility of Rs. 100 million (June 30, 2016: Rs. 100.00 million) (Note No. 8.1). The profit margin is charged at the rate of respective KIBOR plus 2.0% (June 30, 2016: 2.0%) 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, 2016: Rs. 134.00 million), paripassu charge over current assets of the company amounting to Rs. 100.00 million (June 30, 2016: Rs. 100.00 million) 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, 2016: Rs. 40.00 million).

10.8 The usage of total amount of facilities of Rs.143.00 million (June 30, 2016: Rs. 143.00 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, 2016: Rs. 130.00 million) at any point of time.

		Note	June 30, 2017 Rupees	June 30,2016 Rupees
11	**CURRENT PORTION OF LONG TERM LIABILITIES**			
	Liabilities against assets subject to finance lease	6	56,310	773,456
			56,310	773,456
12	**PROVISION FOR TAXATION**			
	Balance at beginning		48,745,424	32,786,233
	Add: Provision for the Year			
	-Current Year		65,454,307	48,745,424
	-Prior Year		(1,182,232)	(1,029,754)
	Less: Payment/Adjustment during the year		(113,017,499)	(31,756,479)
			-	48,745,424

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

13.1.1 During the previous years, Deputy Director (Admin) of the Punjab Employees Social Security Institution has created a demand of Rs. 6,574,682/- for the year 2014 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.

13.1.2 During the previous years, 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 proceedings are still pending. In the opinion of tax consultant, favorable outcome is expected, hence no provision is made in these financial statements.

13.1.3 During the previous years, ACIR initiated proceedings under section 3(1A) of Sales Tax act 1990 for tax period July-Sep 2015 and created sales tax demand of Rs. 9.4 million. The company filed an appeal against this order with CIR (A) and 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 During the previous years, The appeal filed by the company with ATIR against the order of CIR (Appeals) for 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 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.

13.1.6 During the previous years, DCIR initiated proceedings under section 122 (5A) for tax year 2009 and created a tax demand of Rs. 5.44 million. The company filed an appeal against this order with CIR (Appeals) and got relief up to Rs.5.32 million. For remaining tax demand of Rs. 0.12 million, company file an appeal with ATIR. Further, during the year, the DCIR has also filed an appeal with ATIR against the Relief of Rs. 5.32 million given by the CIR (A) In the opinion of tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

13.1.7 During the previous years, DCIR initiated proceedings and passed an order under section 161/205 of Income Tax Ordinance 2001 for the tax year 2013 and created a demand of Rs. 70.98 million. The company filed an appeal against this order with CIR (Appeals) and CIR (Appeals) passed an order to remand back the case to DCIR. Subsequently, the company has filed an appeal with ATIR against the order of CIR (Appeals). The proceedings are still pending and in the opinion of the tax consultant, favorable outcome of the appeal is expected, hence no provision is made in these financial statements.

13.1.8 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) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

13.2 Commitments

13.2.1 Commitments in respect of outstanding letters of credit for raw material amount to Rs. 167.30 Million (June 30, 2016: Rs. 90.84 Million).

13.2.2 Commitments in respect of capital expenditures amount to Rs. 8.99 Million (June 30, 2016: Rs. Nil).

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
14 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1	264,189,676	241,027,824
Capital work in progress	14.3	267,517,497	490,334
Advance for purchase of vehicle	14.4	1,300,000	3,000,000
		533,007,173	244,518,158

14.1 OPERATING FIXED ASSETS - Tangible

2017										Rupees
	Cost				Depreciation					W.D.V.
Particulars	As at 01-07-2016	Additions/ (Deletions)	Transfer	As at 30-06-2017	Rate %	As at 01-07-2016	For the Year	Adjustment	As at 30-06-2017	as at 30-06-2017
Freehold land	85,164,954	22,527,054	-	**107,692,008**	-	-	-	-	**-**	**107,692,008**
Building and Civil Works on freehold land	88,273,401	-	-	**88,273,401**	5 to 10	48,596,968	3,880,802	-	**52,477,770**	**35,795,631**
Building and Civil Works on leasehold land	2,509,800	-	-	**2,509,800**	10	146,405	236,340	-	**382,745**	**2,127,055**
Plant and Machinery	200,206,370	5,486,326	-	**205,692,696**	10	119,815,477	8,204,244	-	**128,019,721**	**77,672,975**
Electric Fittings	8,074,296	1,115,063	-	**9,189,359**	10	5,174,466	336,444	-	**5,510,910**	**3,678,449**
Furniture and Fittings	2,472,886	- (161,254)	-	**2,311,633**	10	1,520,385	94,143	- (146,864)	**1,467,664**	**843,969**
Office Equipment	4,344,405	340,615 (203,778)	-	**4,481,242**	10	2,301,135	222,124	- (185,031)	**2,338,228**	**2,143,014**
Electric Installations	3,315,876	- (15,426)	-	**3,300,450**	10	1,543,719	177,030	- (12,993)	**1,707,756**	**1,592,694**
Vehicles	45,401,861	15,718,500 (3,443,400)	2,468,500	**60,145,461**	20	21,793,565	7,131,796	1,331,015 (2,167,403)	**28,088,972**	**32,056,489**
	439,763,849	45,187,558 (3,823,858)	2,468,500 -	**483,596,049**		200,892,119	20,282,923	1,331,015 (2,512,292)	**219,993,766**	**263,602,284**
Assets subject to Finance Lease										
Vehicles	3,527,500	-	(2,468,500)	**1,059,000**	20	1,371,404	431,219	(1,331,015)	**471,608**	**587,392**
	3,527,500	- -	(2,468,500) -	**1,059,000**		1,371,404	431,219	- (1,331,015)	**471,608**	**587,392**
Total 2017	443,291,349	45,187,558 (3,823,858)	- -	**484,655,049**		202,263,523	20,714,142	1,331,015 (3,843,307)	**220,465,374**	**264,189,676**

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

2016										Rupees
	Cost				Depreciation					W.D.V.
Particulars	As at 01-07-2015	Additions/ (Deletions)	Transfer	As at 30-06-2016	Rate %	As at 01-07-2015	For the Year	Adjustment	As at 30-06-2016	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**
	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**
Assets subject to Finance Lease										
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	- (4,144,629)	**1,371,404**	**2,156,096**
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**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

14.2 Depreciation for the year has been allocated as follows:

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
Cost of sales	26	12,802,373	12,827,503
Distribution cost	27	443,139	951,148
Administrative expenses	28	7,468,630	6,025,081
		20,714,142	19,803,732

14.3 CAPITAL WORK-IN-PROGRESS

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
Tangible			
Plant and machinery			
Opening balance		-	817,001
Additions made during the year		4,545,261	3,530,000
		4,545,261	4,347,001
Transferred to Plant & Machinery		-	4,347,001
	14.3.1	4,545,261	-
Civil works			
Opening balance		-	7,811,351
Additions made during the year		262,481,902	-
		262,481,902	7,811,351
Transferred to operating fixed assets		-	7,811,351
		262,481,902	-
Intangible			
Opening balance		490,334	490,334
Additions made during the year		-	-
		490,334	490,334
Transferred to Intangible Assets		-	-
		490,334	490,334
		267,517,497	490,334

14.3.1 This includes Rs. 4.55 million (June 30, 2016: Rs. Nil 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 one vehicle.

14.5 The detail of property, plant and equipment disposed off is as follows:

Particulars	Cost	Net Book Value	Sale Price	Mode of Disposal	Particulars of Purchaser
	Rupees				
Suzuki Cultus	943,000	288,660	630,000	Negotiation	Mr. Jamil Ahmed Sindhu,Makhny Wala, Dakhana Landy, Tehsil Chunian, Distt. Kasur.
Honda Civic	2,410,500	962,657	1,700,000	Negotiation	Mrs. Humera Imtiaz,H.No. 8, Street No. 29, Barni Street, Garhi Shahu, Lahore.
Honda CG125	89,900	24,680	25,000	Negotiation	Mr. Ghulam Murtaza, H.No. 23, Street No. 12, Block 6C-D, Green Town, Lahore.
Furniture and fixtures	161,254	14,389	21,889	Negotiation	Hi-Tech Cooling Centre, H-30 Link Temple Road, Lahore.
Office equipment	203,778	18,747	20,800	Negotiation	Hi-Tech Cooling Centre, H-30 Link Temple Road, Lahore.
Electric Installation	15,426	2,433	3,000	Negotiation	Hi-Tech Cooling Centre, H-30 Link Temple Road, Lahore.
June 30, 2017	**3,823,858**	**1,311,565**	**2,400,689**		
June 30, 2016	13,004,716	5,017,260	9,095,000		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

15 INTANGIBLE ASSETS

(Rupees)

Particulars	Cost			Amortization			Book Value
	As at 01-07-2016	Additions/ (deletion)	As at 30-06-2017	As at 01-07-2016	For the Year	As at 30-06-2017	as at 30-06-2017
Intangible Assets	4,208,839	-	4,208,839	4,073,234	84,786	4,158,020	50,819
Jun-17	**4,208,839**	**-**	**4,208,839**	**4,073,234**	**84,786**	**4,158,020**	**50,819**
Jun-16	4,208,839	-	4,208,839	3,976,072	97,162	4,073,234	135,605

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

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
Loans and advances - considered good, to:			
Executives		5,183,725	5,789,425
Non-Executives		19,994,348	17,701,729
		25,178,073	23,491,154
Less: Amount due within twelve months, shown under current portion of loans and advances	21	10,308,916	10,033,939
		14,869,157	13,457,215

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

	Opening balance as at July 01, 2016	Disbursements / Transfer	Repayments / Transfer	Closing Balance as at June 30, 2017
Executives	5,789,425	1,504,000	2,109,700	5,183,725
Non-Executives	17,701,729	14,823,154	12,530,535	19,994,348
June 30, 2017	**23,491,154**	**16,327,154**	**14,640,235**	**25,178,073**
June 30, 2016	**14,792,104**	**18,320,518**	**9,621,468**	**23,491,154**

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. 2,960,000 (2016: Rs. 2,970,000). Receivable from executives of the Company does not include any amount receivable from Directors or Chief Executive.

17 LONG TERM DEPOSITS

	June 30, 2017 Rupees	June 30,2016 Rupees
Deposit with Pakistan Steel Mill	400,000	400,000
Utilities and others	1,987,137	1,037,137
	2,387,137	1,437,137

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

	June 30, 2017 Rupees	June 30,2016 Rupees
Stores	2,318,991	2,584,331
Spares	400,800	385,410
Loose tools	8,940	12,450
	2,728,731	2,982,191

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

		Note	June 30, 2017 Rupees	June 30,2016 Rupees
19	**STOCK-IN-TRADE**			
	Raw materials and components		353,203,679	306,902,632
	Work-in-process		13,548,770	15,490,216
	Finished goods		191,425,090	167,986,268
	Less:			
	Provision for slow moving items	19.1	(4,163,512)	(3,496,191)
	Provision for Loss of Stock		(5,889,077)	-
			548,124,950	486,882,925
19.1	**Provision for slow moving items**			
	Balance at the beginning of the year		3,496,191	1,983,760
	Charged during the year	26	667,321	1,512,431
	Balance at the closing of the year		4,163,512	3,496,191
20	**TRADE DEBTS - Unsecured**	20.1	72,080,590	92,494,400
20.1	**Classification:**			
	Considered Good		72,080,590	92,494,400
	Considered Doubtful		8,099,517	4,640,199
			80,180,107	97,134,599
	Less: Provision for impairment in trade debts	20.2	(8,099,517)	(4,640,199)
			72,080,590	92,494,400
20.2	**Provision for impairment in trade debts**			
	Balance at the beginning of the year		4,640,199	6,413,397
	Charged during the year		3,459,318	4,640,199
			8,099,517	11,053,596
	Written off during the year from provision		-	(1,696,677)
	Reversal during the year		-	(4,716,720)
	Balance at the closing of the year		8,099,517	4,640,199
21	**LOANS & ADVANCES**			
	Advances - considered good			
	- Current portion of loans and advances	16	10,308,916	10,033,939
	- To employees for incurring business expenses		382,838	475,088
	- To suppliers-unsecured		105,005	7,540,735
			10,796,759	18,049,762
22	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Contract securities		446,900	446,900
	Prepaid expenses		962,214	895,455
	Letter of credit margin		5,052,638	3,866,962
	Letter of credit in process		26,645,564	27,188,229
			33,107,316	32,397,546
23	**OTHER RECEIVABLES**			
	Advance income tax		88,391,558	116,087,038
	Advance Sales tax		35,495,516	-
	Others		100,000	2,338,780
			123,987,074	118,425,818

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
24 CASH AND BANK BALANCES			
Cash in hand		161,580	129,054
Balance with banks			
In current accounts - Conventional banking		27,865,668	72,507,695
In current accounts - Islamic banking		39,275,642	94,261,384
		67,302,890	166,898,133
25 SALES - NET			
Gross sales	25.1	4,340,550,823	3,444,552,544
Less: Sales tax		622,951,466	498,710,944
Sales returns		22,131,718	17,805,249
Commission		77,323,146	54,169,810
		722,406,330	570,686,003
		3,618,144,493	2,873,866,541

25.1 This includes Rs. 56.40 million (June 30, 2016: Rs.14.48 million) on account of export sales.

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
26 COST OF SALES			
Raw materials and components consumed		2,771,117,862	2,298,915,612
Salaries, wages and other benefits	26.1	262,004,040	195,626,423
Stores, spares and loose tools consumed		46,572,513	32,575,066
Power and fuel charges		60,804,760	43,368,444
Repair and maintenance		91,008,296	62,328,394
Other expenses		6,569,135	6,827,746
Provision for slow moving items	19	667,321	1,512,431
Depreciation	14.2	12,802,373	12,827,503
Amortization	15	84,786	97,162
		3,251,631,086	2,654,078,781
Opening work-in-process		15,490,216	16,984,905
		3,267,121,302	2,671,063,686
Closing work-in-process		13,548,770	15,490,216
Cost of goods manufactured		3,253,572,532	2,655,573,470
Opening finished goods		167,986,268	97,592,914
		3,421,558,800	2,753,166,384
Cost of finished goods purchased during the year		8,529,779	-
		3,430,088,579	2,753,166,384
Closing finished goods		191,425,090	167,986,268
		3,238,663,489	2,585,180,116

26.1 Salaries, wages and other benefits include Rs.14,517,362 (2016: Rs. 14,156,746) in respect of retirement benefits.

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
27 DISTRIBUTION COST			
Salaries and other benefits	27.1	14,704,834	13,429,128
Freight and octroi		52,009,124	38,979,469
Traveling & conveyance		2,864,659	2,808,478
Packing material consumed		3,702,031	2,880,817
Advertisement and sale promotion		5,728,741	5,793,094
Insurance		369,533	283,958
Rent, rates and taxes		2,484,803	2,806,236
After sales service		860,104	865,039
Printing & Stationery		745,625	749,989
Depreciation	14.2	443,139	951,148
		83,912,593	69,547,356

27.1 Salaries and other benefits include Rs. 392,699 (2016: Rs.876,165) in respect of retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

		Note	June 30, 2017 Rupees	June 30,2016 Rupees
28	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	28.1	37,283,814	31,958,335
	Electricity, gas and water charges		288,352	206,964
	Communication expenses		4,955,437	4,035,611
	Vehicle running expenses		3,628,377	3,505,986
	Legal and professional		1,423,011	2,381,443
	Traveling and conveyance		639,306	832,298
	Fee and subscription		2,201,631	2,072,960
	Insurance		352,036	270,698
	Rent, rates and taxes		1,194,861	882,650
	Printing and stationery		3,124,637	2,271,602
	Entertainment		2,064,227	1,264,848
	Office supplies		193,748	269,652
	Miscellaneous expenses		1,065,999	941,298
	Depreciation	14.2	7,468,630	6,025,081
			65,884,066	56,919,426

28.1 Salaries and other benefits include Rs. 3,800,582 (2016: Rs. 3,632,928) in respect of retirement benefits.

		Note	June 30, 2017 Rupees	June 30,2016 Rupees
29	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	29.1	2,050,000	1,399,000
	Exchange loss		72,157	14,232
	Provision for loss of stock		5,889,077	-
	Provision for doubtful debts		3,459,318	-
	Contribution towards:			
	Workers' profit participation fund	8.2	10,994,813	8,287,790
	Workers' welfare fund	8.3	4,238,497	3,065,161
			26,703,862	12,766,183
29.1	**Auditors' remuneration**			
	Viqar A. Khan			
	Workers' Profit Participation Fund audit		-	17,000
	Tax services		1,290,000	667,000
			1,290,000	684,000
	Azim & Company			
	Workers' Profit Participation Fund audit		20,000	-
	H.Y.K & Co.			
	Statutory audit		575,000	550,000
	Half yearly review		150,000	150,000
	Certificate fee		15,000	15,000
			740,000	715,000
			2,050,000	1,399,000
30	**OTHER INCOME**			
	Income from non Financial Assets			
	Gain on sale of fixed asset		1,089,123	4,077,740
	Reversal of Provision for impairment of trade debts		-	76,521
	Miscellaneous Income		1,833,709	3,129,744
			2,922,832	7,284,005

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 Rupees	June 30,2016 Rupees
31 FINANCE COST			
Mark-up on:			
Short term borrowings - secured - Conventional		-	639,776
Profit on Murabaha - Islamic		481,740	1,002,219
Interest on Workers' Profit Participation Fund		549,208	445,060
Financial charges on finance lease		46,777	212,359
Bank charges, commission and others		711,845	480,255
		1,789,570	2,779,669
32 TAXATION			
Current			
For the Year	32.1	65,454,307	48,745,424
Prior Year	32.2	(1,182,232)	(1,029,754)
Deferred			
For the Year		(2,980,271)	(1,427,612)
	32.5	61,291,804	46,288,058

32.1 The rate of tax has decreased from 32% to 31% 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 2016, 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, for tax year 2017 and onwards, a tax shall be imposed at the rate of seven and a half percent of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Board of Directors has declared sufficient dividend out of the profits of the financial year ended June 30, 2017 (Note no.42), which complies with the above stated section. Therefore, no provision for tax has been recognized in these financial statements for the year ended June 30, 2017.

32.5 Tax charge reconciliation

	June 30, 2017 Rupees	June 30,2016 Rupees
Profit before taxation	204,113,745	153,957,796
Tax charge on accounting profit at applicable tax rate 31% (32%: 2016) as per Income Tax Ordinance, 2001	63,275,261	49,266,495
Tax effect of amounts that are:		
- not deductible for tax purposes		
- allowable deductions for tax purposes	1,446,896	1,024,630
Tax effect of profit attributable to presumptive income	(2,104,771)	(2,638,077)
Effect of presumptive tax	429,580	171,819
Tax effect due to reversal of prior year's WWF	(24,298)	(20,379)
Tax credit due to investment	(548,633)	(486,677)
Adjustment of prior year taxation	(1,182,232)	(1,029,754)
Taxation for the year	61,291,804	46,288,058

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

			Note	June 30, 2017 Rupees	June 30,2016 Rupees
33	**EARNINGS PER SHARE - BASIC AND DILUTED**				
	Basic earnings per share				
	Profit after taxation for the year	Rupees		142,821,941	107,669,738
	Weighted average number of ordinary shares outstanding during the year	Number		17,972,368	17,972,368
	Basic earnings per share - Rupees	Rupees		7.95	5.99

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, 2017 and June 30, 2016 which would have any effect on earning per share if the option to convert is exercised.

		Note	June 30, 2017 Rupees	June 30,2016 Rupees
34	**CASH GENERATED FROM OPERATIONS**			
	Profit before taxation		204,113,745	153,957,796
	Adjustment for non cash charges and other items:			
	Depreciation		20,714,142	19,803,732
	Amortization		84,786	97,162
	Provision of staff retirement gratuity		18,710,643	18,665,839
	Financial and other charges		1,789,570	2,779,669
	Other income		(2,922,832)	(7,284,005)
			38,376,309	34,062,397
			242,490,054	188,020,193
	Working capital changes	34.1	108,865,334	91,215,367
	Increase in long term loans and advances		(1,411,942)	(3,680,111)
	Cash generated from operations		349,943,446	275,555,449
34.1	**Working capital changes**			
	(Increase)/decrease in current assets			
	Store, spares and loose tools		253,460	(473,987)
	Stock-in-trade		(61,242,025)	63,583,052
	Trade debts		20,413,810	54,126,159
	Loans and advances		7,253,003	(5,314,895)
	Trade deposits and short term prepayments		(709,770)	(27,030,480)
	Other receivables		2,238,780	(2,324,470)
	Increase in current liabilities			
	Trade and other payables		140,658,076	8,649,988
			108,865,334	91,215,367
35	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents include:			
	Cash and bank balances	24	67,302,890	166,898,133
			67,302,890	166,898,133

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017 Rupees	June 30,2016 Rupees

36 TRANSACTIONS WITH RELATED PARTIES

The related party transactions are comprise of the remuneration, allowances and benefits paid to Chief Executive and Executive Directors in accordance with terms of thier appointment and meeting attending fee paid to non-executive directors.

The detail is given below;

	June 30, 2017 Rupees	June 30,2016 Rupees
Remuneration, Allowances and benefits paid to Chief Executive	10,324,355	9,750,000
Remuneration, Allowances and benefits paid to Executive Director (s)	5,975,404	4,375,000
Meeting fee paid to Non-Executive Director (s)	445,000	-

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:

(Rupees)

Particulars	Chief Executive		Executive Directors		Non Executive Directors		Executives		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Managerial Remuneration	9,739,355	9,360,000	5,712,904	4,200,000	-	-	36,686,960	23,192,520	52,139,219	36,752,520
Bonus & Leave encashment	585,000	390,000	262,500	175,000	-	-	3,640,178	1,868,289	4,487,678	2,433,289
Meeting Fee	-	-	-	-	445,000	-	-	-	445,000	-
Total	10,324,355	9,750,000	5,975,404	4,375,000	445,000	-	40,327,138	25,060,809	57,071,897	39,185,809
Number of persons	1	1	*2	1	6	5	24	13	33	20

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

*The remuneration of executive directors for the current financial year includes the remuneration paid to one executive director upto March 18, 2017 and two execuitve directors from March 27, 2017 to June 30, 2017.

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			
	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees	2017 Rupees	2016 Rupees
Segment revenue -Net	3,121,312,591	2,531,186,212	493,586,697	334,737,047	3,245,205	7,943,282	3,618,144,493	2,873,866,541
Segment operating results	218,610,000	160,767,511	9,043,686	863,948	(19,341)	(810,815)	227,634,345	160,820,644
Segment assets	922,096,456	614,731,327	255,264,158	241,870,009	23,881,144	18,337,315	1,201,241,758	874,938,651
Unallocated assets	-	-	-	-	-	-	207,200,837	302,740,239
Total assets							1,408,442,596	1,177,678,890
Segment liabilities	567,928,929	410,591,640	53,756,473	14,186,062	-	-	621,685,402	424,777,701
Unallocated liabilities	-	-	-	-	-	-	12,968,888	63,486,430
Total liabilities							634,654,290	488,264,131
Capital expenditure	313,514,721	15,606,632	-	136,307	-	-	313,514,721	15,742,939
Depreciation and amortization	14,877,570	13,702,142	5,910,857	6,180,549	10,501	18,203		
Non-cash charges other than depreciation and amortization	19,844,692	12,999,418	8,863,723	7,087,983	17,943	14,348		

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 30, 2017 Rupees	June 30,2016 Rupees
FINANCIAL ASSETS			
Long term deposits	17	2,387,137	1,437,137
Trade debts	20	72,080,590	92,494,400
Loans and advances	16 & 21	25,665,916	31,506,977
Trade deposits	22	33,107,316	32,397,546
Bank balances	24	67,302,890	166,898,133
		200,543,849	324,734,193

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

Pakistan	72,080,590	92,494,400
	72,080,590	92,494,400

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

Corporate customers	28,500,173	29,154,373
Distributor	-	-
Dealers & customers	38,124,280	56,855,406
Others	5,456,137	6,484,621
	72,080,590	92,494,400

The aging of trade debts at the reporting date was:

Not past due	8,915,100	29,723,481
Past Due 0-30 days	13,336,730	12,475,137
Past due 31-120 days	8,834,122	11,268,381
Past due more than 120 days	40,994,638	39,027,401
	72,080,590	92,494,400

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.

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. 167.30 million (2016: Rs. 90.84 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. 0.056 million (2016: Rs. 0.83 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. 0.001 million (2016: Rs. 0.008 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, 2017

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 - 2017						(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	56,310	57,894	57,894	-	-	-	-
Trade and other payables	496,168,925	496,168,925	496,168,925	-	-	-	-
Mark-up & profit accrued on loans and other payables	93,421	93,421	93,421	-	-	-	-
Short term borrowing	-	-	-	-	-	-	-
	496,318,656	496,320,240	496,320,240	-	-	-	-

	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	-	-

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	June 30, 2017	June 30,2016
	Numbers	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	21,193	18,010
Automotive Parts		
Wheel Rims	94,307	65,080

The excess production of Auto-Rickshaw over normal capacity is due to working on over-time schedule to meet the increased demand during the year.

41 NUMBER OF EMPLOYEES

Number of permanent employees at the year end	825	708
Average number of employees during the year	789	700

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors, at their meeting held on September 25, 2017 has recommended issuance of 20% bonus shares i.e. 20 ordinary shares for every 100 ordinary shares subject to the approval of shareholders in the forthcoming 26th Annual General Meeting of the Company. This is in addition to Interim cash dividend of Rupee 1.25 per share i.e., 12.50% already paid.

These Financial Statements for the year ended June 30, 2017 do not include the effect of the above stated recommendation of bonus shares, which will be accounted for in the financial statements for the year ended June 30, 2018, once it is approved in the forthcoming 26th Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

43 DATE OF AUTHORIZATION FOR ISSUE:

The Board of Directors of the Company has authorized these financial statements for issue on September 25, 2017.

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	SAEED IQBAL KHAN	MUHAMMAD ATIF RAO
CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER